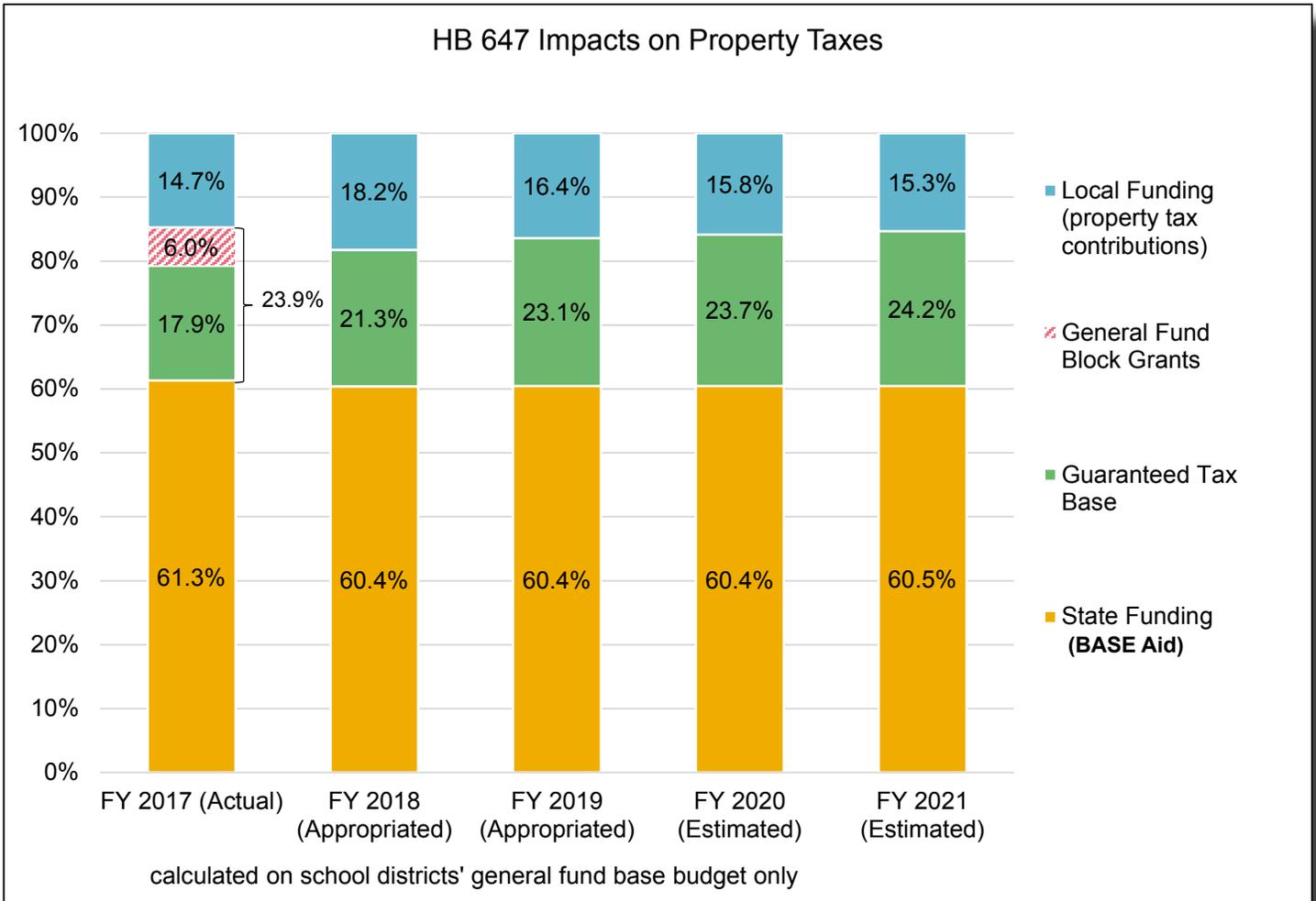


HB 647 (2017 Regular Session) Impacts on Property Taxes



The Montana constitution guarantees that the legislature provide for and fund the state's share in the cost of basic free quality public elementary and secondary schools. School districts' general fund base budgets are comprised of a mix of state and local funding. The state portion of school funding is provided through payments to school districts in the form of block grants, guaranteed tax base (GTB), and BASE Aid components. The main source of local contributions to school budgets is through property taxes.

As part of the budget-balancing package during the 2017 regular session, HB 647 passed by the legislature and signed by the Governor eliminated block grant payments to school districts beginning in FY 2018 and phased-in increased guaranteed tax base to offset the block grant elimination. By removing block grant payments, the state saves \$28.9 million of general fund in FY 2018. Since the increase in GTB does not completely offset the loss of block grant payments in FY 2018-FY 2020, school districts need additional funding to meet their budget obligations. As a result, local property taxes increased and property tax bills in November included the increase.

As the chart shows, by FY 2021, the block grant elimination will be completely offset by GTB increases and state funding returns to a higher percentage. Statewide, the funding split between locals and the state will be very close to the same as the FY 2017 baseline, but due to the formulaic nature of the GTB, which directs more state funding to districts with lower taxable values, the local to state funding percentages will be different for each school district but required mill levies will be more equal.