



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0483.02 (001): Revise laws to reduce property taxes while preserving the current 95 school equalization mills**

Primary Sponsor: Courtenay Sprunger Status: As Amended in House 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 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Expenditures				
General Fund (01)	\$50,110,040	\$24,500,000	\$24,500,000	\$24,500,000
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
Net Impact	<u>(\$50,110,040)</u>	<u>(\$24,500,000)</u>	<u>(\$24,500,000)</u>	<u>(\$24,500,000)</u>
General Fund Balance				

Description of fiscal impact

HB 483, as amended, requires the Office of Public Instruction (OPI) and the Department of Revenue (DOR) to collaborate and mitigate on expected reappraisal effects and growth in the collections of the 95 state equalization mills to adjust state support for education. The bill sets the 95 state equalization mills and the 1.5 vocational-technical education mills at their current rate and excluding them 15-10-420, MCA. The bill also amends the mechanisms within the school equalization and property tax reduction account (SEPTR) as well as changes the school district and retirement GTB multipliers for FY 2026 (only). HB 483 changes the on-schedule reimbursement rates for school transportation and adjusts the state and county share of the transportation schedule reimbursements. For state revenue collections no change is anticipated until after FY 2029. There are no implementation costs for DOR. Pupil transportation state general fund costs will increase by \$24.5 million per year beginning in FY 2026 and in FY 2026. State funded GTB costs will increase by \$25.6 million.

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 20-9-333, 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.
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.

4. In tax year (TY) 2025 (FY 2026) the state has 13.74 banked mills. The state is projected to use all these mills by TY 2029.
5. The above concepts also hold true for the 1.5 vocational technical education mills authorized by 20-25-439 MCA. In FY 2026, the banked mill authority is 0.17 mills.
6. HB 483 exempts these mills from the 15-10-420 calculation, meaning they will stay at 95 mills for school equalization and 1.5 mills for vocational-technical education.
7. Based on the expectation that these mills would float down beginning TY 2029, there is no effect of exempting these mills from 15-10-420 during the next two biennia contained in this fiscal note.
8. HB 483, as amended, requires the Department of Revenue to work with the Office of Public Instruction to estimate the effects of reappraisal on the collections of the 95 equalization mills and changes to state support of local schools associated with that reappraisal effect.
9. The amendment also requires the Department of Revenue to estimate the collections of the 95 mills for TY 2025 after any bill passing the 2025 Legislature makes adjustments to taxable values.
10. The Department of Revenue will absorb costs associated with implementing HB 483.

Office of Public Instruction

11. HB 483, as amended, strikes the original Section 1 from the bill and renumbers the sections.
12. 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.
13. Section 2 of the amended HB 483 is changed to include additional language indicating that the definition of BASE budget is subject to adjustment under 20-9-336, MCA.
14. The bill redefines the calculation and distribution of additional funding into the school equalization and property tax reduction (SEPTR) account beginning in FY 2027 and includes clarifying language.
15. Additional revisions to 20-9-336, MCA, clarify the current calculation when the forecasted amount of revenue estimated to be received by the account is less than \$2,000,000.
16. Language further revises for situations where the formula indicates an increase of more than 105% in projected revenue to the SEPTR account. This would cause recalculation and changes in the percentage of state funding within the county retirement GTB calculation. After the county retirement GTB reaches the cap in this law, the basic and per-ANB entitlements state share is to adjust to a maximum. This adjusts state share of these entitlements from current law 35.3% of 80% to 45.3% of 90% paid by the state as direct state aid over time.
17. These adjustments are to be made to mitigate increases in the amount of BASE property taxes on a statewide basis.
18. This calculation is intended to impact the year of distribution where the change in property tax value affecting the property tax mills collected for school equalization impact the ensuing year and utilizing a GTB budget area for the prior year based on the adjusted percentages of the basic and per-ANB entitlements.
19. The following table represents how this would work. Based on current modeling it is unlikely that the formula adjustments would be required until FY 2028 and would represent an unlikely and extreme situation.

		FY 2026	FY 2027	FY 2028	FY 2029
a.	TV Inflation increase est.	115.50%	101.07%	111.07%	101.05%
b.	Estimated Taxable Value (TV)	\$508,200,000	\$513,637,740	\$570,497,438	\$576,487,661
c.	TV Change	\$68,200,000	\$5,437,740	\$56,859,698	\$5,990,223
d.	Est. Mill Revenue	\$6,479,000	\$516,585	\$5,401,671	\$569,071
e.	Percent Change		-92%	946%	-89%

20. Further amendments to section 20-9-336, MCA, include resulting adjustments in cases where the increase of estimated 95 mill revenue is met and requires a two-tier adjustment described as follows:
 - a. First, increase the retirement GTB multiplier, rounded to the nearest whole number, to result in an increase in the amount of retirement GTB distributed to counties equal to the amount forecast in assumption 5 above. The retirement GTB multiplier is not to increase above 305%. If the amount of increase results in a distribution greater than the amount that would result from the retirement GTB multiplier of 305% then the following:
 - b. The OPI is then required to increase the percentages of the basic and per-ANB entitlements in 20-9-306(2)(b) & (3)(a), not to exceed 45.3% and 90% respectively, by the nearest whole number determined to result in an increase in the amount of GTB distributed to districts equal to the amount remaining after the calculation of assumption 5 above and after the full adjustments due to increased distributions to retirement GTB described in (a.) above.
21. As amended, Section 20-9-366, MCA, is revised by setting the district general fund GTB ratio to 262% for FY 2026 and 262% in each succeeding fiscal year after, subject to the adjustment by the OPI in new Section 20, as the bill is amended. This section is additionally amended by striking language associated with adjustments to the district general fund multiplier associated with distribution of revenues transferred to the state general fund pursuant to section 16-12-111, MCA.
22. As amended, Section 7, 20-9-366, MCA adjusts the retirement GTB multiplier to set the multiplier to 262% subject to the adjustment by the OPI in new section 20, for FY 2026 and 262% in each succeeding fiscal year after.
23. The statewide present law taxable valuations are forecast to increase by 15.50% in FY 2026, 1.07% in FY 2027, 11.07% in FY 2028 & 1.05 in FY 2029. These growth rates are current law and applied before any legislative adjustments in this bill.
24. Section 5 of HB 483, as amended, 20-9-336, MCA, defines a calculation for setting the GTB multiplier for school district general fund GTB and for county retirement GTB. Current law sets general fund GTB at 262% for FY 2026 and for FY 2027 and county retirement GTB at 189% for FY 2026 and 305% for FY 2027.
25. The following tables show changes to district general fund GTB and county retirement GTB related to effects of HB 483. These adjustments are made to mitigate the GTB lag due to other adjustments in the legislation.

District GF GTB	FY 2026	FY 2027	FY 2028	FY 2029
Initial District GF GTB	\$274,506,776	\$292,723,470	\$293,600,377	\$311,060,428
HB 483 District GF GTB	\$292,405,868	\$292,723,470	\$293,600,377	\$311,060,428
Difference (State)	\$17,899,092	\$0	\$0	\$0
Difference (Local School Property Tax)	(\$17,899,092)	\$0	\$0	\$0

County Retirement GTB	FY 2026	FY 2027	FY 2028	FY 2029
Initial County Retirement GTB	\$90,783,229	\$98,472,969	\$97,820,035	\$104,303,206
HB 483 County Retirement GTB	\$98,494,178	\$98,472,969	\$97,820,035	\$104,303,206
Difference (State)	\$7,710,949	\$0	\$0	\$0
Difference (County School Property Tax)	(\$7,710,949)	\$0	\$0	\$0

26. Section 13, 20-10-141, MCA, as amended strikes the proposed increased bus reimbursement schedule of maximum reimbursement by mileage rates for pupil transportation and returns the rates to the current law rates. Adjustments to state funding to the county transportation fund are to be adjusted per the Section 20 as amended into of HB 483 and related to increases in 95 mill revenue. It is determined the adjustments would adjust the rates to the originally proposed increases.

27. Section 20-10-144, MCA, Section 14 of the bill, is amended for the ratio of the “schedule” amount determined for transportation, or the total transportation fund budget, whichever is less, is divided by four and is used to determine the available state and county revenue to be budgeted on the following basis:
 - a. three-fourths is the budgeted state transportation reimbursement
 - b. fourth is the budgeted county transportation fund reimbursement
28. Sections 20-10-145 & 20-10-146, MCA are amended to reflect the “schedule” ratio of three-quarters state reimbursement and one-quarter county reimbursement. Current law is a half state, half county reimbursement.
29. The current scheduled estimated budgeted totals to support school districts for pupil transportation is estimated at \$24.5 million annually. Under current statute this support is split approximately equally between county levy support and state support totaling a state cost of approximately \$12.2 million annually.
30. HB 483 proposes to increase the schedule bus rate reimbursement as well as adjust the ratio from 50% county and 50% state schedule distribution to 25% county & 75% state schedule distribution. The following table outlines the estimated current law schedule distribution and the HB 483 proposed law estimated cost.

	CL %	Current Law	HB 483 %	Proposed Law
Budget total		\$24,500,000		\$49,000,000
County Requirement	50%	\$12,250,000	25%	\$12,250,000
State Requirement	50%	\$12,250,000	75%	\$36,750,000

31. The additional cost to the state over the current schedule state distribution for pupil transportation is estimated at \$24.5 million annually.
32. Rates increase reimbursement to schools for the state however, there will be no increase in local property tax obligation from the local property tax area informally termed the over schedule.
33. For purposes of this fiscal note, it is anticipated 95 mill revenue would increase to bring the transportation payments to the maximum increase allowed in HB 483.
34. Section 20, as amended to HB 483, requires adjustments following the 2025 Legislative Session for school funding. No later than May 15, 2025, the DOR is to provide to the OPI and estimate of revenue in excess of \$441.624 million expected to be generated by the 95 mill levies for FY 2026. If the amount projected is greater than \$0 and less than \$24.5 million the GTB multipliers are to be unadjusted and the school transportation mileage rates are to be adjusted, not to exceed 200% of the current law rates for reimbursement to schools in FY 2026. If the 95 mill revenue projection is equal to or greater than \$24.5 million then OPI is to increase transportation mileage rates to the maximum allowed in the bill and subtract the \$24.5 million from the total projected and use the remainder to first increase the county retirement GTB multiplier to increase the county retirement state payment by not more than \$7.7 million, then increase the district GTB multiplier by not more than \$17.9 million.
35. Coordination instruction is also amended into the bill stating if HB 2 and HB 483 are both passed and approved, the appropriation for "Transportation Aid" in HB 2 for FY 2026 and FY 2027 is to be increased to align with adjustments determined in Section 20 of HB 483 for "Transportation Aid" not to exceed \$36.5 million in either fiscal year.
36. The coordination language also states that the general fund appropriation for "K-12 BASE Aid" in HB 2 for FY 2026 must be increased to align with adjustments determined per Section 20 of HB 483, but may not exceed \$25.6 million.
37. Additional coordination in Section 23 says that if HB 156 and HB 483 are passed and approved, Sections 8 and 9 of HB 483 amending 20-9-367 and 20-9-368. MCA, are to terminate June 30, 2026 and effective July 1, 2026, Section 19(2) of HB 483 is to be replaced with new language which defines DOR and OPI collaboration and mitigation effects of reappraisal and property taxes and school funding formula adjustments.
38. HB 483 is effective on passage and approval and applicable beginning July 1, 2025.

Fiscal Analysis Table

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
District GF GTB	\$17,899,092	\$0	\$0	\$0
Pupil Transportation	\$24,500,000	\$24,500,000	\$24,500,000	\$24,500,000
County Retirement GTB	\$7,710,948	\$0	\$0	\$0
TOTAL Expenditures	<u>\$50,110,040</u>	<u>\$24,500,000</u>	<u>\$24,500,000</u>	<u>\$24,500,000</u>
Local Assistance	\$0	\$0	\$0	\$0
<u>Funding of Expenditures</u>				
General Fund (01)	\$50,110,040	\$24,500,000	\$24,500,000	\$24,500,000
TOTAL Funding of Expenditures	<u>\$50,110,040</u>	<u>\$24,500,000</u>	<u>\$24,500,000</u>	<u>\$24,500,000</u>
<u>Revenues</u>				
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	<u>(\$50,110,040)</u>	<u>(\$24,500,000)</u>	<u>(\$24,500,000)</u>	<u>(\$24,500,000)</u>

Effect on County or Other Local Revenues or Expenditures**Office of Public Instruction**

1. Local school property taxes will decrease by \$17.9 million in FY 2026 only.
2. Countywide school retirement property taxes will decrease by \$7.7 million in FY 2026 only.
3. School district transportation property taxes will decrease by \$24.5 million per year ongoing.

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

1. Based on the expectation of the state to use all banked mill authority by TY 2029, state equalization mill revenue will be greater under HB 483 than current law beginning in FY 2030. The difference between collections under HB 483 and current law will grow over time.

Technical Concerns

1. 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.
2. 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.
3. 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.
4. 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.



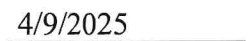
Sponsor's Initials



Date



Budget Director's Initials



Date