



GTB Lag Issue Administrative Unification 95 Mill Scenarios Increasing School Election Turnout

April 5, 2024

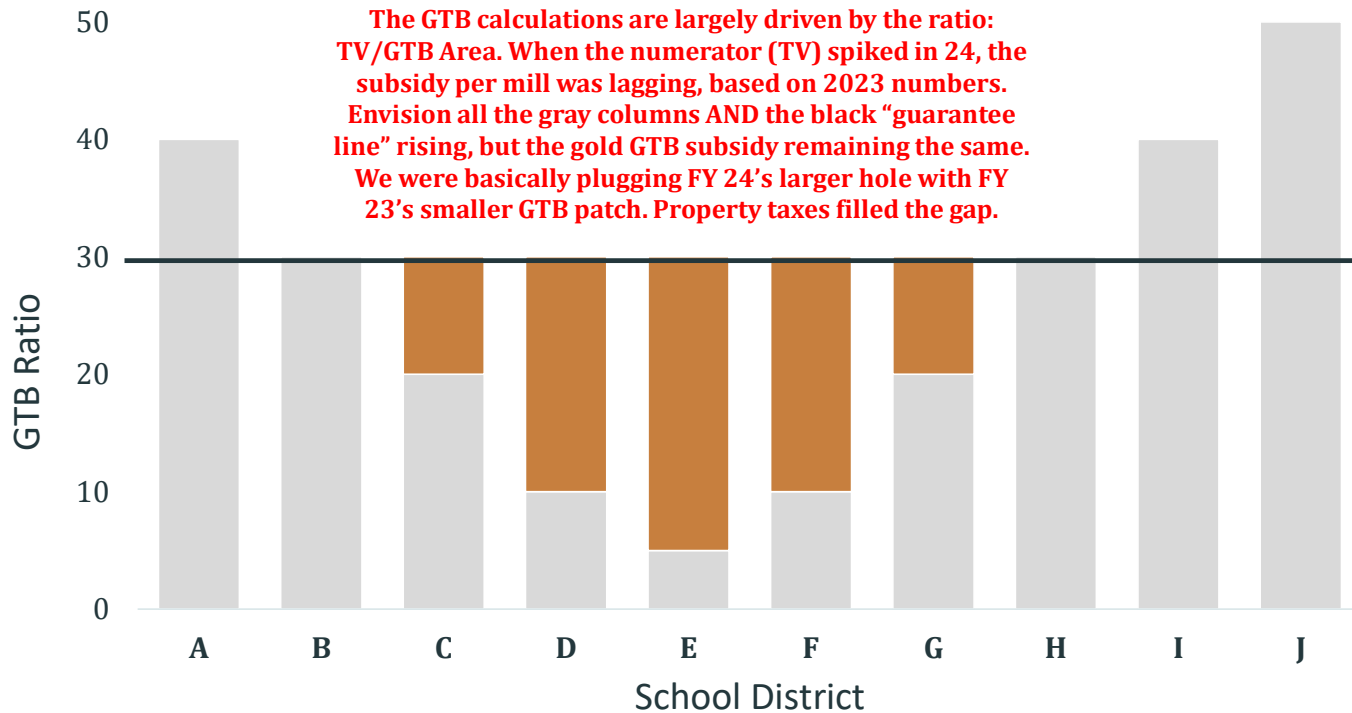
Governor's Property Tax Task Force
Education Subcommittee

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GTB Lag Issue

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).

Because the GTB calculations are based on prior year numbers (Taxable Value or TV and GTB Area) we have always had a “GTB lag” – this lag has not had a noticeable impact until FY 24. The GTB subsidy per mill was based on 2023 taxable values BUT taxable values jumped up significantly from 2023 to 2024 which drove the number of mills levied in FY 24 down. Fewer mills levied with a per mill subsidy based on the prior year meant less total GTB going out and higher property taxes. This is especially aggravating as the GTB multiplier increased in FY 24! We will catch up to this lag in FY 25 and more GTB will flow and property taxes will go down (see table to right).

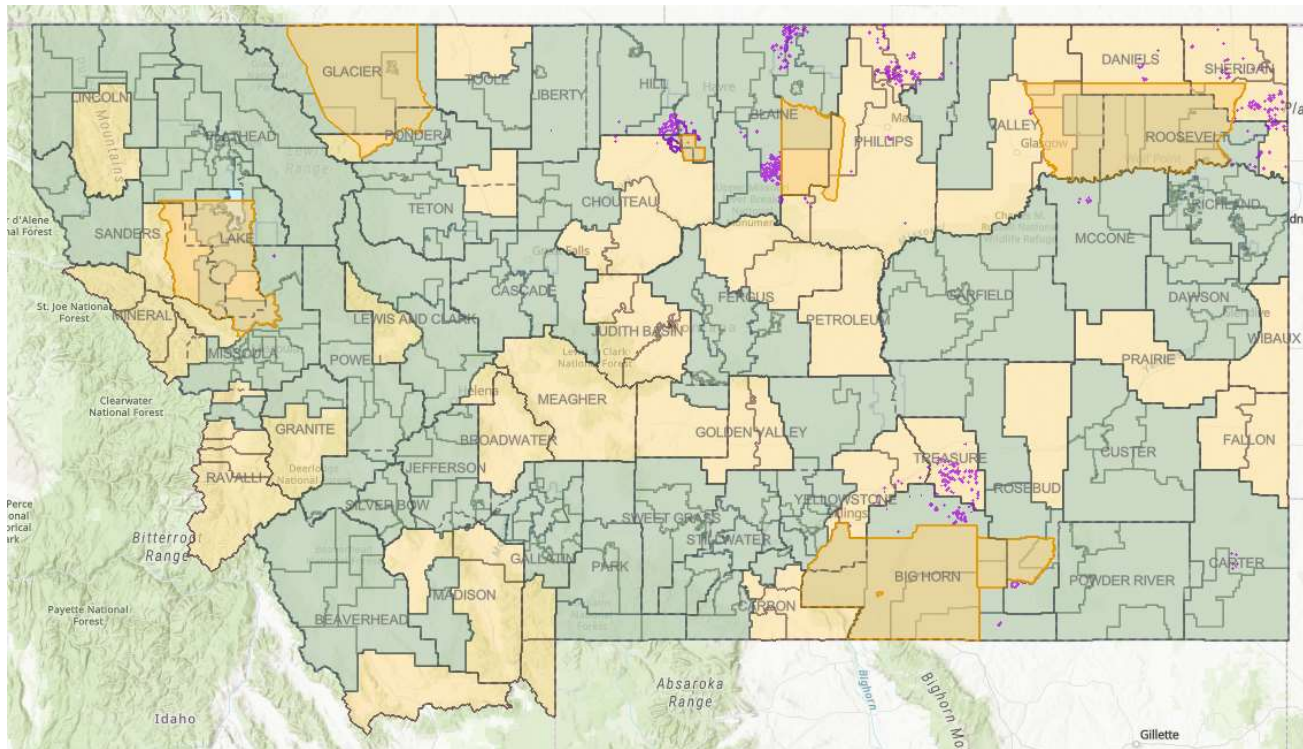
To avoid this happening in the future, the possibility of the GTB subsidy per mill being calculated on the current year TV and GTB Area could be examined, or other modifications explored.

State GTB Aid and Local Prop Tax supporting the
BASE portion of School District General Fund
Budgets

	FY 22	FY 23	FY 24	FY 25 (proj)
GTB Multiplier	250%	254%	262%	262%
State GTB	\$246 M	\$262 M	\$249 M	\$279 M
Local Prop Tax	\$146 M	\$146 M	\$164 M	\$144 M

Encouraging School District Administrative Unification

1. Existing statutory levers
2. Encouraging K-12 Districts
3. Reducing mill variability – increasing equalization



<https://www.arcgis.com/apps/mapviewer/index.html?webmap=e7f4bb1ca51948f68192cffc35287a9b>

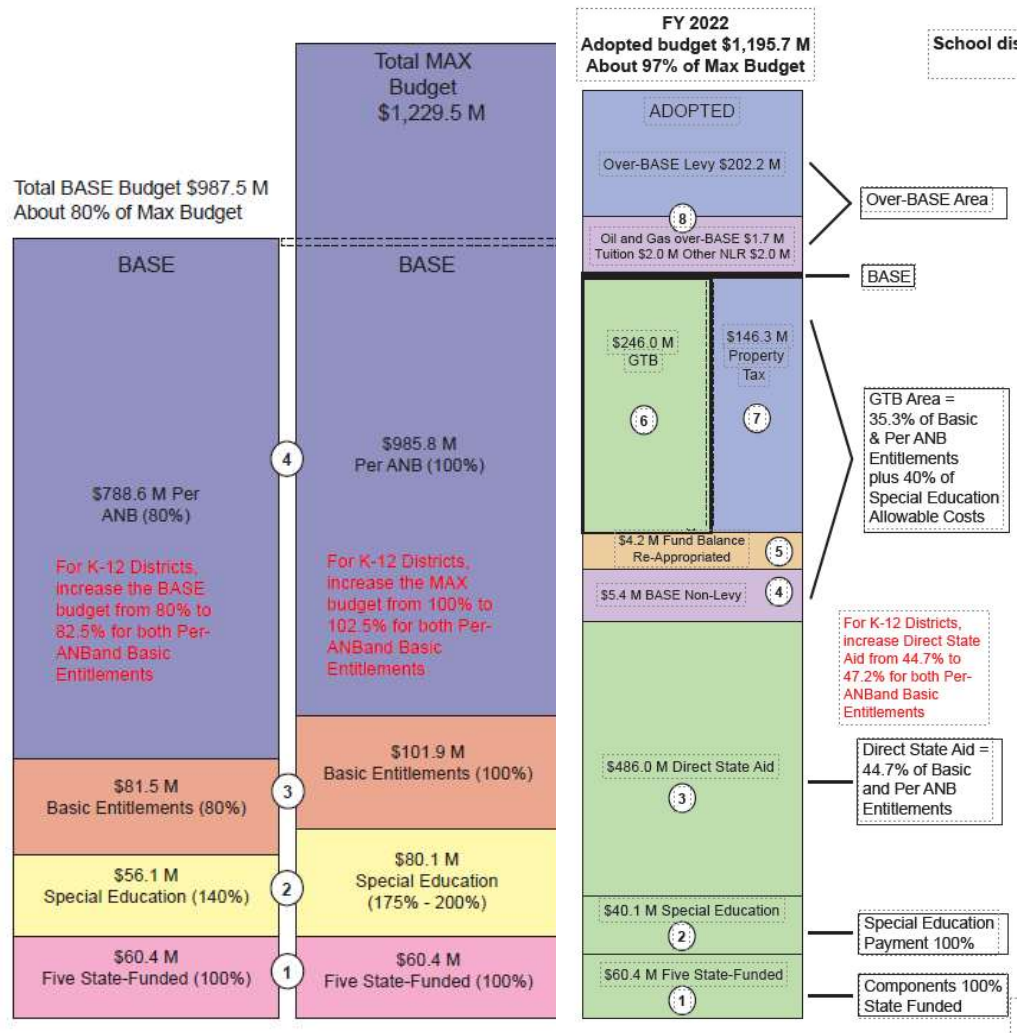
Existing statutory levers that incentivize school district consolidation (not the same as school closure):

1. **“Nonisolated” status** ([20-9-302](#) and [20-9-303](#)) — when an elementary school has 9 or fewer ANB for two consecutive years and has not been approved as “isolated” by the county commissioners and the Superintendent of Public Instruction (SPI) based on geographic and transportation criteria found in [ARM 10.30.102](#), the state provides 50% of the normal direct state aid (DSA) and the district must levy for the other 50%. This is basically the state saying: *this very small school reflects local choice more than necessity; therefore, local taxpayers can pay more of the costs.*

In FY 24, there were 3 single-school elementary districts in nonisolated status. Currently high schools with less than 25 ANB must apply for isolated status, but there is no similar financial sanction on nonisolated high schools. This mechanism could be adjusted to include high schools, increase the ANB thresholds, or incorporate approval criteria in statute.

2. **Consolidation/annexation “bonus”** ([20-9-311\(8\)](#)) — when districts consolidate or annex, each “component” district’s ANB is calculated separately, and each district “receives” its own basic entitlement (BE) for a period of 3 years. Additionally, each “component” district retains:
 - a) 75% of its BE in year 4;
 - b) 50% of its BE in year 5; and
 - c) 25% of its BE in year 6

It’s not clear how effective this incentive has been, but it does provide a “soft landing” financially which may preclude or delay the closing of schools or laying off of employees.



One way to incentivize the creation of K-12 Districts would be to provide a state-funded increase to K-12 district general fund budgets as described in red. Other incentives are possible.

Reducing Mill Variability – Increasing Equalization

The following maps are something of a “teaser” – if the subcommittee is interested in pursuing this topic/concept, we can develop and share web-based, interactive versions of these and more at a future meeting.

There are two sets (BASE mills and total mills) of three maps each (K-12 districts, high school districts, and elementary districts).

BASE mill equalization has been greatly enhanced in the past 6-7 years, through the elimination of school district general fund block grants and increases in the BASE GTB multiplier.

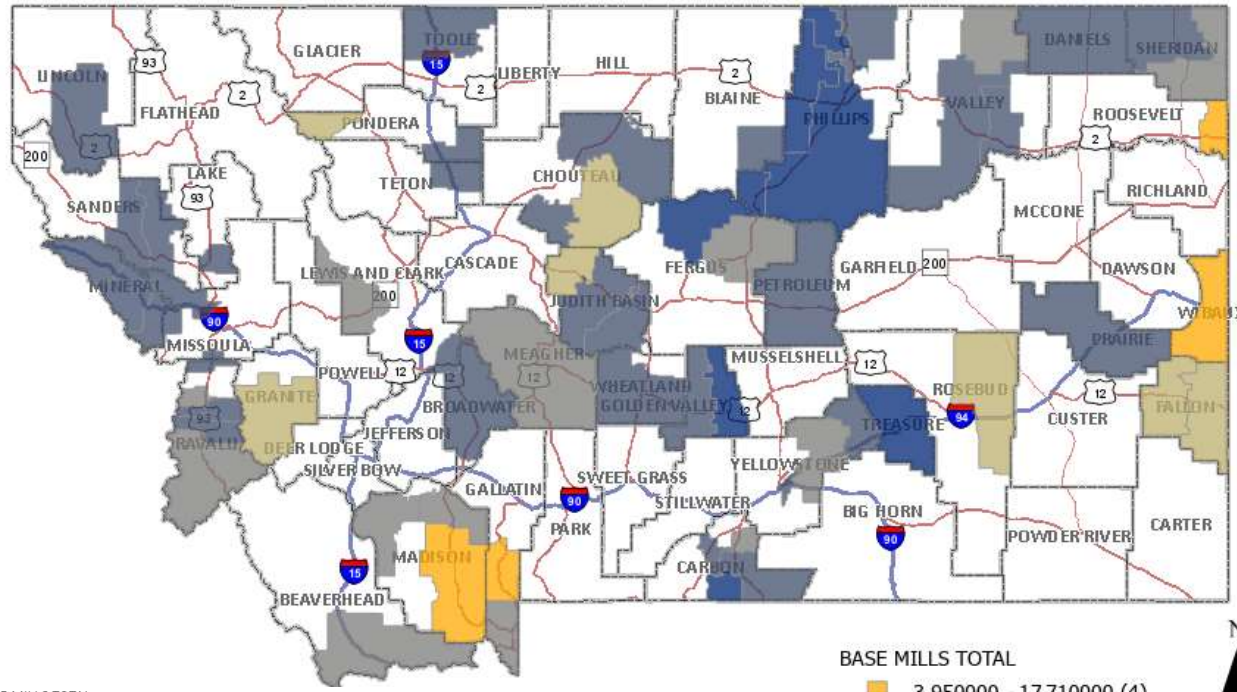
But, as previous presentations have shown, there are a lot of school property taxes outside the school district general fund (transportation, tuition, debt service, building reserve). OverBASE property taxes are another significant source of variation. Equalization mechanisms for these levies could be explored.

If further BASE mill equalization is desired, it could happen in a number of ways, including:

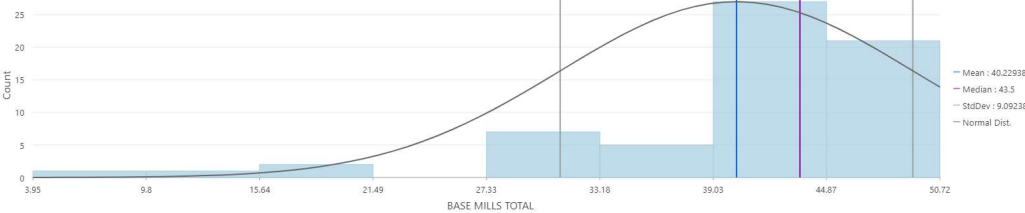
1. Further increasing the GTB multiplier
2. Equalizing local BASE funding needs at the county level and then providing county GTB (much like school retirement is funded)
3. Providing state funding to eliminate BASE mills entirely

Each of these could be funded in a variety of ways, including through increasing the 95 mills as necessary to fund the change. Any increase in statewide mills would be redistributed to lower BASE mills where BASE mills are high.

BASE MILLS, K-12 UNIFIED SCHOOL DISTRICTS (FY 24)



Distribution of BASE MILLS TOTAL

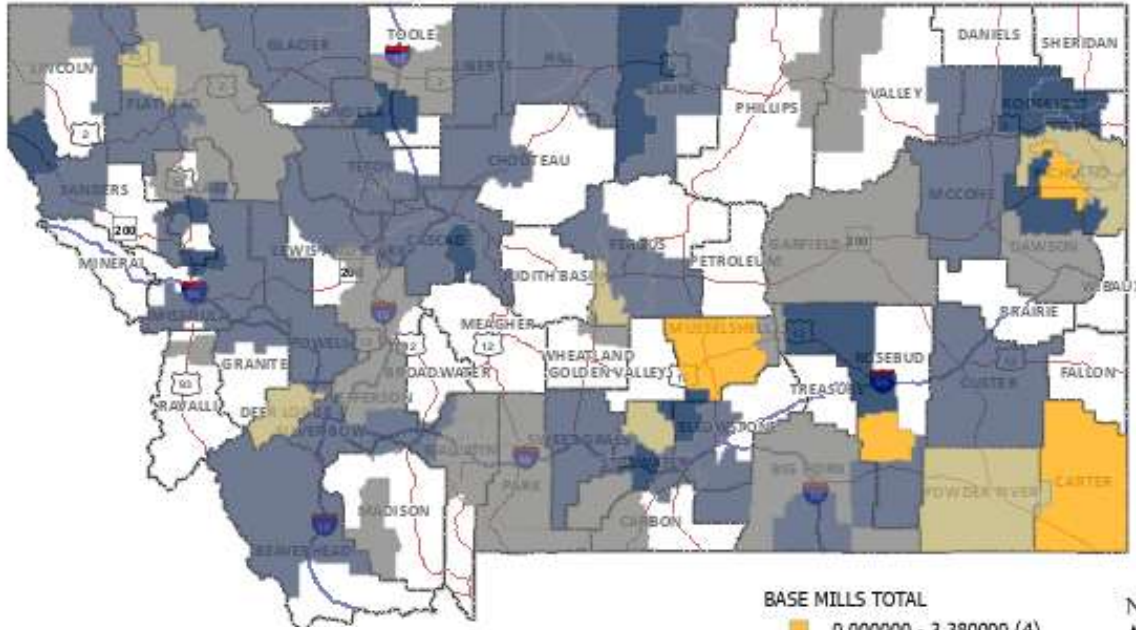


BASE MILLS TOTAL

- 3.950000 - 17.710000 (4)
- 17.710001 - 30.820000 (7)
- 30.820001 - 41.470000 (14)
- 41.470001 - 46.660000 (33)
- 46.660001 - 50.720000 (6)

Map classes based on Natural Breaks (Jenks) method

BASE MILLS, HIGH SCHOOL DISTRICTS FY 24

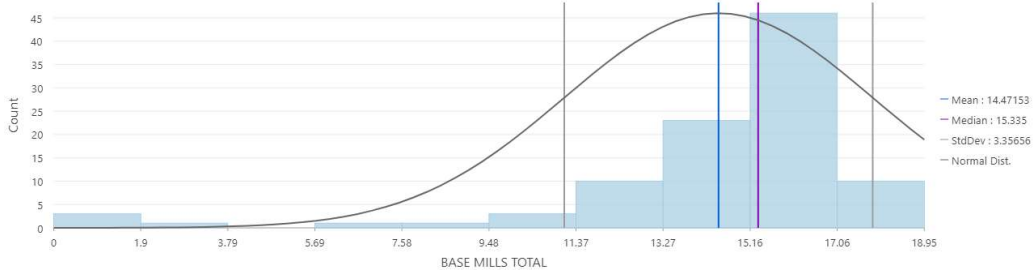


BASE MILLS TOTAL

0.000000 - 3.380000	(4)
3.380001 - 11.760000	(7)
11.760001 - 14.620000	(24)
14.620001 - 16.480000	(48)
16.480001 - 18.950000	(15)



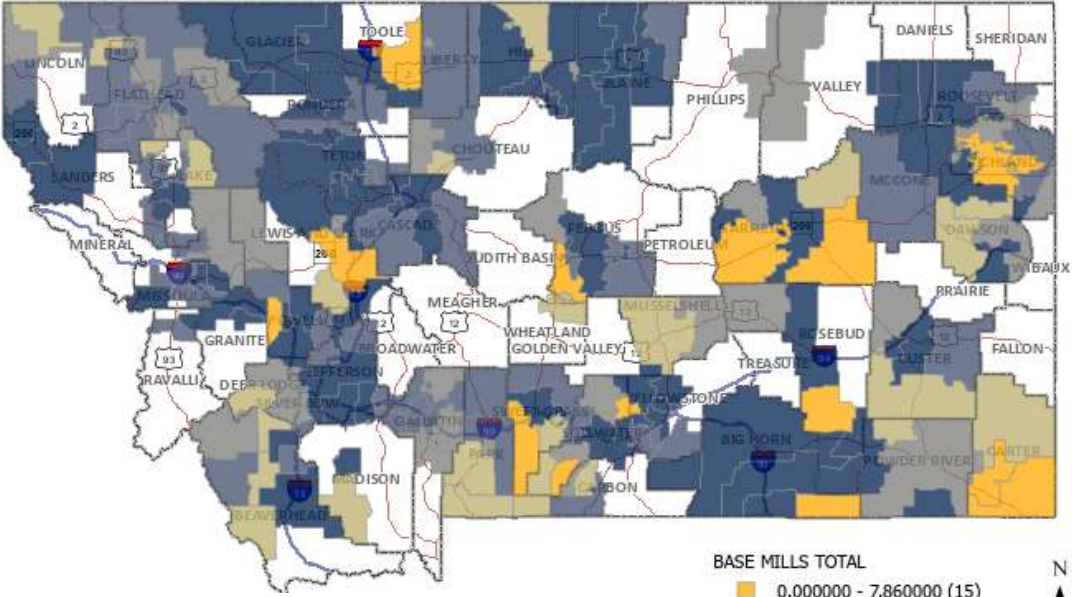
Distribution of BASE MILLS TOTAL



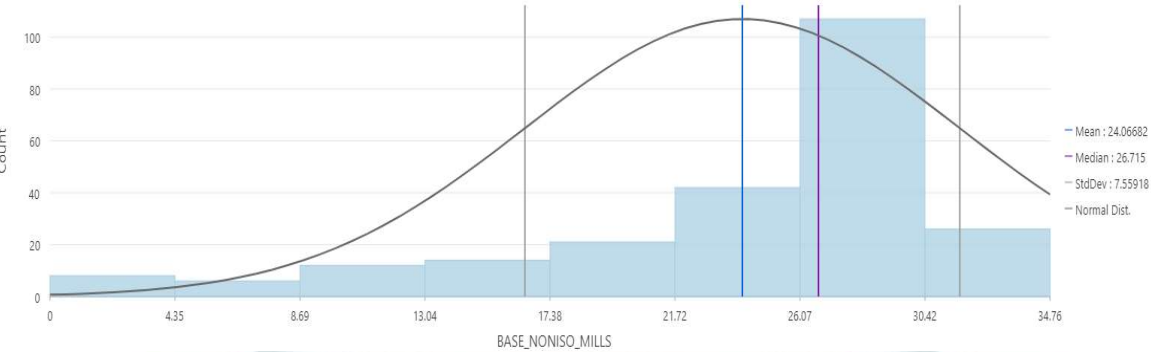
Map classes based on Natural Breaks (Jenks) method

BASE MILLS*, ELEMENTARY SCHOOL DISTRICTS FY 24

* Includes non-isolation mills

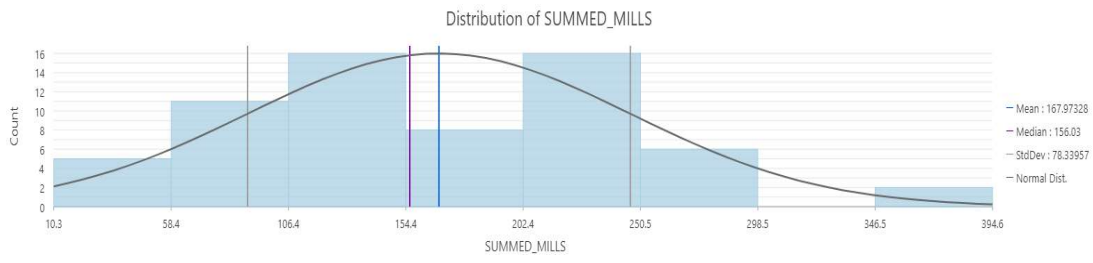
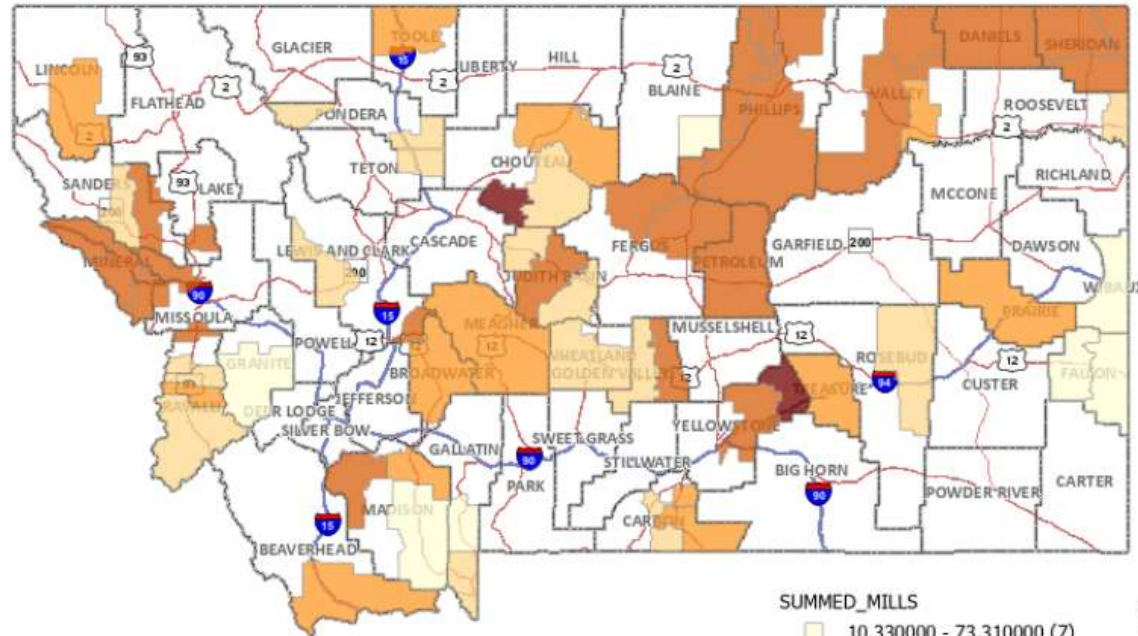


Distribution of BASE_NONISO_MILLS



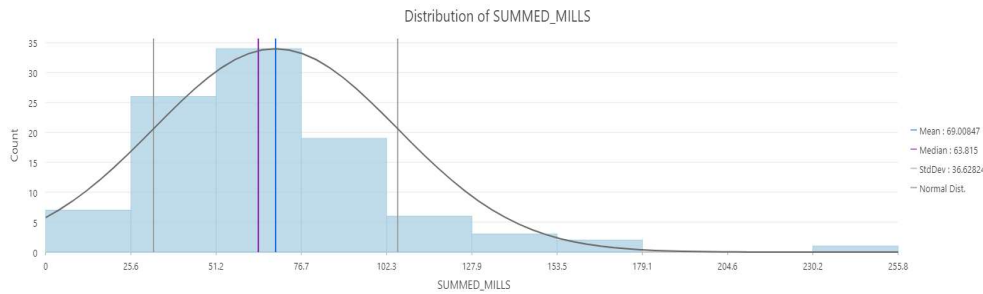
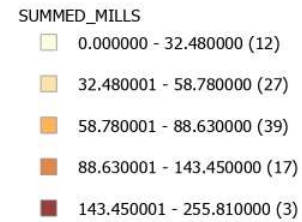
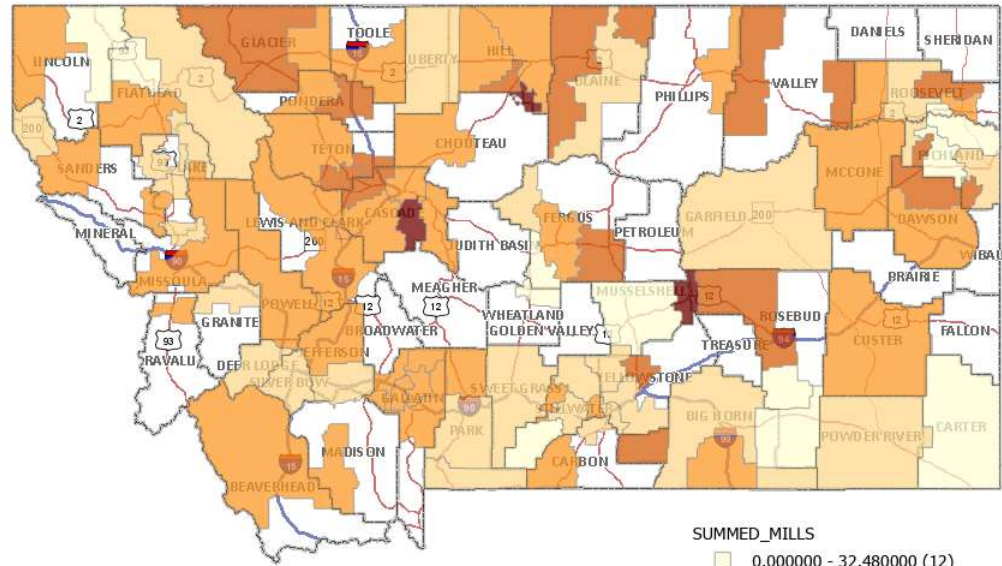
Map classes based on Natural Breaks (Jenks) method

TOTAL MILLS, K-12 UNIFIED SCHOOL DISTRICTS FY 24



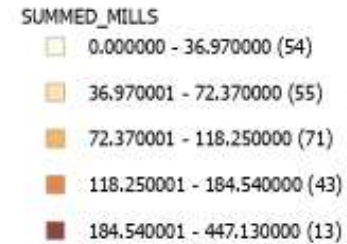
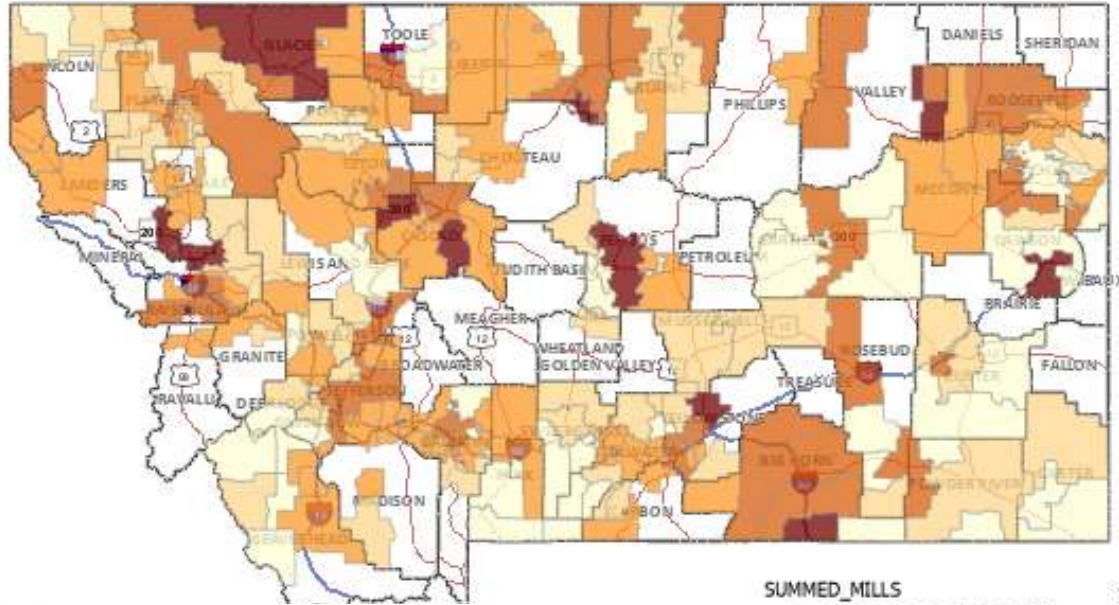
Map classes based on Natural Breaks (Jenks) method

TOTAL MILLS, HIGH SCHOOL DISTRICTS FY 24

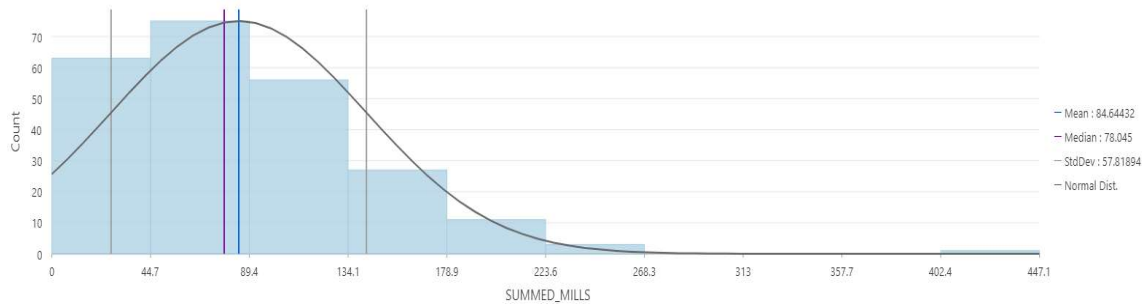


Map classes based on Natural Breaks (Jenks) method

TOTAL MILLS, ELEMENTARY SCHOOL DISTRICTS (FY 24)



Distribution of SUMMED_MILLS



Map classes based on Natural Breaks (Jenks) method

K-12 Revenue: State

41% of K-12 revenue came from state sources in FY 2022 (excluding federal COVID funds)

Guarantee Account

1st 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
~\$50 M

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

School Equalization and Property Tax Reduction Account (SEPTR)

2nd Source of State School Funding (*new: HB 587; 2023*)

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

Beginning in FY 2026, 55% of any increase in the revenue from the 95 mills over the prior year's revenue will be used to increase various equalization mechanisms within the school funding formula and lower property taxes

HB 2 State Special Revenue Appropriation
~\$430 M

State sources of school funding total approximately \$1.0 billion for FY 2024 and include:

- \$880 million for BASE Aid
- \$12 million for state transportation reimbursements
- \$12 million for major maintenance aid
- \$15 million for debt service assistance

State General Fund

3rd 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
~\$500 M

(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)

➤ In addition to county retirement GTB support, the state also contributes approximately \$50 million annually from the state general fund directly to the teachers retirement system (TRS) and public employees retirement system (PERS)



New SEPTR Account
(School Equalization and Property Tax Reduction)

Receives revenue from the 95 mill statewide equalization levies, with 55% of increased revenue over prior year triggering a reduction in local property taxes through equalization mechanisms

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

This portion of the law is already in effect (as of July 1, 2023)

The SEPTR account also helps maintain a balance between state and local funding for K-12.

Historically, during Montana budget shortfalls K-12 costs have shifted onto local taxpayers.

When K-12 leans harder on local property taxes, the more the Legislature's constitutional duty to "distribute [K-12 funding] in an equitable manner" can be questioned.

This portion of the law is effective beginning in FY 2025 ("hard coded" increase) and FY 2026 ("dialing" mechanism)

Each equalization mechanism is "dialed up" until the ratio of state to local revenue reaches approximately 70:30 (debt service 20:80) then the revenue increase from the 95 mills flows to next mechanism

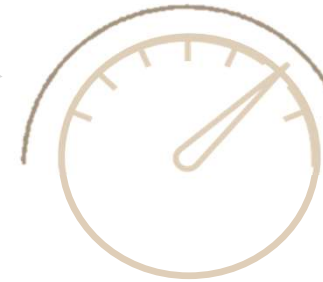


55% of Δ 

Utilizing a portion of the 95 mill increase means that the remaining increase can be used to fund annual increases in the existing K-12 formula. This maintains a balance between property tax and other taxes in the state general fund (largely income) in funding K-12.



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



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



Increase **state major maintenance aid** to lower school district property taxes



Increase **debt service assistance** to lower school district property taxes



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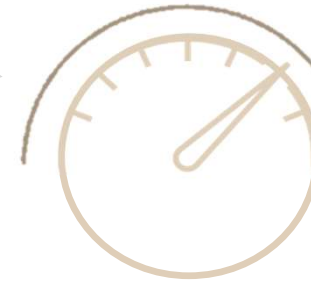


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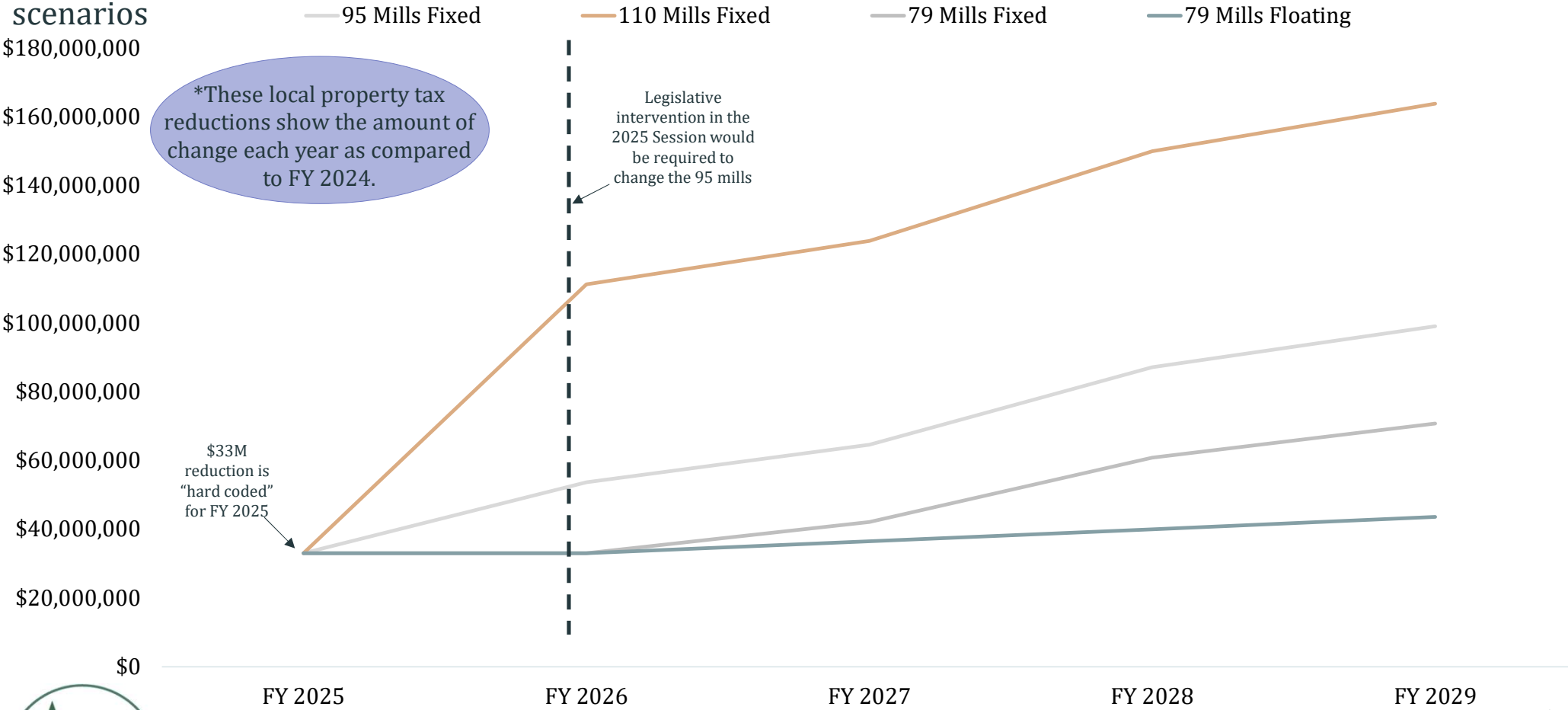
Increase **state major maintenance aid** to lower school district property taxes



Increase **debt service assistance** to lower school district property taxes



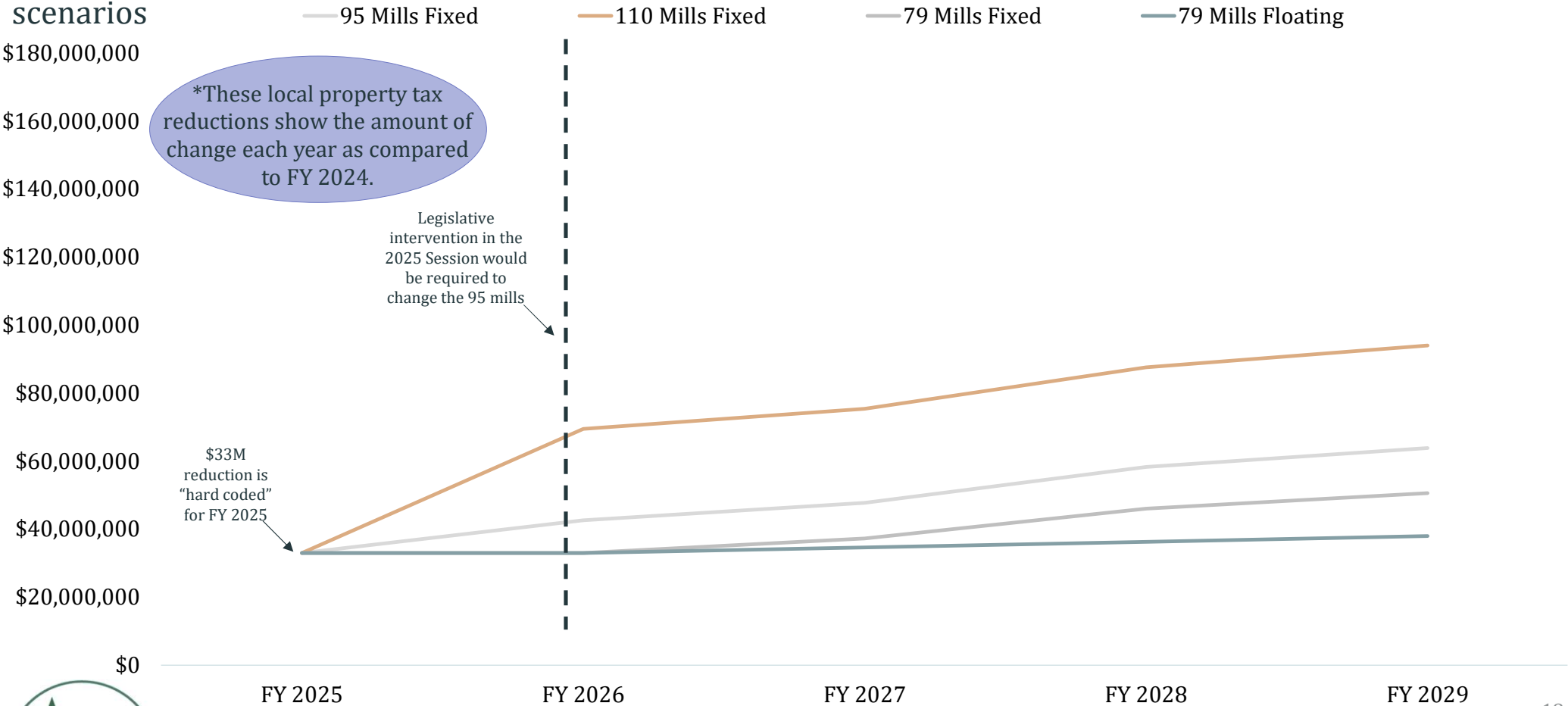
Local property tax reductions* from the SEPTR account "dialing" mechanism (at 75%) under various mill scenarios



Assumes 3% growth in taxable value in non-reappraisal years and 6% growth in reappraisal years



Local property tax reductions* from the SEPTR account "dialing" mechanism (at 35%) under various mill scenarios



Assumes 3% growth in taxable value in non-reappraisal years and 6% growth in reappraisal years



Increasing school election turnout, especially for voted levies

Sampling of recent school levy election turnout stats:

A couple possibilities that may increase school election turnout for voted levies ([20-9-428, MCA](#)):

1. Have levy passage mimic school bond passage requirements:
 - a) If turnout is 40% or more, simple majority of votes cast
 - b) If turnout is greater than 30% but less than 40%, 60% supermajority required for passage
 - c) If turnout is 30% or less, the levy proposition is rejected
 - d) If the levy election is held in conjunction with an election that is conducted by mail ballot or in conjunction with a general or primary election, simple majority
2. Move all (or most) school elections to the November general election in even years (see next two slides)

<https://nbcmontana.com/news/local/above-average-voter-turnout-for-missoula-school-elections>

<https://www.lccountymt.gov/files/assets/county/v/1/treasurer-clerk-and-recorder/documents/elections/2023-augusta-school-election-results.pdf>

<https://www.lccountymt.gov/files/assets/county/v/1/treasurer-clerk-and-recorder/documents/elections/2023-helena-and-east-helena-school-election-summary.pdf>

https://www.yellowstonecountymt.gov/elections/results/Archives/School_Precinct_May2023.pdf

<https://www.kpax.com/news/local-news/flathead-county/voters-turn-down-kalispell-public-schools-levy-requests>

<https://sosmt.gov/elections/voter-turnout/>

What are the voted school levies?

- General Fund OverBASE
- Technology
- Debt Service/Bond Issues (already has turnout/supermajority thresholds)
- Building Reserve
 - Voted levy to gather money for future construction projects
 - School and student safety and security
 - Transition costs (new school opening, consolidation; rarely used)

A bit of background on the May regular school election day:

What happens on “regular school election day” (first Tuesday after the first Monday in May):

- Trustees are elected if necessary (no election if uncontested)
- Votes on over-BASE levy can occur
- Other voted levy elections can occur

1999 – [Ch 514 \(SB 460; Alvin Ellis\)](#) moved date from “first Tuesday of April” to “first Tuesday after the first Monday in May”

It’s difficult to discern exactly why the regular school election day has always been in the Spring, perhaps because it is near the end of one school year and in the midst of budgeting/planning for the ensuing school year. The school election has been in the Spring for a long time. Here’s a snapshot from the 1935 Revised Codes of Montana; Title 1, Chapter 93, that speaks to different and simpler times:

987. Elections. An annual election of school trustees shall be held in each school district in the state on the first Saturday in April of each year at the district schoolhouse, if there be one, and if there be none, at a place designated by the board of trustees. In districts of the third class having more than one schoolhouse where school is held, one trustee must be elected from persons residing where such outside schools are located.

HB 774 and Moving the Regular School Election Day from Every Year in May to Even-numbered Years on the November General Election Day

During the 2023 Session, Rep. Hopkins sponsored HB 774, which proposed requiring that all elections be held in even-numbered years and on either the primary or general election day. The bill was ultimately tabled in the Senate State Administration Committee.

Along the way, school advocacy groups drafted and supported amendments to improve the workability of this proposal for schools. In a nutshell, the groups' proposal related to school elections did the following:

- With limited exceptions, moved all school elections to the November general election day in even-numbered years. The exceptions for “special school elections” were limited to:
 - Bond issues (which have turnout-driven supermajority thresholds for passage under current law);
 - Unforeseen emergencies (catastrophes that threaten a school’s ability to safely operate); and
 - School safety levies.
- Changed trustee terms from 3 years to 4 years and moved board reorganization to January from May
- Moved budget adoption date to June from August
- Allowed voter-approved overBASE levies to have up to 4-year duration
- Increased overBASE permissive levy authority to include inflationary adjustments provided by the Legislature