

# **2025 Session Legislative Changes to School Funding: HB 483 & HB 156**

Revenue Interim Committee  
School Funding Interim Commission  
Section E Interim Budget Committee  
September 2025



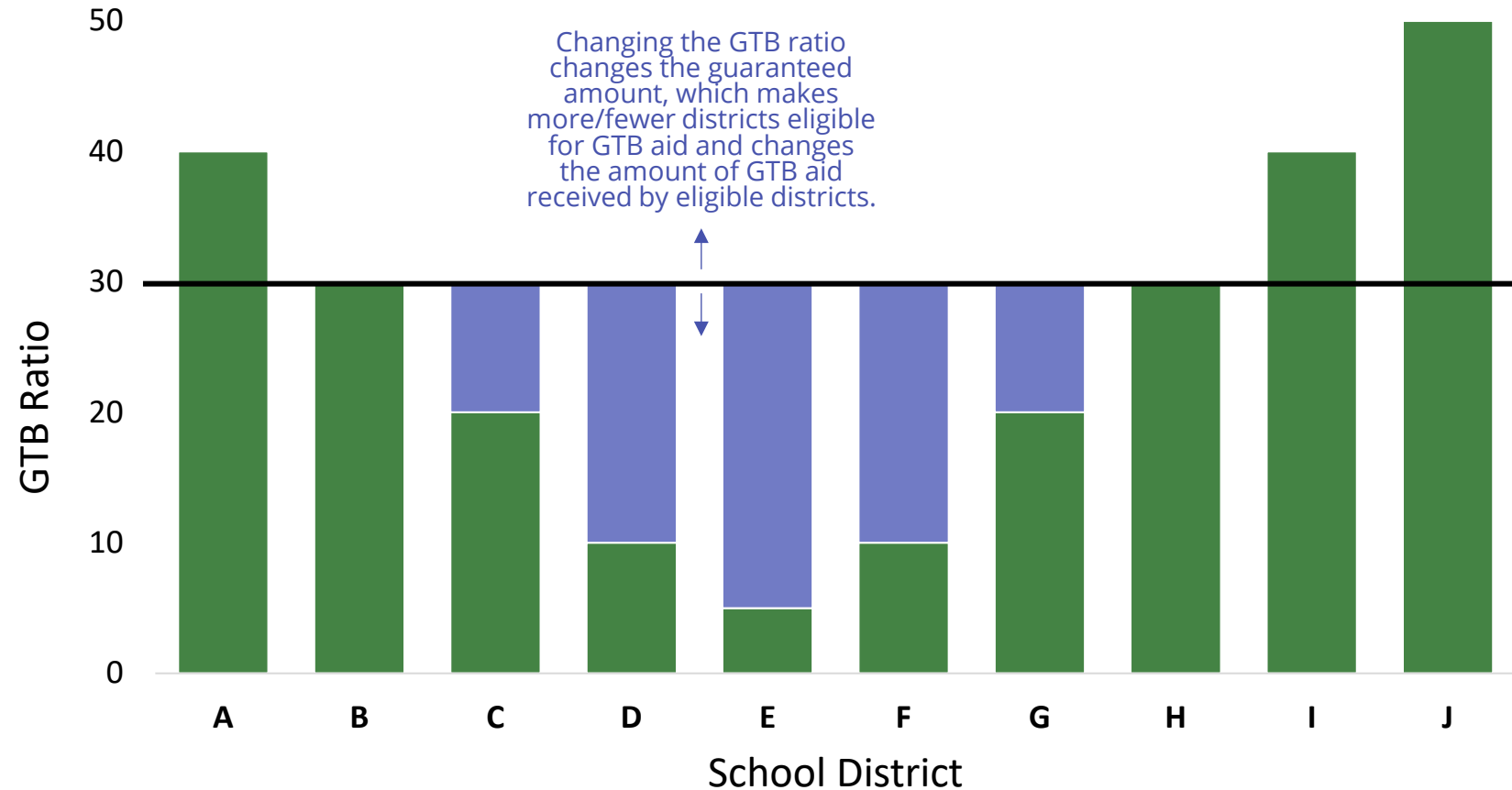
# Background Recap





# Guaranteed Tax Base (GTB) Aid

GTB aid equalizes districts' revenue-generating capacity by providing a **state GTB aid subsidy** for districts with less property tax wealth to bring their **revenue-generating capacity (based on the district GTB ratio)** to a **guaranteed amount**



A district's **revenue-generating capacity** is measured as a ratio of the district's property wealth (taxable value) to its local funding needs and costs (sometimes ANB, but in our district general fund formula, the GTB area).



# Guaranteed Tax Base (GTB) Aid

GTB provides support for low tax value and/or high student areas. When combined with the school funding formula, this promotes base level equal opportunities for students across Montana.

For example: for FY 2025, Ennis K-12 and Superior K-12 school districts have relatively comparable enrollment (ANB), and Superior K-12 receives GTB aid while Ennis K-12 does not:

School District	ANB	Taxable Value	GTB	BASE Levy Revenue	Mill Value	Number of Mills
Ennis K-12	444	\$329.2M	\$0	\$1,301,205	\$329,236	3.95
Superior K-12	341	\$6.6M	\$823,775	\$236,148	\$6,638	35.57

This is due to the difference in tax bases for the districts.

The number of mills it would take to raise \$1.0 million for those two districts WITHOUT GTB are calculated below:

School District	ANB	Taxable Value	GTB	Levy Revenue	Mill Value	Number of Mills
Ennis K-12	444	\$329.2M	\$0	\$1,000,000	\$329,236	3.04
Superior K-12	341	\$6.6M	\$0	\$1,000,000	\$6,638	150.65

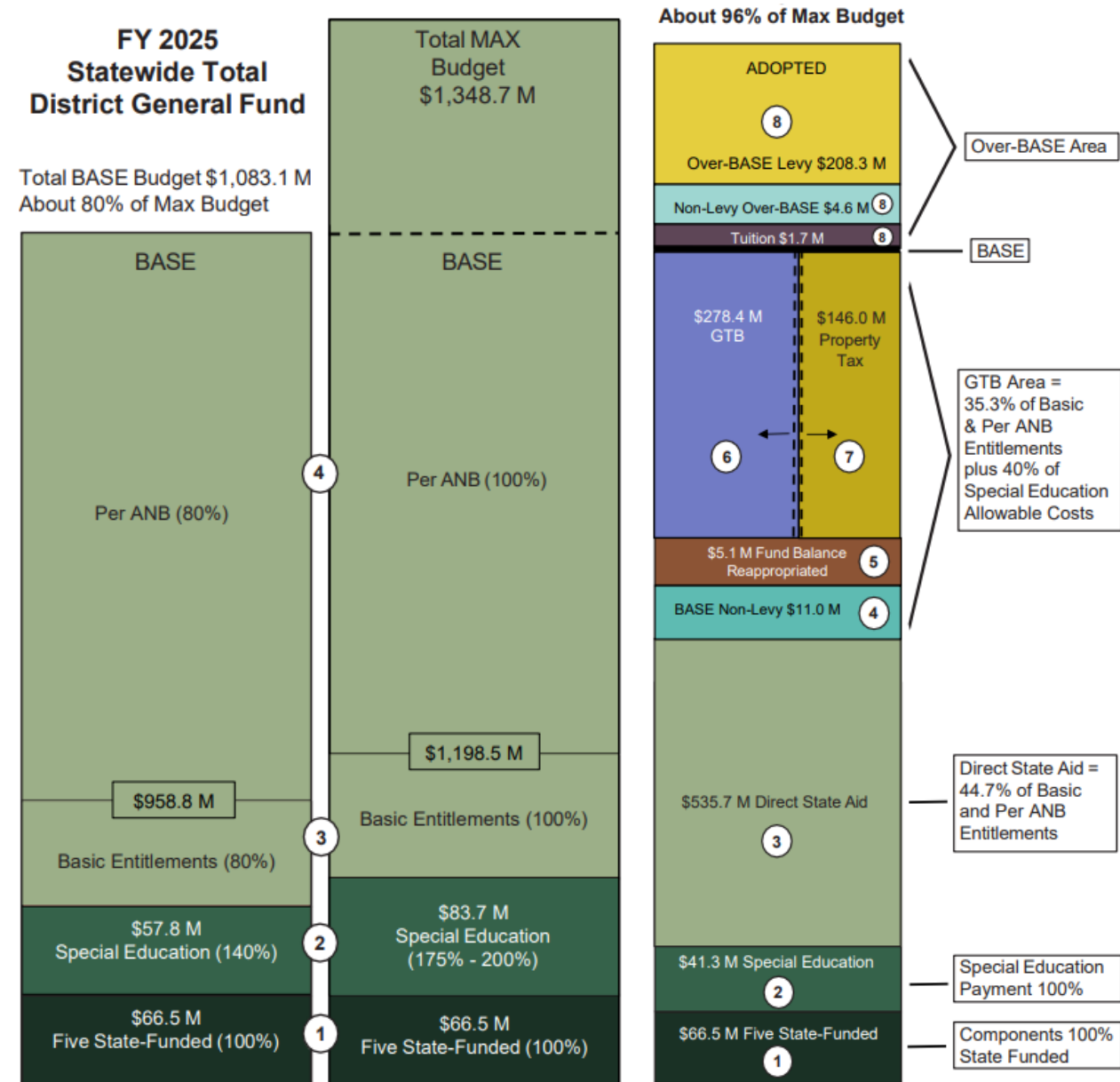
It would take Superior K-12 150.65 mills to collect \$1.0 million in FY 2025, while Ennis K-12 would need only 3.04 mills to do the same. GTB aid helps equalizes the tax burden for education between different areas.

# The Funding Formula

There are two parts to the school funding formula:

We have a formula to establish a district's general fund budget limits (left) and a formula for how a district's adopted budget is funded (right).

- See the [School District General Fund Interactive Tool](#) to look at these district general fund charts by school district.





# **HB 483 - The School Equalization and Property Tax Reduction (SEPTR) Account**



# State Revenue Sources for K-12 Education

41% of K-12 revenue came from state sources in FY 2025

In order of  
appropriation:

## **Guarantee Account**

**1<sup>st</sup> Source** of State  
School Funding (*unchanged*)

Receives earnings off the Common  
School Permanent Trust and  
revenue generated on the state  
common school trust lands

Statutory Appropriation  
**~\$56M in FY25 + O&G**  
(with overflow to MMA)

➤ See the [Guarantee  
Account Brochure](#) for  
more information

## **School Equalization and Property Tax Reduction Account (SEPTR)**

**2<sup>nd</sup> Source** of State  
School Funding (*HB 587; 2023*)

**Receives revenue from the 95 mills**  
(the 95 mills do not support the full amount of K-12  
funding)

Triggers for various school equalization mechanisms are  
based on difference from the prior year's revenue were  
adjusted in the 2025 Legislative Session (*HB 483; 2025*)

HB 2 State Special Revenue Appropriation  
**~\$430M in FY25**

## **State General Fund**

**3<sup>rd</sup> and Final Source** of State  
School Funding (ultimate backfill)  
(*update: HB 587; 2023 – no longer  
receives revenue from the 95 mills*)

Receives revenue through a  
variety of taxes, with individual  
income tax being the largest  
source

HB 2 General Fund Appropriation  
**~\$450M in FY25**  
(School funding is appropriated  
from the general fund in HB 2 as  
always, but will require less  
general fund due to the  
movement of the 95 mills to  
SEPTR)

# School Funding & Property Tax Revenue Flow

- County treasurers bill and collect property taxes
- Half due November 30<sup>th</sup> and May 31<sup>st</sup>

In order of  
expenditure:

**Payments are made to school districts over 11 months, August to June. Because of revenue flow timing issues, the state general fund carries the load early in the cycle, despite being the 3<sup>rd</sup> source of school funding appropriation.**

	State General Fund (\$450M in FY 2024)	SEPTR (\$425M in FY 2024)	Guarantee Account (\$56M in FY 2024)
Revenue Flow	Steadier throughout year from income and other taxes  (3 <sup>rd</sup> source)	Primarily in December/January and May/June with property tax payments  (2 <sup>nd</sup> source)	February, June, and July from DNRC for state trust lands and interest  (1 <sup>st</sup> source)



## SEPTR Account

(School Equalization and Property Tax Reduction)

Receives revenue from the 95 mill statewide equalization levies, with increases in 95 mill revenue growth triggering a reduction in local property taxes through equalization mechanisms

2<sup>nd</sup> Source of State School Funding; any remaining state obligation comes from the general fund

HB 483 **returns the automatic adjustment mechanisms** in **FY 2028 and beyond**: first for county retirement GTB and then a **newly created overflow mechanism** that increases school district BASE budgets without impacting local taxpayers

*Half of increase in 95 mill revenue  $\leq$  5% growth plus all increase  $>$  5% growth*



HB 483 directs DOR and OPI to coordinate a **"hard coded" increases to state transportation aid to schools (\$15.6 million) for FY 2026 and 2027 (and beyond)** to address the TV increases coming with reappraisal



## BASE Funding

Increase the BASE budget and **BASE GTB** (without increasing BASE property taxes) to squeeze down the over-BASE area



If there is a **reduction in revenue** (not just mills) brought in by the 95 mills from the prior year, **BASE GTB** and **countywide retirement GTB** are **"dialed down"** by the full amount of the decrease, shifting costs back onto local taxpayers

## Retirement GTB

Increase countywide school **retirement GTB** to lower county property taxes

\*Changes from HB 587 are shown in **red**

\*HB 483 also **fixes the 95 mills** so that they are no longer subject to limits in 15-20-420, MCA

# Changes to the SEPTR Account mechanisms (HB 483; 2025)

HB 483 returns the automatic adjustment mechanisms in FY 2028 and beyond: first for county retirement GTB and then a newly created overflow mechanism that increases school district BASE budgets without impacting local taxpayers

*Half of increase in 95 mill revenue  $\leq$  5% growth plus all increase  $>$  5% growth*



Allowing the 95 mill revenue to grow by half of any increase up to 5.0% growth maintains a balance between property tax and other taxes in the state general fund (largely income tax) in funding K-12 education.

And, when large spikes in taxable value occur, it ensures that all revenue above 5.0% drives down local property taxes.



FY 2025	<p>May 12, 2025 – HB 483 signed</p> <p>May 16, 2025 - DOR informed OPI of estimated REV from 95 mills for FY 26 based on 2025 legislation (Section 20)</p> <p>OPI increased Transpo reimbursements accordingly for FY 26 (Section 20)</p>
FY 2026	<p>Lower local prop taxes for school transpo (ongoing)</p> <p>By May 1, 2026, DOR/OPI mitigate reappraisal impacts by adjusting GTB multipliers (Section 19)*</p>
FY 2027	<p>Lower local prop taxes for school transpo (ongoing)</p> <p>December 2026 – revised SEPTR mechanism kicks in (20-9-336); OPI est 95 mill REV in FY 27 compared to FY 26 and makes adjustments (see sidebar)</p> <p>By May 1, 2027 – DOR/OPI mitigate reappraisal impacts by adjusting GTB multipliers (Section 19)*</p>
FY 2028	<p>Lower local prop taxes for school transpo (ongoing)</p> <p>December 2027 – OPI est 95 mill REV in FY 28 compared to FY 27 and makes adjustments (see sidebar)</p> <p>By May 1, 2028 – DOR/OPI mitigate reappraisal impacts by adjusting GTB multipliers (Section 19)*</p>
<p>*It's not clear how the reappraisal mitigation adjustments under Section 19 interact with the adjustments made under the SEPTR mechanism itself under 20-9-336, MCA</p>	

SEPTR mech compares 95 mill REV changes year-to-year and uses 50% of the first 5% of growth and all growth over 5% **NEW**

- If decrease, BASE and CTY RET GTB multipliers lowered to **SAME**
- If increase, first:
  - Increase CTY RET GTB multiplier (up to 305%) to maintain state GF load and lower local prop taxes, **SAME**
  - Once cap hit, increase direct state to increase BASE funding with more load on the state, less on local **NEW**

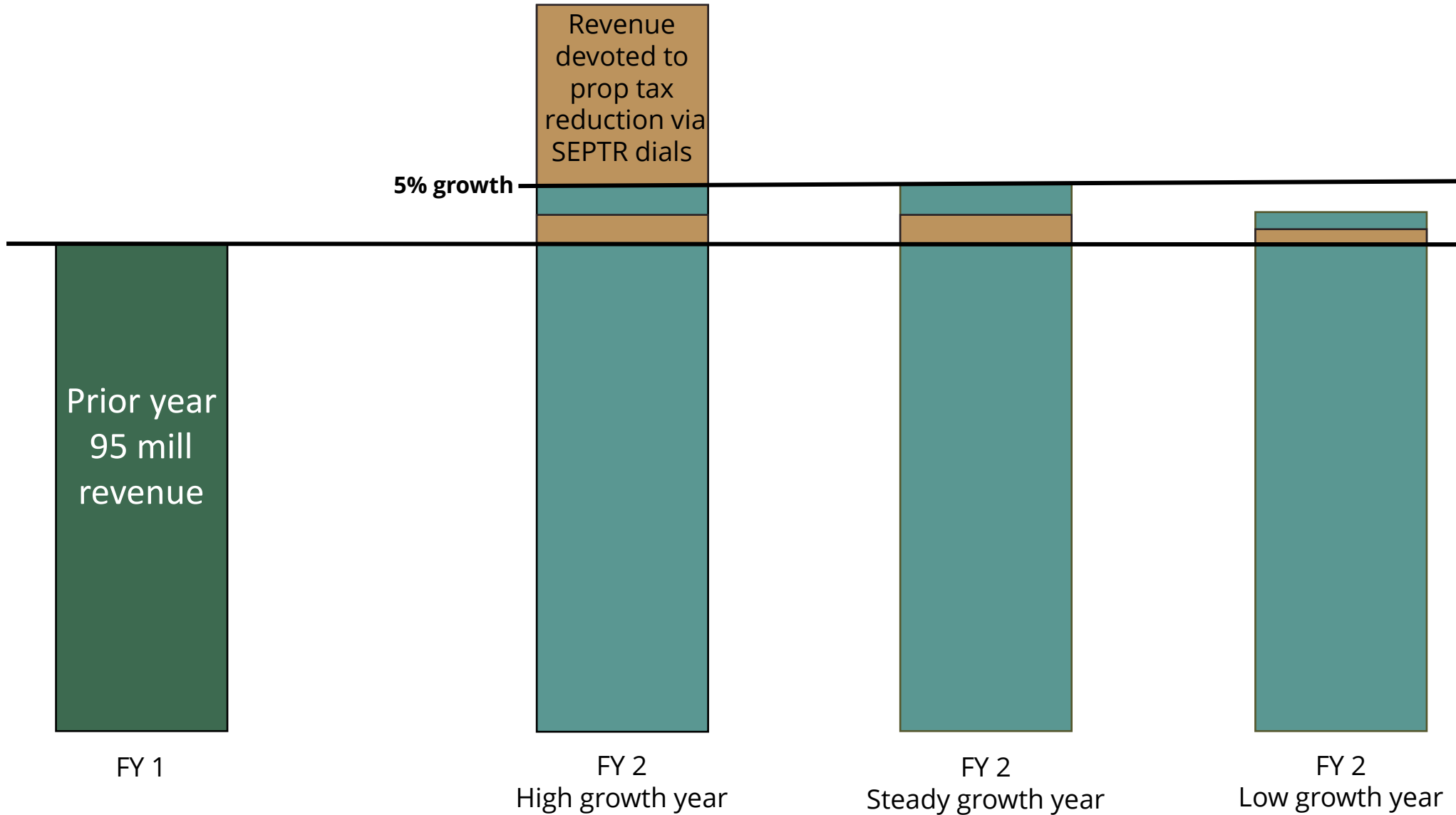
These adjustments impact prop taxes in the following fiscal year.

Other Notes:

- Coordination sections in both HB 483 and HB 156 address HB 156 switch to countywide BASE levies beginning in FY 2027



## HB 483 Timeline



Starting in FY 2028, the SEPTR mechanism will be based on 50% of the growth below the “5% growth line” plus all the growth above that line.

**This replaces the 55%-45% split from HB 587.**

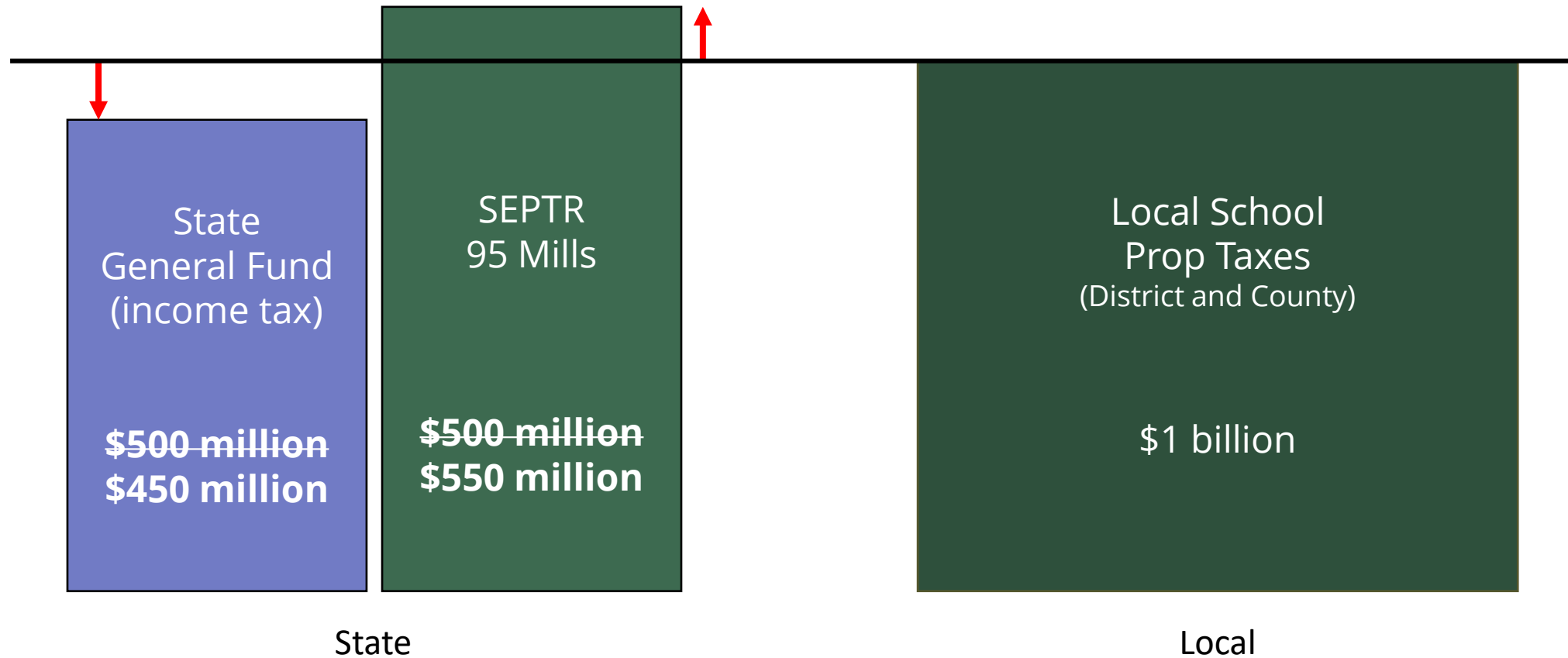


Excluding the Guarantee Account and federal funding, schools require about \$2 billion/year, with about \$1 billion coming from the state

\*These are very round numbers

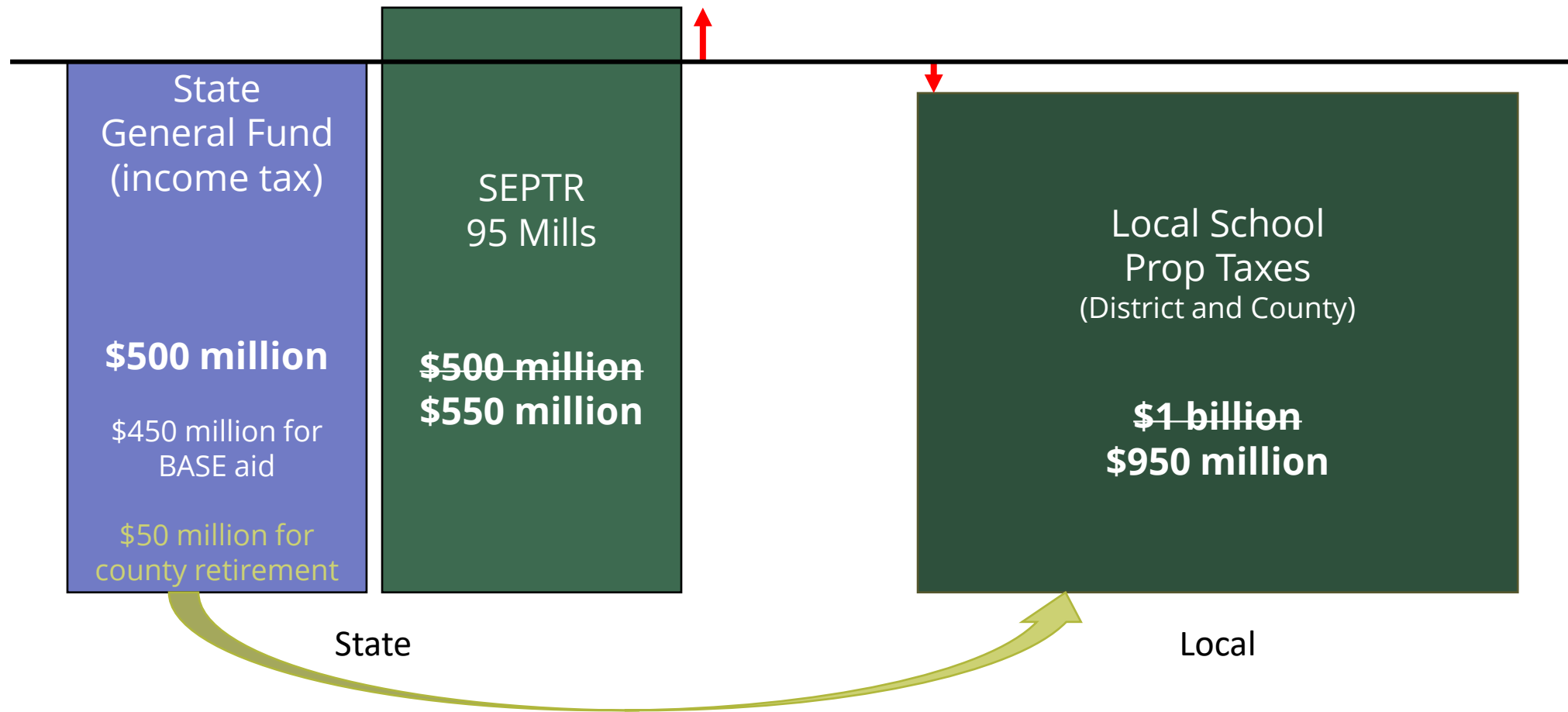


Without the SEPTR mechanism, if the 95 mills bring in more revenue, the load on the state general fund (largely income taxes) simply decreases, but the total load on **property taxes** grows. This was felt sharply in FY 2024.



With the SEPTR mechanism, when the 95 mills bring higher revenue than the prior year, local school property taxes are decreased, so that property taxpayers are not burdened and the “load balance” between income taxes and property taxes is stabilized.

Distributing the statewide 95 mills to lower wealth counties and school districts through various equalization mechanisms helps ensure the “equitable distribution” of state funding required under the Montana Constitution.



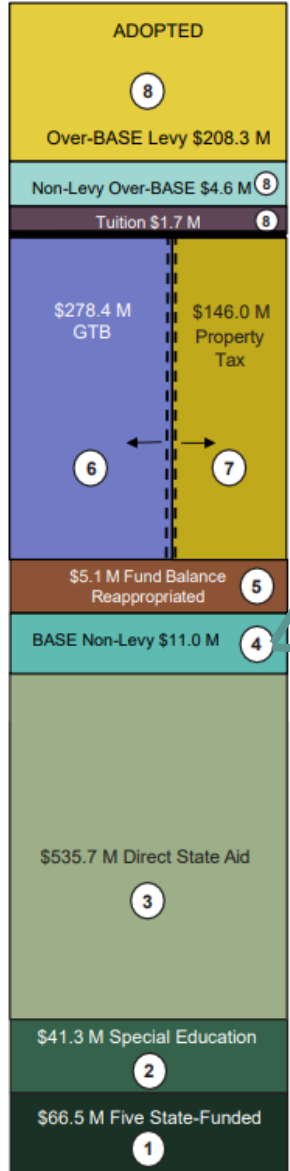


# **HB 156 – Countywide BASE Mills**



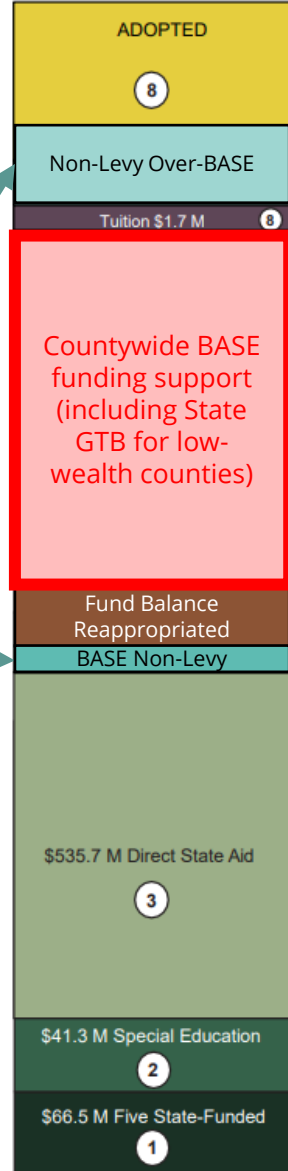
# Current Law

About 96% of Max Budget

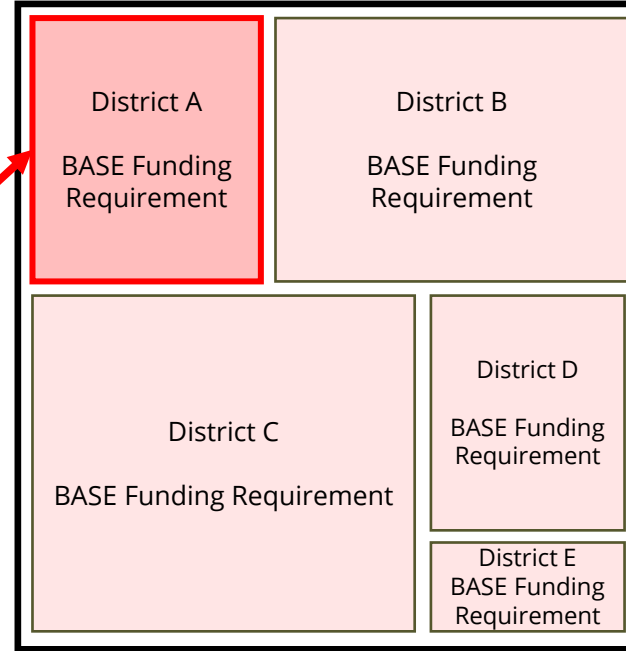


# HB 156

About 96% of Max Budget

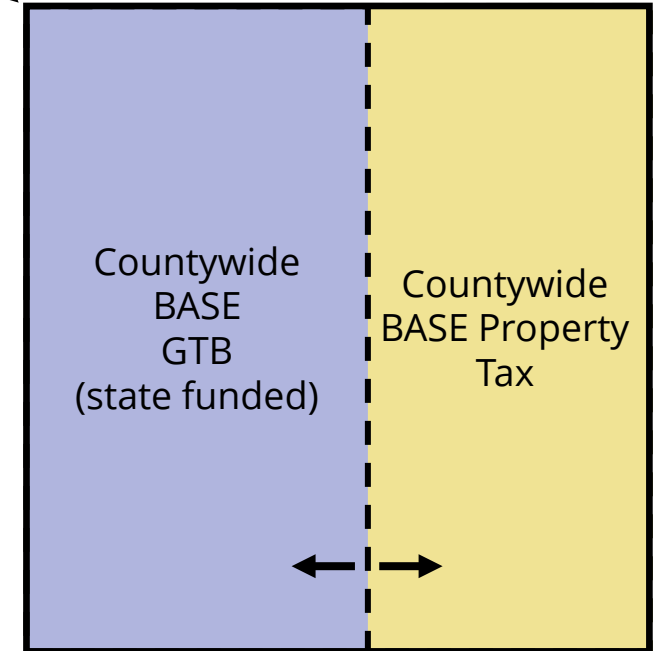


Some of the non-levy revenue in the BASE area remains there, while some of it can now be devoted to the over-BASE area



The funding needs for all districts in a county are pooled in the same manner that school retirement costs are pooled now.

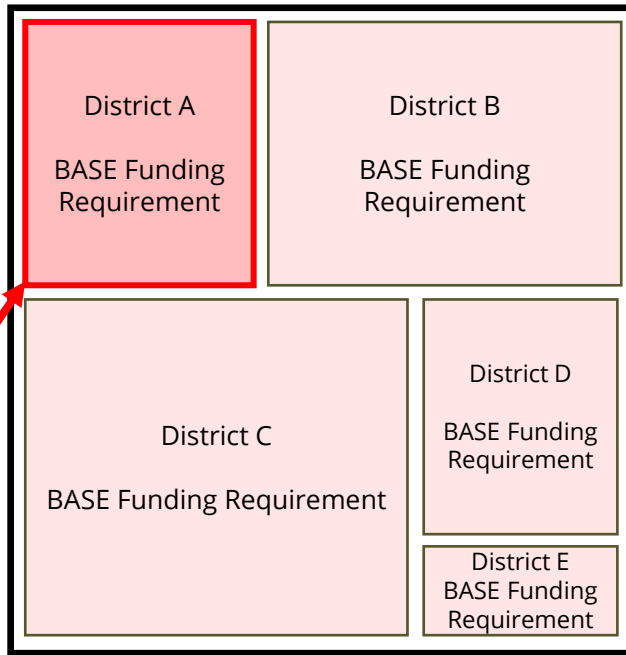
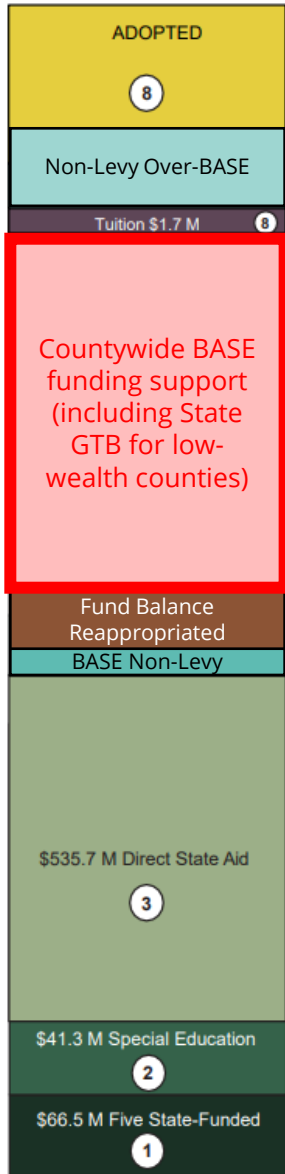
Then, in low-wealth counties, state GTB lowers property taxes to equalize.



## HB 156; 2025 Session

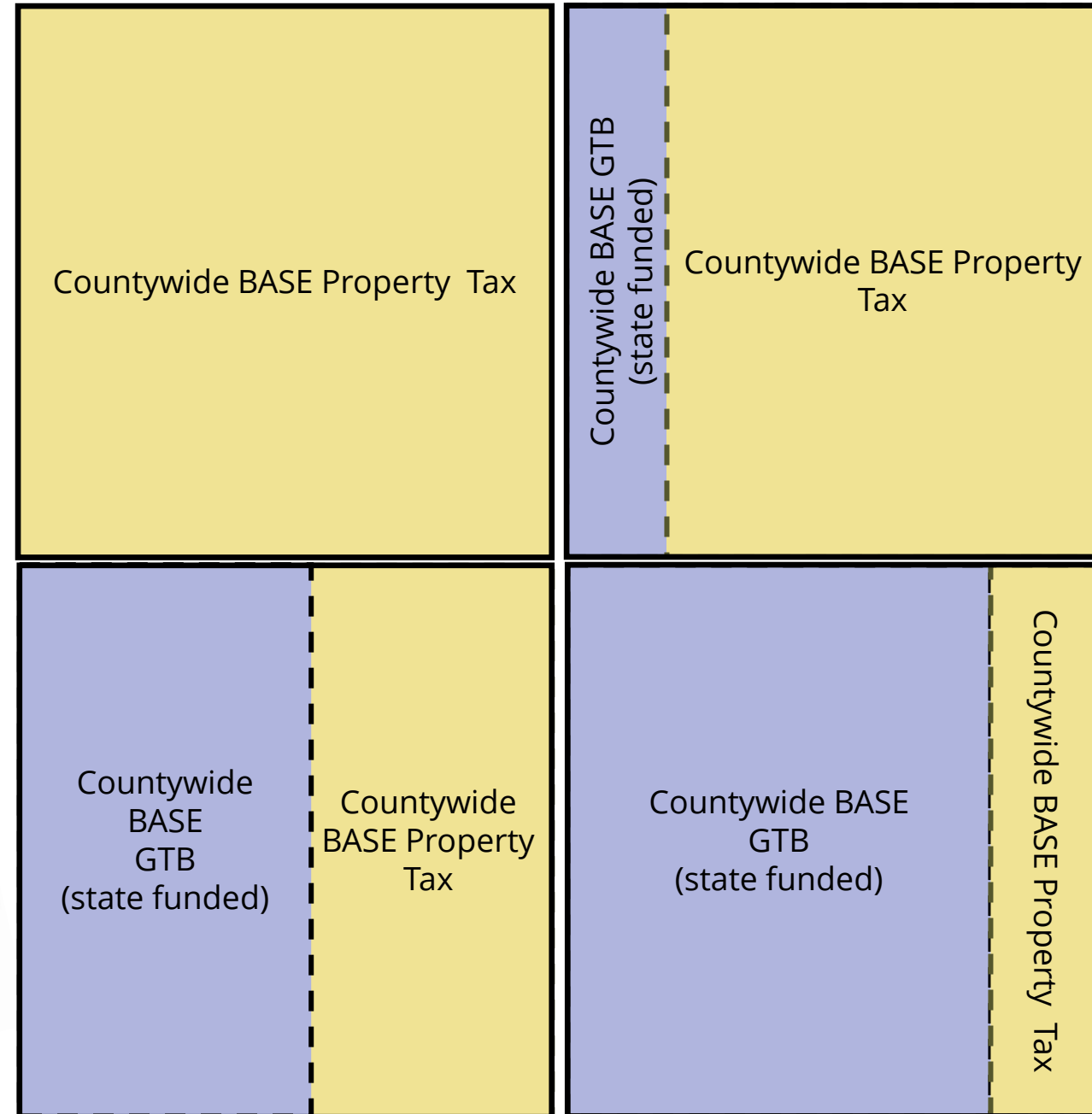
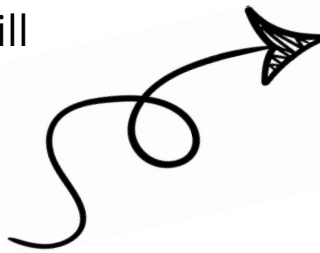
# HB 156

About 96% of Max Budget



In low-wealth counties, state GTB lowers property taxes to equalize.

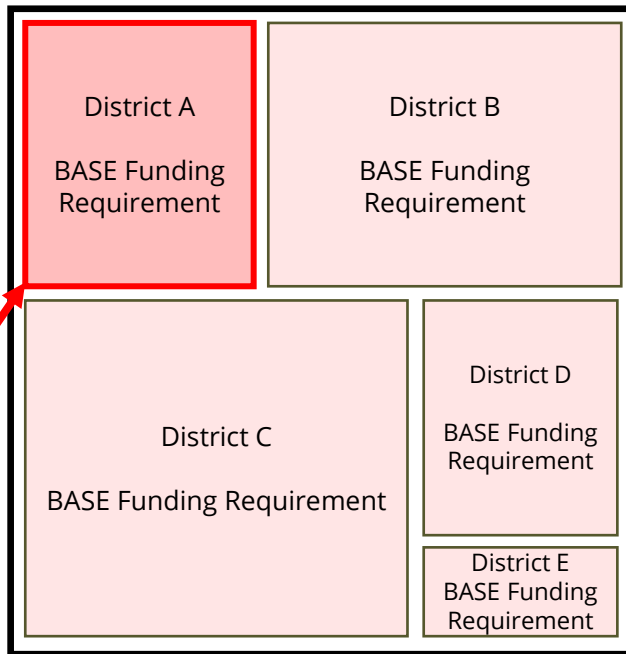
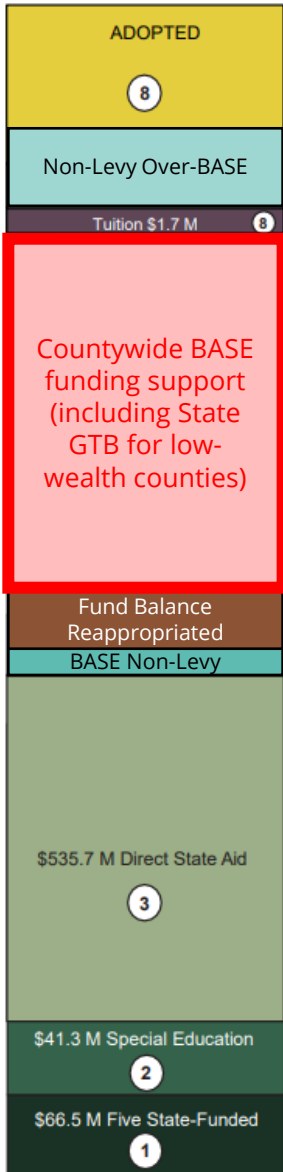
The split between GTB and property taxes will not be the same for every county. Here's how some different counties may look:



## HB 156; 2025 Session

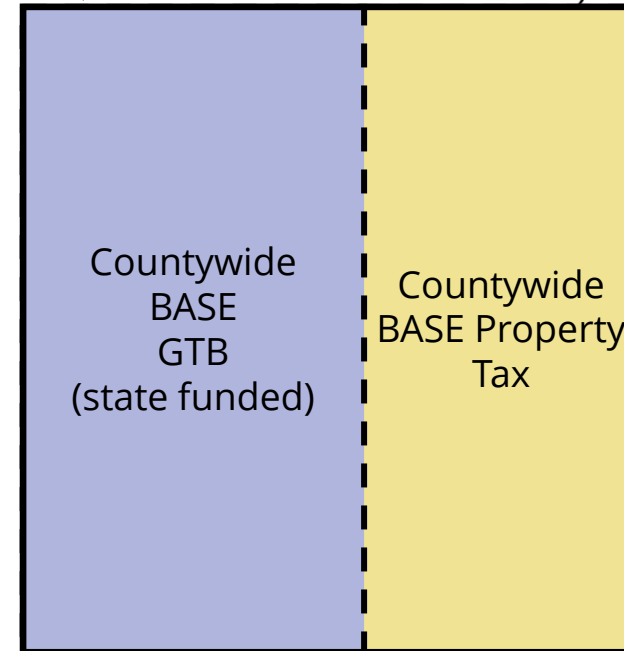
# HB 156

About 96% of Max Budget



This new county levy will receive a GTB subsidy based on county wealth and funding need

- On a statewide basis the total amounts and ratio will remain about the same

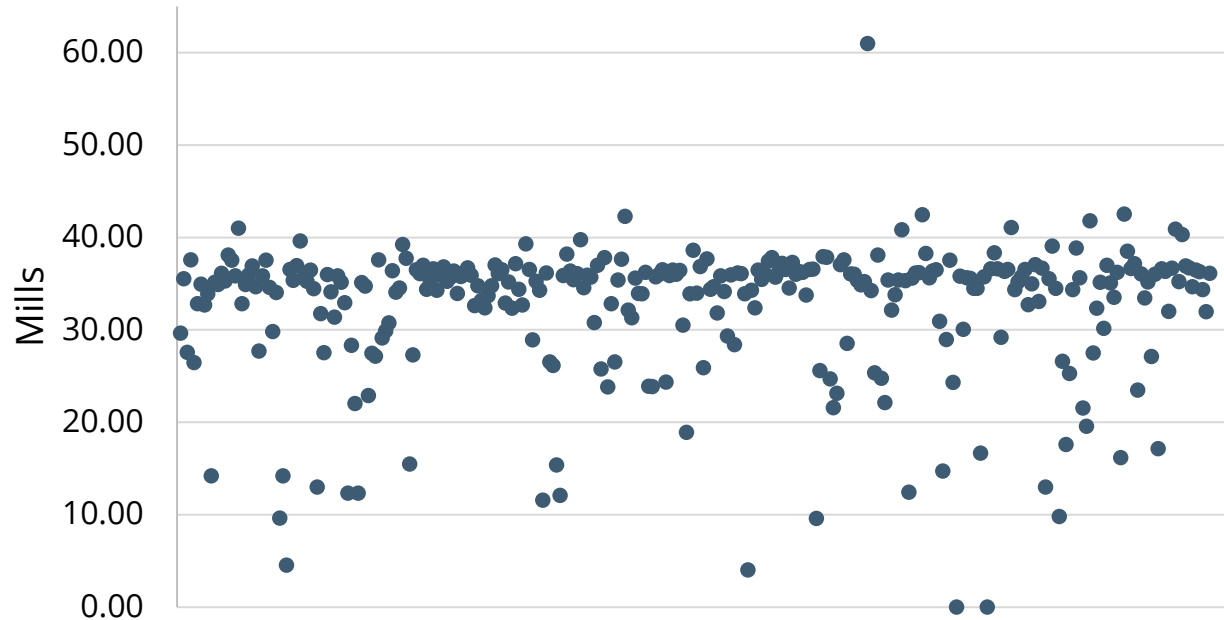


This approach mirrors the way school retirement costs are funded: district costs are pooled within the county and funded by a blend of countywide property taxes and state GTB.

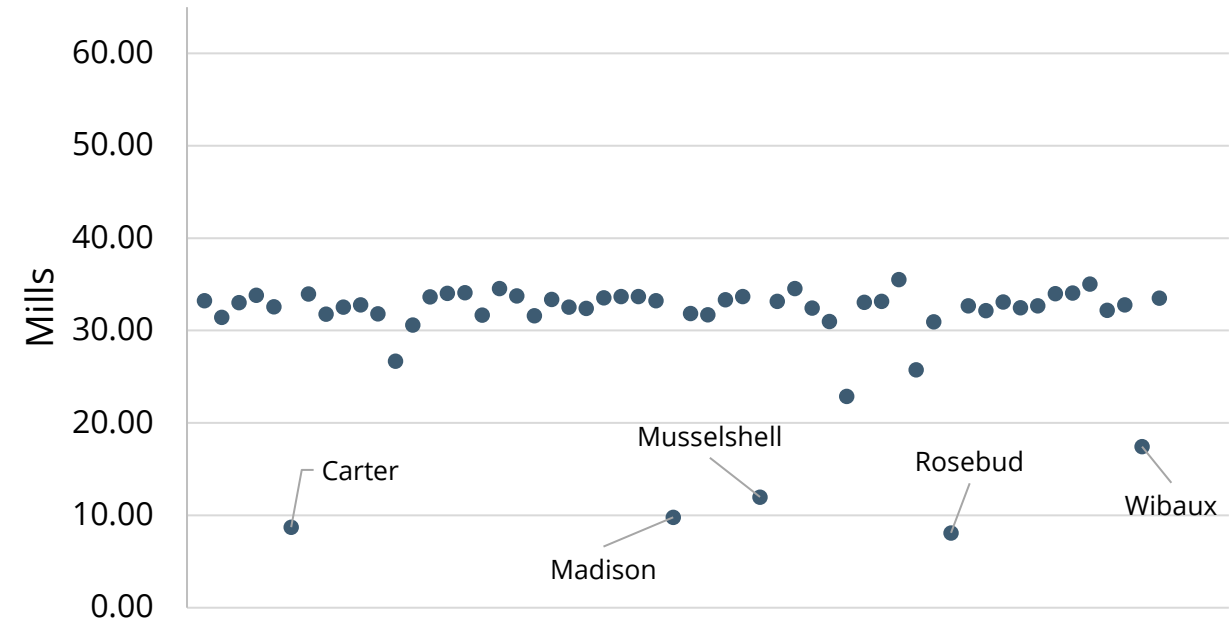
Despite enhanced equalization of BASE mills in recent years (through increases in state BASE GTB aid) there is still some variation between districts and sometimes between districts in the same county. BASE mills generally range from 0-60 mills

Equalizing BASE mills countywide will result in identical BASE levies among school districts within counties and improve equalization. Countywide BASE mills are estimated to range from 9-37 mills

BASE Mills - Current Law



County Level BASE Mills







# School Funding Resources:

<https://www.legmt.gov/lfd/publications/school-funding-library/>

## Property Tax Resources:

<https://www.legmt.gov/lfd/publications/property-tax-library/>

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# Questions?

