

ADVANCE, REPAY, AND REMIT: THE COMPLICATED JOURNEY OF COUNTY EQUALIZATION AID (AKA THE 55 MILLS)

REVENUE INTERIM COMMITTEE
PAD MCCRACKEN - MAY 2024

COUNTY EQUALIZATION AID

We don'ttalk about itmuch, and I hadn't realized its significance until recently, but "county equalization aid" is an important and foundational piece of the revenue generated for public schools. What is county equalization aid you ask? Well, it's the revenue generated by the 33 mills for county elementary equalization under 20-9-331 and the 22 mills for county high school equalization under 20-9-332. Together these are 55 mills of what we call "the 95 mills"; the other 40 mills are levied for state equalization aid. According to 20-9-335(4), county equalization money "is the first source of revenue for financing the elementary and high school direct state aid payments." Told you it was importent!

In most counties, this revenue isn't sufficient to fully fund the direct state aid of school districts in the county, so the state makes up the difference. In a handful of counties, the county equalization levies produce more than enough money to fully fund the direct state aid of school districts in the county, and the excess revenue is remitted to the state and distributed to districts in counties that need the funding Sounds straightforward enough.

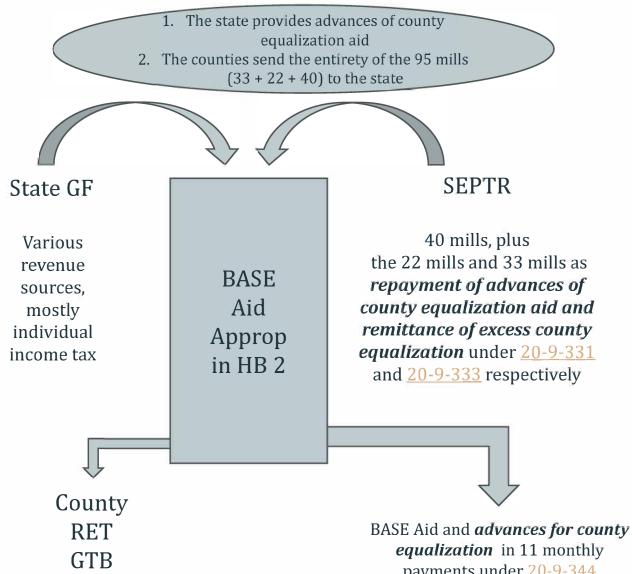
The county equalization levies place a uniform property tax "load" on taxpayers statewide. The revenue from these levies, along with other revenue sources, is used to support the "state's share" of funding public school districts.

But, because the bulk of property tax revenue comes in two installments (late November and late May) the state created "advances of county equalization" during the July 1992 Special Session. These advances are part of the monthly payments made to school districts pursuant to 20-9-344. Then, when the county receives revenue from the 55 mills, it simply sends it all to the state, mostly as repayments of advances and, again, in a handful of counties, also as remittances of excess. This may seem like an unnecessarily complicated scheme, and it may be, but it helps with county and school district cash flow and also allows the 55-mill revenue to be considered "local effort" for federal funding purposes.

I've provided a graphic on the back of this brief to help explain this flow. I'm aware that the Revenue Interim Committee is exploring the idea of unifying the three sections of statute addressing the 95 mills. This is doable but will require dismantling and reconstructing the rather elaborate county equalization scheme that exists currently. Definitely good work to undertake during the interim if the committee wants to proceed.



¹ House Bill No. 62 (Chapter 6) Montana Session Laws, July 1992 Special Session



Under 20-9-212, the county treasurer:

(13) shall remit on a monthly basis to the department of revenue, as provided in 15-1-504, all county equalization revenue received under the provisions of 20-9-331 and 20-9-333, including all interest earned, in repayment of the state advance for county equalization prescribed in 20-9-*347.* Any funds in excess of a state advance must be used as required in 20-9-331(1)(b)and 20-9-333(1)(b).

payments under 20-9-344 as the 1st source of direct state aid under <u>20-9-335(4)</u>

A key definition in all of this is in 20-9-306: "BASE funding program" means the state program for the equitable distribution of the state's share of the cost of Montana's basic system of public elementary schools and high schools, through county equalization *aid* as provided in 20-9-331 and 20-9-333 and state equalization aid as provided in 20-9-343, in support of the BASE budgets of districts and special education allowable cost payments as provided in 20-9-321.

