



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2015 Biennium

**Bill #** SB0382

**Title:** Provide for a state equalized mill for K-12 education

**Primary Sponsor:** Kaufmann, Christine

**Status:** As Introduced

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|--|--|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns              |
| <input type="checkbox"/> Included in the Executive Budget        | <input type="checkbox"/> Significant Long-Term Impacts           | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
<b>Expenditures:</b>				
General Fund	\$50,895,131	\$50,820,858	\$52,640,326	\$54,287,179
<b>Revenue:</b>				
General Fund	\$50,255,740	\$51,792,200	\$53,087,005	\$54,785,789
<b>Net Impact-General Fund Balance:</b>	(\$639,391)	\$971,342	\$446,679	\$498,610

**Description of fiscal impact:** SB 382 increases the statewide school equalization mill levy from 40 mills to 60 mills. This bill would increase state general fund property tax revenue by approximately \$50 million in FY 2014 and grow to \$55 million by FY 2017. The bill also increases the direct state aid (DSA) rate, the guaranteed tax base aid (GTB) rate, and the GTB ratio which increases the amount paid to schools by \$50.9 million in each year of the 2015 biennium, and increases to \$52.6 million in FY 2016 and \$54.3 million in FY 2017.

### FISCAL ANALYSIS

**Assumptions:**

**Department of Revenue (DOR)**

1. Under current law, there is a statewide 40 mill state equalization aid levy (20-9-360, MCA) that is deposited to the state general fund for public schools. SB 382 increases the 40 mill levy to 60 mills, which would increase revenue to the state general fund.
2. The fiscal impact of this bill is measured by multiplying the estimated statewide taxable value that is not in a tax increment financing (TIF) district by 20 mills (60 minus 40).

3. Statewide taxable value for the 40 mill levy is presented in SJ 2 for FY 2014 and FY 2015 and is used as the base statewide taxable value. Statewide taxable value for FY 2016 and FY 2017 is estimated by growing the FY 2015 base by the Office of Budget and Program Planning (OBPP) estimates of statewide taxable value growth for FY 2016 and FY 2017 (2.5% and 3.2% respectively).
4. Applying 20 mills to the estimated statewide taxable value applicable to the 95 mill tax base the state receives results in revenue increases on the order of \$50.3 million in FY 2014. The impact grows to approximately \$54.8 million in FY 2017. The results of combining assumptions 3 and 4 are provided in the table below.

<b>State General Fund Property Tax Impact of SB 382</b>				
	FY 2014	FY 2015	FY 2016	FY 2017
Estimated Statewide Taxable Value	\$2,512,787,000	\$2,589,610,000	\$2,654,350,250	\$2,739,289,458
Proposed Mill Increase	20	20	20	20
General Fund Revenue Impact	\$50,255,740	\$51,792,200	\$53,087,005	\$54,785,789

**Office of Public Instruction (OPI)**

5. SB 382 increases the percentage of direct state aid (DSA) from 44.7% to 50% of the basic and per-ANB entitlement paid from the state for the school district general fund budget. The bill reduces the budget for guaranteed tax base (GTB) aid from 35.3% to 30%.
6. SB 382 increases the multiplier used for determining the statewide GTB ratios in 20-9-366, MCA, from 193% to 275%. Under SB 382, the GTB ratios were calculated using the statewide taxable valuation in the previous year multiplied by 275% and divided by the sum of either the state elementary school districts’ or the high school districts’ current year BASE budget amounts less total DSA. The GTB ratios are used to determine the subsidy per BASE budget mill for which each district is eligible.
7. Under SB 382, taxpayers in 210 school communities would experience a decrease in mill levies for school purposes. In the remaining, 155 school communities, taxpayers would see an increase of 0-20 mills. For the purpose of this fiscal note, the term school community refers to the taxpayers in an elementary district and its overlapping high school district. In Montana, one high school district is likely to overlap with more than one elementary district. The following table shows how school communities could be affected.

<u>Mill Levy Change</u>	<u>Number of school communities</u>
Decrease of more than 20 mills	1
Decrease of 15-20 mills	0
Decrease of 10-15 mills	0
Decrease of 5-10 mills	82
Decrease of 5 mills or less	127
<b>Subtotal of decreases</b>	<b>210</b>
Increase of 0-5 mills	44
Increase of 5-10 mills	53
Increase of 10-15 mills	34
Increase of 15-20 mills	24
<b>Subtotal of increases</b>	<b>155</b>
<b>Total school communities</b>	<b>365</b>

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Local Assistance (DSA)	\$47,373,976	\$48,366,524	\$49,592,761	\$50,942,662
Local Assistance (GTB)	\$3,521,155	\$2,454,334	\$3,047,565	\$3,344,517
<b>TOTAL Expenditures</b>	<u>\$50,895,131</u>	<u>\$50,820,858</u>	<u>\$52,640,326</u>	<u>\$54,287,179</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$50,895,131	\$50,820,858	\$52,640,326	\$54,287,179
<b>TOTAL Funding of Exp.</b>	<u>\$50,895,131</u>	<u>\$50,820,858</u>	<u>\$52,640,326</u>	<u>\$54,287,179</u>
<b><u>Revenues:</u></b>				
General Fund (01)	\$50,255,740	\$51,792,200	\$53,087,005	\$54,785,789
<b>TOTAL Revenues</b>	<u>\$50,255,740</u>	<u>\$51,792,200</u>	<u>\$53,087,005</u>	<u>\$54,785,789</u>

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

General Fund (01)	(\$639,391)	\$971,342	\$446,679	\$498,610
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**Effect on County or Other Local Revenues or Expenditures:**

**Department of Revenue**

1. SB 382 would increase statewide mills by \$50.3 million to \$54.8 million over the four years shown in the fiscal note.
2. Local tax increment finance (TIF) districts would see an increase of their revenue collections under this bill since the state equalization levy they retain would be increased. Estimated TIF increment taxable value is provided from using the incremental taxable value provided in SJ 2 for FY 2014 and FY 2015, and growing the FY 2015 value by the Office of Budget and Program Planning (OBPP) estimates of statewide taxable value growth for FY 2016 and FY 2017 (2.5% and 3.2% respectively). The calculation of this local government impact is presented in the table below.

<b>Revenue Impact on Tax Increment Financing (TIF) Districts of SB 382</b>				
	FY 2014	FY 2015	FY 2016	FY 2017
Estimated TIF Taxable Value	\$47,037,000	\$45,359,000	\$46,855,847	\$48,683,225
Proposed Mill Increase	20	20	20	20
TIF District Revenue Impact	\$940,740	\$907,180	\$937,117	\$973,665

**Office of Public Instruction (OPI)**

3. The increase in DSA and GTB paid to schools because of changes in SB 382 would reduce local property taxes by \$50 to \$53.6 million per year statewide.

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Sponsor's Initials

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Date

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Budget Director's Initials

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Date