



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0846.01: Revising property taxation for certain local government subdivisions

Primary Sponsor: Ken Walsh

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)	\$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 846 addresses pupils unable to access their resident school district by providing for the calculation of a reconciliation payment related to isolated pupils unable to access their resident school district. The bill describes a process for petition procedures and a processing fee to establish the qualification of a school district of attendance. There is no state fiscal impact associated with this bill proposal. Some local school districts would have local school property tax impacts as a result of implementation of this bill.

FISCAL ANALYSIS

Assumptions

Office of Public Instruction

1. HB 846 creates a new section 1 to provide definitions in association with the reconciliation payment and related processes. These definitions are paraphrased here as follows:
 - a. HB 846 creates a new section 1 to provide definitions in association with the reconciliation payment and related processes. These definitions are paraphrased here as follows:
 - b. Advisory capacity, has the same meaning as provided in 2-15-102.
 - c. District operational levies, means property tax levies imposed on the property of a school district in support of a school district's budgeted operations. The term includes levies for all school district budgeted funds except the debt service fund. The term does not include countywide school levies.
 - d. Isolated pupil means, a pupil who is enrolled and admitted in a nonresident district contiguous to the pupil's resident school district under conditions specified in section 20-5-321, MCA, and who is unable to access on site services of a resident school district.
 - e. 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.

- f. Resident School district means, the school district where an isolated pupil maintains legal residence as defined in section 1-1-215, MCA.
 - g. School district of attendance means, the school district where the isolated pupil is enrolled and admitted and receiving on site instruction.
 - h. School district means, as defined under Title 20, chapter 6.
 - i. Unable to access on site services of a resident school district means, when a pupil resides in a location where, because of geographic conditions between the pupil's home and the school that the pupil would attend within the resident school district, it is impractical to access on site programs in the resident school district, based on any length of time in excess of 60 minutes, under typical driving conditions, that it would take for the pupil to reach the school the pupil would attend in the resident school district over a publicly owned and maintained road over the shortest passable route while complying with all applicable speed limits.
2. Section 2 describes the qualification for reconciliation payment and the petition to qualify. The following requirements need to occur. A school district that has admitted nonresident pupils are qualified for a reconciliation payment calculated when it educates an isolated pupil on site who is a resident of a contiguous school district that has a taxable value per resident that is greater than 1.5 times the taxable value per resident in the school district of attendance.
 3. Based on FY 2025 Office of Public Instruction (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.
 4. After payment of a processing fee to the county superintendent of a \$100, a school district that meets the requirements may petition to qualify for a reconciliation payment calculation.
 5. 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 full-time 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.
 6. The county superintendent is to undertake reasonable inquiries to assess the validity and eligibility of the petition through means described in the bill text.
 7. 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.
 8. An affected school district that disagrees with the county superintendent's determination may appeal to the district court.
 9. Section 3 of HB 846 provides a proportional reconciliation of taxable valuation (TV) and the required reimbursement for the 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
 10. After the petition is approved, 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 section 20-9-131, MCA, excluding the mills imposed in support of the debt service budget.
 11. 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 amount of the reconciliation payment must be calculated in the following manner:
 - a. Determine the TV per ANB for the resident school district based on TV in the resident school district from the prior school FY divided by the school district's budgeted ANB in the prior school FY.

- b. Multiply the product in (a) by the number of enrolled isolated pupils of the resident school district served on site by the school district of attendance in the prior year.
 - c. Calculate the revenue that would be generated by the number of mills of the school district of attendance reported to the resident school district if such mills were applied to a dollar amount equivalent to the prorated taxable value of the resident district as calculated. The resulting amount calculated is the reconciliation payment owed by the resident school district to the school district of attendance.
12. The following tables approximate the reconciliation payment based on available FY 2025 data.

School District A	
Fund	Mills
General Fund	17.66
Transportation	-
Bus Depreciation	0.72
Tuition	1.54
Adult Education	-
Technology	0.87
Flexibility	-
Building Reserve	<u>1.73</u>
Total Mills	22.52

School District B		
Reconciliation Calculation	329,235,696	
Taxable Valuation (TV)	<u>444</u>	
Budget Limit ANB	741,522	
a. TV/ANB		
Isolated Pupil Count (Iso)	<u>26</u>	
b. Iso X a.	19,279,568	
c1. (b./1000) X Total Mills	434,175.87	Reconciliation Payment (add to Tuition Fund)
c. c1. / (TV/1000)	1.32	Mills to include in the Tuition Fund

13. Revenues generated from the reconciliation payment are to be deposited in the district tuition fund of the school district of residence and thereafter used to remit the reconciliation payment to the district of attendance.
14. By December 31, the resident school district shall pay at least one-half of the reconciliation payment established under this section to the school district of attendance. The remaining obligation must be paid by June 15 of the same fiscal year.
15. Upon receipt of revenue from the reconciliation payment, a school district of attendance shall deposit the payment in the school district's flexibility fund or prorated among the flexibility fund and any other budgeted funds at the discretion of the trustees.
16. Section 4 requires the creation of an advisory council for a school district with an enrollment of isolated pupils comprising 5% or more of its budgeted ANB, details about this council is included in the bill text.
17. Section 5 of the bill revises section 20-6-105, MCA, regarding the transfer of [school district] territory from one district to another to allow an annual petition rather than one every four years; allows for a purpose of transfer to include whether there are isolated pupils in the territory proposed for transfer; requires the county superintendent to notify the Department of Revenue (DOR) of the approval of a petition to transfer territory from one school district to another; and to include a 3-year transfer of territory as described in the bill.

Fiscal Note Request - As Introduced

(continued)

18. Transfers will append the taxable values determine by the DOR for August 1 under section 20-9-122, MCA, and for December 1 under section 20-9-369, MCA. These adjusted taxable valuations will be used in the calculations of subsidy per mill calculations for general fund guaranteed tax base aid (GTB), county retirement GTB, facilities GTB, and state major maintenance aid subsidies, along with the mill setting taxable valuations for property tax setting.
19. Additionally in Section 5 describes what each district is to do when a petition to transfer territory is granted.

Effect on County or Other Local Revenues or Expenditures

1. If HB 846 is passed into law, the effects would be to local property taxes in the districts affected only.

 3/26/2025
Sponsor's Initials Date

 3/25/2025
Budget Director's Initials Date