



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

SB0519 - Revise laws related to maximum mill levies (Molnar, Brad)

Status: As Introduced

- | | | |
|--|---|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> 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
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	(\$79,850,000)	(\$82,410,000)	(\$108,030,000)	(\$111,690,000)
State Special Revenue	(\$4,990,000)	(\$5,150,000)	(\$6,770,000)	(\$6,980,000)
Net Impact-General Fund Balance:	<u>(\$79,850,000)</u>	<u>(\$82,410,000)</u>	<u>(\$108,030,000)</u>	<u>(\$111,690,000)</u>

Description of fiscal impact: SB 519 revises property tax laws by revising the maximum mill levy calculation for governmental entities, removing the inflationary adjustment for the maximum mill levy, sets a 2% property tax revenue growth limit, and revising laws related to emergency levies.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

- Under current law, a government entity may increase their mills at a rate sufficient to increase their property taxes actually assessed in the prior year by one-half the average rate of inflation for the prior three years, levying against the current year's taxable value less newly taxable property. This mill amount is then applied to all taxable value in the jurisdiction. The equation below shows the calculation for the maximum number of mills under current law.

$$\frac{\text{Previous Year's Revenue Adj. by 50\% Average Rate of Inflation}}{\text{Current Year's Taxable Value} - \text{Newly Taxable Value}} = \text{Maximum Mills}$$

- SB 519 removes one-half the average inflation adjustment for prior year's revenue.

3. Removing the inflation adjustment would only allow jurisdictions to increase their property tax revenue by their amount of newly taxable value.
4. SB 519 further limits jurisdictions to not be able to impose a mill levy that would increase total property tax collections by more than 2% in the prior year unless voters approve a higher amount.
5. In order to approve a larger increase than 2%, an election must be held in conjunction with a primary or general election and requires 60% voter approval.
6. The state mills are subject to 15-10-420, MCA, and therefore subject to the provisions of this bill; they are limited to their respective mill amount (95 state equalization mills, 1.5 vo-tech mills, and 6 Montana University System mills).
7. Because of the 2% growth limit in this bill, revenue generated from the state mills would be reduced compared to what it is projected to be under current law.
8. It is assumed that revenue from total mills levied including carry-forward mills cannot exceed this 2% limit.
9. The state typically “spends” banked carry forward mills in reappraisal years to get to the statutory mills, and banks more mills in the non-reappraisal years. Banked mills are not anticipated to run out during the fiscal note window under current law. If the state mills are limited to a total 2% growth in revenue, the maximum number of mills that could be imposed would decrease.
10. SB 519 would go into effect in TY 2023 (FY 2024). Statewide taxable value is anticipated to increase substantially between TY 2022 and TY 2023 (HJ 2 estimates about a 25% increase), largely due to the upcoming reappraisal of class 4 property. Because the bill limits total tax revenue growth, and because of the timing of the effective date aligning with the reappraisal, the maximum number of mills the state could impose on the larger taxable value base would be lower than what is projected under current law.
11. The following table compares estimated mills levied under current law and under SB 519.

Projected State Mills Levied under SB 519					
		FY 2024	FY 2025	FY 2026	FY 2027
State Equalization Mills (95)	Current Law	95.00	95.00	95.00	95.00
	SB 519	77.22	77.05	73.11	72.88
Vo-Tech Mills (1.5)	Current Law	1.50	1.50	1.50	1.50
	SB 519	1.22	1.22	1.16	1.16
Montana University System Mills (6)	Current Law	6.00	6.00	6.00	6.00
	SB 519	4.90	4.89	4.64	4.63

12. The decrease in expected maximum mills would result in less revenue generated compared to projections under current law. The following table shows the estimated difference in revenue generated compared to current law through FY 2027.

Estimated Difference in Revenue (\$ Millions)				
	FY 2024	FY 2025	FY 2026	FY 2027
State Equalization Mills (95)	-\$79.46	-\$82.01	-\$107.51	-\$111.15
Vo-Tech Mills(1.5)	-\$0.39	-\$0.40	-\$0.53	-\$0.54
Montana University System Mills(6)	-\$4.99	-\$5.15	-\$6.77	-\$6.98

13. The bill also provides that an emergency levy may not remain in effect more than two years after its adoption unless voted upon by the qualified electors and receives 60% approval. It is unclear how much this would limit local emergency levy authority and emergency revenue. These revenues are generally used to provide local matching funds for other state and federal emergency and disaster funding.

Office of Public Instruction

14. Amendments to various sections will not affect school district levy elections associated with maximum mill levies and the removal of inflationary adjustments.
15. Amendments proposed to section 15-10-425, MCA includes funding for public safety.

