



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0515.02 (003): Generally revise laws relating to school facilities consolidating two existing state special revenue accounts**

Primary Sponsor: Linda Reksten Status: As Amended in House Committee

☒ Included in the Executive Budget ☒ Needs to be included in HB 2 ☐ Significant Local Gov Impact
☐ Significant Long-Term Impacts ☐ Technical Concerns ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
Expenditures				
General Fund (01)	\$75,000,000	(\$3,065,407)	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
School Facility and Technology	\$1,689,060	\$0	\$11,766,014	\$10,720,919
Revenues				
General Fund (01)	\$108,000	\$102,000	\$98,000	\$91,000
State Special Revenue (02)	\$2,810,000	\$2,850,000	\$2,860,000	\$2,630,000
Net Impact	<u>(\$74,892,000)</u>	<u>\$3,167,407</u>	<u>\$98,000</u>	<u>\$91,000</u>
General Fund Balance				

Description of fiscal impact

HB 515, as amended, changes laws related to funding for school facilities and technology, consolidates two existing state special revenue accounts and their various revenue sources, and prioritizes the funding of programs. The bill adjusts the calculation variables within the state major maintenance aid formula, revises statutes related to the state technology payment, and removes outdated language related to the natural resource development payment. There is a one-time transfer from the general fund to the school facilities trust fund to bring the trust to its \$300 million cap in early FY 2026.

FISCAL ANALYSIS

Assumptions

Office of Public Instruction

1. HB 515, as amended, eliminates the school major maintenance aid state special revenue account in 20-9-525, MCA, and directs interest from the coal subtrust for school major maintenance to the school facility and technology state special revenue account in 20-9-516, MCA.
2. The bill combines the two funds into one fund and prioritizes the funds for the same purposes they were as two separate funds.
3. School facility and technology account current law revenues deposited to the fund include timber harvest revenues and riverbed revenues from state lands for public schools.
4. Excess interest and income revenue as provided in section 20-9-622, MCA, is to be included as available revenue for the programs described.

5. The bill repeals 20-9-534, MCA, which defined a \$1.0 million statutory appropriation distributed to K-12 public schools for school technology purposes. This statutory appropriation is included in the combined fund.
6. HB 515, as amended, strikes language in Section 5(3), in 20-9-502, MCA, that defines "school major maintenance amount" and instead refers to a definition in 20-9-525, MCA. This clarifies language that was duplicated here and in 20-9-525.
7. Section 7, defines the school major maintenance aid (SMMA) formula, with amendments to strike references to the SMMA account and directing the source of funding to come from the school facility and technology account.
8. The bill increases the state SMMA multiplier from 187% to 355%, the base SMMA amount from \$15,000 to \$40,000, and the rate per budget limit ANB is adjusted from \$110 to \$115 per budget limit ANB. This allows for more state funding to school districts SMMA.
9. The following table provides data intended show the current law availability, HB 151 affects, and the difference between the two as described above.

CURRENT LAW	FY 2026	FY 2027	FY 2028	FY 2029
SMMA Total Allowable	\$23,912,770	\$23,791,110	\$23,680,780	\$23,679,790
State Share	\$12,486,436	\$12,323,805	\$12,253,710	\$11,806,193
Local Share	\$11,426,334	\$11,467,305	\$11,427,070	\$11,873,597

Per HB 151	FY 2026	FY 2027	FY 2028	FY 2029
SMMA Total Allowable	\$36,088,805	\$35,961,615	\$35,846,270	\$35,845,235
State Share	\$24,584,503	\$24,411,974	\$24,322,106	\$23,653,694
Local Share	\$11,504,302	\$11,549,641	\$11,524,164	\$12,191,541

Amount of Change	FY 2026	FY 2027	FY 2028	FY 2029
SMMA Total Allowable	\$12,176,035	\$12,170,505	\$12,165,490	\$12,165,445
State Share	\$12,098,067	\$12,088,169	\$12,068,396	\$11,847,501
Local Share	\$77,968	\$82,336	\$97,094	\$317,944

10. The natural resource development K-12 school facilities payment in Section 10 removes outdated language and adds debt service assistance as a legislative intent of the K-12 school facilities payment general fund appropriation.
11. Section 12 directs any unencumbered and unexpended fund balance in the school major maintenance aid account to be transferred by June 30, 2025 to the school facility and technology account.
12. Section 12 of HB 515 directs a state general fund transfer by August 15, 2025, to the school facilities fund, a subtrust of the coal trust fund. This transfer is to bring the balance in the school facilities fund to \$300 million.
13. In the HJ 2 revenue estimate, the FY 2025 ending balance of the school facilities trust fund is projected to be \$225 million. To bring the balance of the fund up to \$300 million by August 15, 2025, there will be a transfer of \$75 million in early FY 2026 from the general fund to the trust fund.
14. With the school facilities fund moving to its \$300 million cap (17-5-703, MCA) quicker than would otherwise happen under current law, it will generate additional interest earnings. Using the average yield projected for the school facilities fund from the HJ 2 revenue estimate, these additional earnings compared to current law are estimated to be \$2.81 million in FY 2026, \$2.85 million in FY 2027, \$2.86 million in FY 2028, and \$2.63 million in FY 2029.

15. Since it will be capped, the school facilities fund will no longer receive 10% of the coal severance tax revenue distributed from the coal severance tax bond fund beginning in FY 2026 and beyond. Instead, that distribution will move to the coal severance tax permanent trust fund. Using the average yield projected for permanent fund investments from HJ 2, this new income into the permanent fund is estimated to generate interest earnings for the benefit of the general fund equal to \$108,000 in FY 2026, \$102,000 in FY 2027, \$98,000 in FY 2028, and \$91,000 in FY 2029.
16. Currently, in HB 2 after the Joint Education Subcommittee has completed their work, there is appropriated for the SSMA payments the following authority.

SMMA funding	FY 2026	FY 2027	FY 2028	FY 2029
State Share SMMA	\$24,584,503	\$24,411,974	\$24,322,106	\$23,653,694
GF HB 2 appropriation	\$7,720,443	\$12,190,381	\$12,556,092	\$12,932,775
SSR HB 2 appropriation	\$15,175,000	\$15,287,000	\$0	\$0
GF adjustment to appropriations	\$0	(\$3,065,407)	\$0	\$0
SSR adjustment to appropriations	\$1,689,060		\$11,766,014	\$10,720,919

Fiscal Analysis Table

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Transfers	\$75,000,000	\$0	\$0	\$0
Local Assistance	\$0	\$0	\$0	\$0
State Major Maintenance Aid	\$1,689,060	(\$3,065,407)	\$11,766,014	\$10,720,919
TOTAL Expenditures	\$76,689,060	(\$3,065,407)	\$11,766,014	\$10,720,919
<u>Funding of Expenditures</u>				
General Fund (01)	\$75,000,000	(\$3,065,407)	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
School Facility and Technology	\$1,689,060	\$0	\$11,766,014	\$10,720,919
TOTAL Funding of Expenditures	\$76,689,060	(\$3,065,407)	\$11,766,014	\$10,720,919
<u>Revenues</u>				
General Fund (01)	\$108,000	\$102,000	\$98,000	\$91,000
State Special Revenue (02)	\$2,810,000	\$2,850,000	\$2,860,000	\$2,630,000
TOTAL Revenues	\$2,918,000	\$2,952,000	\$2,958,000	\$2,721,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	(\$74,892,000)	\$3,167,407	\$98,000	\$91,000
State Special Revenue (02)	\$2,810,000	\$2,850,000	\$2,860,000	\$2,630,000
School Facility and Technology	(\$1,689,060)	\$0	(\$11,766,014)	(\$10,720,919)

Effect on County or Other Local Revenues or Expenditures

1. Local property taxes are estimated to increase by approximately \$80,000 beginning FY 2026.

REL
Sponsor's Initials

4/3/25
Date

RD
Budget Director's Initials

4/3/2025
Date