



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: SB0260.02 (001): Provide for alteration of service district boundaries

Primary Sponsor: Greg Hertz Status: As Amended in Senate 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

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Expenditures				
General Fund (01)	\$0	\$0	\$0	\$0
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
Net Impact	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
General Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact

SB 260, as amended, in the Senate Taxation Committee, revises the process for the transfer of property between school districts and hospital districts. It creates a definition for an isolated pupil and a reconciliation payment for isolated pupils. The bill implements a three-year phase-in for property transfers between districts and specifies that mills levied for bonds will continue to be levied against the transferred property. There is not state fiscal impact.

FISCAL ANALYSIS

Assumptions

Department of Revenue

1. SB 260 creates definitions and changes the process for alteration of taxing jurisdiction boundaries for hospital and school districts subject to certain criteria.
2. Any property that transfers remains subject to bond indebtedness mill levies from the prior district.
3. The bill, as amended, provides a transition period of three-years when property transfers between districts.
4. During this transition period, the property value is shared equally between the districts for setting mills, and county commissioners will levy half of both district levies against the property. This functions as averaging the taxes of the two districts on the property for three years and halving the difference in taxable value for the districts for three years.
5. The Department of Revenue can cover costs associated with identifying these properties and carrying out the functions of splitting the taxable value when certifying values.
6. SB 260 also creates a reconciliation payment from a school district where a student attends a different school district than where their home is located, if the student is unable to access onsite services of the resident school.

Office of Public Instruction

7. SB 260 creates new definitions in association with the reconciliation payment and related processes.
8. Reconciliation payment means, an amount generated by the imposition of mills necessary in a resident school district to reimburse a school district of attendance for educating an isolated pupil of the resident school district.
9. A resident school district is a school district where an isolated pupil maintains legal residence as defined in section 1-1-215, MCA.
10. The school district of attendance is the school district where the isolated pupil is enrolled and admitted and receiving on site instruction.
11. Section 11 of SB 260 describes the qualification for reconciliation payment and the petition to qualify.
12. Based on FY 2025 OPI data, districts with greater than \$100 million in taxable wealth, with a geographic barrier and the possibility of greater than 60-minute travel time would include only two school districts in the state.
13. After payment of a processing fee to the county superintendent of \$100, a school district that meets the requirements may petition to qualify for a reconciliation payment calculation.
14. The school district may file a petition with the county superintendent of the county in which the resident school district of the isolated pupil is located, including supporting evidence of the qualification of the school district of attendance for a reconciliation payment under the provision to include the number of fulltime isolated pupils who are residents of a contiguous resident school district who were enrolled and admitted to the school district of attendance and receiving on site instruction in the current school year.
15. The county superintendent is to undertake reasonable inquiries to assess the validity and eligibility of the petition through means described in the bill text.
16. The county superintendent is required to notify the school districts of the county superintendent's determination. The county superintendent shall complete the evaluation and communicate the findings to the petitioner and the resident school district within thirty (30) calendar days from the date of receipt of the petition.
17. An affected school district that disagrees with the county superintendent's determination may appeal to the district court.
18. Section 12 provides a proportional reconciliation of taxable valuation and the required reimbursement for school district providing services to isolated pupils of another school district and is described as follows. The resident school district shall impose mills on its taxable value and make a reconciliation payment to the school district of attendance as calculated in this section
19. After the petition's approval, and not later than the first Tuesday in September, the school district of attendance shall notify the resident school district of the mills budgeted to be imposed by the school district of attendance in support of its operations pursuant to its final budgets adopted in compliance with 20-9-131, MCA, excluding the mills imposed in support of the debt service budget.
20. The resident school district shall calculate and impose mills on all its taxable value by an amount sufficient to generate the revenue for the reconciliation payment. The resulting amount calculated is the reconciliation payment owed by the resident school district to the school district of attendance.
21. There is no state fiscal impact. All calculations and payments are at the county and school district levels.

Effect on County or Other Local Revenues or Expenditures

1. Counties and school districts creating agreements as defined in SB 260 will be responsible for funding changes between entities.

NO SPONSOR SIGNATURE

4/8

Sponsor's Initials

Date



Budget Director's Initials

4/8/2025

Date