



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0633 - Provide means to raise teacher pay in school districts with high cost of living (Matthews, Eric)

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 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>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 633 increases the locally funded and voter-approved general fund budget authority of school districts with high costs of living. There is no state fiscal impact.

FISCAL ANALYSIS

Assumptions:

- HB 633 redefines a school district maximum general fund budget in a district where the median market value for residential properties is greater than the median market value for residential properties in the state.
- When the median market value of residential properties in a district is greater, maximum the school district general fund budget can be increased as follows:
 - If the district median market value is greater than 110% but less than 120% of the statewide median market value, the amount calculated in subsection (9)(a) is multiplied by 105%.
 - If the district median market value is greater than 120% but less than 130% of the statewide median market value, the amount calculated in subsection (9)(a) is multiplied by 110%.
 - If the district median market value is greater than 130% but less than 140% of the statewide median market value, the amount calculated in subsection (9)(a) is multiplied by 115%.

- d. If the district median market value is greater than 140% of the statewide median market value, the amount calculated in subsection (9)(a) is multiplied by 120%.
- 3. The Department of Revenue will calculate the median market values required for the calculation, excluding properties with a market value of \$50,000 or less, in odd-numbered calendar years and report the information to the Office of Public Instruction no later than December 1. The values reported must apply to the calculations in section 20-9-306(9)(b)(i), MCA, and the maximum general fund budgets of districts calculated under this subsection 20-9-306(9), MCA, in the two school fiscal years beginning the following July 1.
- 4. The following table illustrates the count of operating school districts that are estimated to have increases to the calculation of school districts' maximum general fund budget limitation.

District median market over statewide average	Count of Districts
Less than 110% (no increase)	314
110% but less than 120% (maximum increase 5%)	18
120% but less than 130% (maximum increase 10%)	15
130% but less than 140% (maximum increase 15%)	11
Greater than 140% (maximum increase 20%)	38

- 5. Increases to the calculation of school district maximum general fund budget has no state fiscal impact; however, may contribute to unknown increases in local property taxes.

Effect on County or Other Local Revenues or Expenditures:

- 1. HB 633 increases the allowable maximum general fund budget for school districts where market value for residential properties is greater than the median market value for residential properties statewide. This may create higher over-BASE budget levies. Increases associated with HB 633 raise the school district maximum general fund budget limit for certain school districts by \$55.5 million in FY 2025 to \$59.0 million in FY 2027. School districts may adopt either the current year maximum general fund budget limit or the prior year adopted budget with adjustments. School districts may also hold permissive over-BASE levy authority from prior years and could also be required to pass over-BASE levy elections. Because of these additional variables, the OPI estimates that over-BASE mills may increase independently from that of other school districts in an amount of between \$49,500 and \$55.5 million beginning in FY 2024 and beyond.

Technical Notes:

- 1. HB 633 increases the school district maximum general fund budget limit for school districts where market value for residential properties in the district is greater than the median market value for residential properties statewide. The Department of Revenue is to provide the market value for residential properties every odd numbered calendar year. The bill is not clear if the percent of increase is to apply annually or every other year. Although it may be conjectured that reassessment is to occur every other year, the language of the bill does not indicate this to be the case.

 2-23-23
 Sponsor's Initials Date

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 Budget Director's Initials

2-23-23
 Date