



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 Amended in Senate Committee

- 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 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
<b>Expenditures:</b>				
General Fund	\$10,245,460	\$10,439,655	\$11,323,031	\$12,054,538
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<u>(\$10,245,460)</u>	<u>(\$10,439,655)</u>	<u>(\$11,323,031)</u>	<u>(\$12,054,538)</u>

**Description of fiscal impact:** HB 663, as amended, revises school funding laws by increasing the guarantee tax base aid (GTB) multiplier by dedicating a formula-driven portion of the estimated increasing general funding revenue pursuant to 16-12-111, MCA, (marijuana tax) to GTB, costing the state general fund \$10 million per year beginning in FY 2022, 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 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.

3. Additionally, it is required that the superintendent of public instruction shall increase the district general fund GTB multiplier for fiscal years 2024 and subsequent fiscal years through FY 2031 by dividing 25% of the revenue transferred to the state general fund pursuant to 16-12-111, MCA, in the prior fiscal year, compared to any increases over year two years prior, by \$500,000 and increase the district general fund GTB multiplier by the nearest whole number of the amount of the product only in years where the revenue transferred to the state general fund pursuant to 16-12-111, MCA, in the prior fiscal year is at least \$1.0 million more than the revenue transferred in the fiscal year two years prior. Otherwise the multiplier is not to be increased.
4. Estimates provided by the Montana Department of Revenue indicate that the amount of current law revenue transferred to the state general fund and the required calculation in HB 663 could produce the following for FY 2024 and FY 2025:

Fiscal Year	General Fund Revenue	GF Increase (Prior Yr over 2 Yrs Prior)	25% GF Increase	GTB Adjustment Calculation	Multiplier per HB 663
FY 2022	\$1,370,000			N/A	250%
FY 2023	\$3,560,000			N/A	250%
FY 2024	\$4,820,000	\$2,190,000	\$547,500	$\$547,500 / \$500,000 = 1.10$	251%
FY 2025	\$5,520,000	\$1,260,000	\$315,000	$\$315,000 / \$500,000 = 0.63$	252%

5. For years after FY 2031 the general fund multiplier is not increased.
6. 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 303 directs the multiplier would be 252% in FY 2022 and 254% in FY 2023.
7. HB 663 is effective upon passage and approval.

	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Local Assistance (GTB)	\$10,245,460	\$10,439,655	\$11,323,031	\$12,054,538
<b>TOTAL Expenditures</b>	<u>\$10,245,460</u>	<u>\$10,439,655</u>	<u>\$11,323,031</u>	<u>\$12,054,538</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$10,245,460	\$10,439,655	\$11,323,031	\$12,054,538
<b>TOTAL Funding of Exp.</b>	<u>\$10,245,460</u>	<u>\$10,439,655</u>	<u>\$11,323,031</u>	<u>\$12,054,538</u>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$10,245,460)	(\$10,439,655)	(\$11,323,031)	(\$12,054,538)

**Effect on County or Other Local Revenues or Expenditures:**

1. As calculated in the school funding model, local school property taxes could decrease statewide by \$10,236,000 in FY 2022 and \$10,436,000 in FY 2023 and incrementally corresponding to the GTB increase between the span of the multiplier increase.

**Technical Notes:**

1. This fiscal note is calculated based on current law, 16-12-111, MCA, revenue estimates. If HB 701 or some other similar legislation is passed and approved increasing the amount of general fund revenue, there could be a significant impact to the amount of GTB adjustment related to HB 663. An example would be if the revenue in FY 2024 were to increase to \$40.0 million instead of the projected \$4.8 million estimated in this fiscal note and FY 2025 were to increase to \$50.0 million instead of the \$5.5 million projected in this fiscal note, the GTB multiplier would increase by 18% in FY 2025 increasing GTB by an additional \$10.0 million per year. The increment into FY 2026 would increase the GTB multiplier by an additional 5% and an additional \$3.0 ongoing.

BL  
Sponsor's Initials

4-26-21  
Date

KA  
Budget Director's Initials

4-26-21  
Date