



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2017 Biennium

|                         |             |                |  |
|-------------------------|-------------|----------------|--|
| <b>Bill #</b>           | HB0368      | <b>Title:</b>  | Sunset voter approved property tax levies after certain period of time |
| <b>Primary Sponsor:</b> | Hertz, Greg | <b>Status:</b> | As Introduced  |

- |  |   |  |
|--|---|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2             | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget        | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

|   | <u>FY 2016<br/>Difference</u> | <u>FY 2017<br/>Difference</u> | <u>FY 2018<br/>Difference</u> | <u>FY 2019<br/>Difference</u> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>Expenditures:</b>                    |                               |                               |                               |                               |
| General Fund                            | \$0                           | \$0                           | \$0                           | \$0                           |
| State Special Revenue                   | \$0                           | \$0                           | \$0                           | \$0                           |
| <b>Revenue:</b>                         |                               |                               |                               |                               |
| General Fund                            | \$0                           | \$0                           | \$0                           | \$0                           |
| State Special Revenue                   | \$0                           | \$0                           | \$0                           | \$0                           |
| <b>Net Impact-General Fund Balance:</b> | <u><u>\$0</u></u>             | <u><u>\$0</u></u>             | <u><u>\$0</u></u>             | <u><u>\$0</u></u>             |

**Description of fiscal impact:** This bill eliminates new permanent voted levies, as the bill sets a six year sunset for all new mill levies, except for those used for bonding. There is no state fiscal impact related to HB 368.

### FISCAL ANALYSIS

#### Assumptions:

#### **Office of Public Instruction (OPI)**

1. HB 368 limits the duration of voter-approved property tax levies to six years. There are four school district funds that are funded through voted property taxes. These funds are the general fund, the technology fund, the building reserve fund, and the debt service fund. All of these funds provide for voter approval of levies that are authorized for more than six years.
2. The debt service fund is exempted under section 1, subsection (6) of HB 368 and would not be affected.

- The funds that would be impacted are: the over-BASE portion of the general fund, technology acquisition and depreciation fund, and building reserve fund. The table below lists the FY 2015 property tax amounts that would be subject to changes under HB 368.

| <b>Fund</b> | <b>Fund Name</b>         | <b>Property Tax</b> |
|-------------|--------------------------|---------------------|
| 01          | General Fund (Over-BASE) | \$172,532,259       |
| 28          | Technology Fund          | \$12,582,466        |
| 61          | Building Reserve Fund    | \$12,559,287        |

- None of these levies are supported by state funding, so there is no impact on the state general fund.
- This bill would apply to mills imposed in mill levy elections after September 30, 2015.

**Effect on County or Other Local Revenues or Expenditures:**

**Montana Association of Counties (MACO)**

- While the bill exempts bonded debt from the six-year limitation, it would inhibit counties from utilizing other borrowing sources to repay debt financed for a term greater than six years when a voted levy is obligated to repay debt. Examples include Montana Board of Investments loan programs with financing periods greater than six years.

**Long-Term Impacts:**

**Montana Association of Counties (MACO)**

- HB 368 would require new tax jurisdictions to request initial base funding on inception. Planning horizons for new operational funding would be limited to six years.
- Conflicts may arise between ongoing funding (six-year duration) and bonded debt service terms longer than six years.

**Technical Notes:**

**Office of Public Instruction (OPI)**

- The six-year limitation in HB 368 is in conflict with 20-9-353, MCA, which requires voter approval for an any *increase* in local property taxes authorized by 20-9-308(4) over revenue previously authorized by the electors of the district or imposed by the district in any of the previous five years. Voters are asked to approve the increase in local property taxes from year-to-year, but are not asked to reauthorize increases that were previously approved.
- The six year limitation in HB 368 is in conflict with 20-9-533, MCA, which allows for voter approval of a technology levy for no more than ten years.
- The six year limitation in HB 368 is in conflict with 20-9-502, MCA, which allows for voter approval of a building reserve levy for no more than 20 years.

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*