

**FISCAL NOTE**  
**HOUSE BILL NO. 1168**  
**LC# 25.0044.06000**  
**01/14/2025**  
**Revised - 01/14/2025**

**1 - State Fiscal Effect**

*Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2023-2025 Biennium		2025-2027 Biennium		2027-2029 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$292,055,570		\$315,887,305	
Appropriations						

**2 - County, City, School District, and Township Fiscal Effect**

*Identify the fiscal effect on the appropriate political subdivision.*

	2023-2025 Biennium	2025-2027 Biennium	2027-2029 Biennium
Counties			
Cities			
School Districts			
Townships			

**3 - Bill and Fiscal Impact Summary**

*Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1168 decreases the amount school districts can levy on residential property by 60 mills and mirrors that change in the foundation aid formula. HB 1168 also limits mill levy increases on political subdivisions other than school districts to a 3 percent increase on existing property.

**4 - Fiscal Impact Sections Detail**

*Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 2 of this bill removes residential property from the 60 mill deduct in the foundation aid formula. Removing this increases the state aid share of the foundation aid formula \$292 million. The 2025-2026 foundation aid payment uses the 2024 taxable valuations. DPI did not collect this information in 2024 and would need to go back and collect this information retroactively to accurately calculate each districts payment for 2025-2026.

Section 3 removes the 60 mills on residential property for the minimum local effort calculation for the districts with low taxable valuation.

Section 4 removes school districts from using the base year calculation when determining its tax levies. This may cause a school district to not be able to collect their full foundation aid calculation if a district sees a reduction in taxable valuation since the formula uses the prior year's taxable valuation.

Section 6 changes the cap on mill levy on residential property for school districts from 70 mills to 10 mills mirroring the change in section 2.

Section 7 limits political subdivisions other than school districts to a 3% increase on property taxes levied on similar properties from the previous year. If a taxing district does not use the full 3%, they can carry forward the unused percentage to the succeeding taxable year.

## **5 - Revenues Detail**

*For information shown under state fiscal effect in 1 or 2, please explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Section 7 There are likely financial impacts on the taxing districts tax revenue, however, the amount is unable to be estimated as it is unknown how many taxing districts would exceed the 3% cap with no limitations.

## **6 - Expenditures Detail**

*For information shown under state fiscal effect in 1 or 2, please explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The foundation aid formula uses school district's ability to levy property taxes to calculate the state aid payment. Reducing the school districts' ability to levy in the general fund increases the state payments to school districts. The increase in the 2027-29 biennium is estimated using projected increases in residential property growth.

## **7 - Appropriations Detail**

*For information shown under state fiscal effect in 1 or 2, please explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

The appropriation for the foundation aid formula is in HB 1013.

## **Contact Information**

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