



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0483.01: Revise laws to reduce property taxes while preserving the current 95 school equalization mills**

Primary Sponsor: Courtenay Sprunger Status: As Introduced

☐ 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 Difference</u> | <u>FY 2027 Difference</u> | <u>FY 2028 Difference</u> | <u>FY 2029 Difference</u> |
|-----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Expenditures | | | | |
| General Fund (01) | \$50,110,040 | \$24,500,000 | \$24,500,000 | \$24,500,000 |
| Revenues | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| Net Impact | <u>(\$50,110,040)</u> | <u>(\$24,500,000)</u> | <u>(\$24,500,000)</u> | <u>(\$24,500,000)</u> |
| General Fund Balance | | | | |

Description of fiscal impact

HB 483 requires the Office of Public Instruction (OPI) and the Department of Revenue (DOR) to report to the Education Interim Budget Committee on the impacts of reappraisal on school funding and property tax. The bill sets the 95 state equalization mills and the 1.5 vocational-technical education mills at their current rate and excluding them 15-10-420, MCA. The bill also amends the mechanisms within the school equalization and property tax reduction account (SEPTR) as well as changes the school district and retirement GTB multipliers for FY 2026 (only). HB 483 changes the on-schedule reimbursement rates for school transportation and adjusts the state and county share of the transportation schedule reimbursements. For state revenue collections no change is anticipated until after FY 2029. There are no implementation costs for DOR. Pupil transportation state general fund costs will increase by \$24.5 million per year beginning in FY 2026 and in FY 2026. State funded GTB costs will increase by \$25.6 million.

FISCAL ANALYSIS

Assumptions

Department of Revenue

1. 15-10-420, MCA requires the Department of Revenue (DOR) to calculate the revenue authority of the 95 equalization mills authorized via the 33 elementary equalization mills of 20-9-331, MCA, the 22 high school equalization mills of 20-9-331, MCA, and the 40 state equalization mills of 20-9-360, MCA. These mills are calculated simultaneously.
2. Whenever the calculations of the 95 mills result in more than 95, the state 'banks' the mills under the carry forward provisions of 15-10-420(1)(b), MCA.
3. When the calculations of the 95 mills results in less than 95 mills, the state utilizes banked mills to target the full 95 equalization mills.

4. In Tax Year 2025 (FY 2026) the state has 13.74 banked mills. The state is projected to use all these mills by TY 2029.
5. The above concepts also hold true for the 1.5 vocational technical education mills authorized by 20-25-439 MCA. In FY 2026, the banked mill authority is 0.17 mills.
6. HB 483 exempts these mills from the 15-10-420 calculation, meaning they will stay at 95 mills for school equalization and 1.5 mills for vocational-technical education.
7. Based on the expectation that these mills would float down beginning TY 2029, there is no effect of exempting these mills from 15-10-420 during the next two biennia contained in this fiscal note.
8. HB 483 requires the department to work with the Office of Public Instruction to report to the education interim committee the estimated effects of reappraisal. There is no implementation cost associated with this requirement.

Office of Public Instruction

9. Section 3 of HB 483 is changed to include additional language indicating that the definition of BASE budget is subject to adjustment under 20-9-336, MCA.
10. The bill redefines the calculation and distribution of additional funding into the school equalization and property tax reduction (SEPTR) account beginning in FY 2027 and includes clarifying language.
11. Additional revisions to 20-9-336, MCA, clarify the current calculation when the forecasted amount of revenue estimated to be received by the account is less than \$2,000,000.
12. Language further revises for situations where the formula indicates an increase of more than 105% in projected revenue to the SEPTR account. This would cause recalculation and changes in the percentage of state funding within the county retirement GTB calculation. After the county retirement GTB reaches the cap in this law, the basic and per-ANB entitlements state share is to adjust to a maximum. This adjusts state share of these entitlements from current law 35.3% of 80% to 45.3% of 90% paid by the state as direct state aid.
13. These adjustments are to be made to mitigate increases in the amount of BASE property taxes on a statewide basis.
14. This calculation is intended to impact the year of distribution where the change in property tax value affecting the property tax mills collected for school equalization impact the ensuing year and utilizing a GTB budget area for the prior year based on the adjusted percentages of the basic and per-ANB entitlements.
15. The following table represents how this would work. Based on current modeling it is unlikely that the formula adjustments would be required until FY 2028 and would represent an unlikely and extreme situation.

| | | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|----|------------------------------|---------------|---------------|---------------|---------------|
| a. | TV Inflation increase est. | 115.50% | 101.07% | 111.07% | 101.05% |
| b. | Estimated Taxable Value (TV) | \$508,200,000 | \$513,637,740 | \$570,497,438 | \$576,487,661 |
| c. | TV Change | \$68,200,000 | \$5,437,740 | \$56,859,698 | \$5,990,223 |
| d. | Est. Mill Revenue | \$6,479,000 | \$516,585 | \$5,401,671 | \$569,071 |
| e. | Percent Change | | -92% | 946% | -89% |

16. Further amendments to section 20-9-336, MCA, include resulting adjustments in cases where the increase of estimated 95 mill revenue is met and requires a two-tier adjustment described as follows:
 - a. First, increase the retirement GTB multiplier, rounded to the nearest whole number, to result in an increase in the amount of retirement GTB distributed to counties equal to the amount forecast in assumption 5 above. The retirement GTB multiplier is not to increase above 305%. If the amount of increase results in a distribution greater than the amount that would result from the retirement GTB multiplier of 305% then the following:
 - b. The OPI is then required to increase the percentages of the basic and per-ANB entitlements in 20-9-306(2)(b) & (3)(a), not to exceed 45.3% and 90% respectively, by the nearest whole number determined to result in an increase in the amount of GTB distributed to districts equal to the amount remaining after

the calculation of assumption 5 above and after the full adjustments due to increased distributions to retirement GTB described in (a.) above.

17. Section 20-9-366, MCA, is amended by setting the district general fund GTB ratio to 300% for FY2026 and 262% in each succeeding fiscal year after. This section is additionally amended by striking language associated with adjustments to the district general fund multiplier associated with distribution of revenues transferred to the state general fund pursuant to section 16-12-111, MCA.
18. Finally, section 20-9-366, MCA is amended for adjustments to the retirement GTB multiplier to set the multiplier to 210% for FY 2026 and 189% in each succeeding fiscal year after.
19. The statewide present law taxable valuations are forecast to increase by 15.50% in FY2026, 1.07% in FY2027, 11.07% in FY2028 & 1.05 in FY2029.
20. Section 20-9-336, MCA, defines a calculation for setting the GTB multiplier for both school district general fund GTB and retirement GTB, these are currently assumed as follows, General Fund GTB FY2026 = 262% & FY2027 = 262%, Retirement GTB FY2026 = 189% & FY2027 = 305%
21. The following tables show changes to district general fund GTB and county retirement GTB related to effect of HB 483.

| District General Fund GTB | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|-----------------------------|----------------|---------|---------|---------|
| State GF GTB change | \$17,899,092 | \$0 | \$0 | \$0 |
| Local School Property Taxes | (\$17,899,092) | \$0 | \$0 | \$0 |

| County Retirement GTB | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|--|---------------|---------|---------|---------|
| State County Retirement GTB | \$7,710,949 | \$0 | \$0 | \$0 |
| Local County Retirement Property Taxes | (\$7,710,949) | \$0 | \$0 | \$0 |

22. Section 20-10-141, or the schedule of maximum reimbursement by mileage rates for pupil transportation, adjusts the rates for school bus reimbursement transportation payments.

| Bus Type | Initial Rate | Proposed Rate |
|-----------------------------|--------------|---------------|
| E type bus | \$0.50 | \$1.00 |
| not more than 49 passengers | \$0.95 | \$1.90 |
| 50 to 59 passengers | \$1.15 | \$2.30 |
| 60 to 69 passengers | \$1.36 | \$2.72 |
| 70 to 79 passengers | \$1.57 | \$3.14 |
| 80 or more passengers | \$1.80 | \$3.60 |
| Non-bus mileage | \$0.50 | \$1.00 |

*e type bus is defined in section 20-10-101(5)(a)(ii)

23. Section 20-10-144, MCA, or the computation of revenue and net tax levy requirements for district transportation fund budget, is amended for the ration of the “schedule” amount determined, or the total transportation fund budget, whichever is less, is divided by 4 and is used to determine the available state and county revenue to be budgeted on the following basis:
 - a. three-fourths is the budgeted state transportation reimbursement
 - b. fourth is the budgeted county transportation fund reimbursement
24. Sections 20-10-145 & 20-10-146, MCA are amended to reflect the “schedule” ratio of $\frac{3}{4}$ state reimbursement and $\frac{1}{4}$ county reimbursement.
25. The current ~~schedule~~ estimated budgeted totals to support school districts for pupil transportation is estimated at \$24.5 million annually. Under current statute this support is split approximately equally between county levy support and state support totaling a state cost of approximately \$12.2 million annually.

26. HB 483 proposes to increase the schedule bus rate reimbursement as well as adjust the ratio from 50% county and 50% state schedule distribution to 25% county & 75% state schedule distribution. The following table outlines the estimated current law schedule distribution and the proposed law estimated cost.

| | CL % | Current Law | HB 483 % | Proposed Law |
|--------------------|------|--------------|----------|--------------|
| Budget total | | \$24,500,000 | | \$49,000,000 |
| County Requirement | 50% | \$12,250,000 | 25% | \$12,250,000 |
| State Requirement | 50% | \$12,250,000 | 75% | \$36,750,000 |

27. The additional cost to the state over the current schedule state distribution for pupil transportation is estimated at \$24.5 million annually.

28. Rates increase reimbursement to schools for the state however, there will be no increase in local property tax obligation from the local property tax area informally termed the over schedule.

Fiscal Analysis Table

Office of Public Instruction

| | <u>FY 2026 Difference</u> | <u>FY 2027 Difference</u> | <u>FY 2028 Difference</u> | <u>FY 2029 Difference</u> |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <u>Fiscal Impact</u> | | | | |
| <u>Expenditures</u> | | | | |
| Local Assistance | \$0 | \$0 | \$0 | \$0 |
| District General Fund GTB | \$17,899,092 | \$0 | \$0 | \$0 |
| County Retirement GTB | \$7,710,948 | \$0 | \$0 | \$0 |
| Pupil Transportation | \$24,500,000 | \$24,500,000 | \$24,500,000 | \$24,500,000 |
| TOTAL Expenditures | \$50,110,040 | \$24,500,000 | \$24,500,000 | \$24,500,000 |
| <u>Funding of Expenditures</u> | | | | |
| General Fund (01) | \$50,110,040 | \$24,500,000 | \$24,500,000 | \$24,500,000 |
| TOTAL Funding of Expenditures | \$50,110,040 | \$24,500,000 | \$24,500,000 | \$24,500,000 |
| <u>Revenues</u> | | | | |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u> | | | | |
| General Fund (01) | (\$50,110,040) | (\$24,500,000) | (\$24,500,000) | (\$24,500,000) |

Effect on County or Other Local Revenues or Expenditures




Office of Public Instruction

1. Local school property taxes will decrease by \$17.9 million in FY 2026 only.
2. Countywide school retirement property taxes will decrease by \$7.7 million in FY 2026 only.
3. Countywide school transportation property taxes will decrease by \$24.5 million per year ongoing.

Significant Long-Term Impacts

Department of Revenue

1. Based on the expectation of the state to use all banked mill authority by TY 2029, state equalization mill revenue will be greater under HB 483 than current law beginning in FY 2030. The difference between collections under HB 483 and current law will grow over time.

   2/27/2025

Fiscal Note Request - As Introduced

(continued)

Sponsor's Initials

Date

Budget Director's Initials

Date