GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0018: Deposit non-levy revenue in school equalization and property tax relief account**

Primary Sponsor: Mark Thane Status: As Amended in House Committee

☒ Included in the Executive Budget ☐ Needs to be included in HB 2 ☐ Significant Local Gov Impact

☐ Significant Long-Term Impacts ☐ Technical Concerns ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Expenditures				
General Fund (01)	$0	$0	$0	$0
State Special Revenue (02)	$0	$0	$0	$0
Revenues				
General Fund (01)	($11,116,000)	($10,393,000)	($9,813,000)	($9,289,000)
State Special Revenue (02)	$11,116,000	$10,393,000	$9,813,000	$9,289,000
Net Impact	($11,116,000)	($10,393,000)	($9,813,000)	($9,289,000)
General Fund Balance				

Description of fiscal impact

HB 18, as amended in the House taxation committee, redirects current general fund revenue from non-levy property tax revenue remitted to the state from counties to the School Equalization and Property Tax Reduction (SEPTR) state special revenue fund. The bill also strikes obsolete distribution language. HB 18 reduces the state general fund revenue and increases the state special revenue SEPTR account revenue. The SEPTR account is statutorily the state's second source of funding for state equalization aid. The amendment corrects an obsolete reference regarding bentonite tax.

FISCAL ANALYSIS

Assumptions

Department of Revenue

1. The state general fund currently receives revenue from several taxes or fees that were designed to replace property tax revenues in the case of tax law changes (coal gross proceeds and bentonite) or payments in lieu of taxes (federal forest receipts, Taylor Grazing Act revenues, Federal PILT).
2. When HB 587, passed by the 2023 Legislature, moved state equalization revenues from general fund to the new special revenue SEPTR account, it did not move these revenues into the fund. HB 18 pairs the destination of these revenues with the purpose they were originally designated to have as school equalization replacement revenue.
3. The general fund currently receives 20.75% of bentonite tax revenues, over the last five fiscal years this has been about $200,000 per year. It is assumed this will be the amount for the four fiscal years in question.
4. Total non-levy revenues currently remitted from the counties to the state are sourced from HJ 2 and listed in the table below (in millions of dollars).

HJ 2 General Fund Non-Levy Revenue ($ million)				
	FY 2026	**FY 2027**	**FY 2028**	**FY 2029**
Bentonite	$0.200	$0.200	$0.200	$0.200
CGP	$9.517	$8.752	$8.181	$7.640
Federal Forest Receipts	$0.899	$0.941	$0.932	$0.949
Other	$0.500	$0.500	$0.500	$0.500
Total	**$11.116**	**$10.393**	**$9.813**	**$9.289**

5. These revenues are being switched from the general fund to the SEPTR account.
6. There is no change associated with the deletion of oil and gas language in 20-9-331 and 20-9-333, MCA. The state collects oil and gas revenue and remits to the counties under 15-6-331, MCA. The language in these sections is irrelevant and HB 18 changes are cleanup.
7. Implementation costs are minimal and will be absorbed by the Department of Revenue.

Office of Public Instruction

8. Obsolete references to tuition that is no longer deposited to this fund has been removed in HB 18.

Fiscal Analysis Table

Department of Revenue

	FY 2026 Difference	**FY 2027 Difference**	**FY 2028 Difference**	**FY 2029 Difference**
Fiscal Impact				
Expenditures				
Funding of Expenditures				
Revenues				
General Fund (01)	($11,116,000)	($10,393,000)	($9,813,000)	($9,289,000)
State Special Revenue (02)	$11,116,000	$10,393,000	$9,813,000	$9,289,000
TOTAL Revenues	**$0**	**$0**	**$0**	**$0**
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
General Fund (01)	($11,116,000)	($10,393,000)	($9,813,000)	($9,289,000)
State Special Revenue (02)	$11,116,000	$10,393,000	$9,813,000	$9,289,000

Sponsor's Initials	Date	Budget Director's Initials	Date
	1-14-25		1/13/2025