

Impacts of SB542/HB231 on Montana Public Schools

Revenue Interim Commission Panel

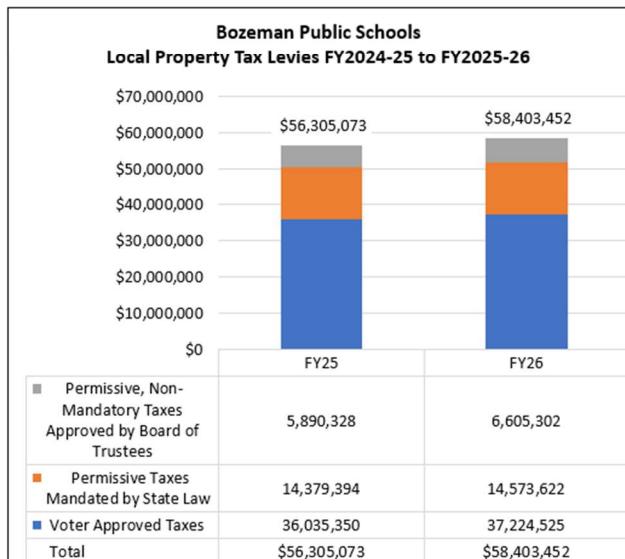
November 12, 2025

KEY TAKEAWAY:

Montana public schools are funded based on enrollment and fixed-dollar levies, *not* the value of the tax base. As a result, a growing tax base does not generate additional revenue for schools like it does for the state and other local governments--it just means there's more tax base over which to spread the impact of schools' fixed-dollar levies. Similarly, the District's revenue doesn't decrease when our tax base shrinks, as it did this year.

As a result, SB542/HB231 had minimal impact on school revenue and taxation decisions.

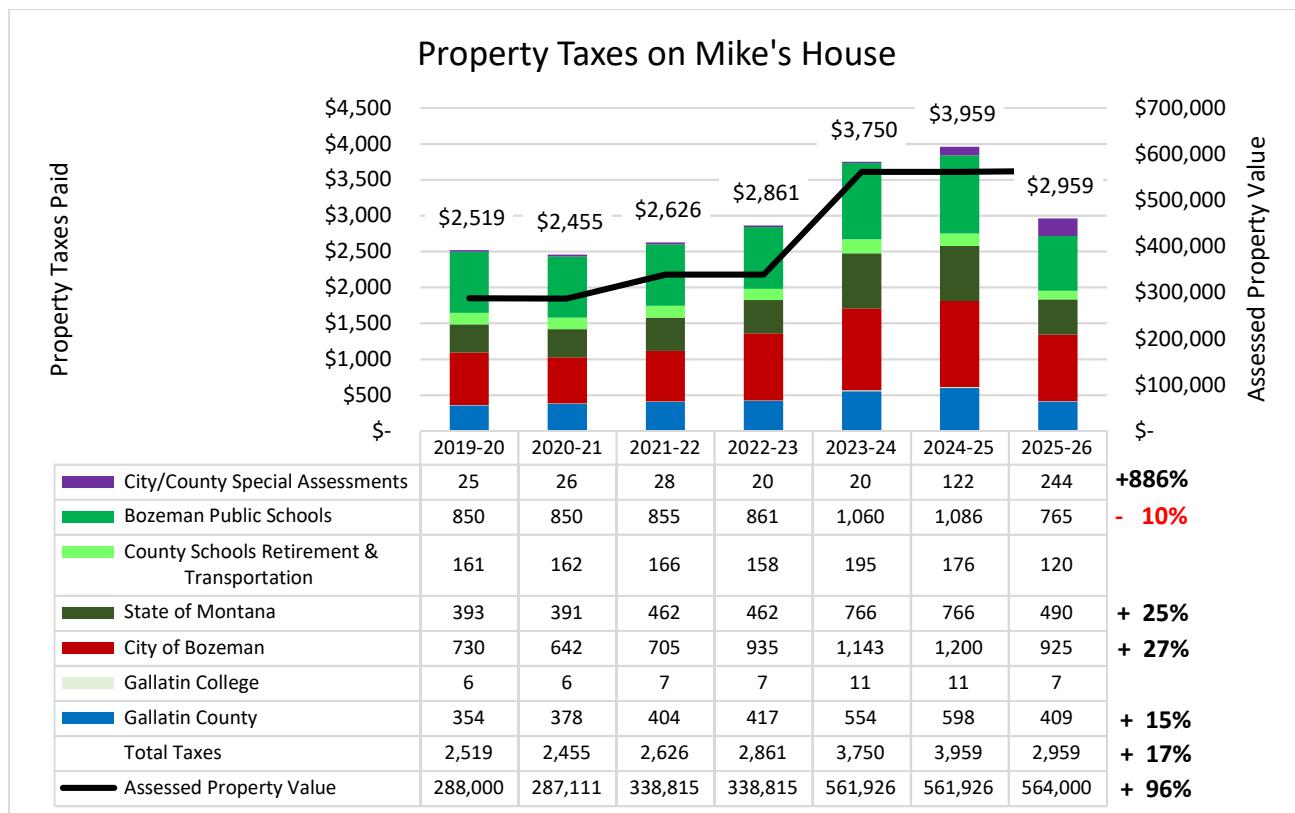
How did the passage of SB 542/HB 231 impact your taxation decisions this year?



Notes:

- BSD7 levied \$ increased 3.6% overall in FY26
- Primary Change Drivers:
 - Local Permissive Taxes: Bus, special ed cost increases
 - State Required Taxes:
 - General Fund: Enrollment, inflationary increases to entitlements, GTB
 - Tuition Fund: Out of District Tuition
 - Voter Approved Taxes:
 - Renewal/expansion of sunsetting Building Reserve levy
 - General Fund Levy
 - SB542/HB231 Changes to Fixed Mills Levies
- Levied mills increased from 143.11 in FY25 to 157.64 in FY26 (+10%) due to tax revenue increase and taxable value decrease

Bottom Line: Schools levy fixed dollar amounts (not mills) almost exclusively, so SB542/HB231 had minimal impact on school revenue, taxation decisions



What was the impact of the requirement to recalculate fixed levies this year and what do you expect to happen next year?

BSD7 Voter Approved Mill-Based Levy	Voter Approved Mills	FY2025-26 Mills Levied*	Additional Mills Levied*	Additional Tax Amount*
Elem Safety	4.00	4.25	0.25	\$ 82,188
HS Technology	1.00	1.04	0.04	16,486
<u>HS Safety</u>	<u>2.00</u>	<u>2.08</u>	<u>0.08</u>	<u>32,973</u>
TOTALS	7.00	7.37	0.37	\$ 131,647

* SB542 (2025) required the handful of schools with voter-approved mill-based levies to levy *more* taxes than their voters approved in FY2025-26—an uncomfortable position for us. Fortunately, the bill allows these levies to return to their voter-authorized amounts in FY2026-27 and following.

SUMMARY:

- THANK YOU for providing residential property tax relief
- School levies almost exclusively dollar based, so SB542/HB231 had minimal impact on school revenue and taxation decisions
- Legislative changes caused redistribution—not reduction!—of school taxes
- Future considerations:
 - Complication – harder to understand, both for property owners and clerks
 - Turnover in District Clerks is significant and should not be underestimated
 - Required Notice of Intent to Increase Permissive Levies based on prior year mill-value, which is misleading
 - No significant changes in school decision making expected