



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2021 Biennium

Bill # HB0372

Title: Increase inflation limitation on government entities for property tax levies

Primary Sponsor: Welch, Tom

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 2020</u> <u>Difference</u>	<u>FY 2021</u> <u>Difference</u>	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 372 changes the inflation limitation in 15-10-420, MCA by increasing the permitted mill levy increases to the average rate of inflation over the prior three years instead of one-half of the average rate over three years.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

- Using HJ 2 projections, the state school equalization mills, the 1.5 college of technology mills and the university six mill levy would not be required to "float" down under present law.
- The change to 15-10-420, MCA, reduces the likelihood that the mills would adjust down. The mills cannot "float" up.
- There is no fiscal impact to the state.

Effect on County or Other Local Revenues or Expenditures:

Office of Budget and Program Planning

1. HB 372 amends 15-10-420, MCA, the procedure for calculating local government jurisdictions permitted maximum mill levies. Local jurisdiction budgets are effectively restricted, without a vote, to one-half the prior three-year average inflation. (School mill levies are regulated by a separate calculation tied to maximum authorized school budgets in Title 20, MCA). Localities would be permitted under this change to maintain the (lagged) real value of prior voter approved mill levies.
2. The extent that this change would increase local property tax levies is unknown as not all districts have exhausted their current authority.
3. If jurisdictions are at their maximum mill levy authority, the change will permit jurisdictions to present budgets for approval that do not require as many additional mill levy votes.
4. Based on the most current Department of Revenue Biennial Report, between FY 2018 and FY 2019, county property tax collections grew by 5.4% and cities and towns property levy collections increased by 3.5%. This suggest that new property growth and additional voted mills make-up the bulk of property levy growth as 15-10-420, MCA. Maximum levy growth in FY 2019 was 0.82%.
5. Inflation has been running at 2% and is currently anticipated to maintain that rate. The property tax funded portions of local budgets could grow one (1%) percentage point faster under this law before new voted mill levies would be required.



 Sponsor's Initials

2-13-19

 Date



 Budget Director's Initials

2/13/19

 Date