



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0405.01 R: Increase on-schedule reimbursement rates for school transportation**

Primary Sponsor: Mark Thane Status: As Introduced - Revised

☐ 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) | \$8,052,000 | \$8,052,000 | \$8,052,000 | \$8,052,000 |
| Revenues | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| Net Impact | <u>(\$8,052,000)</u> | <u>(\$8,052,000)</u> | <u>(\$8,052,000)</u> | <u>(\$8,052,000)</u> |
| General Fund Balance | | | | |

Description of fiscal impact

HB 405 revises pupil transportation state and county reimbursements. The state general fund cost will be \$8.1 million annually beginning in FY 2026.

FISCAL ANALYSIS

Assumptions

1. HB 405 revises the rate for each bus mile traveled for transporting students to and from school to be reimbursed to school districts from state and county sources of transportation revenue. The following table shows the current law schedule of rates and the HB 405 proposed rates.

| | Current Law Rate | HB 405 Proposed Rate | Percent Change |
|-----------------------------|-------------------------|-----------------------------|-----------------------|
| E type bus | \$0.50 | \$0.85 | 70.00% |
| not more than 49 passengers | \$0.95 | \$1.58 | 66.32% |
| 50 to 59 passengers | \$1.15 | \$1.91 | 66.09% |
| 60 to 69 passengers | \$1.36 | \$2.26 | 66.18% |
| 70 to 79 passengers | \$1.57 | \$2.61 | 66.24% |
| 80 or more passengers | \$1.80 | \$2.99 | 66.11% |
| Non-bus mileage | \$0.50 | \$0.85 | 70.00% |

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

2. The current schedule creates estimated pupil transportation statewide budgets are \$24.5 million annually for state and county. Under current law, this support is split approximately equally between countywide levy support and state support totaling a state cost of approximately \$12.2 million annually.

3. The additional cost to the state over the current rates for state distribution is estimated to increase by \$8,052,000 million annually for a 66% increase over the current schedule values decreasing local school property taxes by this amount.

| State Transportation Increase | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|-----------------------------------|---------------|---------------|---------------|---------------|
| State General Fund | \$8,052,000 | \$8,052,000 | \$8,052,000 | \$8,052,000 |
| School District Property Tax Levy | (\$8,052,000) | (\$8,052,000) | (\$8,052,000) | (\$8,052,000) |

4. School district transportation budgets will increase the on-schedule (state and county paid) portion of the budget by \$16.1 million which will reduce the school district mill levies for transportation by \$16.1 million.

| School District Budget | | | | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| County On-Schedule Transportation | \$8,052,000 | \$8,052,000 | \$8,052,000 | \$8,052,000 |
| State On-Schedule Transportation | \$8,052,000 | \$8,052,000 | \$8,052,000 | \$8,052,000 |
| District Tax Levy | (\$16,104,000) | (\$16,104,000) | (\$16,104,000) | (\$16,104,000) |

5. The county transportation distribution thus the countywide transportation levies statewide will increase by \$8,052,000.

Fiscal Analysis Table

| | FY 2026 Difference | FY 2027 Difference | FY 2028 Difference | FY 2029 Difference |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| <u>Fiscal Impact</u> | | | | |
| <u>Expenditures</u> | | | | |
| Local Assistance | \$0 | \$0 | \$0 | \$0 |
| Pupil Transportation | \$8,052,000 | \$8,052,000 | \$8,052,000 | \$8,052,000 |
| TOTAL Expenditures | \$8,052,000 | \$8,052,000 | \$8,052,000 | \$8,052,000 |
| <u>Funding of Expenditures</u> | | | | |
| General Fund (01) | \$8,052,000 | \$8,052,000 | \$8,052,000 | \$8,052,000 |
| TOTAL Funding of Expenditures | \$8,052,000 | \$8,052,000 | \$8,052,000 | \$8,052,000 |
| <u>Revenues</u> | | | | |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u> | | | | |
| General Fund (01) | (\$8,052,000) | (\$8,052,000) | (\$8,052,000) | (\$8,052,000) |

Effect on County or Other Local Revenues or Expenditures

Office of Public Instruction

- HB 405 will create a decrease of \$8.1 million per year for local school property taxes beginning in FY 2026 relative to \$8.1 million increased state distributions for pupil transportation.
- Countywide transportation levies will increase by \$8.1 million per year beginning in FY 2026 related to the rate increases in HB 405 which will be distributed to schools for pupil transportation.
- School district mill levies will decrease statewide by \$16.1 million.
- The net property tax reduction will be \$8.1 million due to district tax levies decreasing by \$16.1 million while countywide transportation levies will increase by \$8.1 million.



Sponsor's Initials

2-12-25

Date



Budget Director's Initials

2/12/2025

Date