

SB542/HB231 Impacts on Montana Public Schools

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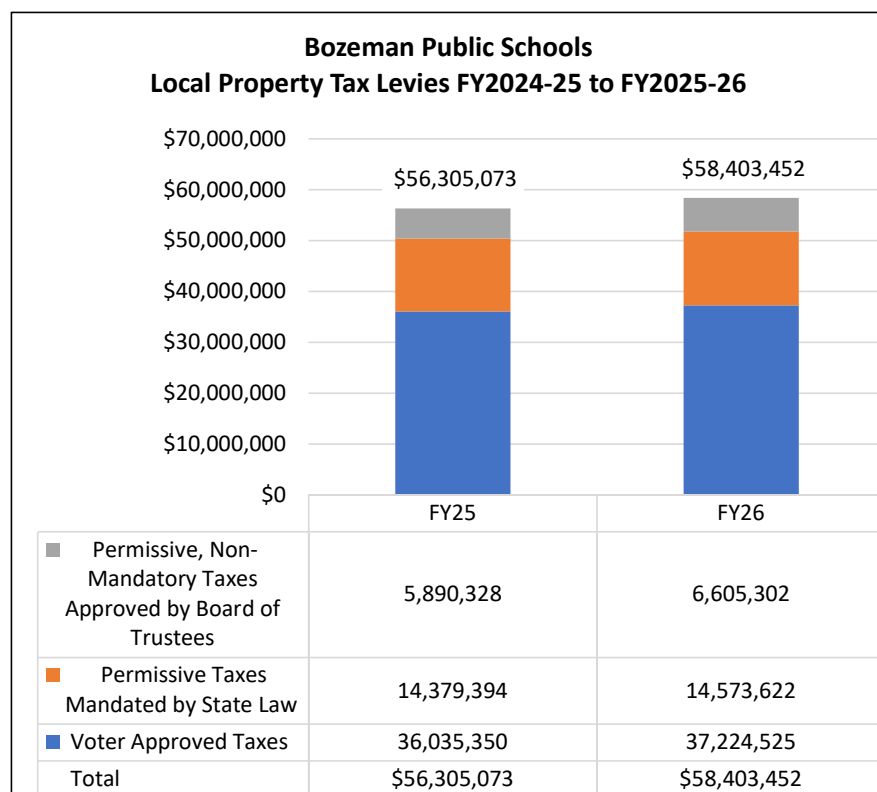
How did the passage of SB 542/HB 231 impact your taxation decisions this year?

Key Takeaway:

Montana public schools are funded based on enrollment and fixed-dollar levies, not the value of the tax base.

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 sunseting Building Reserve levy
 - General Fund Levy
 - SB542/HB231 changes to fixed mill levies (minimal)
- School mills are *calculated*, not decided! BSD7 mills increased 10% in FY26 due to tax revenue increase (3.6%, above) and taxable value decrease (-6%)

Bottom Line: Schools levy fixed dollar amounts not mills, so SB542/HB231 had minimal—if any—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?

- (4) A taxing entity with a local mill levy limit of a specific number of mills that may be imposed that was authorized by the voters before [the effective date of this section], shall:
 - (a) elect to transition a voted mill levy to a dollar-based mill levy equal to the amount of property taxes assessed in fiscal year 2025 and thereafter subject to the provisions of 15-10-420(1)(a); or
 - (b) levy the number of mills in fiscal year 2026 that will generate the amount of property taxes assessed in fiscal year 2025. In fiscal years after 2026, the local government may levy an amount not to exceed the number of mills levied in fiscal year 2026.

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	<u>7.00</u>	<u>7.37</u>	<u>0.37</u>	<u>\$ 131,647</u>

* 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.

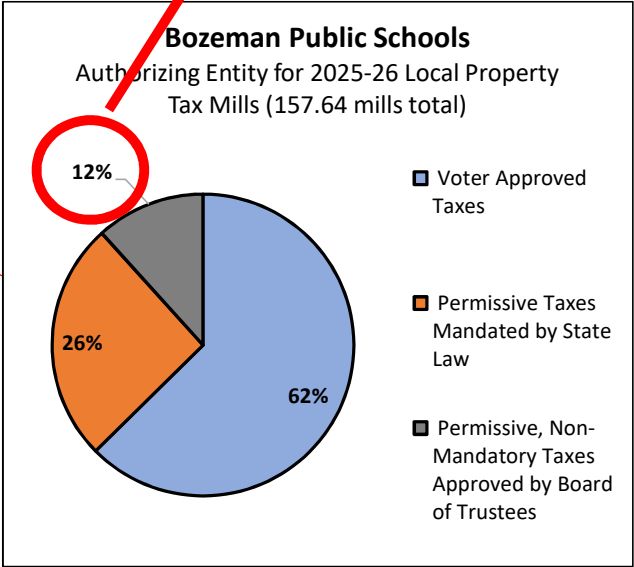
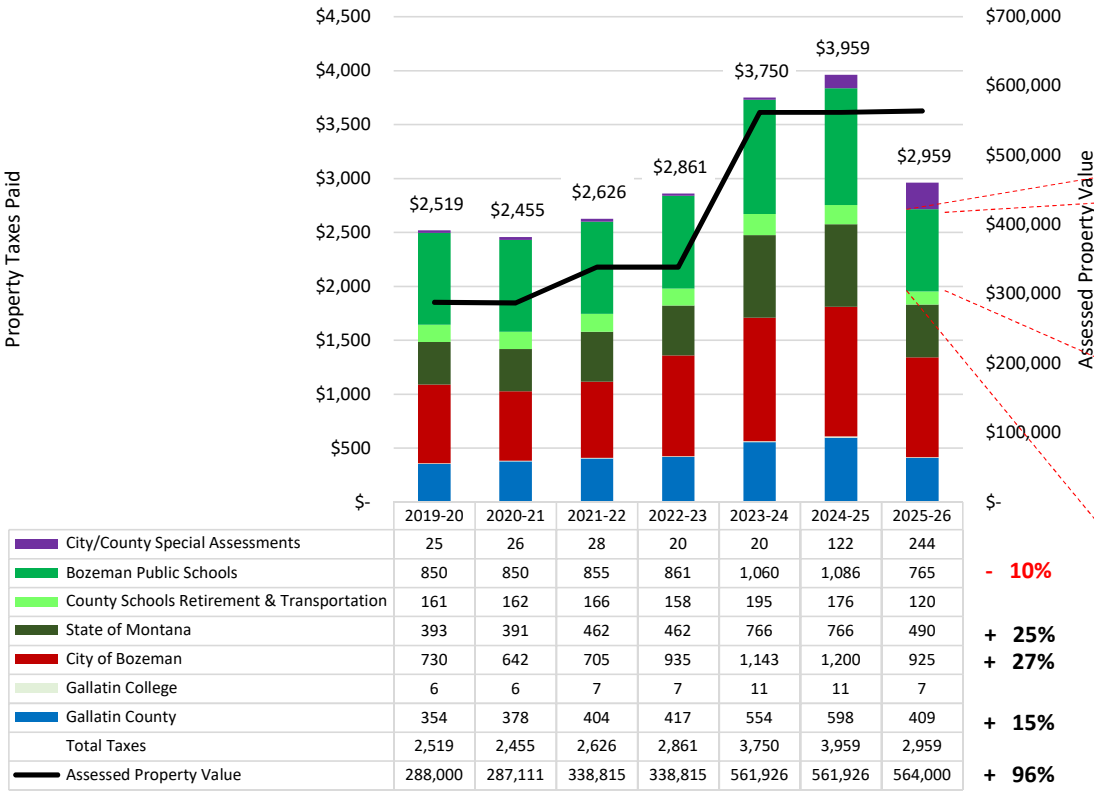
Please identify positive/negative aspects of the new laws.

Positive aspect: significant residential property tax savings, especially on local school taxes!

Positive aspects: res. tax savings, especially on school taxes!

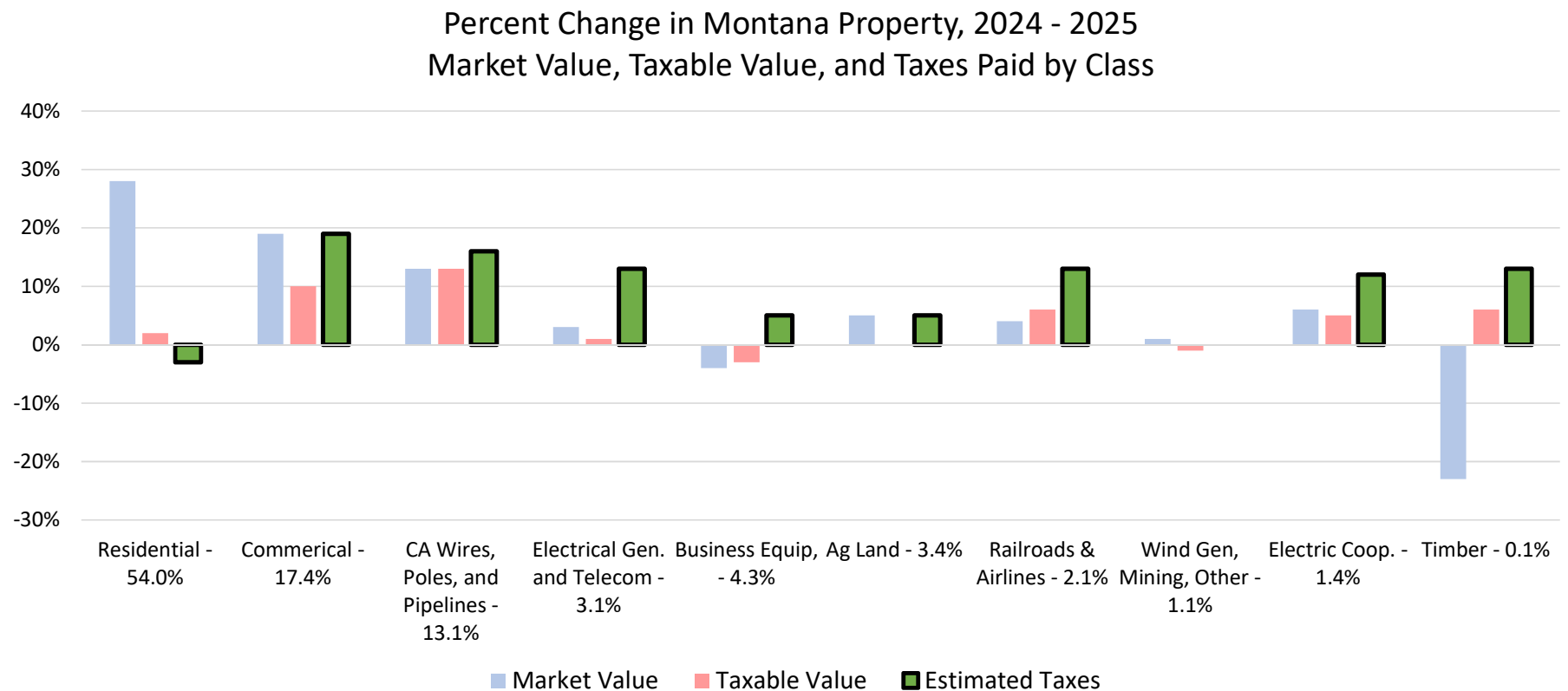
Example: Mike's House

3% of overall tax bill; transparency concerns with Notice of Intent to Increase Permissive Levies, compounded as tax rates change



Negative aspects: Communication and Understanding

SB542 & HB231 *Redistribute* School Tax Burden, They Don't Reduce It



Source: MTDOR via MONTAX

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Summary

- THANK YOU for providing residential property tax relief
- School levies are 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
- Challenges/future considerations:
 - Complication:
 - Progressive system harder to understand, both for property owners and clerks
 - Turnover in District Clerks is significant and should not be underestimated
 - Transparency:
 - Required Notice of Intent to Increase Permissive Levies incomplete and misleading, made more so by tax rate changes
 - Ballot language requirements