



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

Bill#/Title: **SB0351.01: Limit the state's ability to bank statewide mills**

Primary Sponsor: **Matt Regier**

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**

|                             | <b><u>FY 2026<br/>Difference</u></b> | <b><u>FY 2027<br/>Difference</u></b> | <b><u>FY 2028<br/>Difference</u></b> | <b><u>FY 2029<br/>Difference</u></b> |
|-----------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <b>Expenditures</b>         |                                      |                                      |                                      |                                      |
| General Fund (01)           | \$45,649,764                         | \$37,308,444                         | \$72,122,900                         | \$63,525,927                         |
| State Special Revenue (02)  | \$0                                  | \$0                                  | \$0                                  | \$0                                  |
| SEPTR                       | (\$50,427,000)                       | (\$37,699,000)                       | (\$76,683,000)                       | (\$64,184,000)                       |
| <b>Revenues</b>             |                                      |                                      |                                      |                                      |
| General Fund (01)           | (\$236,000)                          | (\$176,000)                          | (\$358,000)                          | (\$299,000)                          |
| State Special Revenue (02)  | \$0                                  | \$0                                  | \$0                                  | \$0                                  |
| SEPTR                       | (\$50,427,000)                       | (\$37,699,000)                       | (\$76,683,000)                       | (\$64,184,000)                       |
| <b>Net Impact</b>           | <u>(\$45,885,764)</u>                | <u>(\$37,484,444)</u>                | <u>(\$72,480,900)</u>                | <u>(\$63,824,927)</u>                |
| <b>General Fund Balance</b> |                                      |                                      |                                      |                                      |

### **Description of fiscal impact**

SB 351 specifies that the Department of Revenue may not bank mills or use banked mills in determining the mill levies for the 95 school equalization mills and the 1.5 vocational-technical education mills. The disallowance of banked mills lowers revenue authority for these mills and yields lower collections than current law. The bill applies retroactively to Tax Year 2025, which corresponds to FY 2026. This will create a reduction to the School Equalization and Property Tax Reduction (SEPTR) account with a like cost to the state general fund. The loss in mill revenue will reduce offsetting county retirement GTB increasing countywide property taxes by \$4.7 million in the 2027 Biennium. Total state general fund costs will be \$45.9 million in FY 2026 and \$37.5 million in FY 2027.

### **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. This usually happens in odd fiscal years.
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. This usually happens in even fiscal years.

4. In Tax Year 2025 (FY 2026) the state has 13.74 banked mills. The 15-10-420(1)(a) calculation will result in a number less than 95, so banked mills will need to be utilized to levy the full 95 mills.
5. Under SB 351, the state would not be able to utilize these banked mills.
6. Taxable values and expected inflation rates are sourced from HJ 2. Newly taxable property is estimated to be the five-year average, and taxable value in Tax Increment Financing Districts is grown by the same ratio as overall taxable value in the state.
7. Based on these growth projections, the state would levy 85.62 mills in FY 2026, 88.06 mills in FY 2027, 82.29 million in FY 2028, and 84.47 mills in FY 2029.
8. The table below estimates the differences between the current expectation of levying the full 95 mills and the mills under SB 351. The revenues from these mills are deposited into the school equalization and property tax reduction (SEPTR) state special revenue account.

| Equalization Mill Revenue | FY 2026   | FY 2027   | FY 2028   | FY 2029   |
|---------------------------|-----------|-----------|-----------|-----------|
| SEPTR Current (millions)  | \$510.719 | \$516.059 | \$573.165 | \$579.055 |
| SEPTR SB 351 (millions)   | \$460.292 | \$478.359 | \$496.481 | \$514.871 |
| Difference (millions)     | -\$50.427 | -\$37.699 | -\$76.683 | -\$64.184 |

9. The SEPTR account is the second source of state funding for schools (after the Guarantee Account). The reduction to the SEPTR account results in offsetting additional expenditures from the state general fund.
10. The same concepts above, hold true for the vocational technical mills levied pursuant to 20-25-439, MCA. These 1.5 mills are levied in the counties of Silver Bow, Cascade, Yellowstone, Missoula, and Lewis and Clark.
11. It is assumed the vocational technical mills will adjust by a similar factor as the school equalization mills, implying 1.35 mills in FY 2026, 1.39 mills in FY 2027, 1.30 mills in FY 2028, and 1.33 mills in FY 2029.
12. The table below estimates the differences between the current expectation of levying the full 1.5 mills and the mills under SB 351. The revenue from these mills is deposited in the state general fund.

| Vo-Tech Mills              | FY 2026  | FY 2027  | FY 2028  | FY 2029  |
|----------------------------|----------|----------|----------|----------|
| Vo-Tech Current (millions) | \$2.393  | \$2.410  | \$2.677  | \$2.694  |
| Vo-tech SB 351 (millions)  | \$2.157  | \$2.234  | \$2.319  | \$2.395  |
| Difference (millions)      | -\$0.236 | -\$0.176 | -\$0.358 | -\$0.299 |

13. There are no administrative costs associated with this bill.

#### Office of Public Instruction

14. State obligation for BASE aid funding to schools is not changed due to the change in collection of the equalization mills and revenue going into the SEPTR account. Any decrease in SEPTR revenue must be paid from the state general fund.
15. Revenues received for the equalization mills (95 mills) will be reduced therefore, new revenue received would be decreased, resulting in less distribution of county retirement GTB resulting in a savings to the state general fund as shown in the following table.

|                           | FY 2026       | FY 2027     | FY 2028       | FY 2029     |
|---------------------------|---------------|-------------|---------------|-------------|
| County Retirement GTB     | (\$4,541,236) | (\$214,556) | (\$4,202,100) | (\$359,073) |
| Countywide Property Taxes | \$4,541,236   | \$214,556   | \$4,202,100   | \$359,073   |

## Fiscal Analysis Table

|  | <u>FY 2026</u><br><u>Difference</u> | <u>FY 2027</u><br><u>Difference</u> | <u>FY 2028</u><br><u>Difference</u> | <u>FY 2029</u><br><u>Difference</u> |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b><u>Fiscal Impact</u></b>  |                                     |                                     |                                     |                                     |
| <b><u>Expenditures</u></b>   |                                     |                                     |                                     |                                     |
| Transfers  | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| VoTech   | (\$236,000)                         | (\$176,000)                         | (\$358,000)                         | (\$299,000)                         |
| Local Assistance   | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| County Retirement GTB  | (\$4,541,236)                       | (\$214,556)                         | (\$4,202,100)                       | (\$359,073)                         |
| <b>TOTAL Expenditures</b>  | <b>(\$4,777,236)</b>                | <b>(\$390,556)</b>                  | <b>(\$4,560,100)</b>                | <b>(\$658,073)</b>                  |
| <b><u>Funding of Expenditures</u></b>  |                                     |                                     |                                     |                                     |
| General Fund (01)  | \$45,649,764                        | \$37,308,444                        | \$72,122,900                        | \$63,525,927                        |
| State Special Revenue (02)   | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| SEPTR  | (\$50,427,000)                      | (\$37,699,000)                      | (\$76,683,000)                      | (\$64,184,000)                      |
| <b>TOTAL Funding of Expenditures</b>   | <b>(\$4,777,236)</b>                | <b>(\$390,556)</b>                  | <b>(\$4,560,100)</b>                | <b>(\$658,073)</b>                  |
| <b><u>Revenues</u></b>   |                                     |                                     |                                     |                                     |
| General Fund (01)  | (\$236,000)                         | (\$176,000)                         | (\$358,000)                         | (\$299,000)                         |
| State Special Revenue (02)   | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| SEPTR  | (\$50,427,000)                      | (\$37,699,000)                      | (\$76,683,000)                      | (\$64,184,000)                      |
| <b>TOTAL Revenues</b>  | <b>(\$50,663,000)</b>               | <b>(\$37,875,000)</b>               | <b>(\$77,041,000)</b>               | <b>(\$64,483,000)</b>               |
| <b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u></b> |                                     |                                     |                                     |                                     |
| General Fund (01)  | (\$45,885,764)                      | (\$37,484,444)                      | (\$72,480,900)                      | (\$63,824,927)                      |
| State Special Revenue (02)   | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| SEPTR  | \$0                                 | \$0                                 | \$0                                 | \$0                                 |

**Effect on County or Other Local Revenues or Expenditures**

- Current law projects 95 mills would be collected in the SEPTR account for FY 2026 through FY 2029. Pursuant to 20-9-336, MCA, if that revenue increases between two years by more than \$2 million, 55% of the increase is to be distributed through various GTB mechanisms to school districts to offset local property taxes. If the the mill values projected related to SB 351 were used instead of 95 mills, there would be a \$4.7 million increase to countywide property taxes in the 2027 Biennium.

**Significant Long-Term Impacts****Department of Revenue**

- The state is currently projecting to run out of banked mill authority in FY 2030 and follow the same general pattern of mills floating down as in SB 351 at this point. However, the disallowance of banked mill authority in FY 2026 causes a significant difference in the revenue authority that will persist for all future years due to the compound nature of revenue authority growth.

NO SPONSOR SIGNATURE

2/28



Sponsor's Initials

Date

Budget Director's Initials

2/27/2025

Date

