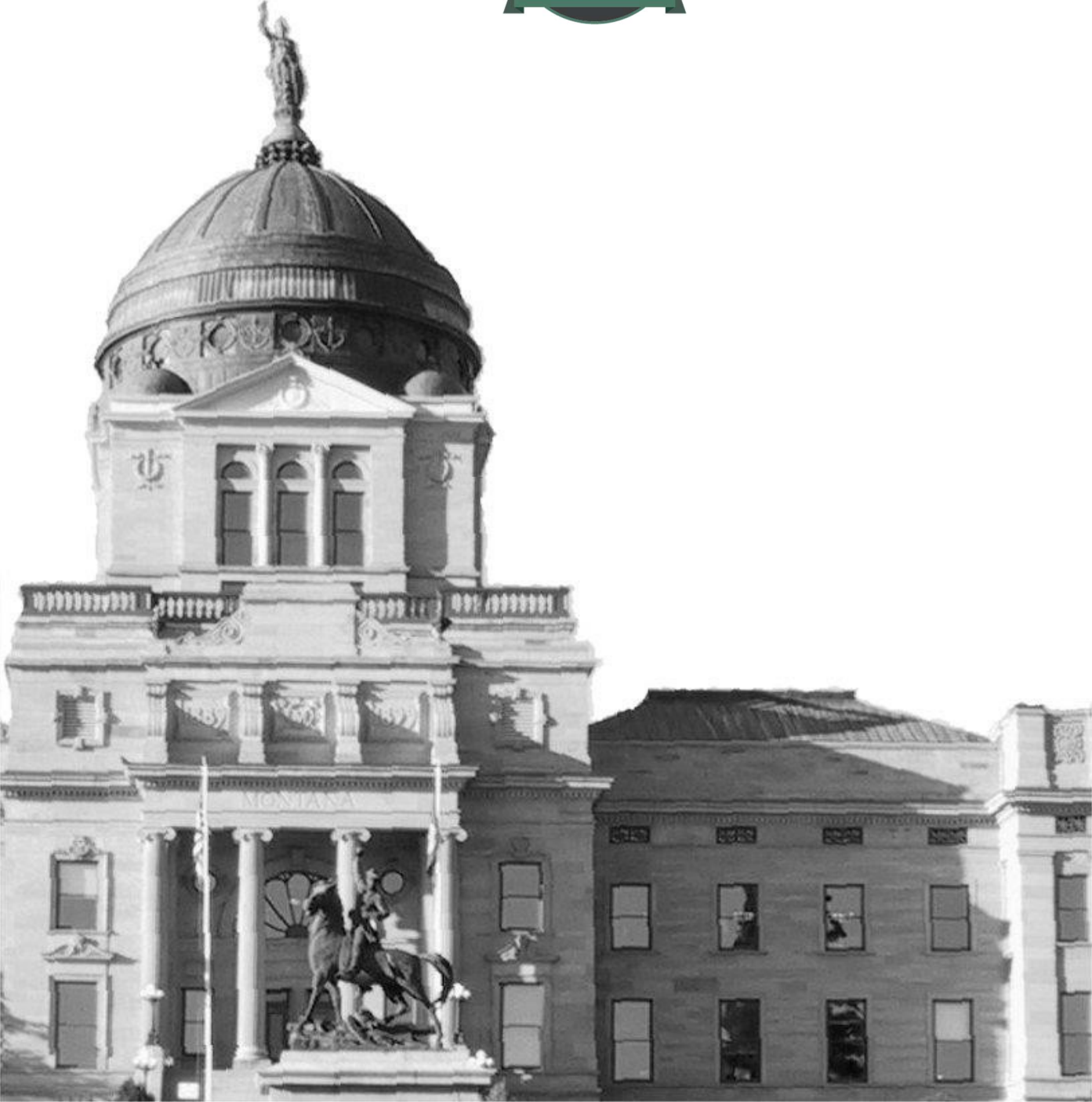


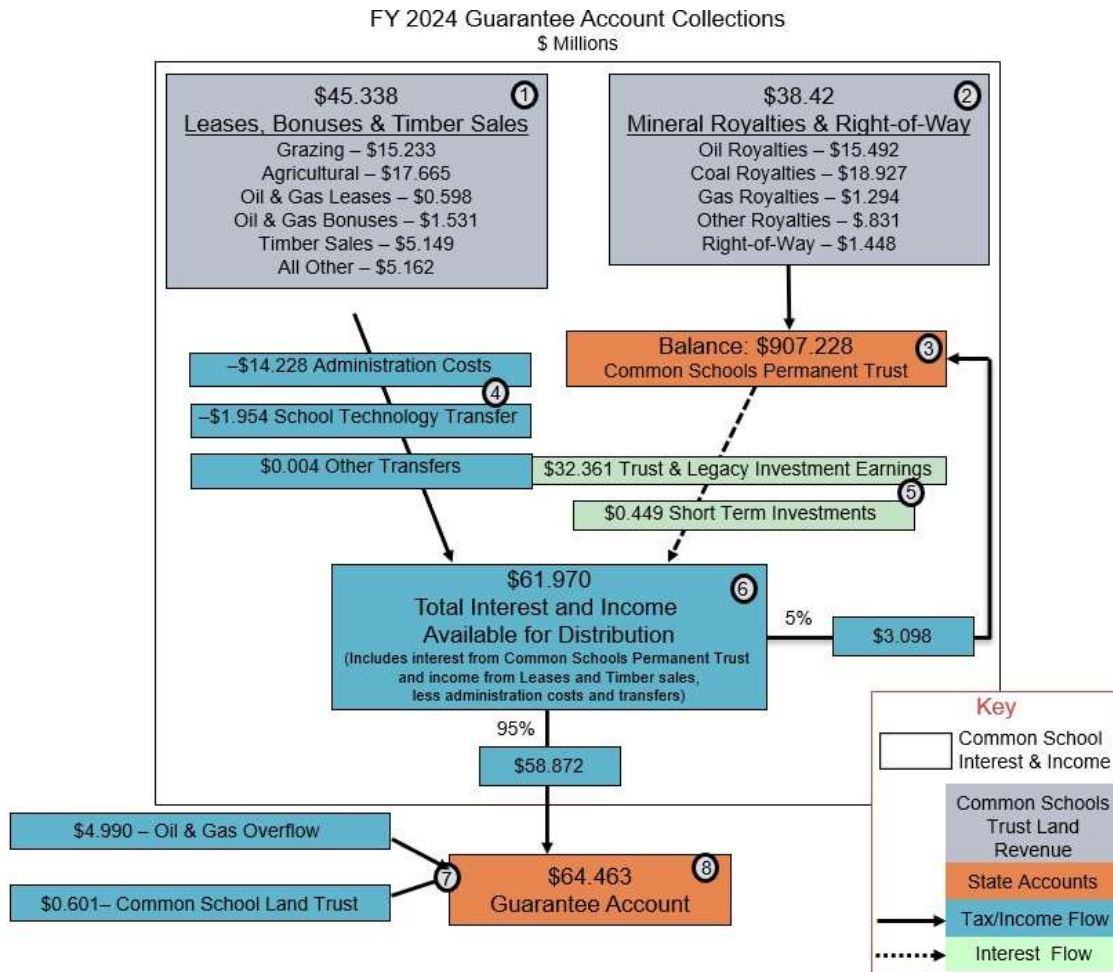
GUARANTEE FUND REVENUE



Guarantee Fund

Revenue Description

The Guarantee Fund is a state special revenue fund dedicated as the first source of school funding. It primarily receives revenue generated from common school state land and the subsequent interest on the Common School trust fund.



Leases, Bonuses & Timber Sales: Lands granted by the federal government to the state for the benefit of public schools generate income. Common school lands produce two kinds of revenue: distributable income such as interest earnings, agricultural rents or crop shares, and timber sale revenue; and permanent income that is returned to the trust as income from the sale of minerals, land, and easements.

Box 1 is the distributable income. This common school land revenue includes leases, bonuses and timber sales under 18 million board feet. Revenue from timber sales over 18 million board feet is transferred to the school facility and technology fund ([20-9-516, MCA](#)).

Mineral Royalties & Right-of-Way: This portion is deposited directly into the common schools permanent trust and includes right-of-way and sales of extractable resources such as oil, natural gas, and coal.

General Fund Related Sources

Guarantee Fund

□ Common Schools Permanent Trust: The [Enabling Act](#) states that “proceeds from the sale and other permanent disposition of any of the said lands and from every part thereof, shall constitute permanent funds for the support and maintenance of the public schools and the various State institutions for which the lands have been granted.” The Common Schools Permanent Trust holds the school dedicated funds.

□ Costs & Transfer: The amount of revenue deposited to the guarantee fund is net of amounts diverted for DNRC administration costs and those deposited directly to the school facility and technology fund shown in Box 4. The administration costs diversion funds operational costs in the Department of Natural Resources and Conservation (DNRC) for common school lands. The school facility and technology fund receives timber revenue in excess of 18 million board feet ([77-1-218, MCA](#)). This reduces the amount of revenue distributable to the Guarantee Fund.

□ Investment Earnings: Funds in the Common Schools Permanent Trust are invested by the [Montana Board of Investments](#), with the interest earned available for distribution. The majority of revenue (Trust & Legacy investment earnings) comes from fixed-income investments. A small amount comes from short-term investments which is interest on the cash when it comes into the Montana Board of Investments and before it is invested in the longer-term Trust Funds Investment Pool.

□ Common School Trust Land Interest and Income: This amount is comprised of the income from leases, bonuses, and timber (Box 1) less costs and transfers (Box 4), plus interest from the Common Schools Permanent Trust (Box 5). The money is distributed as follows:

- 95% is transferred to the state special revenue guarantee fund which is statutorily appropriated for schools
- 5% is reinvested in the Common Schools Permanent Trust
- Interest & income in excess of \$56 million is deposited into the school major maintenance account

□ Additional transfers to the Guarantee Fund: The legislature has in the past transferred additional money into the Guarantee Fund. In FY 2012 through FY 2014, navigable river revenues were redirected from the school facility and technology fund to the common schools guarantee fund as a result of [HB 165 \(2011 Session\)](#). [SB 175 \(2013 session\)](#) transferred \$11.5 million from the state general fund to the Guarantee Fund to fund the ongoing costs of restructuring the K-12 funding formula. Finally, excess oil and gas revenues to school districts contribute to the Guarantee Fund revenues.

□ Guarantee Fund: This is the state special revenue fund ([20-9-104, MCA](#)) which is statutorily appropriated to schools in the form of BASE aid. It is comprised of common school interest and income and other appropriations and is the first source of state school funding.

Statutory Reference: [20-9-622, MCA](#)

Applicable Tax Rates: N/A

Collection Frequency: Revenue from DNRC is distributed to the guarantee fund in February and June. Payments from other agencies vary from month to month.

Distribution: Statutorily appropriated to schools in the form of BASE aid

Forecast Risks

- Oil price
- Interest rates

Revenue Estimate Methodology

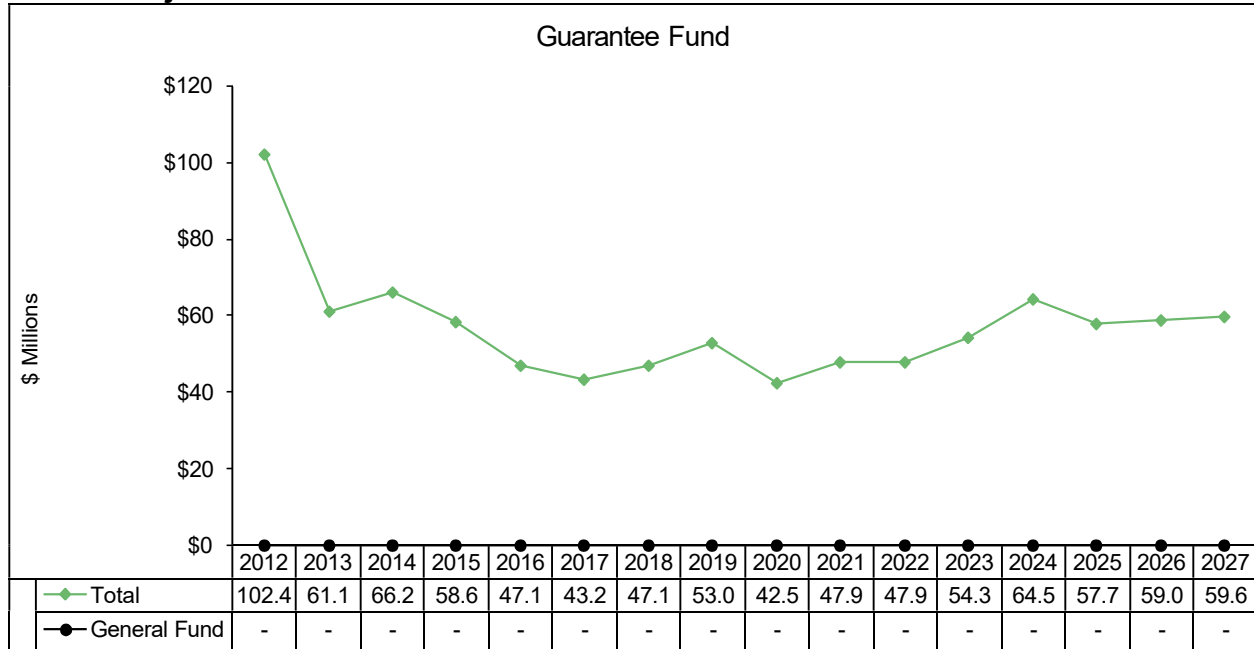
General Fund Related Sources

Guarantee Fund

The revenue for this source is primarily based on the estimate for Common Schools Interest and Income. Please see that section for more information on the revenue estimate methodology. Estimates of other transfers are based on statute.

Revenue Estimate Assumptions

Revenue Projection



Revenue History

