



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

Bill#/Title: **HB0018.02 R2 (001): Deposit non-levy revenue in school equalization and property tax relief account**

Primary Sponsor: Mark Thane Status: As Amended in House Committee - 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**

|                             | <b><u>FY 2026</u></b>    | <b><u>FY 2027</u></b>    | <b><u>FY 2028</u></b>    | <b><u>FY 2029</u></b>    |
|-----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                             | <b><u>Difference</u></b> | <b><u>Difference</u></b> | <b><u>Difference</u></b> | <b><u>Difference</u></b> |
| <b>Expenditures</b>         |                          |                          |                          |                          |
| General Fund (01)           | (\$11,116,000)           | (\$10,393,000)           | (\$9,813,000)            | (\$9,289,000)            |
| State Special Revenue (02)  | \$0                      | \$0                      | \$0                      | \$0                      |
| SEPTR                       | \$11,116,000             | \$10,393,000             | \$9,813,000              | \$9,289,000              |
| <b>Revenues</b>             |                          |                          |                          |                          |
| General Fund (01)           | (\$11,116,000)           | (\$10,393,000)           | (\$9,813,000)            | (\$9,289,000)            |
| State Special Revenue (02)  | \$0                      | \$0                      | \$0                      | \$0                      |
| SEPTR                       | \$11,116,000             | \$10,393,000             | \$9,813,000              | \$9,289,000              |
| <b>Net Impact</b>           | <u>\$0</u>               | <u>\$0</u>               | <u>\$0</u>               | <u>\$0</u>               |
| <b>General Fund Balance</b> | <u><u>\$0</u></u>        | <u><u>\$0</u></u>        | <u><u>\$0</u></u>        | <u><u>\$0</u></u>        |

### **Description of fiscal impact**

HB 18, as amended in the House Taxation Committee, redirects current general fund revenue from non-levy property tax revenue remitted to the state from counties to the School Equalization and Property Tax Reduction (SEPTR) state special revenue fund. The bill also strikes obsolete distribution language. HB 18 reduces the state general fund revenue and increases the state special revenue SEPTR account. The SEPTR account is statutorily the state's second source of funding for state equalization aid. The amendment corrects an obsolete reference regarding bentonite tax. The first revision to the fiscal note for HB 18.02 corrected the funding of expenditures (however, the wrong revenues were used, the table in assumption 4 is correct). The second revision to the fiscal note for HB 18.02 corrects the revenues and the level of expenditures due to the SEPTR fund switch.

### **FISCAL ANALYSIS**

#### **Assumptions**

#### **Department of Revenue**

1. The state general fund currently receives revenue from several taxes or fees that were designed to replace property tax revenues in the case of tax law changes (coal gross proceeds and bentonite) or payments in lieu of taxes (federal forest receipts, Taylor Grazing Act revenues, Federal PILT).
2. When HB 587, passed by the 2023 Legislature, moved state equalization revenues from general fund to the new special revenue SEPTR account, it did not move these revenues into the fund. HB 18 pairs the

destination of these revenues with the purpose they were originally designated to have as school equalization replacement revenue.

3. The general fund currently receives 20.75% of bentonite tax revenues, over the last five fiscal years this has been about \$200,000 per year. It is assumed this will be the amount for the four fiscal years in question.
4. Total non-levy revenues currently remitted from the counties to the state are sourced from HJ 2 and listed in the table below (in millions of dollars).

| HJ 2 General Fund Non-Levy Revenue (\$ million) |                 |                 |                |                |
|---|-----------------|-----------------|----------------|----------------|
|   | FY 2026         | FY 2027         | FY 2028        | FY 2029        |
| Bentonite                                       | \$0.200         | \$0.200         | \$0.200        | \$0.200        |
| CGP   | \$9.517         | \$8.752         | \$8.181        | \$7.640        |
| Federal Forest Receipts                         | \$0.899         | \$0.941         | \$0.932        | \$0.949        |
| Other   | \$0.500         | \$0.500         | \$0.500        | \$0.500        |
| <b>Total</b>                                    | <b>\$11.116</b> | <b>\$10.393</b> | <b>\$9.813</b> | <b>\$9.289</b> |

5. These revenues are being switched from the general fund to the SEPTR account.
6. There is no change associated with the deletion of oil and gas language in 20-9-331 and 20-9-333, MCA. The state collects oil and gas revenue and remits to the counties under 15-6-331, MCA. The language in these sections is irrelevant and HB 18 changes are cleanup.
7. Implementation costs are minimal and will be absorbed by the Department of Revenue.

#### Office of Public Instruction

8. Obsolete references to tuition that is no longer deposited to this fund has been removed in HB 18.

#### Fiscal Analysis Table

|                                      |                |                |               |               |
|--------------------------------------|----------------|----------------|---------------|---------------|
| General Fund (01)                    | (\$11,116,000) | (\$10,393,000) | (\$9,813,000) | (\$9,289,000) |
| SEPTR                                | \$11,116,000   | \$10,393,000   | \$9,813,000   | \$9,289,000   |
| <b>TOTAL Funding of Expenditures</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>    | <b>\$0</b>    |
| State Special Revenue (02)           | \$0            | \$0            | \$0           | \$0           |
| General Fund (01)                    | (\$11,116,000) | (\$10,393,000) | (\$9,813,000) | (\$9,289,000) |
| State Special Revenue (02)           | \$0            | \$0            | \$0           | \$0           |
| SEPTR                                | \$11,116,000   | \$10,393,000   | \$9,813,000   | \$9,289,000   |
| <b>TOTAL Revenues</b>                | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>    | <b>\$0</b>    |

#### Net Impact to Fund Balance (Revenue minus Funding of Expenditures)

|                            |     |     |     |     |
|----------------------------|-----|-----|-----|-----|
| General Fund (01)          | \$0 | \$0 | \$0 | \$0 |
| SEPTR                      | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | \$0 | \$0 | \$0 | \$0 |

 2-21-25  
Sponsor's Initials Date

  
Budget Director's Initials

2/20/2025  
Date