

FISCAL NOTE
Requested by Legislative Council
01/17/2017

Bill/Resolution No.: HB 1388

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$825,000,000			
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts		\$105,000,000	
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1388 repeals school district general, miscellaneous, tuition and special reserve levy authority, repeals the 12% state paid property tax credit program and modifies the K-12 funding formula to replace funding.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 2 modifies the K-12 funding formula.

The modified formula multiplies a school district's weighted student units times the statutory per student payment rate, adds the amount raised by the district's 2016 general fund levy, miscellaneous levy, tuition levy and special reserve fund levies, and subtracts a designated percentage of in-lieu of property tax revenue. The result is the amount of state aid to which a school district is entitled.

The bill eliminates or sunsets the following:

- Baseline funding provisions in the K-12 funding formula.
- School district general, miscellaneous, tuition and special reserve levies.
- 12% state paid property tax credit.
- Tax exemptions for tax increment financing, renaissance zone and single-family residential property.

HB 1388 increases state aid formula expenditures an estimated \$1,104,000,000, provides reductions in local property revenues by an estimated \$720,000,000 and decreases the state's commitment to the 12% state paid property tax credit by an estimated \$279,000,000.

See attachment for the assumptions and analysis used to determine the amounts.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*
- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

HB 1388 increases state expenditures an estimated \$825,000,000.

Funding sources have not been determined.

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Agency: Dept. of Public Instruction

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Date Prepared: 01/27/2017

HB 1388 Fiscal Note

	HB 1324		HB 1388	
	2017-18	2018-19	2017-19 Total	2017-18 2018-19 2017-19 Total
\1 Total Formula Amount	1,215,418,572	1,233,862,302	2,449,280,874	1,215,418,572 1,270,829,564 2,486,248,136
\2 Transition Maximum Adjustment	(12,606,567)	(12,762,580)	(25,369,146)	-
\2 Transition Minimum Adjustment	44,510,150	45,260,545	89,770,696	-
Adjusted Formula Amount	1,247,322,156	1,266,360,268	2,513,682,423	
\3 Contribution from Property Tax	(237,557,973)	(253,263,405)	(490,821,378)	1,215,418,572 1,270,829,564 2,486,248,136
Contribution from In-Lieu of Property Tax	(53,680,049)	(53,421,222)	(107,101,271)	320,270,531 320,270,531 640,541,061
State School Aid Formula Payment	956,084,133	959,675,641	1,915,759,774	(53,680,049) (53,421,222) (107,101,271)
Other State School Aid Formula Commitments	10,230,581	10,330,581	20,561,161	1,482,009,053 1,537,678,873 3,019,687,926
Total Formula Expenditures	966,314,713	970,006,222	1,936,320,935	10,230,581 10,330,581 20,561,161
HB 1388 difference from HB 1324				1,492,239,634 1,548,009,453 3,040,249,087
				1,103,928,152

Reconciliation:

Base Level funding in HB 1013	1,916,640,000
Cost to continue in HB 1324	19,680,935
Additional cost added by HB 1388	1,103,928,152
\4 12% state paid property tax credit	(279,000,000)
Added state cost of HB 1388	824,928,152
\5 Projected Local Property Tax Reduction	719,455,720
Increase in school district funding	105,472,432

NOTES:

- HB 1324 is the K-12 education policy bill as introduced at cost to continue. It is used here to contrast the differences to HB 1388
- \1 Per student payment rates in HB 1324 are \$9,646/\$9,646. Per student payment rates in HB 1388 are \$9,646/\$9,935
- \2 Transition minimum and maximum (baseline) adjustments are not included in HB 1388.
- \3 Contribution from property tax is 60 mills in HB 1324. HB 1388 eliminates the 60 mill deduction and instead adds an amount raised by school district's 2016 general miscellaneous, tuition and special reserve levies.
- \4 Projected cost to continue funding the 12% state paid property tax relief credit using an average annual increase of 7%
- \5 Amount raised by school district's 2016 general, miscellaneous, tuition and special reserve levies increased 7% each year for property valuation increase:

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