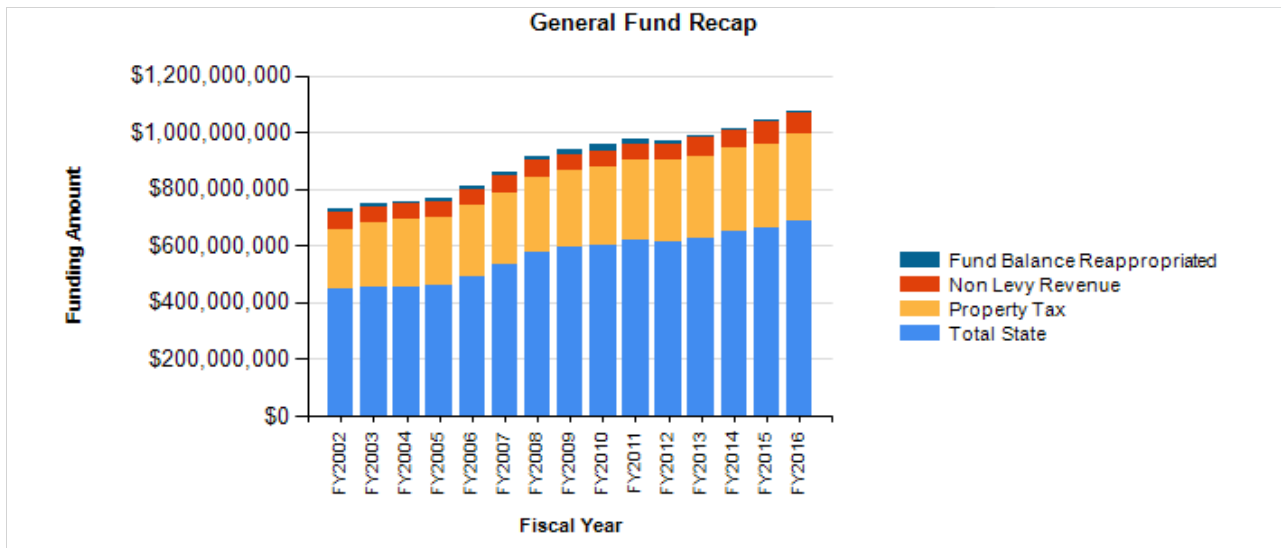


Nonlevy Revenue in School District General Fund Budgets

prepared for the School Funding Interim Commission
by Pad McCracken, Research Analyst, March 2016

School district general fund (GF) budgets recently hit the \$1 billion mark statewide. While state funding and local property taxes make up the lion’s share of GF revenues (nearly 93% in FY 2016) nonlevy revenues have fluctuated between 6-7% of GF revenues over the last decade and generated about \$73 million for GF budgets statewide in FY 2016—see chart and table below. This brief will provide a quick introduction to nonlevy revenues.



	Total State	Property Tax	Non Levy Revenue	Fund Balance Reappropriated	GF Total	State + Prop Tax	State + Prop Tax %	Non Levy %
FY2016	\$685,335,454	\$308,270,868	\$72,758,700	\$6,180,279	\$1,072,545,302	\$993,606,322	92.64%	6.78%
FY2015	\$664,070,829	\$295,570,015	\$76,610,316	\$4,867,277	\$1,041,118,437	\$959,640,844	92.17%	7.36%
FY2014	\$650,713,508	\$296,107,211	\$63,054,863	\$6,156,538	\$1,016,032,120	\$946,820,720	93.19%	6.21%
FY2013	\$627,397,541	\$286,725,618	\$67,492,629	\$4,259,611	\$985,875,400	\$914,123,160	92.72%	6.85%
FY2012	\$613,860,798	\$285,890,399	\$61,014,763	\$7,192,293	\$967,958,254	\$899,751,198	92.95%	6.30%
FY2011	\$619,225,828	\$282,500,090	\$56,032,219	\$19,679,426	\$977,437,563	\$901,725,918	92.25%	5.73%
FY2010	\$603,162,509	\$273,038,960	\$56,951,060	\$22,439,869	\$955,592,398	\$876,201,469	91.69%	5.96%
FY2009	\$595,327,407	\$267,961,436	\$60,196,324	\$14,583,237	\$938,068,405	\$863,288,844	92.03%	6.42%
FY2008	\$579,058,405	\$262,217,968	\$59,220,326	\$12,786,446	\$913,283,145	\$841,276,373	92.12%	6.48%
FY2007	\$531,516,667	\$255,741,255	\$57,165,810	\$14,078,937	\$858,502,668	\$787,257,922	91.70%	6.66%
FY2006	\$491,148,353	\$251,783,098	\$55,855,880	\$12,665,751	\$811,453,081	\$742,931,451	91.56%	6.88%
FY2005	\$460,639,571	\$241,510,250	\$54,714,699	\$10,990,328	\$767,854,848	\$702,149,821	91.44%	7.13%
FY2004	\$456,464,945	\$235,116,738	\$55,680,476	\$7,357,727	\$754,619,885	\$691,581,683	91.65%	7.38%
FY2003	\$455,391,458	\$224,488,301	\$55,858,827	\$13,332,484	\$749,071,070	\$679,879,759	90.76%	7.46%
FY2002	\$450,212,556	\$205,730,457	\$61,079,063	\$15,170,067	\$732,192,142	\$655,943,013	89.59%	8.34%

<http://gems.opi.mt.gov/SchoolFinance/Pages/GeneralFundRecap.aspx>

While no clear statutory definition of nonlevy revenue exists, 20-9-141(1)(b), MCA, requires that districts, in calculating their GF net levy requirements to:

(b) Determine the money available for the reduction of the property tax on the district for the general fund by totaling:

(i) the general fund balance reappropriated, as established under the provisions of 20-9-104;

(ii) amounts received in the last fiscal year for which revenue reporting was required for each of the following:

(A) **interest earned by the investment of general fund cash** in accordance with the provisions of 20-9-213(4); and

(B) any other revenue received during the school fiscal year that may be used to finance the general fund, excluding any guaranteed tax base aid;

(iii) **anticipated oil and natural gas production taxes**;

(iv) pursuant to subsection (4), **anticipated revenue from coal gross proceeds** under 15-23-703;

(v) **school district block grants** distributed under 20-9-630; and

(vi) any portion of the increment remitted to a school district under 7-15-4291 used to reduce the BASE levy budget. [TIF remittances]

Fund balance reappropriated is accounted for separately as shown on the chart on page 1. For FY 2015, nonlevy revenue allocated to districts' general funds totaled \$76.6 million; the table below shows the specific source of the majority of this revenue (bolded sources above), the number of districts utilizing each source, the range of revenue amounts generated, and the statewide total.¹

Nonlevy revenue source	# of districts	Low	High	Total (millions)
Interest earnings	374	\$3	\$100,000	\$0.8
Coal gross proceeds	9	\$22,000	\$860,000	\$2.3
O&G production taxes	103	\$1	\$1,800,000	\$12.5
HB 124 GF block grants	411	\$27	\$3,800,000	\$54.4
HB 124 Combined Fund block grants	78	\$35	\$60,000	\$0.5
SB 96 GF block grants	399	\$13	\$230,000	\$3.2
SB 96 Combined Fund block grants	61	\$9	\$10,000	\$0.1
Total				\$73.8

Apart from interest earnings, these nonlevy revenue sources are distributed by the state and are not calculated as part of the "state share". It may help to think of them as *formerly* local sources of nonlevy revenue, as they all reflect legislative changes in taxation and revenue flow that in effect diverted local revenue streams, brought them into the state, and rechanneled them back to the districts through various reimbursement mechanisms. These reimbursements are generally based on the amount of revenue previously received by the district and developed over the years to mitigate impacts on local school district taxpayers.

Prior to HB 28, the major school finance reform bill of the 1989 special session, coal and oil and natural gas were part of a district's property tax base. The coal gross proceeds and oil and natural gas production tax distributions are reimbursements for their removal from the property tax base. HB 124 (2001; commonly referred to as "the Big Bill") brought a number of taxes and fees formerly collected and distributed to school districts by counties to the state and created the block grants under 20-9-630, MCA, as reimbursements. SB 96 (2013) lowered the business equipment tax and added an additional reimbursement amount to the block grants. There are block grants dedicated to the district general fund and to the district transportation fund. A separate combined fund block grant may be allocated to any budgeted fund by the district trustees. Each session the legislature appropriates these block grants from the state general fund in House Bill No. 2.

¹ Numbers rounded and taken from OPIREV15