GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0156: Revise education funding laws by replacing school district BASE levies with countywide BASE levies**

Primary Sponsor: David Bedey

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

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Expenditures				
General Fund (01)	$0	$0	$0	$0
Revenues				
General Fund (01)	$0	$0	$0	$0
Net Impact General Fund Balance	$0	$0	$0	$0

Description of fiscal impact

HB 156 as amended, replaces the school district base levy with a countywide levy to support the base budgets of school districts. The calculation of GTB is applied to the countywide base levy along with adjustments to tuition, non-levy revenues, and modifying the duties of trustees, district clerks, county superintendents, and county treasures to align with these changes. There is no state fiscal impact associated with this bill, however, there will be new administrative processes placed on districts, counties, and state agencies such as the DOR and the OPI.

FISCAL ANALYSIS

Assumptions

1. Amendments to section 11 of HB 156 adjust language associated with calculating the number of mills to be levied on the taxable property in the county to finance the BASE funding levy. These changes constitute language "cleanup" and do not have a fiscal impact.
2. HB 156 revises school levy taxation to county level rather than by school district. All school budgets in a county would be levied to all property within the county rather than current law where each levy is based on the school district boundaries and the properties within the school district.
3. Section 20-5-323, MCA, is modified to direct the student's resident district to pay the district of attendance an amount equal to 20% of the over-BASE levy, from the lessor amount's district, as tuition for the student's out-of-district attendance.
4. Section 20-5-324, MCA, relates to tuition eligibility to receive state reimbursement or payments and is amended to remove language referring to estimated revenue received to the BASE of a district's general fund to reduce BASE levy and how the estimated value is not to affect the distribution of general fund GTB.

5. Section 20-9-101, MCA, is modified to include the BASE budget in the list of county budget obligations.
6. Section 20-9-104, MCA, the general fund operating reserve is changed, removing language that would permit excess reserves to reduce the BASE funding levy requirements.
7. Section 20-9-141, MCA, is the computation of general fund net levy requirements. This section is amended to change the calculation of net levy requirement at the district level to the county level.
8. A county superintendent is to calculate the levy requirements.
9. The county superintendent shall utilize a district's BASE funding calculated revenue requirement to determine the countywide levy for BASE funding support as described and report a district's over-BASE budget levy amount to the county commissioners to have a levy set in accordance with 20-9-142, MCA.
10. If a district has an amount of revenue directed to funding the district's general fund that results in an excess of revenue required to fund the district's over-BASE, the trustees of the district shall allocate that excess to another budgeted fund of the district to reduce local property taxes by the amount of the excess.
11. Section 20-9-212, MCA, the duties of the treasurer is amended to include, "the county tax for elementary and high school district BASE funding support, to be identified as a separate county level account."
12. Section 20-9-235, MCA, or a section providing for the authorization of a school district investment account, is amended to use district general fund interest earnings to reduce the BASE funding requirement. This redirects these revenues from a reduction in district property taxes.
13. Section 20-9-306, MCA, is amended to remove language associated with guaranteed tax base aid to a school district, additionally, the definition of BASE is adjusted to refer to the county levy and county GTB. This is an adjustment from the district level definition of BASE.
14. Section 20-9-308, MCA, or the description of BASE budget and general fund budget limits, is amended to strike references to district level general fund GTB and district level BASE levies, replacing them with the intended county level definitions described in the bill.
15. Section 20-9-310, MCA, is amended to remove language associated with oil and natural gas production taxes received by a district that impacts the amount of GTB a district may receive. This change reflects the adjustment of GTB to the county level from the district level.
16. Section 20-9-336, MCA, amends language that refers to GTB to align it with the county level calculation of GTB from that of the district level.
17. Section 20-9-366, MCA, is amends the definition of district level GTB ratio, to a county GTB ratio for both elementary and high school districts. Additional language directs "GTB budget areas for joint districts must be prorated to each county in which a part of the district is located in the same proportion as the district ANB of the joint district is distributed by pupil residence in each county."
18. Additional amendments to section 20-9-366, MCA, change the GTB multiplier to 280% for FY 2026 and removes all language for annual adjustments to the GTB multiplier.
19. Section 20-9-367, MCA, describes the eligibility to receive guaranteed tax base aid. Amended language concentrates on adjusting this eligibility from the district level to the county level.
20. Section 20-9-368, MCA, is amended to direct the amount of GTB from the district to the county level.
21. Section 20-9-369, MCA, or the duties of the superintendent of public instruction, amended language associated with the GTB ratio to the county from the district level.
22. New section 23 describes countywide levies to support BASE budgets and describes the portion of BASE not funded by state BASE aid and in consideration of isolation situations described in section 20-9-302, MCA, non-levy revenues, un-reserved fund balance reappropriated. This levy requirement is qualified for both elementary and high school settings and for districts with joint district settings.
23. New section 23 additionally directs prior county level fund balance to lower the countywide level amounts before mill setting.
24. The county superintendent shall:
    a. calculate the number of mills to be levied on the taxable property in the county to finance the BASE funding levy requirement by dividing the amount determined by the sum of: I) the amount of guaranteed tax base aid that the county will receive for each mill levied, as certified by the superintendent of public instruction; and II) the taxable valuation of the district divided by 1,000; and

b. report the number of mills required to fund the BASE funding levy requirement to the county commissioners by the later of the first Tuesday in September or within 30 calendar days after receiving certified taxable values.

25. The county commissioners shall fix and set the countywide BASE funding levies in accordance with 20-9-142, MCA.
26. The county superintendent of each county shall submit a report of the revenue amounts use to establish the BASE funding levy requirements to the superintendent of public instruction on or before September 15. The report must be completed on forms supplied by the Superintendent of Public Instruction.
27. New section 24 repeals section 15-1-409, MCA, which is the exclusion of certain property subject to property tax protest, guaranteed tax base, and tax refund.
28. New section 25 is a transition section which states that the legislature "intends this act to be fully operational in fiscal year 2027 with the first countywide levies to support BASE budgets levied in fiscal year 2027."
29. New section 27 applies applicability to fiscal years beginning on or after July 1, 2026, or FY 2027.
30. The effects of HB 156 will have implementation impacts on the OPI and county systems and will require changes in programming, and training of school districts, county offices. Planning, research and development will be required of the OPI along with statewide partners.

Effect on County or Other Local Revenues or Expenditures

1. County treasurers and county superintendents will have a great deal more involvement in determination of school district funding related to changes in HB 156.
2. Counties will have to reprogram county taxing forms or programs to calculate, collect, and distribute the taxes collected for school districts.

	2/3/2025		2/3/2025
Sponsor's Initials	Date	Budget Director's Initials	Date