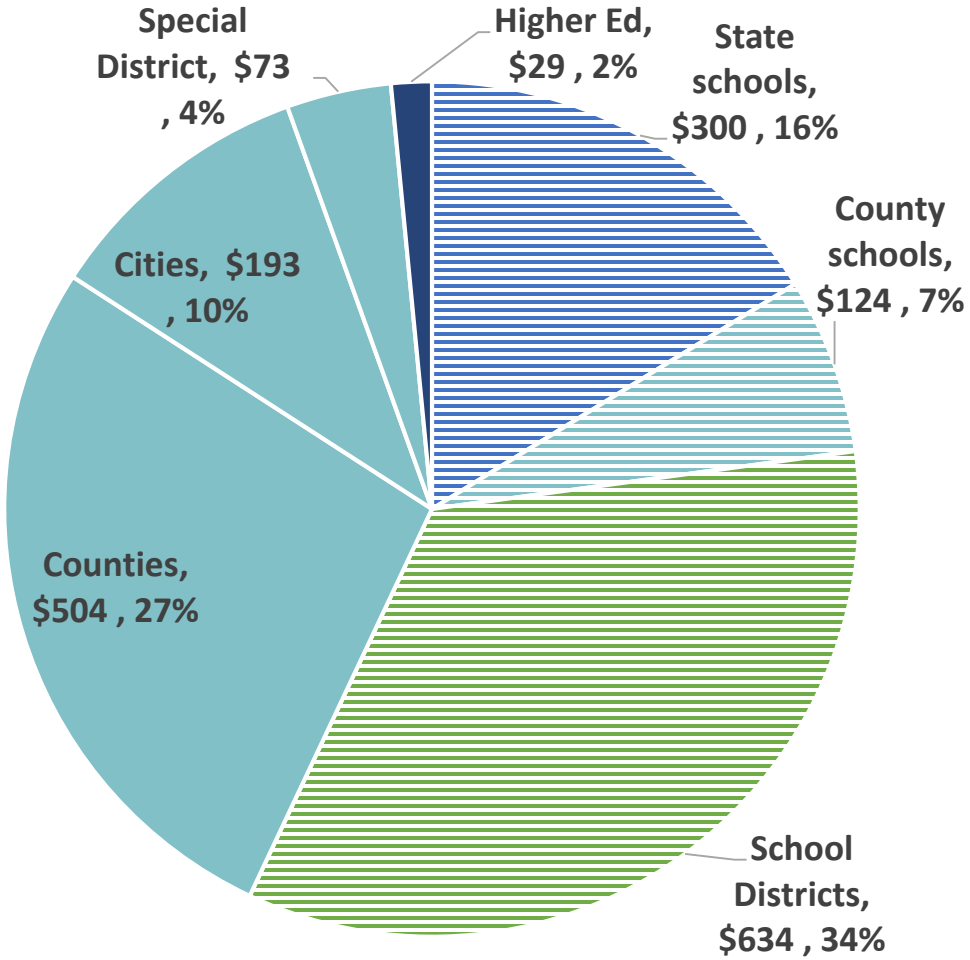
School Funding and Property Taxes in Montana

School funding plays a significant role in Montana’s property tax system

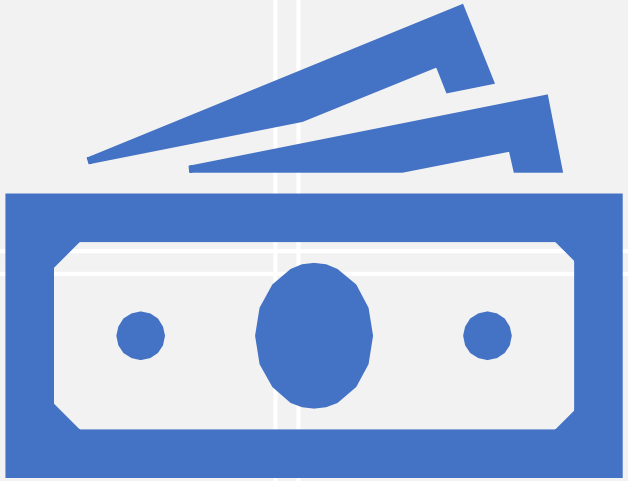
Most of the $1.9 billion in property taxes goes to support schools

- 57% of property taxes support local school districts
  - School district levies 34%
  - County school levies 7%
  - State school levies 16%
- 41% of property taxes support Local government
  - Counties 27%
  - Cities 10%
  - Special districts 4%
- 1% of property taxes support higher education



FY 2020 from DOR Biennial Report

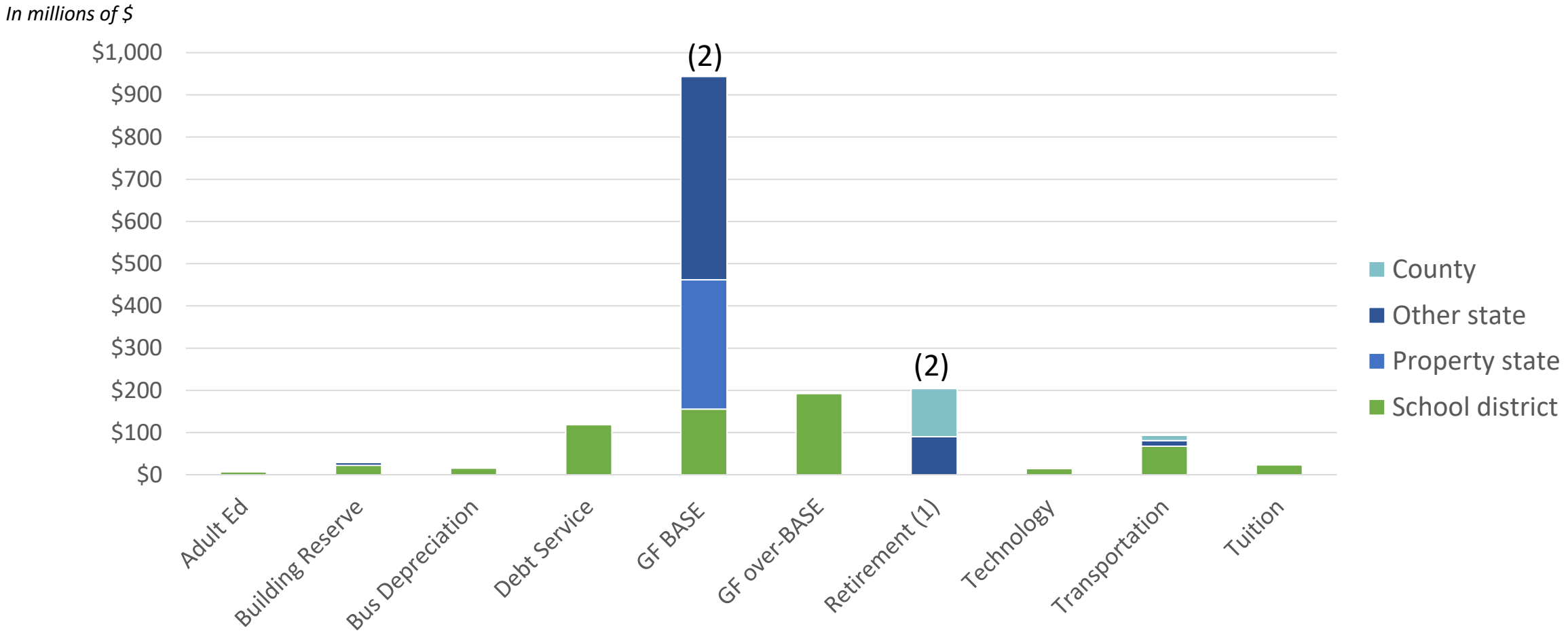
School Funding is constitutionally required



"The legislature shall provide a basic system of free quality public elementary and secondary schools. … It shall fund and distribute in an equitable manner to the school districts the state's share of the cost of the basic elementary and secondary school system."

Yet, unlike services that are fully state provided, taxpayers in different school districts pay different mills for the basic system which is constitutionally required service

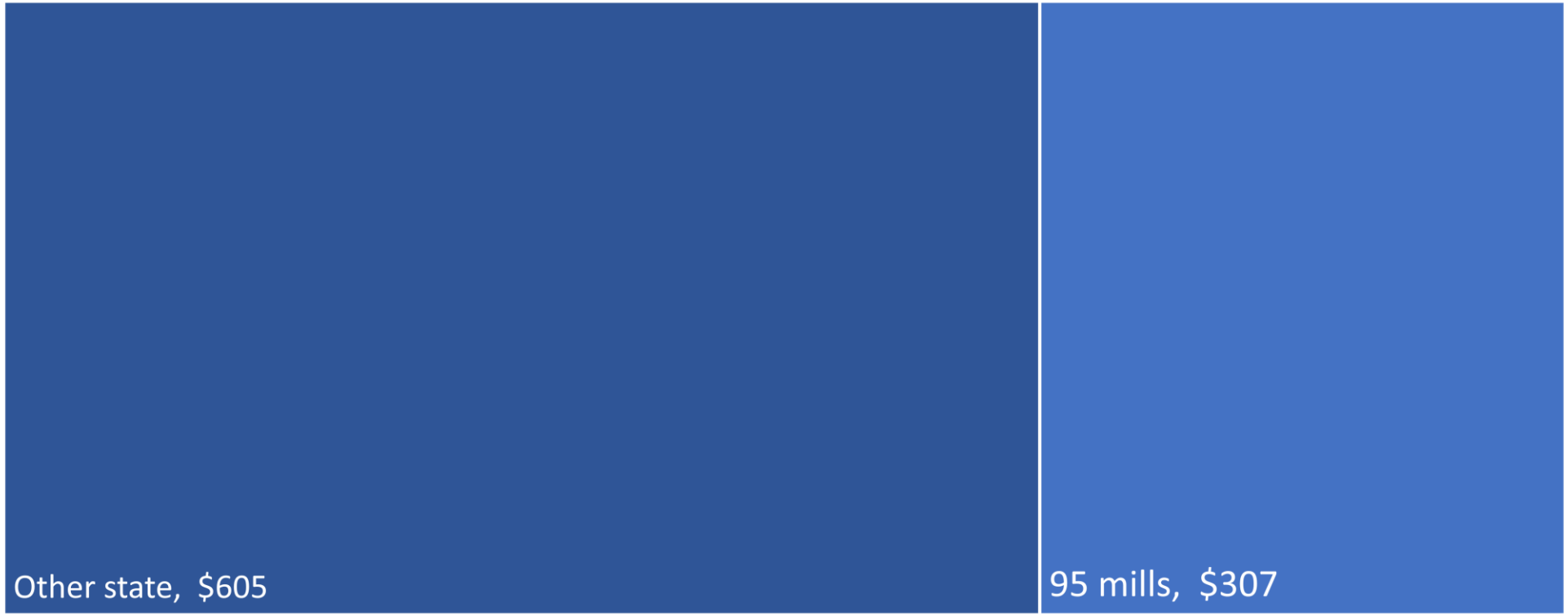
School district budgeted funds



(1) Includes state contribution to pension systems for schools

(2) Basic system of quality education minimums – also Transportation to a lesser extent

Property taxes do not support the full amount of state funding



In millions, SABHRS data include non-levy revenue FY 2020

State and Local share school funding

Components of school budgets are funded by the state to a greater or lesser degree, some are shared with the state and some are local only.

The statute determines the level of state share of each type of spending

Terms:

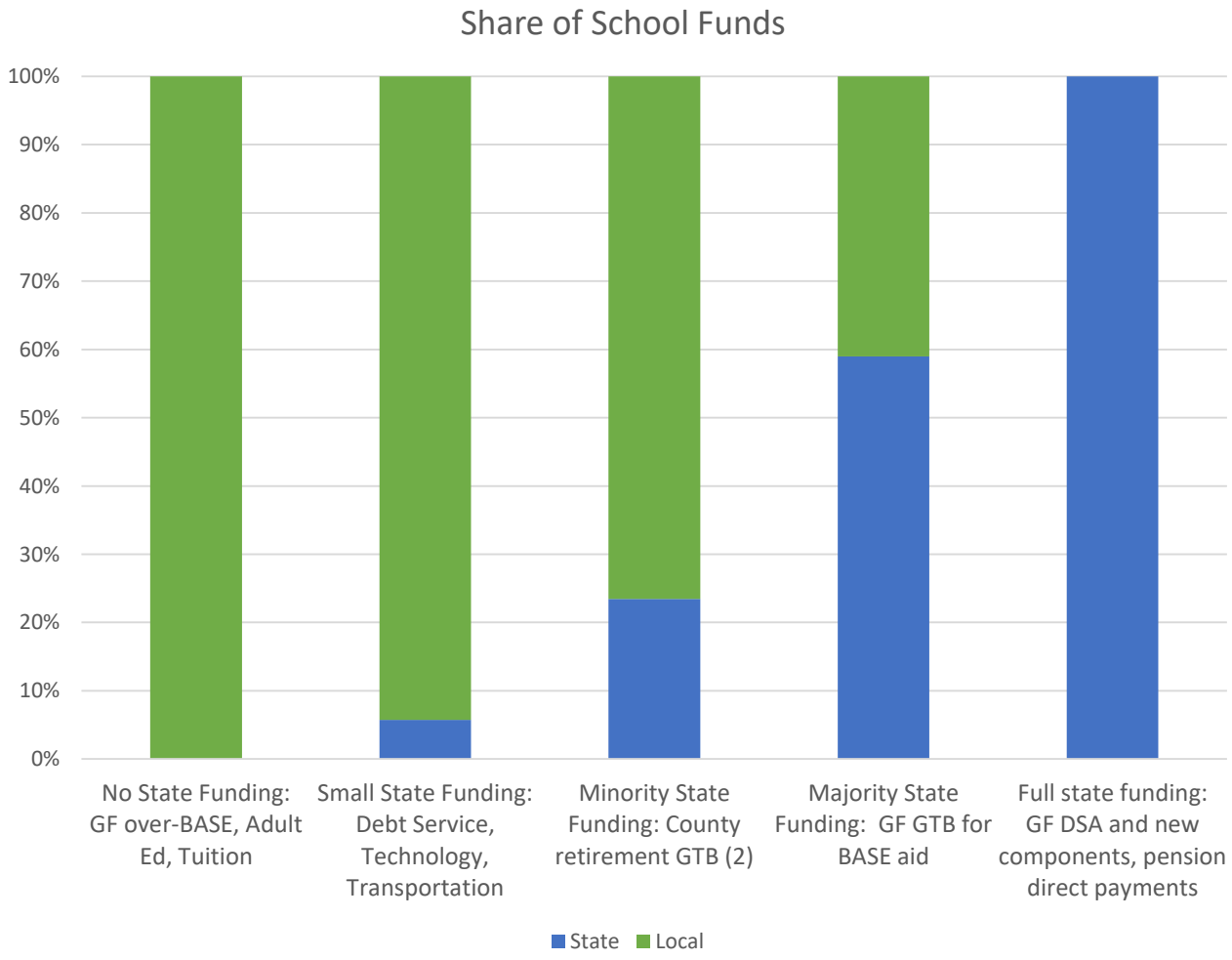
GF = District general fund

GTB = Guaranteed Tax Base Aid

DSA = Direct state aid to the district general fund

County retirement levy pays for school pension contribution, SSI, UI

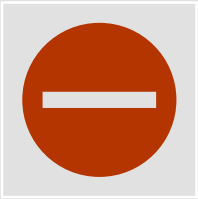
(2) Only includes the state GTB payment, it does not include the direct state contribution to pension systems on behalf of schools.



Statute is the driver in mill levies

Levy districts (location) makes a difference with property taxes: taxable value relative to costs varies by district

Guaranteed tax base aid (GTB) increases the equity between taxpayers of different districts improves and access to funds for low wealth districts



Caps or maximums exist in most school funds with property tax levies

School levies are set in different ways

Required	Allowed/Permissive	Voted
• District general fund BASE • County school mills for retirement and transportation	• Bus deprecation • Transportation • Adult Ed • Building reserve*	• School district general fund above base mills • Debt service • Building reserve* • Flexibility • Technology

* Building reserve fund has some allowed and some voted levies

Guaranteed tax base aid averages up

- For required mills
- Equalize the purchasing power of local property taxpayers to pay for schools
- Creates greater taxpayer equity
- Creates greater school equity for students as districts can afford a defined level of spending for schools

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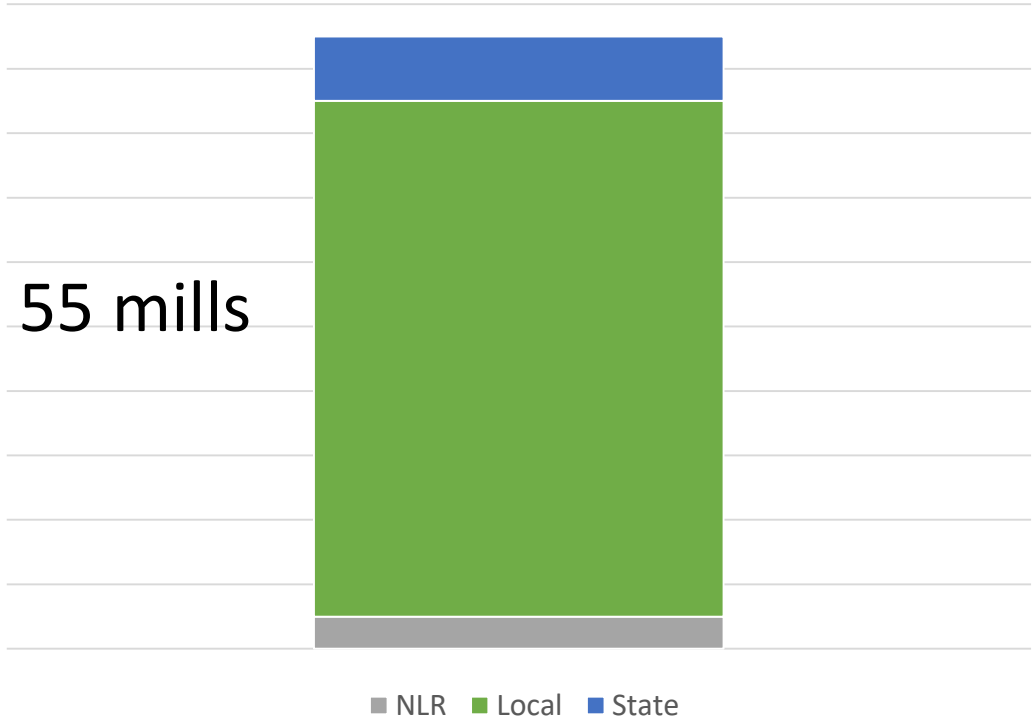
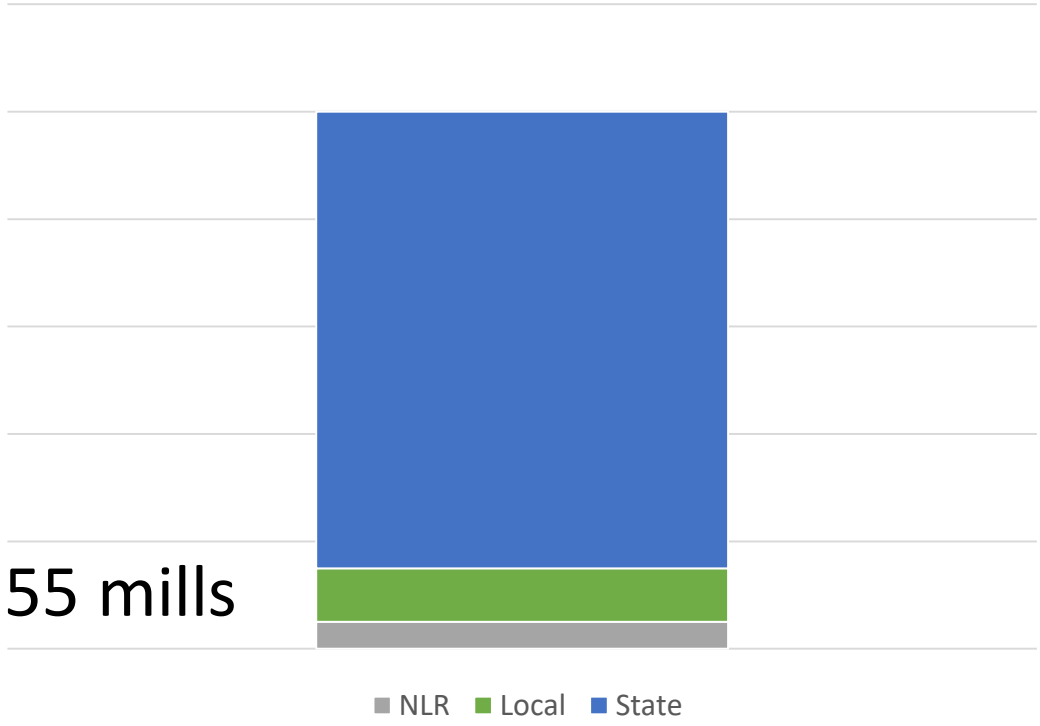
Comparing GTB State Aid and mills by District

GTB keeps the number of required mills similar for most districts

High Taxable Value Wealth



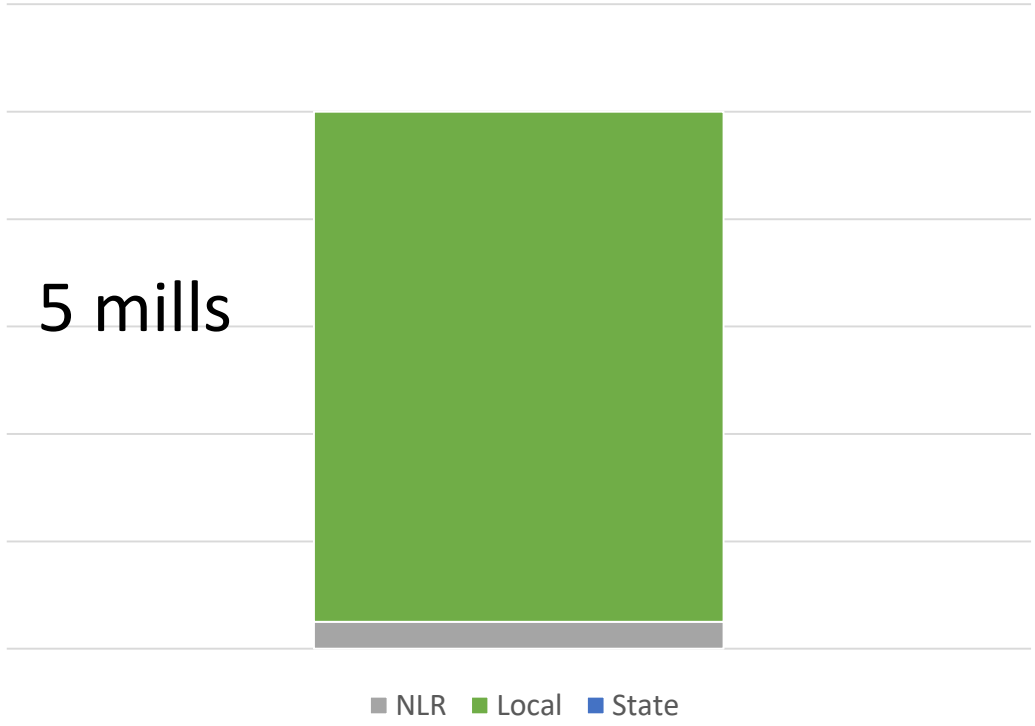
Low Taxable Value Wealth



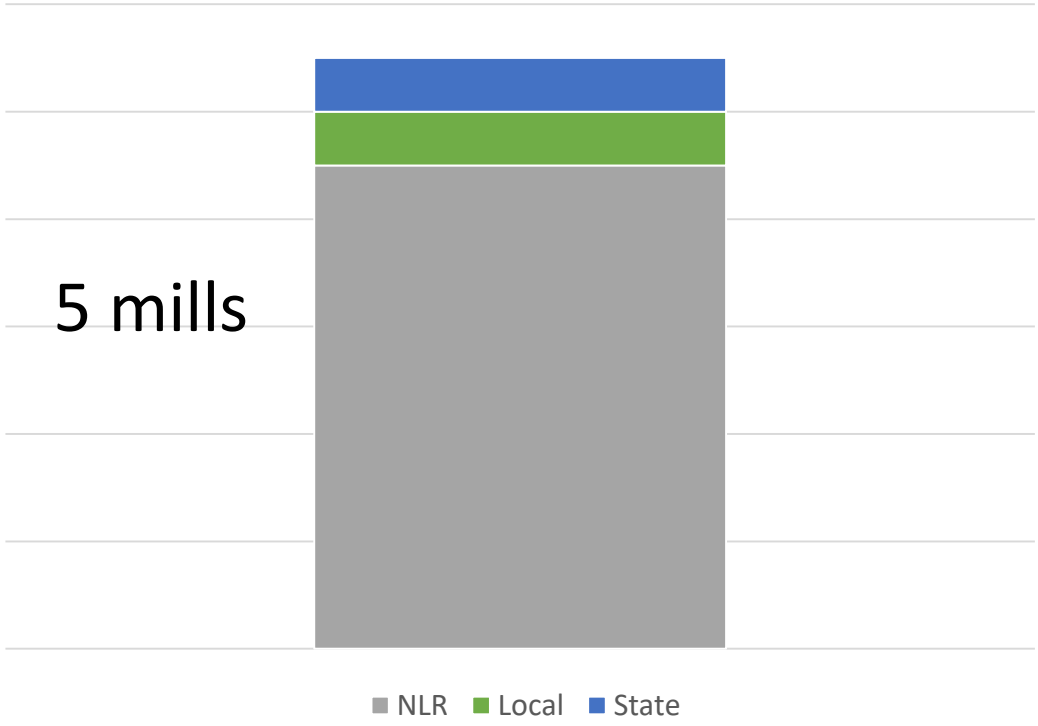
Comparing GTB State Aid and mills by District

Very high taxable value or non-levy revenue = lower mills

Very high taxable value wealth

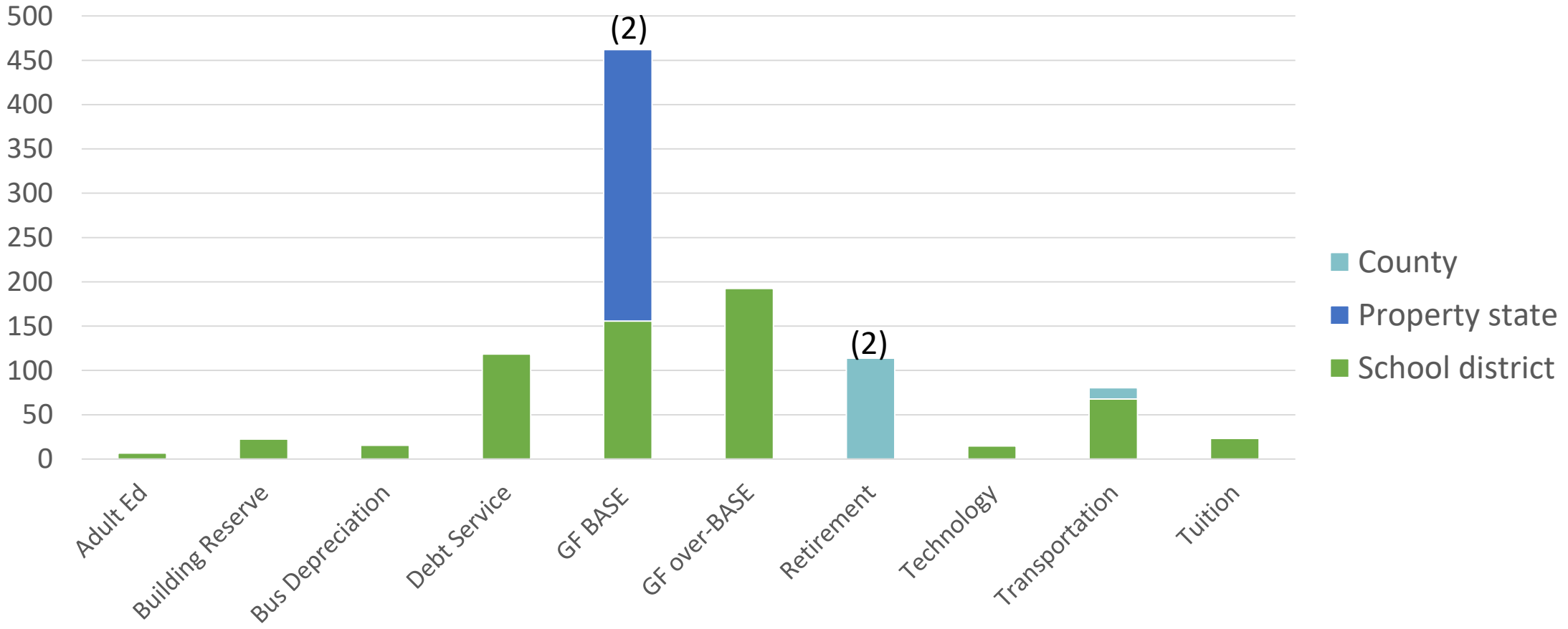


Very high non-levy revenue



School Property taxes by budgeted fund

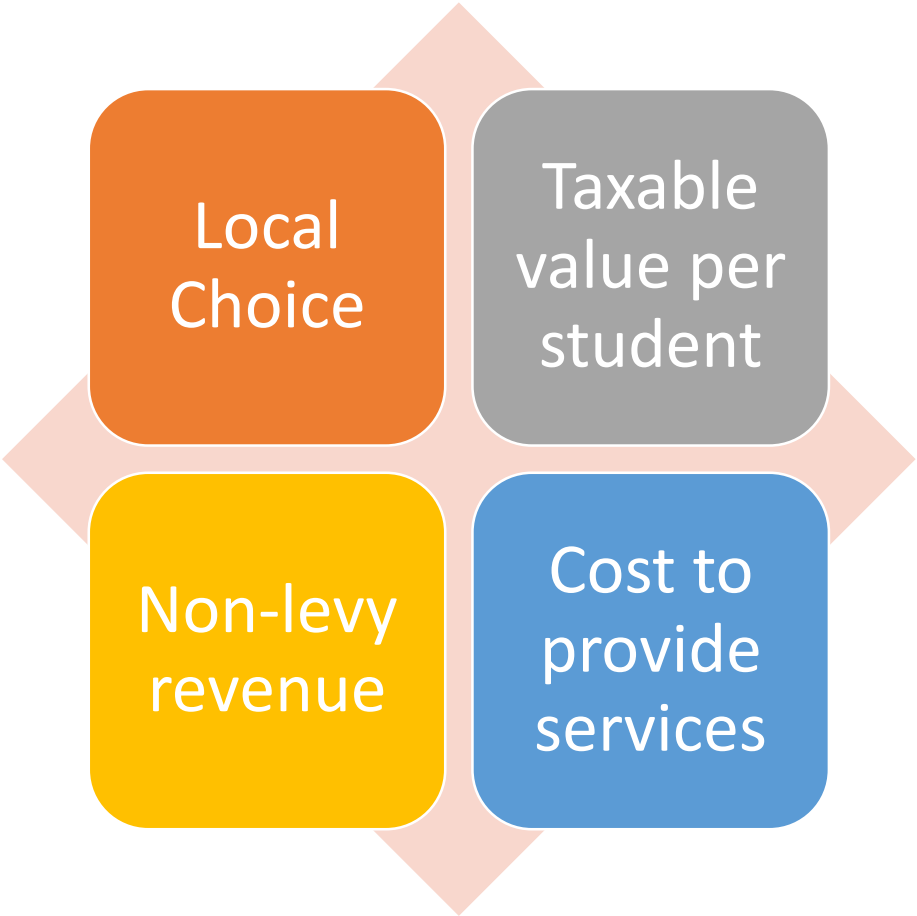
(millions $)



Note: state mills are assumed to support district BASE budget of the general fund

(2) GF BASE and retirement levies are required by the state to meet a basic system of quality education and to a lesser extent the same is true for the transportation mills

Variation in mills for schools



Property Taxes Levied for Schools

State

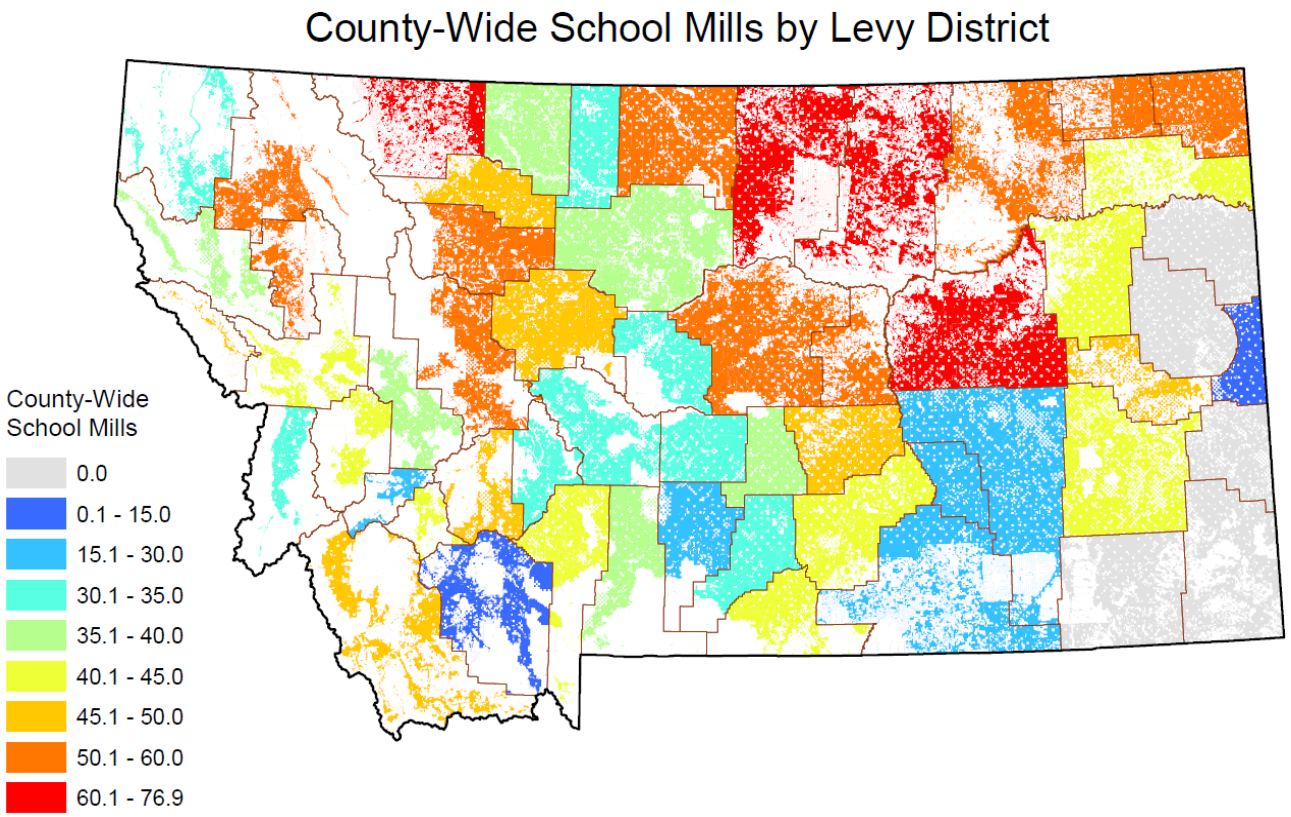
County

District

State mills are identical across the state
All taxpayers pay 95 mills

- All taxpayers pay the same with the same property value
- 1 mill for a $200,000 house = $2.70
- For the same educational services, all residents of a $200,000 house pay $256.50

County-wide mills levied for schools vary across the state



- 1 mill for a $200,000 house = $2.70
- For the same educational services, residents of a $200,000 house pay between $0 and $207.58

Sources of Variation

Taxable Value per Student

Gallatin County

41.45 county-wide school mills

- Taxable value = $361.6 million
- Total ANB = 14,420

Gallatin County has $25,073 in taxable value per ANB

Madison County

9.25 county-wide school mills

- Taxable value = $147.0 million
- Total ANB = 925

Madison County has $158,875 in taxable value per ANB

Sources of Variation

Non-Levy Revenue

McCone County

43.43 county-wide school mills

- County-wide school prop. tax = $335,782
  - Taxable value = $7.7 million
- Non-levy revenue (NLR) = $3,414
- Total ANB = 243

McCone County has $1,382 in county-wide property tax per ANB and $14 in county-wide NLR per ANB

Richland County

0 county-wide school mills

- County-wide school prop. tax = $56.7 million
  - Taxable value = $56.7 million
- Non-levy revenue (NLR) = $2.4 million
- Total ANB = 2,002

Richland County has $0 in county-wide property tax per ANB and $1,180 in county-wide NLR per ANB

Sources of Variation

Cost to Provide Services

Garfield County

76.88 county-wide school mills

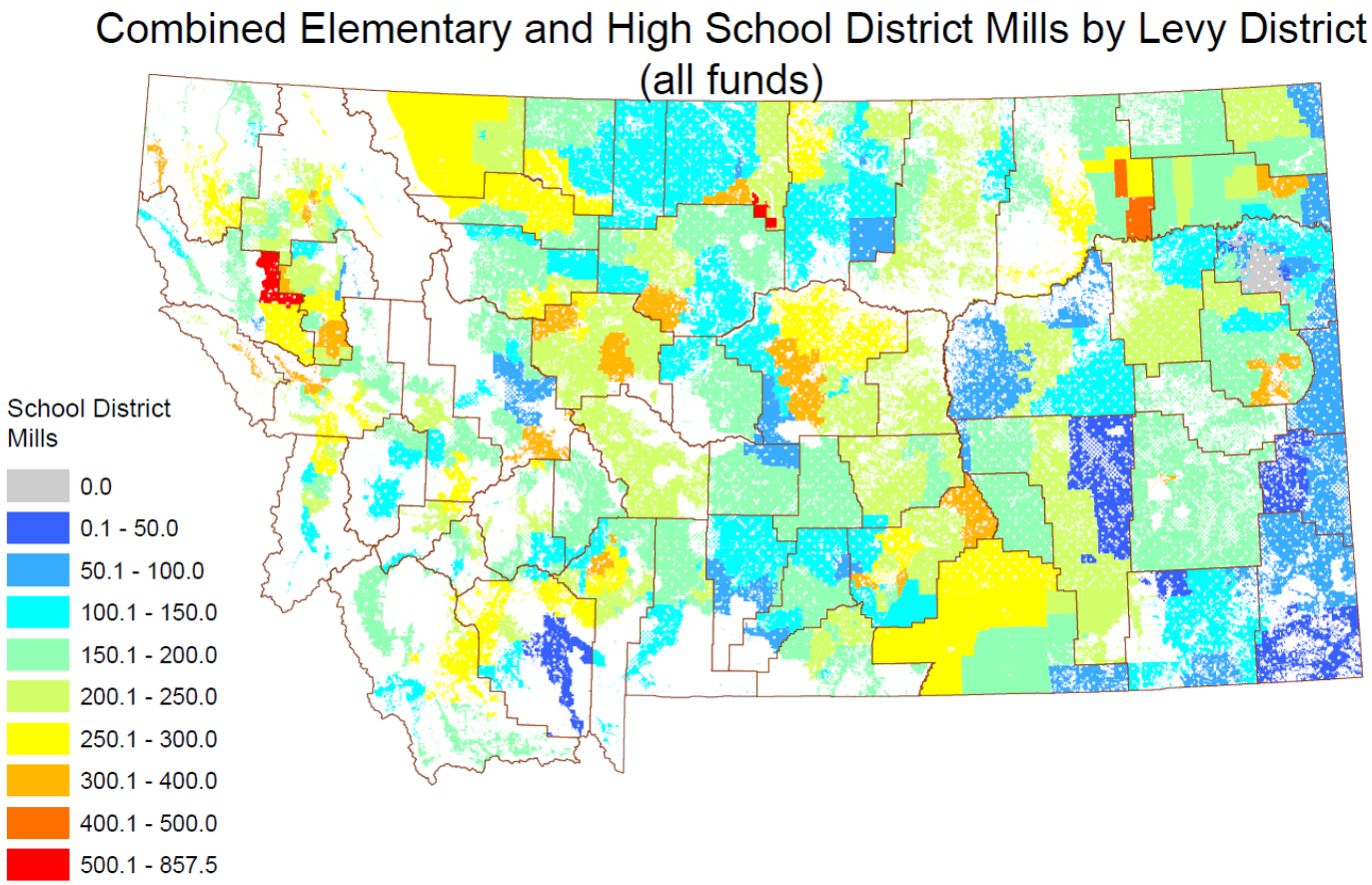
- Collects $1,523/ANB
  - Dollars to schools = $269,528
  - Total ANB = 177

Yellowstone County

42.94 county-wide school mills

- Collects $928/ANB
  - Dollars to schools = $22.7 million
  - Total ANB = 24,412

Mills levied by individual school districts vary across the state



- 1 mill for a $200,000 house = $2.70
- For the same educational services, most residents of a $200,000 house pay between $48.57 and $941.36
- Interactive School Mills Map

Sources of Variation

Taxable Value per Student

Big Sky K-12 District (Gallatin)

104.09 local school district mills

- Taxable value = $130.9 million
- Total ANB = 382

$92,547 in taxable value per ANB

Ennis K-12 District (Madison)

21.39 local school district mills

- Taxable value = $35.4 million
- Total ANB = 399

$328,066 in taxable value per ANB

Sources of Variation

Non-Levy Revenue

Vida Elem. & Circle HS (McCone)

144.38 local school district mills

- Local school prop. tax = $868,120
  - Taxable value = $2.7 million
- Non-levy revenue (NLR) = $7,877
- Total ANB = 95

$9,138 in district property tax per ANB and $83 in district NLR per ANB

Lambert Elem. & Savage HS (Richland)

66.05 local school district mills

- Local school prop. tax = $219,207
  - Taxable value = $1.2 million
- Non-levy rev. (NLR) = $1.4 million
- Total ANB = 120

$1,827in district property tax per ANB and $13,347 in district NLR per ANB

Sources of Variation

Cost to Provide Services

Cohagen Elem. & Garfield Co. HS (Garfield)

142.49 local school district mills

- Collects $19,602/ANB
  - Taxable value = $7.3 million
  - Total ANB = 53
- 45.45 BASE mills + 46.81 over-BASE = 92.26 district general fund mills
  - $12,692/ANB
- Transportation & bus depreciation mills = 50.23
  - Permissive mills
  - $6,910/ANB

Broadview Elem. & HS (Yellowstone)

105.31 local school district mills

- Collects $14,857/ANB
  - Taxable value = $20.7 million
  - ANB = 147
- 45.27 BASE mills + 38.97 over-BASE = 84.24 district general fund mills
  - $11,884/ANB
- Transportation & bus depreciation mills = 16.24
  - Permissive mills
  - $2,291/ANB

Sources of Variation

Local Choice

East Helena K-12 District (Lewis & Clark)

375.60 local school district mills

- Collects $4,663/ANB
  - Taxable value = $15.8 million
  - Total ANB = 1,269
- 66.69 BASE + 49.88 over-BASE = 116.57 district general fund mills
  - $1,437/ANB
- Debt service mills = 185.60
  - Voted mills
  - $2,304/ANB

Clancy Elem. & Jefferson HS (Jefferson)

172.71 local school district mills

- Collects $1,943/ANB
  - Taxable value = $7.1 million
  - Total ANB = 628
- 57.28 BASE + 69.41 over-BASE = 126.69 district general fund mills
  - $1,425/ANB
- Debt service mills = 0
  - Voted mills
  - $0/ANB

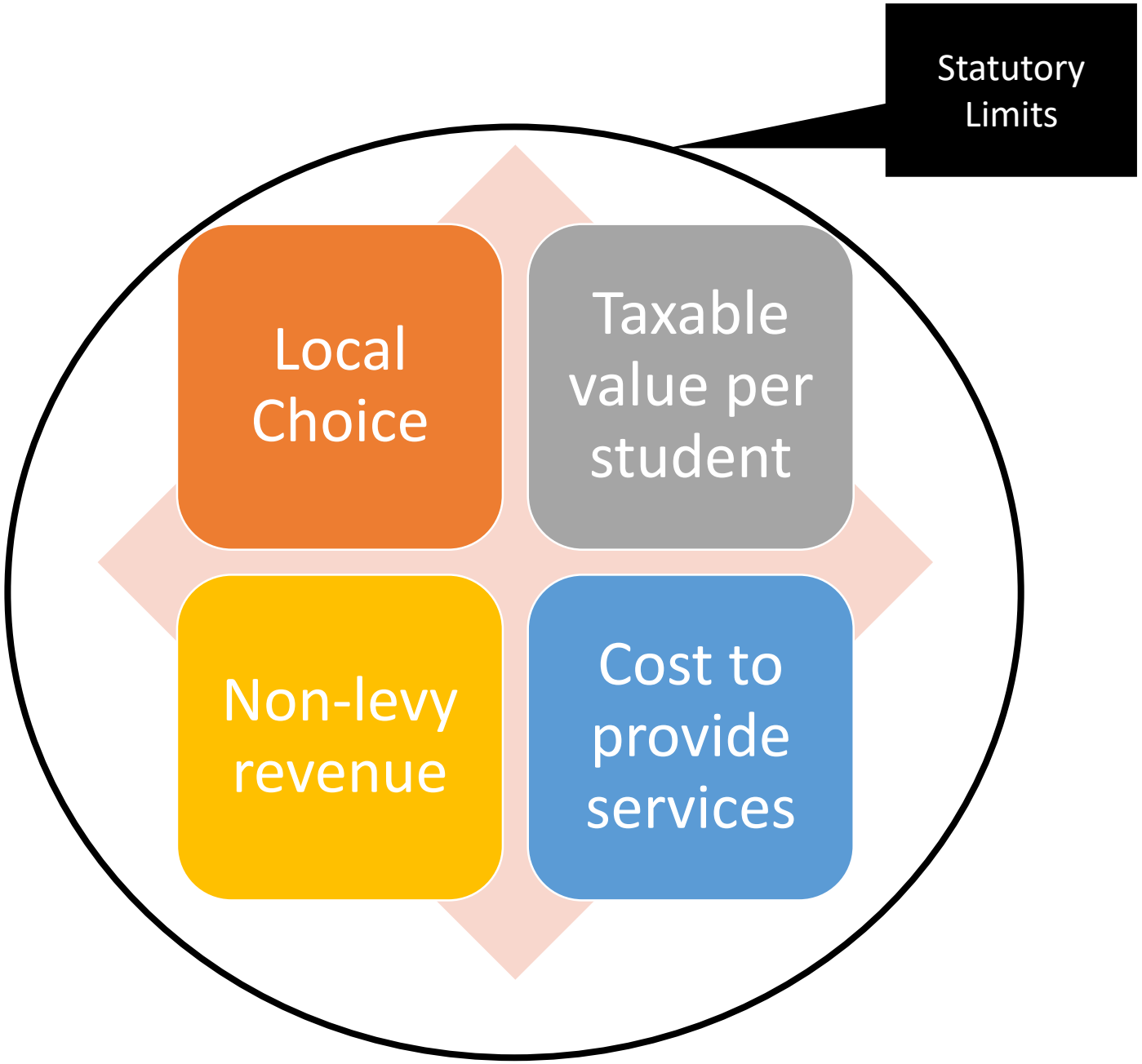
Variation, Limits, and Policy

Statute reduces variation:

- Guaranteed Tax Base Aid
- Statutory caps and minimums on spending
- State mills and other tax sources

Statute education and other policy impacts

- Services provided
- Tax rates by class
- Mechanisms for funding
- Distribution of revenue
- State share



Wrap up

Interactions/Examples

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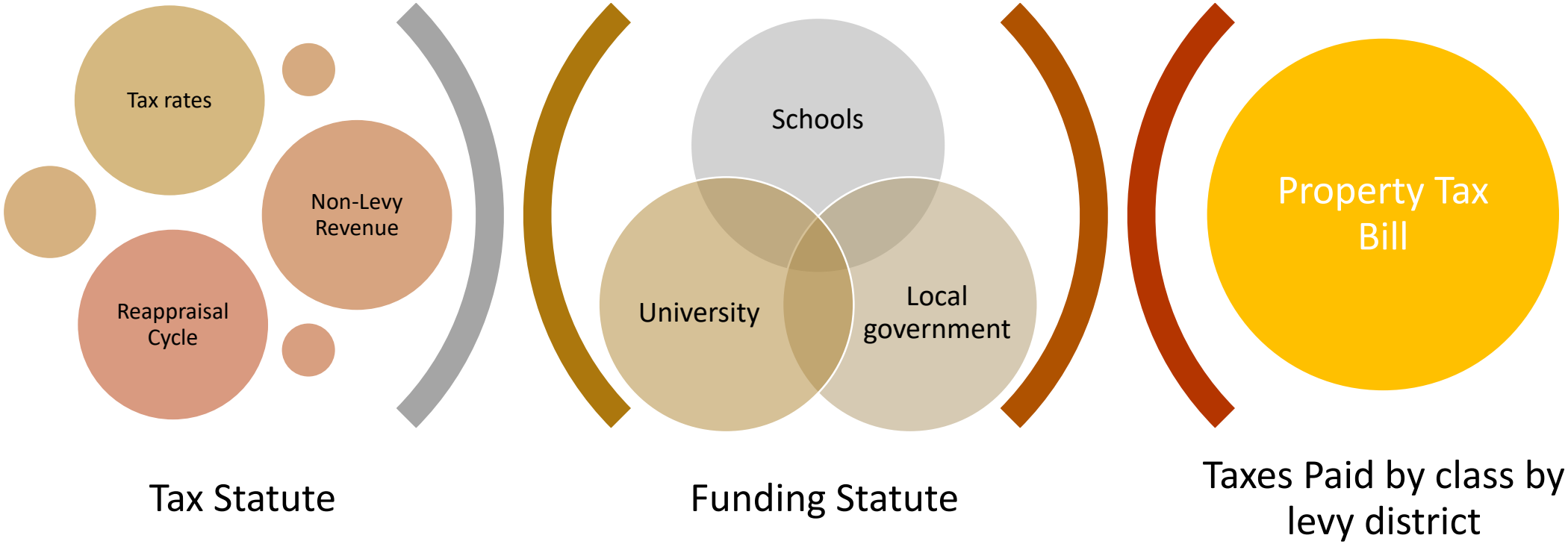


Changing School Funding Changes who pays

Block grant removed from district general fund budgets save state GF

Block grant were more heavily distributed to industrial property tax wealthier districts and previous tax wealth that had been replaced with block grant

GTB replaces local levies

Local mills in total return to previous level as GTB fully offsets on a statewide basis

Tax levies for required mills are more equal

Average mills are lower

Tax classes

Shift to which classes would

Likely shift would be toward industrial taxpayers as areas of high property tax wealth have disproportionate levels of industrial tax base

Changing a Tax Rate changes funding and who pays for services

Reduce Tax Rate

Reduce rate on industrial property

All local mills float/increase to offset (1st yr)

Local school, city, county, special district mill levies increase

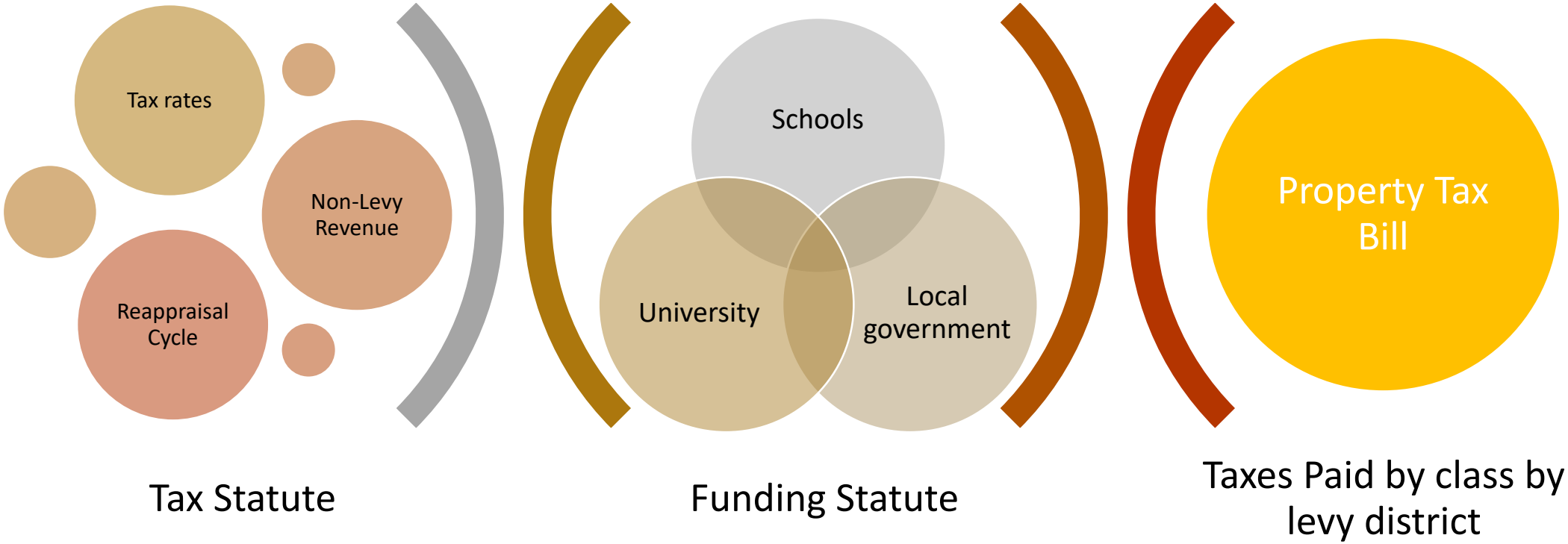
Guarantee levels remain higher than average taxable value

Shifts property taxes to residential

Shift burden to other state taxes – primarily income tax

GTB level drops (2nd yr)

County and school guarantee levels drop with lower taxable value

Less guaranteed tax base aid distributed higher base mills for schools and countywide retirement levies

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