



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0156.03 (002): Revise education funding laws by replacing school district BASE levies with countywide BASE levies**

Primary Sponsor: David Bedey 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</u> <u>Difference</u> | <u>FY 2027</u> <u>Difference</u> | <u>FY 2028</u> <u>Difference</u> | <u>FY 2029</u> <u>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

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 treasurers to align with these changes. There will be new administrative processes placed on districts, counties, and state agencies such as the DOR and the OPI. There is no state fiscal impact.

FISCAL ANALYSIS

Assumptions

1. 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.
2. HB 156, as amended on the House floor, revises language in the bill to adjust the GTB multiplier "dials" per Section 25 beginning for FY 2027. Section 25 is a transition section with legislative intent that this bill will be fully operational in FY 2027 with the first countywide levies to support BASE budgets levied in FY 2027.
3. Revisions 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" to adjust from a district by district mill levy to a countywide mill levy to pay for all schools within a county. This section also removes coal-fired generating unit closure mitigation block grant funding and tax increment finance (TIF) district funding from sources of revenue to be considered for

- funding BASE in a district and moves these sources of revenue to funding for the over-BASE portion of a district levy.
4. 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.
 5. 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.
 6. Section 20-9-101, MCA, is modified to include the BASE budget in the list of county budget obligations.
 7. 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.
 8. 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. This section also allows the trustees of a district with an excess amount of revenue directed to fund a district's general fund under this section to allocate the excess to another budgeted fund to reduce local property taxes by the amount of the excess.
 9. A county superintendent is to calculate the levy requirements.
 10. 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.
 11. 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.
 12. Section 12, 20-9-212, MCA, revises the duties of the county treasurer to include separate accounting for the county tax for elementary and high school district BASE funding support. The funds are to be invested.
 13. 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.
 14. Section 14, 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.
 15. 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.
 16. 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.
 17. 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.
 18. 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."
 19. 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.
 20. 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.
 21. Section 20-9-368, MCA, is amended to direct the amount of GTB from the district to the county level.
 22. 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.

23. 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.
24. New section 23 additionally directs prior county level fund balance to lower the countywide level amounts before mill setting.
25. 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.
26. The county commissioners shall fix and set the countywide BASE funding levies in accordance with 20-9-142, MCA.
27. 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.
28. 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.
29. 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.”
30. New section 27 applies applicability to fiscal years beginning on or after July 1, 2026, or FY 2027.
31. 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.
32. Secondary amendments include a coordination instruction section for if both HB 483 and HB 156 are passed and approved, then [section 14 of HB 156], amending section 20-9-306, MCA, is void and section 20-9-306, MCA, must be amended as described within the bill text.
33. Section 27, as amended, revises 20-9-306, MCA, which is definitions for the school funding formula. The changes coordinate with language in HB 483 for this section of law as well as coordinating with the countywide levy concept in this bill.
34. Section 28, as amended, revises 20-9-336, MCA, the uses of the school equalization and property tax reduction account (SEPTR). This section coordinates with HB 483 if both this bill and HB 483 pass. This redefines the determination of new 95 mill revenue each year and where that revenue is directed to allow property tax reduction.
35. Section 30, as amended, revises 20-9-366, MCA, definitions are coordinated with HB 483 and making changes to coincide with county levies rather than district levies. This section also defines the GTB multiplier as defined in the Transition section, Section 25, of the bill.
36. Section 25 directs the Superintendent of Public Instruction to determine the multiplier used to calculate GTB funding for the countywide levy for BASE funding support in section 20-9-366(5)(a), MCA, for FY 2027 to result in a statewide distribution of GTB funding for the countywide levy for BASE funding support equal to the statewide distribution of GTB funding for the BASE budgets of school districts in FY 2026 multiplied by 1.03.
37. The adjustment to the multiplier under Section 25 subsection (2)(a) must remain in effect for subsequent fiscal years unless otherwise provided by law.
38. Section 30, as amended also includes Section 19 of HB 483 which allows the Office of Public Instruction and the Department of Revenue to collaborate and mitigate impacts of reappraisal on property tax relief

each year my May 1 to determine property tax values to be used to determine GTB multipliers and calculations in section 20-9-366 through 20-9-368, MCA, to prevent any statewide increase in property taxes due to combined effects of reappraisal and standard GTB formulas for general fund BASE budget of school districts and countywide school retirement funds budget of counties.

Effect on County or Other Local Revenues or Expenditures

1. County treasurers and county superintendents will have a great deal more responsibility and 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.
3. The state does not have a means of determining additional costs to counties for reprogramming tax calculations, reporting, collecting, and distribution of taxes.

Technical Concerns

1. Section 30 of HB 156, as amended, in subsection (1) says, "the section amending 20-9-366 in House Bill No. 83 terminates June 30, 2026; and". This should refer to HB 483 not HB 83.
2. Section 19 of HB 483, as amended, directs OPI and the DOR to "collaborate and jointly assess how reappraisal affects, on a statewide basis, the portion of funding between guaranteed tax base aid and local property tax responsibilities for the general fund BASE budget of school districts and the countywide school retirement funds budgets of counties." When that collaboration is completed by May 1 each year, OPI shall annually adjust the GTB multipliers and calculations outline in section 20-9-366 through 20-9-368, MCA "to prevent any statewide increase in property taxes due to the combined effects of reappraisal and the standard guaranteed tax base aid formulas for the general fund BASE budgets of school districts and the countywide school retirement funds budgets of counties." This determination of school funding formula adjustments allows determination of payments to schools will always be determined based on revenue estimates with no reconciliation of actual revenues collected.
3. Market value assessments are not available until June each year. Property tax values used for May 1 calculation would be based on market assessment values from the June prior.
4. Certified taxable values are released August 1 each year. Taxable values used prior to that date would not be official certified values and would be values from December 1 taxable values in the prior year.
5. The amended bill describes how the Department of Revenue (DOR) and the Office of Public Instruction (OPI) shall collaborate and mitigate the impacts of reappraisal on school funding and property taxes. This is to be used to determine estimated revenue collections in ensuing years from the 95 mills defined in 20-9-331, 20-9-333, and 20-9-360, MCA, and set the "dials" to adjust school district general fund guaranteed tax base (GTB) aid and county retirement GTB. School funding formulas are then based on estimates rather than actual data.



Sponsor's Initials

4/11/2025

Date



Budget Director's Initials

4/11/2025

Date