

ESTIMATING SCHOOL EQUALIZATION MILLS IN THE REVENUE ESTIMATE

REVENUE INTERIM COMMITTEE
MEGAN MOORE - MARCH 2024

JAN. RECOMMENDATION ON ESTIMATING EQUALIZATION MILLS

As part of the January 2024 agenda item on policies to include in [15-10-420](#), the Montana Taxpayers Association [recommended](#) considering how the school equalization mills are included in the revenue estimate. The suggestion was to include only the mills calculated under [15-10-420\(1\)\(a\)](#) without including carryforward mills.

HJ 2 ESTIMATES REVENUE FOR BUDGET, FISCAL NOTE PURPOSES

The Revenue Interim Committee prepares a revenue estimate for each regular legislative session as required in [5-5-227](#). The Legislature's revenue estimate is used for the purpose of balancing the budget. The estimates and assumptions in the revenue estimate are also used to estimate revenue and costs in fiscal notes.

The revenue estimate, introduced as [House Joint Resolution 2](#) (HJ 2), estimates general fund revenue and selected nongeneral fund revenues. In addition to providing estimates of revenue for the next three fiscal years, HJ 2 also identifies major assumptions used to estimate each revenue source.

The assumptions for property tax revenue from the school equalization mills are: the taxable value for each class of property, the value of property abatements, and the incremental value of districts that use tax increment financing.

HB 587 CHANGES WHERE PROPERTY TAXES ARE INCLUDED IN HJ 2

Beginning July 1, 2023, [House Bill 587](#) (2023) deposits revenue collected from the school equalization mills provided for in [20-9-331](#), [20-9-333](#), and [20-9-360](#) in a new account in the state special revenue fund. This revenue will now appear in the portion of the revenue estimate devoted to selected nongeneral fund revenue.

OPTIONS WHEN ESTIMATING SCHOOL EQUALIZATION MILLS

The purpose of the revenue estimate is to estimate the actual dollars collected for each revenue source.

In some years, carryforward mills under [15-20-420\(1\)\(b\)](#) were used to reach the 95-mill maximum contained in state law. If the revenue estimate estimated property tax revenue using the mills calculated under [15-10-420\(1\)\(a\)](#), the revenue estimates in those years would be understated. This would affect the state appropriations required for school funding and fiscal notes for bills amending property tax laws.

If the Legislature wishes to track the use of carryforward mills for the school equalization mills, the Revenue Interim Committee and session taxation committees could request that revenue estimate presentations include information on the calculation of the school equalization mills. In fact, the carryforward mills may be exhausted within the decade so tracking their use is likely a worthwhile endeavor.