

1 _____ BILL NO. _____

2 INTRODUCED BY _____
3 (Primary Sponsor)

4 BY REQUEST OF THE REVENUE AND TRANSPORTATION INTERIM COMMITTEE

5
6 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE TIMEFRAME IN WHICH THE DEPARTMENT OF
7 REVENUE IS REQUIRED TO CALCULATE THE GROWTH RATE OF THE ENTITLEMENT SHARE POOL; AND
8 AMENDING SECTION 15-1-121, MCA."

9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11
12 **Section 1.** Section 15-1-121, MCA, is amended to read:

13 **"15-1-121. Entitlement share payment -- purpose -- appropriation.** (1) As described in 15-1-120(3),
14 each local government is entitled to an annual amount that is the replacement for revenue received by local
15 governments for diminishment of property tax base and various earmarked fees and other revenue that, pursuant
16 to Chapter 574, Laws of 2001, amended by section 4, Chapter 13, Special Laws of August 2002, and later
17 enactments, were consolidated to provide aggregation of certain reimbursements, fees, tax collections, and other
18 revenue in the state treasury with each local government's share. The reimbursement under this section is
19 provided by direct payment from the state treasury rather than the ad hoc system that offset certain state
20 payments with local government collections due the state and reimbursements made by percentage splits, with
21 a local government remitting a portion of collections to the state, retaining a portion, and in some cases sending
22 a portion to other local governments.

23 (2) The sources of dedicated revenue that were relinquished by local governments in exchange for an
24 entitlement share of the state general fund were:

25 (a) personal property tax reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter
26 584, Laws of 1999;

27 (b) vehicle, boat, and aircraft taxes and fees pursuant to:

28 (i) Title 23, chapter 2, part 5;

29 (ii) Title 23, chapter 2, part 6;

30 (iii) Title 23, chapter 2, part 8;



- 1 (iv) 61-3-317;
- 2 (v) 61-3-321;
- 3 (vi) Title 61, chapter 3, part 5, except for 61-3-509(3), as that subsection read prior to the amendment
4 of 61-3-509 in 2001;
- 5 (vii) Title 61, chapter 3, part 7;
- 6 (viii) 5% of the fees collected under 61-10-122;
- 7 (ix) 61-10-130;
- 8 (x) 61-10-148; and
- 9 (xi) 67-3-205;
- 10 (c) gaming revenue pursuant to Title 23, chapter 5, part 6, except for the permit fee in 23-5-612(2)(a);
- 11 (d) district court fees pursuant to:
- 12 (i) 25-1-201, except those fees in 25-1-201(1)(d), (1)(g), and (1)(j);
- 13 (ii) 25-1-202;
- 14 (iii) 25-9-506; and
- 15 (iv) 27-9-103;
- 16 (e) certificate of title fees for manufactured homes pursuant to 15-1-116;
- 17 (f) financial institution taxes collected pursuant to the former provisions of Title 15, chapter 31, part 7;
- 18 (g) all beer, liquor, and wine taxes pursuant to:
- 19 (i) 16-1-404;
- 20 (ii) 16-1-406; and
- 21 (iii) 16-1-411;
- 22 (h) late filing fees pursuant to 61-3-220;
- 23 (i) title and registration fees pursuant to 61-3-203;
- 24 (j) veterans' cemetery license plate fees pursuant to 61-3-459;
- 25 (k) county personalized license plate fees pursuant to 61-3-406;
- 26 (l) special mobile equipment fees pursuant to 61-3-431;
- 27 (m) single movement permit fees pursuant to 61-4-310;
- 28 (n) state aeronautics fees pursuant to 67-3-101; and
- 29 (o) department of natural resources and conservation payments in lieu of taxes pursuant to Title 77,
30 chapter 1, part 5.

1 (3) (a) Except as provided in subsection (3)(b), the total amount received by each local government in
2 fiscal year 2010 as an entitlement share payment under this section is the base component for the fiscal year
3 2011 distribution, and in each subsequent year the prior year entitlement share payment, including any
4 reimbursement payments received pursuant to subsection (7), is each local government's base component. The
5 sum of all local governments' base components is the fiscal year entitlement share pool.

6 (b) The total amount received by each local government in fiscal year 2011 as an entitlement share
7 payment under this section is the base component for fiscal year 2012 and 2013 distributions, and in each
8 subsequent year the prior year entitlement share payment, including any reimbursement payments received
9 pursuant to subsection (7), is each local government's base component. The sum of all local governments' base
10 components is the fiscal year entitlement share pool.

11 (4) (a) With the exception of fiscal years 2012 and 2013, the base entitlement share pool must be
12 increased annually by an entitlement share growth rate as provided for in this subsection (4). The amount
13 determined through the application of annual growth rates is the entitlement share pool for each fiscal year, with
14 the exception of fiscal years 2012 and 2013.

15 (b) By October 1 of each year, the department shall calculate the growth rate of the entitlement share
16 pool for the ~~current~~ next fiscal year in the following manner:

17 (i) The department shall calculate the entitlement share growth rate based on the ratio of two factors of
18 state revenue sources for the first, second, and third most recently completed fiscal years as recorded on the
19 statewide budgeting and accounting system. The first factor is the sum of the revenue for the first and second
20 previous completed fiscal years received from the sources referred to in ~~subsection~~ subsections (2)(b), (2)(c),
21 and (2)(g) divided by the sum of the revenue for the second and third previous completed fiscal years received
22 from the same sources multiplied by 0.75. The second factor is the sum of the revenue for the first and second
23 previous completed fiscal years received from individual income tax as provided in Title 15, chapter 30, and
24 corporate income tax as provided in Title 15, chapter 31, divided by the sum of the revenue for the second and
25 third previous completed fiscal years received from the same sources multiplied by 0.25.

26 (ii) Except as provided in subsection (4)(b)(iii), the entitlement share growth rate is the lesser of:

27 (A) the sum of the first factor plus the second factor; or

28 (B) 1.03 for counties, 1.0325 for consolidated local governments, and 1.035 for cities and towns.

29 (iii) In no instance can the entitlement growth factor be less than 1. The entitlement share growth rate is
30 applied to the most recently completed fiscal year entitlement payment to determine the subsequent fiscal year

1 payment.

2 (5) As used in this section, "local government" means a county, a consolidated local government, an
3 incorporated city, and an incorporated town. A local government does not include a tax increment financing
4 district provided for in subsection (8). The county or consolidated local government is responsible for making an
5 allocation from the county's or consolidated local government's share of the entitlement share pool to each special
6 district within the county or consolidated local government in a manner that reasonably reflects each special
7 district's loss of revenue sources for which reimbursement is provided in this section. The allocation for each
8 special district that existed in 2002 must be based on the relative proportion of the loss of revenue in 2002.

9 (6) (a) The entitlement share pools calculated in this section, the amounts determined under 15-1-123(2)
10 for local governments, the funding provided for in subsection (8) of this section, and the amounts determined
11 under 15-1-123(4) for tax increment financing districts are statutorily appropriated, as provided in 17-7-502, from
12 the general fund to the department for distribution to local governments. Except for the distribution made under
13 15-1-123(2)(b), the distributions must be made on a quarterly basis.

14 (b) (i) The growth amount is the difference between the entitlement share pool in the current fiscal year
15 and the entitlement share pool in the previous fiscal year. The growth factor in the entitlement share must be
16 calculated separately for:

17 (A) counties;

18 (B) consolidated local governments; and

19 (C) incorporated cities and towns.

20 (ii) In each fiscal year, the growth amount for counties must be allocated as follows:

21 (A) 50% of the growth amount must be allocated based upon each county's percentage of the prior fiscal
22 year entitlement share pool for all counties; and

23 (B) 50% of the growth amount must be allocated based upon the percentage that each county's
24 population bears to the state population not residing within consolidated local governments as determined by the
25 latest interim year population estimates from the Montana department of commerce as supplied by the United
26 States bureau of the census.

27 (iii) In each fiscal year, the growth amount for consolidated local governments must be allocated as
28 follows:

29 (A) 50% of the growth amount must be allocated based upon each consolidated local government's
30 percentage of the prior fiscal year entitlement share pool for all consolidated local governments; and

1 (B) 50% of the growth amount must be allocated based upon the percentage that each consolidated local
 2 government's population bears to the state's total population residing within consolidated local governments as
 3 determined by the latest interim year population estimates from the Montana department of commerce as
 4 supplied by the United States bureau of the census.

5 (iv) In each fiscal year, the growth amount for incorporated cities and towns must be allocated as follows:

6 (A) 50% of the growth amount must be allocated based upon each incorporated city's or town's
 7 percentage of the prior fiscal year entitlement share pool for all incorporated cities and towns; and

8 (B) 50% of the growth amount must be allocated based upon the percentage that each city's or town's
 9 population bears to the state's total population residing within incorporated cities and towns as determined by the
 10 latest interim year population estimates from the Montana department of commerce as supplied by the United
 11 States bureau of the census.

12 (v) In each fiscal year, the amount of the entitlement share pool before the growth amount or adjustments
 13 made under subsection (7) are applied is to be distributed to each local government in the same manner as the
 14 entitlement share pool was distributed in the prior fiscal year.

15 (7) If the legislature enacts a reimbursement provision that is to be distributed pursuant to this section,
 16 the department shall determine the reimbursement amount as provided in the enactment and add the appropriate
 17 amount to the entitlement share distribution under this section. The total entitlement share distributions in a fiscal
 18 year, including distributions made pursuant to this subsection, equal the local fiscal year entitlement share pool.
 19 The ratio of each local government's distribution from the entitlement share pool must be recomputed to
 20 determine each local government's ratio to be used in the subsequent year's distribution determination under
 21 subsections (6)(b)(ii)(A), (6)(b)(iii)(A), and (6)(b)(iv)(A).

22 (8) (a) Except for a tax increment financing district entitled to a reimbursement under 15-1-123(4), if a
 23 tax increment financing district was not in existence during the fiscal year ending June 30, 2000, then the tax
 24 increment financing district is not entitled to any funding. If a tax increment financing district referred to in
 25 subsection (8)(b) terminates, then the funding for the district provided for in subsection (8)(b) terminates.

26 (b) Except for the reimbursement made under 15-1-123(4)(b), one-half of the payments provided for in
 27 this subsection (8)(b) must be made by November 30 and the other half by May 31 of each year. Subject to
 28 subsection (8)(a), the entitlement share for tax increment financing districts is as follows:

29	Deer Lodge	TIF District 1	\$2,833
30	Deer Lodge	TIF District 2	2,813

