

## HOUSE BILL NO. 847

INTRODUCED BY J. POMNICHOWSKI

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR REIMBURSEMENT TO LOCAL GOVERNMENTS AND SCHOOLS FOR LOSS OF TAX REVENUES; PROVIDING AN APPROPRIATION; AMENDING SECTIONS 15-1-121 AND 20-9-630, MCA; PROVIDING A CONTINGENT VOIDNESS PROVISION; AND PROVIDING AN EFFECTIVE DATE."

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

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

**"15-1-121. Entitlement share payment -- appropriation.** (1) ~~(a)~~ The amount calculated pursuant to ~~this subsection~~ section 1, Chapter 574, Laws of 2001, as ~~adjusted pursuant to subsection (3)(a)(i) amended by section 4, Chapter 13, Special Laws of August 2002~~, is each local government's ~~base entitlement share~~. The department shall estimate the total amount of revenue that each local government received from the following sources for the fiscal year ending June 30, 2001:

- ~~\_\_\_\_\_ (a) personal property tax reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter 584, Laws of 1999;~~
- ~~\_\_\_\_\_ (b) vehicle, boat, and aircraft taxes and fees pursuant to:~~
  - ~~\_\_\_\_\_ (i) Title 23, chapter 2, part 5;~~
  - ~~\_\_\_\_\_ (ii) Title 23, chapter 2, part 6;~~
  - ~~\_\_\_\_\_ (iii) Title 23, chapter 2, part 8;~~
  - ~~\_\_\_\_\_ (iv) 61-3-317;~~
  - ~~\_\_\_\_\_ (v) 61-3-321;~~
  - ~~\_\_\_\_\_ (vi) Title 61, chapter 3, part 5, except for 61-3-509(3), as that subsection read prior to the amendment of 61-3-509 in 2001;~~
  - ~~\_\_\_\_\_ (vii) Title 61, chapter 3, part 7;~~
  - ~~\_\_\_\_\_ (viii) 5% of the fees collected under 61-10-122;~~
  - ~~\_\_\_\_\_ (ix) 61-10-130;~~
  - ~~\_\_\_\_\_ (x) 61-10-148; and~~
  - ~~\_\_\_\_\_ (xi) 67-3-205;~~

- ~~\_\_\_\_\_ (c) gaming revenue pursuant to Title 23, chapter 5, part 6, except for the permit fee in 23-5-612(2)(a);~~  
~~\_\_\_\_\_ (d) district court fees pursuant to:~~  
~~\_\_\_\_\_ (i) 25-1-201, except those fees in 25-1-201(1)(d), (1)(g), and (1)(j);~~  
~~\_\_\_\_\_ (ii) 25-1-202;~~  
~~\_\_\_\_\_ (iii) 25-1-1103;~~  
~~\_\_\_\_\_ (iv) 25-9-506; and~~  
~~\_\_\_\_\_ (v) 27-9-103;~~  
~~\_\_\_\_\_ (e) certificate of title fees for manufactured homes pursuant to 15-1-116;~~  
~~\_\_\_\_\_ (f) financial institution taxes collected pursuant to the former provisions of Title 15, chapter 31, part 7;~~  
~~\_\_\_\_\_ (g) all beer, liquor, and wine taxes pursuant to:~~  
~~\_\_\_\_\_ (i) 16-1-404;~~  
~~\_\_\_\_\_ (ii) 16-1-406; and~~  
~~\_\_\_\_\_ (iii) 16-1-411;~~  
~~\_\_\_\_\_ (h) late filing fees pursuant to 61-3-220;~~  
~~\_\_\_\_\_ (i) title and registration fees pursuant to 61-3-203;~~  
~~\_\_\_\_\_ (j) veterans' cemetery license plate fees pursuant to 61-3-459;~~  
~~\_\_\_\_\_ (k) county personalized license plate fees pursuant to 61-3-406;~~  
~~\_\_\_\_\_ (l) special mobile equipment fees pursuant to 61-3-431;~~  
~~\_\_\_\_\_ (m) single movement permit fees pursuant to 61-4-310;~~  
~~\_\_\_\_\_ (n) state aeronautics fees pursuant to 67-3-101; and~~  
~~\_\_\_\_\_ (o) department of natural resources and conservation payments in lieu of taxes pursuant to Title 77, chapter 1, part 5.~~  
~~\_\_\_\_\_ (2) (a) From the amounts estimated in subsection (1) for each county government, the department shall deduct fiscal year 2001 county government expenditures for district courts, less reimbursements for district court expenses, and fiscal year 2001 county government expenditures for public welfare programs to be assumed by the state in fiscal year 2002.~~  
~~\_\_\_\_\_ (b) The amount estimated pursuant to subsections (1) and (2)(a) is each local government's base year component.~~  
~~\_\_\_\_\_ (b) The sum of all local governments' base year components is the base year entitlement share pool. For the purpose of calculating the sum of all local governments' base year components, the base year component for a local government may not be less than zero.~~

~~(3)(2)~~ (a) The base year entitlement share pool must be increased annually by a growth rate as provided for in this subsection ~~(3) (2)~~. Except as adjusted in subsection (2)(c), the amount determined through the application of annual growth rates is the entitlement share pool for each fiscal year. By October 1 of each even-numbered year, the department shall calculate the growth rate of the entitlement share pool for each year of the next biennium in the following manner:

(i) ~~Before applying the growth rate for fiscal year 2007 to determine the fiscal year 2007 entitlement share payments, the department shall subtract from the fiscal year 2006 entitlement share payments the following amounts:~~

Beaverhead	\$6,972
Big Horn	\$52,551
Blaine	\$13,625
Broadwater	\$2,564
Carbon	\$11,537
Carter	\$407
Cascade	\$157,151
Chouteau	\$3,536
Custer	\$7,011
Daniels	\$143
Dawson	\$3,893
Fallon	\$1,803
Fergus	\$9,324
Flathead	\$33,655
Gallatin	\$222,029
Garfield	\$91
Glacier	\$3,035
Golden Valley	\$2,282
Granite	\$4,554
Hill	\$31,740
Jefferson	\$5,700
Judith Basin	\$1,487
Lake	\$38,314

Lewis and Clark	\$247,886
Liberty	\$152
Lincoln	\$3,759
Madison	\$8,805
McCone	\$1,651
Meagher	\$2,722
Mineral	\$2,361
Missoula	\$172,600
Musselshell	\$23,275
Park	\$6,582
Petroleum	\$36
Phillips	\$653
Pondera	\$10,270
Powder River	\$848
Powell	\$5,146
Prairie	\$717
Ravalli	\$93,090
Richland	\$3,833
Roosevelt	\$9,526
Rosebud	\$19,971
Sanders	\$30,712
Sheridan	\$271
Stillwater	\$12,117
Sweet Grass	\$2,463
Teton	\$5,560
Toole	\$7,113
Treasure	\$54
Valley	\$6,899
Wheatland	\$918
Wibaux	\$72
Yellowstone	\$266,644

Anaconda-Deer Lodge	\$20,707
Butte-Silver Bow	\$53,057
Alberton	\$675
Bainville	\$258
Baker	\$2,828
Bearcreek	\$143
Belgrade	\$11,704
Belt	\$1,056
Big Sandy	\$1,130
Big Timber	\$2,910
Billings	\$163,499
Boulder	\$2,340
Bozeman	\$52,805
Bridger	\$1,303
Broadus	\$766
Broadview	\$258
Brockton	\$414
Browning	\$1,830
Cascade	\$1,374
Chester	\$1,430
Chinook	\$2,275
Choteau	\$3,050
Circle	\$1,018
Glyde Park	\$572
Goldstrip	\$4,090
Columbia Falls	\$6,805
Columbus	\$3,245
Conrad	\$4,562
Culbertson	\$1,216
Cut Bank	\$5,316
Darby	\$1,348

Deer Lodge	\$5,708
Denton	\$503
Dillon	\$6,928
Dodson	\$194
Drummond	\$561
Dutton	\$661
East Helena	\$2,888
Ekalaka	\$689
Ennis	\$1,518
Eureka	\$1,733
Fairfield	\$1,120
Fairview	\$1,152
Flaxville	\$143
Forsyth	\$3,286
Fort Benton	\$2,579
Fort Peck	\$393
Froid	\$328
Fromberg	\$855
Geraldine	\$457
Glasgow	\$5,361
Glendive	\$8,099
Grass Range	\$254
Great Falls	\$96,422
Hamilton	\$7,148
Hardin	\$5,920
Harlem	\$1,422
Harlowton	\$1,678
Havre	\$16,223
Helena	\$45,877
Hingham	\$263
Hobson	\$397

Hot Springs	\$912
Hysham	\$482
Ismay	\$43
Joliet	\$1,006
Jordan	\$606
Judith Gap	\$263
Kalispell	\$28,144
Kevin	\$304
Laurel	\$10,804
Lavina	\$361
Lewistown	\$10,170
Libby	\$4,475
Lima	\$397
Livingston	\$12,145
Lodge Grass	\$889
Malta	\$3,389
Manhattan	\$2,485
Medicine Lake	\$410
Meistone	\$234
Miles City	\$14,152
Missoula	\$104,264
Moore	\$319
Nashua	\$536
Neihart	\$149
Opheim	\$180
Outlook	\$125
Philipsburg	\$1,612
Pinesdale	\$1,413
Plains	\$2,007
Plentywood	\$3,185
Plevna	\$225

Polson	\$7,722
Poplar	\$1,544
Red Lodge	\$3,903
Rexford	\$263
Richey	\$309
Ronan	\$3,262
Roundup	\$3,280
Ryegate	\$465
Saco	\$354
Scobey	\$1,798
Shelby	\$5,677
Sheridan	\$1,150
Sidney	\$7,747
Stanford	\$737
Stevensville	\$3,063
St. Ignatius	\$1,367
Sunburst	\$709
Superior	\$1,521
Terry	\$1,011
Thompson Falls	\$2,272
Three Forks	\$3,130
Townsend	\$3,286
Troy	\$1,654
Twin Bridges	\$695
Valier	\$817
Virginia City	\$223
Walkerville	\$1,183
West Yellowstone	\$2,083
Westby	\$263
White Sulphur Springs	\$1,734
Whitefish	\$9,932



Whitehall	\$1,889
Wibaux	\$893
Winifred	\$259
Winnett	\$314
Wolf Point	\$4,497

~~(ii)(i)~~ The department shall calculate the average annual growth rate of the Montana gross state product, as published by the bureau of economic analysis of the United States department of commerce, for the following periods:

(A) the last 4 calendar years for which the information has been published; and

(B) the 4 calendar years beginning with the year before the first year in the period referred to in subsection ~~(3)(a)(ii)(A)~~ (2)(a)(i)(A).

~~(iii)(ii)~~ The department shall calculate the average annual growth rate of Montana personal income, as published by the bureau of economic analysis of the United States department of commerce, for the following periods:

(A) the last 4 calendar years for which the information has been published; and

(B) the 4 calendar years beginning with the year before the first year in the period referred to in subsection ~~(3)(a)(iii)(A)~~ (2)(a)(ii)(A).

(b) (i) The entitlement share pool growth rate for the first year of the biennium must be the following percentage of the average of the growth rates calculated in subsections ~~(3)(a)(ii)(B)~~ (2)(a)(i)(B) and ~~(3)(a)(iii)(B)~~ (2)(a)(ii)(B):

(A) for counties, 54%;

(B) for consolidated local governments, 62%; and

(C) for incorporated cities and towns, 70%.

(ii) The entitlement share pool growth rate for the second year of the biennium must be the following percentage of the average of the growth rates calculated in subsections ~~(3)(a)(ii)(A)~~ (2)(a)(i)(A) and ~~(3)(a)(iii)(A)~~ (2)(a)(ii)(A):

(A) for counties, 54%;

(B) for consolidated local governments, 62%; and

(C) for incorporated cities and towns, 70%.

(c) (i) The entitlement share pools and growth amounts for fiscal years 2008 and 2009 must be determined as provided in this subsection (2)(c).

(ii) To determine the fiscal year 2008 entitlement share pool, the department must:

(A) estimate the loss of revenue for fiscal year 2007 from the increase of the business equipment exemption threshold provided in [Senate Bill No. 220] for each county, consolidated local government, and incorporated city and town;

(B) determine the adjusted fiscal year 2007 entitlement share pool by adding the estimated loss to the fiscal year 2007 entitlement share pool; and

(C) multiply the adjusted fiscal year 2007 entitlement share pool by the growth rate the department determined in 2006.

(iii) The fiscal year 2008 entitlement share pool is the product obtained by multiplying by the growth rate that the department determined in 2006 by the sum of:

(A) the 2007 entitlement share pool; and

(B) the estimated loss of revenue for fiscal year 2007.

(iv) To determine the growth amount to be distributed in fiscal year 2008, the department must subtract the adjusted fiscal year 2007 entitlement share pool determined in subsection (2)(c)(ii)(B) from the fiscal year 2008 entitlement share pool determined in subsection (2)(c)(iii).

(v) The entitlement share payments of each county, consolidated local government, and incorporated city and town for fiscal year 2008 must include its 2007 fiscal year estimated loss determined under subsection (2)(c)(ii)(A).

(vi) The fiscal year 2009 entitlement share pool is the product obtained by multiplying the fiscal year 2008 entitlement share pool determined as provided in subsection (2)(c)(iii) by the growth rate the department determined in 2006.

(vii) To determine the growth amount to be distributed in fiscal year 2009, the department must subtract the fiscal year 2008 entitlement share pool determined as provided in subsection (2)(c)(iii) from the 2009 fiscal year entitlement share pool determined as provided in subsection (2)(c)(vi).

~~(4)(3)~~ As used in this section, "local government" means a county, a consolidated local government, an incorporated city, and an incorporated town. A local government does not include a tax increment financing district provided for in subsection ~~(6)~~ (5). ~~For purposes of calculating the base year component for a county or consolidated local government, the department shall include the revenue listed in subsection (1) for all special districts within the county or consolidated local government.~~ The county or consolidated local government is responsible for making an allocation from the county's or consolidated local government's share of the entitlement share pool to each special district within the county or consolidated local government in a manner that reasonably

reflects each special district's loss of revenue sources ~~listed in subsection (1)~~ for which reimbursement is provided in this section.

~~(5)~~(4) (a) The entitlement share pools calculated in this section and the block grants provided for in subsection ~~(6)~~ (5) are statutorily appropriated, as provided in 17-7-502, from the general fund to the department for distribution to local governments. Each local government is entitled to a pro rata share of each year's entitlement share pool based on the local government's base component in relation to the base year entitlement share pool. The distributions must be made on a quarterly basis.

(b) (i) The growth amount is the difference between the entitlement share pool in the current fiscal year and the entitlement share pool in the previous fiscal year. For the purposes of subsection ~~(5)(b)(ii)(A)~~ (4)(b)(ii)(A), a county with a negative base year component has a base year component of zero. The growth factor in the entitlement share must be calculated separately for:

- (A) counties;
- (B) consolidated local governments; and
- (C) incorporated cities and towns.

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

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

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

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

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

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

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

(A) 50% of the growth amount must be allocated based upon each incorporated city's or town's

percentage of the base year entitlement share pool for all incorporated cities and towns; and

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

(v) In each fiscal year, the amount of the entitlement share pool not represented by the growth amount is distributed to each local government in the same manner as the entitlement share pool was distributed in the prior fiscal year.

~~(6)(5)~~ (a) ~~If a~~ A tax increment financing district that was not in existence during the fiscal year ending June 30, 2000, ~~then the tax increment financing district~~ is not entitled to any block grant unless it is listed in subsection (5)(b). If a tax increment financing district referred to in subsection ~~(6)(b)~~ (5)(b) terminates, then the block grant provided for in subsection ~~(6)(b)~~ (5)(b) terminates.

(b) One-half of the payments provided for in this subsection ~~(6)(b)~~ (5)(b) must be made by November 30 and the other half by May 31 of each year. Subject to subsection ~~(6)(a)~~ (5)(a), the entitlement share for tax increment financing districts is as follows:

Cascade	Great Falls - downtown	\$468,966
Deer Lodge	TIF District 1	3,148
Deer Lodge	TIF District 2	3,126
<del>Flathead</del>	<del>Kalispell - District 1</del>	<del>758,359</del>
Flathead	Kalispell - District 2	5,153
Flathead	Kalispell - District 3	41,368
Flathead	Whitefish District	164,660
Gallatin	Bozeman - downtown	34,620
<del>Lewis and Clark</del>	<del>Helena - #2</del>	<del>731,614</del>
Missoula	Missoula - 1-1B & 1-1C	1,100,507
Missoula	Missoula - 4-1C	33,343
Silver Bow	Butte - uptown	283,801
Yellowstone	Billings	436,815

~~(7)(6)~~ The ~~estimated base year entitlement share pool and any subsequent~~ entitlement share pool for local governments ~~do~~ does not include revenue received from countywide transportation block grants or from countywide retirement block grants.

~~(8)(7)~~ (a) If revenue that is included in the sources listed in ~~subsections (1)(b) through (1)(e)~~ section 1, Chapter 574, Laws of 2001, as amended by section 4, Chapter 13, Special Laws of August 2002, section 16, Chapter 477, Laws of 2003, and section 14, Chapter 130, Laws of 2005, is significantly reduced, except through legislative action, the department shall deduct the amount of revenue loss from the entitlement share pool beginning in the succeeding fiscal year and the department shall work with local governments to propose legislation to adjust the entitlement share pool to reflect an allocation of the loss of revenue.

(b) For the purposes of subsection ~~(8)(a)~~ (7)(a), a significant reduction is a loss that causes the amount of revenue received in the current year to be less than 95% of the amount of revenue received in the base year.

~~(9)(8)~~ A three-fifths vote of each house is required to reduce the amount of the entitlement share calculated pursuant to subsections (1) ~~through (3)~~ and (2).

~~(10)(9)~~ When there has been an underpayment of a local government's share of the entitlement share pool, the department shall distribute the difference between the underpayment and the correct amount of the entitlement share. When there has been an overpayment of a local government's entitlement share, the local government shall remit the overpaid amount to the department.

~~(11)(10)~~ A local government may appeal the department's ~~estimation of the base year component, determination of the entitlement share pool growth rate; or a~~ the local government's allocation of the entitlement share pool, according to the uniform dispute review procedure in 15-1-211.

~~(12)(11)~~ A payment required pursuant to this section may not be offset by a debt owed to a state agency by a local government in accordance with Title 17, chapter 4, part 1."

**Section 2.** Section 20-9-630, MCA, is amended to read:

**"20-9-630. School district block grants.** (1) (a) (i) ~~The~~ Except as provided in subsection (1)(a)(ii), the office of public instruction shall provide a block grant to each school district based on the revenue received by each district in fiscal year 2001 from vehicle taxes and fees, corporate license taxes paid by financial institutions, aeronautics fees, state land payments in lieu of taxes, and property tax reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter 584, Laws of 1999.

(ii) For the fiscal year 2008 and each succeeding fiscal year, the office of public instruction shall increase the block grant to each school district determined under subsection (1)(a)(i) based on its share of \$5,063,221 from business equipment taxes received in fiscal year 2006.

(b) Block grants must be calculated using the electronic reporting system that is used by the office of public instruction and school districts. The electronic reporting system must be used to allocate the block grant

amount into each district's budget as an anticipated revenue source by fund.

(c) With the exception of vehicle taxes and fees, the office of public instruction shall use the amount actually received from the sources listed in subsection (1)(a)(i) in fiscal year 2001 in its calculation of the block grant for fiscal year 2002 budgeting purposes. For vehicle taxes and fees, the office of public instruction shall use 93.4% of the amount actually received in fiscal year 2001 in calculating the block grant for fiscal year 2002.

~~(2) If the fiscal year 2003 appropriation provided in section 248(1), Chapter 574, Laws of 2001, is insufficient to fund the school district block grants in fiscal year 2003 at the fiscal year 2002 level, the office of public instruction shall prorate the block grants to meet the remaining appropriation. School districts shall anticipate the prorated block grant amounts provided by the office of public instruction in their budgets for fiscal year 2003.~~

~~(3)(2)~~ Each year, 70% of each district's block grant must be distributed in November and 30% of each district's block grant must be distributed in May at the same time that guaranteed tax base aid is distributed.

~~(4)(3)~~ (a) The block grant for the district general fund is equal to the average amount received in fiscal years 2002 and 2003 by the district general fund from the block grants provided for in subsection (1). The block grant must be increased by 0.76% in fiscal year 2004 and in each succeeding fiscal year.

(b) The block grant for the district transportation fund is equal to one-half of the average amount received in fiscal years 2002 and 2003 by the district transportation fund from the block grants provided for in subsection (1). The block grant must be increased by 0.76% in fiscal year 2004 and in each succeeding fiscal year.

(c) (i) The combined fund block grant is equal to the average amount received in fiscal years 2002 and 2003 by the district tuition, bus depreciation reserve, building reserve, nonoperating, and adult education funds from the block grants provided for in subsection (1).

~~(ii) The~~ Except as provided in subsection (3)(c)(iii), the block grant must be increased by 0.76% in fiscal year 2004 and in each succeeding fiscal year.

~~(iii) For fiscal year 2008, the increase must be determined without taking \$5,063,221 for the loss of business equipment tax revenue described in subsection (1)(a)(ii) into account.~~

~~(ii)(iv)~~ The school district may deposit the combined fund block grant into any budgeted fund of the district."

**NEW SECTION. Section 3. Appropriation.** There is appropriated \$5,063,221 from the general fund to the office of public instruction for each of fiscal years 2008 and 2009.

NEW SECTION. **Section 4. Contingent voidness.** If Senate Bill No. 220 is not passed and approved then [this act] is void.

NEW SECTION. **Section 5. Effective date.** [This act] is effective July 1, 2007.

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