



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # HB0663

Title: Generally revising school funding to increase GTB and lower property taxes

Primary Sponsor: Ler, Brandon

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
Expenditures:				
General Fund	\$10,245,460	\$10,439,655	\$11,846,492	\$13,156,831
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$10,245,460)</u>	<u>(\$10,439,655)</u>	<u>(\$11,846,492)</u>	<u>(\$13,156,831)</u>

Description of fiscal impact: HB 663 revises school funding laws by increasing the guarantee tax base aid (GTB) multiplier by dedicating a formula-driven portion of the estimated increasing general fund revenue pursuant to 16-12-111, MCA (marijuana tax) to GTB, costing the state general fund \$10 million per year in FY 22, and proportionately growing in future years commensurate with the estimated increase in marijuana taxes deposited in the general fund.

FISCAL ANALYSIS

Assumptions:

- School district general fund GTB is a property tax supplement to a district's general fund for lower ANB and taxable wealth districts by equalizing the number of mills necessary to fund the school district base budget. This subsidy is determined by measuring each district against an inflated statewide ratio. The result of inflating the multiplier associated with the inflated value results in qualifying additional districts to receive GTB and increases the amount of GTB to districts.
- HB 663 modifies section 20-9-366, MCA, by increasing the GTB multiplier from the current rate of 232% in FY 2022 to 250% in FY 2022 and each succeeding fiscal year.
- Additionally, it is required that the Superintendent of Public Instruction shall increase the district general fund GTB multiplier for FY 2024 and subsequent fiscal years by dividing 25% of the revenue transferred to the state general fund pursuant to 16-12-111, MCA, marijuana compensation special revenue account, in the prior

fiscal year by \$500,000, round to the nearest whole number, and increase the district general fund GTB multiplier by the amount of the product.

- Estimates provided by the Montana Department of Revenue indicate that the amount of revenue transferred to the state general fund and the required calculation in HB 663 would produce the following revenue for FY 2024 and FY 2025:

	Prior Year Revenue	25% of Revenue	Calculation	Multiplier
FY 2024	\$3,560,000	\$890,000	\$0.89M / \$500,000 = 1.78	252%
FY 2025	\$4,820,000	\$1,205,000	\$1.21M / \$500,000 = 2.41	254%

- HB 663 contains a coordination section should both HB 663 and HB 303 be signed into law with the overall effect of compounding the district general fund GTB multiplier directed through both bills.
- HB 663 is effective upon passage and approval.

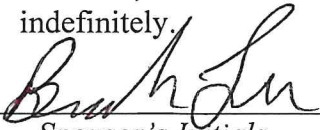

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Local Assistance (GTB)	\$10,245,460	\$10,439,655	\$11,846,492	\$13,156,831
TOTAL Expenditures	\$10,245,460	\$10,439,655	\$11,846,492	\$13,156,831
<u>Funding of Expenditures:</u>				
General Fund (01)	\$10,245,460	\$10,439,655	\$11,846,492	\$13,156,831
TOTAL Funding of Exp.	\$10,245,460	\$10,439,655	\$11,846,492	\$13,156,831
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0

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

General Fund (01)	(\$10,245,460)	(\$10,439,655)	(\$11,846,492)	(\$13,156,831)
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- Effect on County or Other Local Revenues or Expenditures:**
- As calculated in the school funding model shared by the Office of Budget and Program Planning, Legislative Services, and the Office of Public Instruction, local school property taxes could decrease statewide by \$10,236,000 in FY 2022 and \$10,436,000 in FY 2023, and incrementally decrease each year corresponding to the GTB increase as the multiplier increases.

- Technical Notes:**
- If the amount dedicated to the general fund from marijuana taxes is increased in separate legislation, that action would result in an increase of the GTB multiplier in this bill, thereby resulting in additional general fund resources needed above what is estimated in this fiscal note.
 - It is unclear if the intent of this bill was for the GTB multiplier increase to be based on the total general fund received in the prior year or the incremental increase to the general fund revenue received year-to-year. If the GTB multiplier does grow based on the total general fund revenue received, the GTB multiplier would grow every year no matter the amount of general fund marijuana revenue received in the prior year. The bill has no end date, so the GTB multiplier would increase annually thus increasing the GTB payment to schools indefinitely.

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Sponsor's Initials	Date	Budget Director's Initials	Date