

Fiscal Note Request HB 0125, As Introduced

(continued)

3. The statewide taxable valuations will increase by 2.5 percent in FY 2006 and 2.8 percent in FY 2007.
4. Under current statutory entitlements the estimated costs are: direct state aid will be \$322.78 million in FY 2006 and \$318.82 million in FY 2007. Special education payments will be \$36.4 million in FY 2006 and FY 2007. Guaranteed tax base aid to schools will be \$102.03 million in FY 2006 and \$100.14 million in FY 2007. County retirement costs will be \$21.52 million in FY 2006 and \$22.23 million in FY 2007.
5. HB 125 does not affect the state special education appropriation, which has been included at the FY 2005 or present law amount.
6. Present law (MCA 20-9-326) requires the Governor to include inflation adjustments for the entitlements in the recommendations presented to the legislature. These present law entitlements result in the following expenditures: direct state aid will be \$329.76 million in FY 2006 and \$333.02 million in FY 2007. Special education payments remain at \$36.4 million in FY 2006 and FY 2007. Guaranteed tax base aid to schools will be \$104.61 million in FY 2006 and \$105.38 million in FY 2007. County retirement costs will be \$21.5 million in FY 2006 and \$22.2 million in FY 2007.
7. Under HB 125, estimated state costs are: direct state aid will be \$347.45 million in FY 2006 and \$350.61 in FY 2007. Guaranteed tax base aid paid to schools will be \$111.36 million in FY 2006 and \$112.08 million in FY 2007. County retirement costs will be \$21.54 million in FY 2006 and \$22.23 million in FY 2007.

FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Expenditures:</u>		
Local Assistance – present law (MCA 20-9-326)	\$9,557,919	\$19,429,729
Local Assistance – new proposal	<u>\$24,552,896</u>	<u>\$24,298,652</u>
TOTAL	\$34,110,815	\$43,728,381
 <u>Funding of Expenditures:</u>		
General Fund (01)	\$34,110,815	\$43,728,381
 <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	(\$34,110,815)	(\$43,728,381)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

School districts will respond to HB 125 in three ways. Many districts will increase general fund spending; others will provide property tax relief. Some districts will combine the two approaches.

- Districts that are currently spending at the BASE budget level will be required to increase spending and local property taxes to achieve the new BASE level.
- Increases in property taxes to support the over-BASE portion of school district budgets will require voter approval.
- Property taxes over the Maximum budgets will be reduced by this proposal.