



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2019 Biennium

Bill # HB0660

Title: Revise lodging facility use tax to construct MHC

Primary Sponsor: Eck, Jennifer

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>	<u>FY 2020 Difference</u>	<u>FY 2021 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$4,212,375	\$4,614,443	\$5,048,209	\$5,522,017
Revenue:				
General Fund	(\$4,208)	(\$4,610)	(\$5,043)	(\$5,517)
State Special Revenue	\$4,212,375	\$4,614,443	\$5,048,209	\$5,522,017
Net Impact-General Fund Balance:	<u>(\$4,208)</u>	<u>(\$4,610)</u>	<u>(\$5,043)</u>	<u>(\$5,517)</u>

Description of fiscal impact: This bill increases the 3% sales tax on accommodations and campgrounds to 3.5%; provides funding and grants authority to construct the Montana Heritage Center, or enter into a lease with an option to purchase the Montana Heritage Center; provides for a statutory appropriation in the Department of Administration; and creates a Historic Preservation Competitive Grant program with rulemaking authority in the Department of Commerce.

FISCAL ANALYSIS

Assumptions:

Department of Commerce (DOC):

- Under current law, the State of Montana imposes a 3% accommodations sales tax levied on all charges for accommodations at lodging facilities and campground in the state and a 4% lodging facility use tax on all accommodations. All revenue from the 3% accommodations sales tax and a small portion of the 4% lodging facility use tax is currently distributed to the general fund.
- HB 660 proposes to increase the 3% accommodations sales tax in 15-68-102, MCA, to a 3.5% tax and proposes that 12.85% of the revenue collected be deposited in the Montana heritage center state special revenue account and 1.45% in the historic preservation state special revenue account, both of which are created in the bill.

3. Section 3 of HB 660 creates the Historic Preservation Competitive Grant program within the Department of Commerce. Persons, associations, or representatives of a governing unit seeking a grant from this program must submit their grant proposals to the department by March 1 of even numbered years. The department must review and make advisory recommendations according to the rules adopted and in accordance with Section 4 of HB 660 to the appropriation committee of the Legislature by the 15th day of a regular legislative session.
4. Section 4 of HB 660 provides the department with rulemaking authority and recommended criteria to consider when adopting rules and making the department’s recommendations to the Legislature.
5. Section 5 of HB 660 creates the historic preservation account in the state special revenue fund established in 17-2-102, MCA. 1.45% of collected revenue is allocated to the Department of Commerce in Section 9 of the bill. Money in the account is subject to appropriation by the legislature and may only be used for historic preservation grants. For the purposes of this fiscal note, it is assumed no funding is provided for administrative or rulemaking costs.
6. HJ 2 projects revenue from the accommodations sales tax will be \$25.249 million in FY 2018 and \$27.659 million in FY 2019. The Office of Budget and Program Planning (OBPP) forecasts accommodations sales taxes will increase to \$30.259 in FY 2020 and \$33.099 in FY 2021.
7. The following table shows the tax revisions proposed in HB 660:

	%	FY 2018	FY 2019	FY 2020	FY 2021
Revenue Estimate @ 3.00%		\$25,249,000	\$27,659,000	\$30,259,000	\$33,099,000
Revenue Estimate @ 3.50%		\$29,457,167	\$32,268,833	\$35,302,167	\$38,615,500
Increased Revenue Amount		4,208,167	\$4,609,833	\$5,043,167	\$5,516,500
Montana Heritage Center	12.85%	\$3,785,246	\$4,146,545	\$4,536,328	\$4,962,092
Historic Preservation (DOC)	1.45%	\$427,129	\$467,898	\$511,881	\$559,925
Increase (Decrease) to GF		\$(4,208)	\$ (4,610)	\$(5,043)	\$ (5,517)

8. HB 660 has an effective date of July 1, 2017 and a conditional termination date of June 30, 2027 as defined in the bill.
9. It is assumed the new revenue into the Montana Heritage Center fund will be spent on capital construction or a lease-with-option-to-purchase arrangement. As such, any money deposited in the fund is assumed to cover the costs of such an agreement.

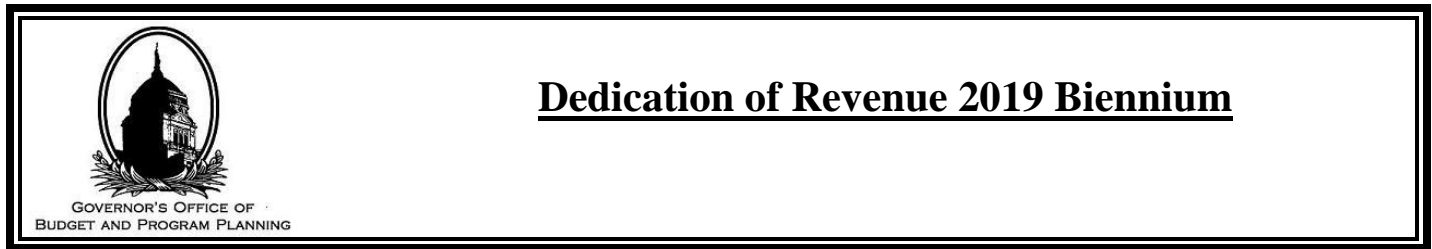
	<u>FY 2018</u> <u>Difference</u>	<u>FY 2019</u> <u>Difference</u>	<u>FY 2020</u> <u>Difference</u>	<u>FY 2021</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Grants	\$427,129	\$467,898	\$511,881	\$559,925
Cap. Outlay/Planning or Lease	\$3,785,246	\$4,146,545	\$4,536,328	\$4,962,092
TOTAL Expenditures	<u>\$4,212,375</u>	<u>\$4,614,443</u>	<u>\$5,048,209</u>	<u>\$5,522,017</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$4,212,375	\$4,614,443	\$5,048,209	\$5,522,017
TOTAL Funding of Exp.	<u>\$4,212,375</u>	<u>\$4,614,443</u>	<u>\$5,048,209</u>	<u>\$5,522,017</u>
<u>Revenues:</u>				
General Fund (01)	(\$4,208)	(\$4,610)	(\$5,043)	(\$5,517)
State Special Revenue (Hist. Pro	\$427,129	\$467,898	\$511,881	\$559,925
State Special Revenue (MHC)	\$3,785,246	\$4,146,545	\$4,536,328	\$4,962,092
TOTAL Revenues	<u>\$4,208,167</u>	<u>\$4,609,833</u>	<u>\$5,043,166</u>	<u>\$5,516,500</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$4,208)	(\$4,610)	(\$5,043)	(\$5,517)
State Special Revenue (02)	\$0	\$0	\$0	\$0

Sponsor's Initials

Date

Budget Director's Initials

Date



Dedication of Revenue 2019 Biennium

17-1-507, MCA.

Montana Heritage Center account

- a) Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)**

Yes. The dedicated revenue fund created in this bill for the tax collections allocated in 15-68-820(2)(b) is to provide the Department of Administration funds for capital construction of the Montana heritage center.

- b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?**

Section 5 of the bill creates the Montana heritage center account in the state special revenue fund.

“(1) There is an account in the state special revenue fund established in 17-2-102 known as the historic preservation account. The tax collections allocated in 15-68-820(2)(c) must be deposited in the account.

(2) Money deposited in the account is statutorily appropriated in 17-7-502, MCA to the Department of Administration for capital construction of the Montana heritage center.

(3) The department shall allocate and disburse historic preservation account funds as appropriated by the legislature.”

- c) Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)**

Yes, to the extent allowed in the bill.

- d) Does the need for this state special revenue provision still exist? Yes No (Explain)**

A state special revenue account should be established for the program proposed in this bill because expenditures and revenues related to the capital construction would be accounted for in a dedicated fund.

- e) Does the dedicated revenue affect the legislature’s ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)**

No. The fund in question is audited by the Office of the Legislative Auditor with any findings being presented to the Legislative Audit Committee.

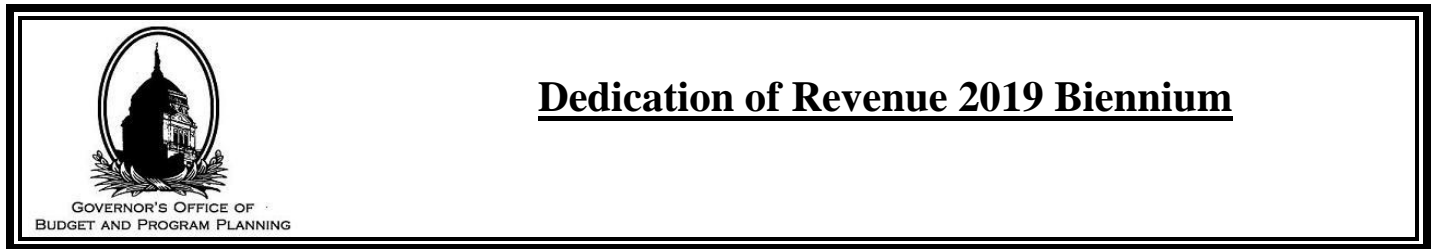
- f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)**

Yes. A state special revenue account should be established for the program proposed in this bill because expenditures and revenues related to the Montana heritage center capital construction would be accounted for in a dedicated fund.

The purpose of this account is to provide financial assistance for capital construction of the Montana heritage center as defined and in accordance with the criteria, and rules set forth in the bill.

- g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)**

Yes. A state special revenue account should be established for the program proposed in this bill because expenditures and revenues related to capital construction of the Montana heritage center would be accounted for in a dedicated fund.



Dedication of Revenue 2019 Biennium

17-1-507, MCA.

Historic Preservation Competitive Grant program

- a) **Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)**

Yes. The dedicated revenue fund created in this bill for the Department of Commerce is for the Historic Preservation Competitive Grant program which is also created in the bill. The purpose of the Historical Preservation Competitive Grant program is to provide financial assistance for historical preservation projects as defined and in accordance with the criteria, and rules set forth in the bill.

- b) **What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?**

Section 5 of the bill creates the historic preservation account in the state special revenue fund.

“(1) There is an account in the state special revenue fund established in 17-2-102 known as the historic preservation account. The tax collections allocated in 15-68-820(2)(c) must be deposited in the account.

(2) Money deposited in the account is subject to appropriation by the legislature and may be used only for historic preservation grants to be administered by the department of commerce.

(3) The department shall allocate and disburse historic preservation account funds as appropriated by the legislature.”

The purpose of this account is to provide financial assistance for historical preservation projects as defined and in accordance with the criteria, and rules set forth in the bill.

- c) **Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)**

Yes, to the extent allowed in the bill.

- d) **Does the need for this state special revenue provision still exist? Yes No (Explain)**

A state special revenue account should be established for the program proposed in this bill because expenditures and revenues related to the Historical Preservation Competitive Grant program would be accounted for in a dedicated fund.

The purpose of this account is to provide financial assistance for historical preservation projects as defined and in accordance with the criteria, and rules set forth in the bill.

- e) **Does the dedicated revenue affect the legislature’s ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)**

No. The fund in question is audited by the Office of the Legislative Auditor with any findings being presented to the Legislative Audit Committee.

f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)

Yes. A state special revenue account should be established for the program proposed in this bill because expenditures and revenues related to the Historical Preservation Competitive Grant program would be accounted for in a dedicated fund.

The purpose of this account is to provide financial assistance for historical preservation projects as defined and in accordance with the criteria, and rules set forth in the bill.

g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)

Yes. A state special revenue account should be established for the program proposed in this bill because expenditures and revenues related to the Historical Preservation Competitive Grant program would be accounted for in a dedicated fund.

The purpose of this account is to provide financial assistance for historical preservation projects as defined and in accordance with the criteria, and rules set forth in the bill.



17-1-508(2), MCA.

Answer yes or no to each of the following subsections of 17-1-508(2) regarding statutory appropriation analysis in proposed legislation when preparing a fiscal note. **Copy the table below into the fiscal note as the final assumption in the fiscal note.**

1. 17-1-508, MCA, requires analysis of the statutory appropriation relative to the guidance in 17-1-508(3), MCA, to be published in the fiscal note. In reviewing and establishing statutory appropriations, the legislature shall consider the following guidelines. Answer yes or no to each of the following guidelines regarding the statutory appropriation:

	<u>YES</u>	<u>NO</u>
a. The money is from a continuing, reliable, and estimable source.	X	
b. The use of the appropriation or the expenditure occurrence is predictable and reliable.	X	
c. The authority exists elsewhere.		X
d. An alternative appropriation method is available, practical, or effective.		X
e. It appropriates state general fund money for purposes other than paying for emergency services.	X	
f. The money is used for general purposes.		X
g. The legislature wishes to review expenditure and appropriation levels each biennium.	X	
h. An expenditure cap and sunset date are excluded.		X

Comments: