



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0613 - Using excess revenue to fund local property tax relief (Thane, Mark)

Status: As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" 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

	FY 2024 Difference	FY 2025 Difference	FY 2026 Difference	FY 2027 Difference
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	\$0	\$0	\$0	\$0

Description of fiscal impact: HB 613 creates a new state special revenue school transportation property tax relief account funded with excess general fund revenue and is intended to reduce school transportation property tax levies. The current HJ 2 forecast for general fund revenue does not result in an excess general fund revenue during the period FY 2024 – FY 2027; therefore, distributions to schools and impacts to the state are \$0. However, in years where there is excess revenue, the amount distributed to the general fund would be reduced by 50% under HB 613.

FISCAL ANALYSIS

Assumptions:

Office of Public Instruction

1. HB 613 establishes a school transportation property tax relief state special revenue account, statutorily appropriated to the Superintendent of Public Instruction, with the purpose to use excess general fund revenue to reduce school transportation property tax levies.
2. The bill requires the Superintendent to distribute, by the last working day of August each year, one-half of the account balance, up to \$60 million, to each school district in proportion to each district's state school transportation reimbursement per 20-10-145, MCA, in the prior fiscal year compared to the statewide total of state school transportation reimbursements under that law in the prior fiscal year.

3. The money distributed in assumption #2 must be deposited in the school district's transportation fund for the purpose of reducing the school district transportation levies and, if applicable, to reducing county and state financial obligations pursuant to 20-10-144, MCA, in the current fiscal year. Any amount distributed to schools under this section must be considered local school district property taxes for the purposes of calculating the state and county share of the schedule amount of transportation costs under 20-10-144, MCA.
4. Section 17-7-130, MCA, which describes rules for deposits and transfers to the state budget stabilization reserve fund, revises the distribution of excess revenue transferred to the budget stabilization reserve fund. If the fund exceeds 4.5% of all general fund appropriations in the second year of the biennium, then by August 16 of each fiscal year:
 - a. 50% to the long-range building program;
 - b. 25% to the school transportation property tax relief state special revenue account; and
 - c. 25% to the state general fund.
5. Current law directs these transfers these funds:
 - a. 50% to the long-range building program; and
 - b. 50% to the state general fund.
6. Section 4 of the bill amends the computation of revenue and net tax levy requirements for school district transportation fund budgets to include the money received from the state special revenue school transportation property tax relief account distribution provided in the bill as part of the money available to the school district for the reduction of property tax on the district for the district transportation fund.
7. Current projections of general fund revenue contained in HJ 2 indicate that there will be no excess revenue, as defined in 17-7-130(5)(b), MCA, created in any year during the FY 2024 – FY 2027 period; therefore, no distribution to the school transportation property tax relief state special revenue account will be made. However, in years where there is excess revenue, the amount distributed to the general fund would be reduced by 50% under HB 613. The following table provides details of the excess revenue calculation.

Fiscal Year	HJ 2 General Fund Revenue (\$ millions)	CAGR Revenue* (\$ millions)	Excess Revenue
2023	\$3,800.273	\$4,144.422	\$0
2024	\$3,710.034	\$4,022.785	\$0
2025	\$3,782.680	\$3,899.994	\$0
2026	\$3,929.780	\$3,989.115	\$0
2027	\$4,108.386	\$4,139.787	\$0

**CAGR = Compound Annual Growth Rate [see 17-7-130(5)(a)]*

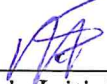
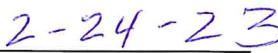


8. There will be no property tax reduction or additional state support to districts between FY 2024 and FY 2027 associated with the proposed program under HB 613.

9.

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Local Assistance	\$0	\$0	\$0	\$0
Transfers	\$0	\$0	\$0	\$0
TOTAL Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0

Technical Notes:

1. New section 1 requires distributions to schools to occur by the last day of August. Current statute requires that district's adopt budgets by August 25 annually pursuant to 20-9-131, MCA. If the intent is that these revenues are to reduce property taxes in the school year received, there is a possibility that the revenues received will not offset the school district transportation property taxes in the year received.
2. New section 1 states that, *any amount distributed to schools under this section must be considered local school district property taxes*. It is unclear how or why these revenues received could legally be recorded as levied property tax funds.
3. Section 4 of the bill states that before the second Monday of August, the county superintendent shall compute the revenue available to finance the transportation fund budget of each district. This section is then amended to state that *money received from the state special revenue school transportation property tax relief account distribution provided for in section 1 of the bill is to be included in the computation of revenue and net tax levy requirements*. The computation is to be made prior to knowing the distribution of funds meaning the timing does not work.
4. New section 1 requires that *funds distributed from the state special revenue school transportation property tax relief account are to be used to reduce county and state financial obligations pursuant to 20-10-144, MCA*. There is no provision in this bill showing how there would be a reduction in the state portion of the claim obligation.
5. In years where there is excess revenue, the amount distributed to the general fund would be reduced by 50% under HB 613.

 Sponsor's Initials Date Budget Director's Initials Date