

FISCAL NOTE

Bill #: HB0621

Title: Local government reimbursement

Primary

Sponsor: Monica Lindeen

Status: Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
-------------------	------	---------------------------------	------

Fiscal Summary

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
Expenditures:		
General Fund	54,934,392	54,934,392
Net Impact on General Fund Balance:	(54,934,392)	(54,934,392)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
X		Significant Local Gov. Impact	X		Technical Concerns
X		Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached	X		Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

1. The proposal is similar to the reimbursement contained in SB184 of the 1999 Legislature. The largest similarity is in the amount appropriated for reimbursement to local governments. As with SB184 fiscal year 2001 reimbursements, the proposal will result in \$54,934,392 reimbursed to local governments in fiscal year 2002 and again in fiscal year 2003. Another similarity is that the reimbursement amount for each local government will be based on an estimated revenue loss due to implementation of the same bills as listed in SB184. Each local government will then receive the same percentage of the appropriation (\$54,934,392 in each fiscal year) in reimbursement as the appropriation bears to the total amount of loss for all local government units in this state.
2. Because of the similarities, the SB184 reimbursement amounts for taxing jurisdictions for fiscal year 2001 can be used as a base for determining the fiscal impact of this proposal.
3. While the cost of the proposal is known at \$54,934,392 per fiscal year, there are differences between SB184 and the proposal that will result in shifting of reimbursement amounts between local governments. The differences between SB184 and this proposal are outlined in the following

(continued)

assumptions. The impact of the differences is estimated and the SB184 base amount is adjusted accordingly (Table 1).

4. In SB184 the reimbursement amount for each local government, with two exceptions, was based on the estimated revenue loss due to the reimbursable bills had those bills been implemented in fiscal year 1998. The SB184 reimbursement amounts for the city of Colstrip and for the road fund in Rosebud County (\$500,000 and \$162,696 respectively) were determined through negotiation. The amount appropriated in SB184 for reimbursements (\$54,934,392) exceeded the estimated impact of revenue loss and the negotiated reimbursement amounts by \$2,140,191. Therefore the estimated revenue loss and the negotiated reimbursement amounts totaled \$52,794,201. The estimated revenue loss amounts for each local government was adjusted upward by approximately 4% to match the \$54,934,392 appropriated amount.
5. The proposal includes in the reimbursement calculation communities that incorporated after 1998 but before 2000. The only community that fits these criteria is the city of Colstrip. Under SB184 the city of Colstrip received a negotiated reimbursement of \$500,000 for fiscal year 2001. The proposal requires that the reimbursement for Colstrip be based on the impact in fiscal year 1999 of the reimbursable bills. It is estimated that this provision would add an additional \$376,909 (above the SB184 negotiated \$500,000 amount) to the reimbursement for the community of Colstrip for fiscal year 2002 and for fiscal year 2003. (See technical note)
6. The fiscal year 2001 SB184 reimbursement amount for the road fund in Rosebud County was a negotiated amount of \$162,696. As written, the proposal requires that the reimbursement for the road fund in Rosebud County be based on the fiscal year 1998 impact of the reimbursable bills. It is estimated that this would require an additional \$150,000 (above the SB184 negotiated \$162,696 amount) reimbursement to the road fund in Rosebud County in fiscal year 2002 and again in fiscal year 2003. (See technical note)
7. Included in the fiscal year 2001 SB184 reimbursement was the impact of the reduction of the taxable rate of class 6 property (livestock). SB200 of the 1999 Legislature phased down the taxable rate for class 6 property from 4% to 0% beginning in tax year 2000. The fiscal year 2001 SB184 reimbursement included the impact of the taxable rate for class 6 property being reduced from 4% to 3% in tax year 2000. The reimbursement in the proposal would include the impact of the taxable rate being reduced to from 3% to 2% for tax year 2001 and reduced from 2% to 1% in tax year 2002. It is estimated an additional \$2,247,258 would be needed for the fiscal year 2002 reimbursement and an additional \$4,495,057 would be needed for the fiscal year 2003 reimbursement to account for the reduction of the class 6 tax rate.
8. The proposal adds industrial tax increment districts as entities being reimbursed for loss of revenue. It is estimated that \$15,832 in additional reimbursement would be needed to reimburse industrial tax increment finance districts in fiscal year 2002 and again in 2003.
9. The combined estimated total amount of loss for all local governments is estimated to be \$55,584,200 for fiscal year 2002 and \$57,831,999 for fiscal 2003.
10. Subsection 4 of section 1 of the proposal states that each local government must receive the same percentage of the appropriation for local government reimbursements as the appropriation bears to the total amount of loss for all local government units in this state. Although not included as a line item, HB2 contains an appropriation \$54,934,392 for reimbursements in fiscal year 2002 and again in fiscal year 2003.

(continued)

11. The estimated amount of loss must be prorated to match the amount of appropriation. The estimated amount of loss for each local government for fiscal year 2002 will be adjusted downward by 1.17%. The estimated amount of loss for each local government for fiscal year 2003 will be adjusted downward by 5.01%.

Table 1 Comparison of HB621 with SB184 Fiscal Year 2001 Reimbursements			
Assumption Number		Fiscal Year 2002	Fiscal Year 2003
1	Total Amount of FY01 SB184 Reimbursement	54,934,392	54,934,392
4	Amount in Excess of Estimated Revenue Loss and Negotiated Reimbursements	(2,140,191)	(2,140,191)
5	Increase to Colstrip	376,909	376,909
6	Increase to Rosebud County Road Fund	150,000	150,000
7	Increase due to Reduction of Class 6 Tax Rate	2,247,258	4,495,057
8	Increase to Industrial Tax Increment Districts	<u>15,832</u>	<u>15,832</u>
9	Estimated Reimbursement under HB621	<u>55,584,200</u>	<u>57,831,999</u>
10	Amount of Appropriation	54,934,392	54,934,392
11	Proration Factor	-1.17%	-5.01%

FISCAL IMPACT:

	FY2002 <u>Difference</u>	FY2003 <u>Difference</u>
<u>Expenditures:</u>		
Local Government Assistance	\$54,934,392	\$54,934,392
<u>Funding:</u>		
General Fund (01)	\$54,934,392	\$54,934,392
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	\$(54,934,392)	\$(54,934,392)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

1. This proposal would extend the fiscal year 2001 SB184 reimbursement to local governments. However there would be some shifting in the reimbursement amounts between local governments. Primarily the shifting would be from areas without class 6 property to areas with class 6 property.
2. The proposal also significantly increases the reimbursement amounts to the city of Colstrip and to the road fund of Rosebud County. The city of Colstrip would see an increase in reimbursement from \$500,000 to \$876,909. The road fund of Rosebud County would see an increase in reimbursement from \$162,696 to \$312,696. Under 15-10-420, a local government shall decrease the number of mills to fully account for any increase in reimbursements. Therefore, the increase in reimbursement amounts to Colstrip and to the road fund of Rosebud County could result in lower mill levies for the taxpayers in those jurisdictions.

(continued)

3. The proposal extends reimbursements that otherwise were scheduled to sunset in June 30, 2001. If a reimbursement plan of some type and similar in amount to the fiscal year 2001 SB184 reimbursement is not provided for fiscal year 2002 and fiscal year 2003, local governments would see their reimbursements decrease by \$54,934,392. Under 15-10-420, MCA, local governments are allowed to float mill levies to replace a decrease in reimbursement.

LONG-RANGE IMPACTS:

This proposal provides reimbursements through June 30, 2003 only.

TECHNICAL NOTES:

1. The proposal creates the odd situation of a city in a county and the road fund of the county being reimbursed for the reduction in taxable value of one piece of property. By statute, the tax base for a county road fund is defined to be all property in the county that is not in an incorporated city or town. In other words, a piece of property is either in the tax base of a city or it is in the tax base of the road fund, it cannot be in both. Practically, the reduction of the taxable value of a single piece of property can impact either the city or the road fund, it cannot impact both. However, the proposal reimburses the city of Colstrip and the road fund of Rosebud County for the reduction in taxable value of the Colstrip power plants when only one was impacted.