



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2021 Biennium

**Bill #** SB0338

**Title:** Provide for construction of the Montana Heritage Center and create museum grants

**Primary Sponsor:** Gauthier, Terry

**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 Difference</u>	<u>FY 2021 Difference</u>	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$800,000	\$0	\$3,693,067	\$1,923,733
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$2,198,000	\$9,096,000	\$9,370,000	\$9,619,000
<b>Net Impact-General Fund Balance:</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Description of fiscal impact:** SB 338 would establish the Montana Museums Act of 2020 and increase the accommodations sales tax to fund the Act. This bill would increase state special revenue by \$2,198,000 in FY 2020, \$9,096,000 in FY 2021, \$9,370,000 in FY 2022 and \$9,619,000 in FY 2023 to be allocated to the Department of Administration for the construction of the Montana heritage center and to the Department of Commerce for the issuing of historic preservation grants.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Revenue**

1. SB 338 would establish the Montana Museums Act of 2020. This act would create the Montana heritage center construction account in the state special revenue fund and authorize the Department of Administration to construct the Montana heritage center.
2. This bill would also create the Montana heritage center operations state special revenue account for operation and maintenance of the Montana heritage center after it is construction and the historic preservation grant program account for the Department of Commerce to administer historic preservation grants.

3. This bill would increase the accommodations sales tax from 3% to 4% beginning on the effective date of January 1, 2020. Due to the timing of collections of the accommodations sales tax, this increase would only impact revenues for one quarter in FY 2020.
4. Under current law, all revenue from the accommodations sales tax is deposited in the general fund. This bill directs 75% of the accommodations sales tax revenue to the general fund, 20% to the Montana heritage center construction state special revenue account created in this bill for capital construction of the Montana heritage center, and 5% to the historic preservation grant program state special revenue account created in this bill for a historic preservation grant program.
5. The increase in the accommodations sales tax would not change general fund revenue and would increase all state special revenue accounts by \$2,198,000 in FY 2020, \$9,096,000 in FY 2021, \$9,370,000 in FY 2022, and \$9,619,000 in FY 2023.
6. The distribution of revenue in assumption 4 would continue through December 30, 2024. Beginning January 1, 2025, the distribution would change and be coordinated with the passage of HB 553.
7. If HB 533 passes, the distribution would be 75% to the general fund, 6% to the Montana heritage center operations account, 6% to the historic preservation grant program account, 6% to be split as provided in Section 14 (5) of this bill and 7% to the capital development long-range building program account established in Section 5 of HB 533.
8. If HB 533 does not pass, the distribution would be 75% to the general fund, 8% to the Montana heritage center operations account, 8% to the historic preservation grant program account, and 9% to be split as provided in Section 11 (5) of this bill.
9. The distributions in Section 11 (5) or Section 14 (5) if HB 533 passes would generate a small amount of additional general fund revenue, about \$10,000 each fiscal year, beginning January 1, 2025.
10. The department does not expect to incur significant additional costs as a result of this bill.

**Department of Administration (DOA)**

11. SB 338 does not provide spending authority. Prior appropriations and authorizations were made in Chapters 499 (HB 540) and 560 (HB 5), Laws of 2005. The total project cost in HB 14 is \$48.8 million, comprised of \$6.7 million in existing general obligation bond authority, \$10 million in privately raised funds by the Montana Historical Society (MHS), and \$32.1 million in new general obligation bond authority. Since no spending authority is included in this bill, the fiscal summary does not include expenditures.
12. The MHS has raised approximately \$4 million of private funds to date. The \$36.3 million generated through the 20% distribution of the accommodation's sales tax created in HB 338 changes would need state special revenue spending authority.
13. It is assumed that HB 14 will not be approved with the general obligation bond authority for the Montana heritage center.
14. DOA may utilize 17-2-107(8), MCA, to make long-term interfund loans from the general fund against the revenues anticipated to be deposited in the newly created Montana heritage center account. This would allow construction and renovation to be commenced before all dedicated revenue is realized.
15. The \$6.7 million of existing bond authority would be in addition to revenue generated in this bill. The original bond authority was \$7.5 million and \$800,000 of that has been utilized to fund preliminary and conceptual design efforts.
16. The Montana Historical Society (MHS) would provide a minimum of \$10 million of privately-raised funds, and the Architecture & Engineering Division (A&E) would utilize one-third of the donation and grant spending authority (i.e. \$30 million of authority-only to utilize privately-raised funds consisting of donations and grants) provided in Chapter 499, Laws of 2005, to expend this amount.
17. Section 13 removes the mandate that the Montana heritage center be constructed "at the 6<sup>th</sup> Avenue and Roberts Street site." Consistent with section 2(2) the DOA will determine the most cost effective and efficient manner in which to construct the heritage center based on the funding available.
18. Constructing the Montana heritage center at the 6<sup>th</sup> Avenue and Roberts Street site will include relocation of the existing General Services Division (GSD) shop facilities to a yet-to-be determined site. It is not feasible

to construct the new Montana heritage center at the 6<sup>th</sup> and Roberts site without relocating multiple existing functions. This relocation is already included in the cost estimate provided within HB 14. Additionally, the current state building codes require adequate space for parking and access that will be accomplished through relocation of GSD shop facilities.

19. Design of both the new GSD shops and the Montana heritage center and construction of the new GSD shop facilities can be funded within the \$6.7 million of existing general obligation bond authority, while 20% distribution of funds for construction of the Montana heritage center accrues in the account established in section 3.
20. Confirmation of the site for the new Montana heritage center, design of the new GSD shops, and design of the new Montana heritage center will commence upon passage of this bill. Design for remodel of the existing veterans' and pioneer memorial building will occur at the same time.
21. Upon passage and approval of HB 553 and after the 20% distribution of the accommodation's sales tax terminates in December 2024, section 14(4)(d) of SB 338 provides an on-going 7% distribution to the new capital improvements account.

**Department of Commerce (DOC):**

22. Section 5 of SB 338 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 5 of SB 338 to the appropriations committee of the Legislature by the 15th day of a regular legislative session.
23. Section 6 of SB 338 provides the department with rulemaking authority and recommended criteria to consider when adopting rules and making the department's recommendations to the Legislature.
24. Section 7 of SB 338, creates the historic preservation account in the state special revenue fund established in 17-2-102, MCA. 5% of collected revenue is allocated to the Department of Commerce in Section 11 of the bill. Money in the account is subject to appropriation by the legislature and may only be used for historic preservation grants. It is estimated the fund would receive \$0.44 million in FY 2020, \$1.8 million in FY 2021.
25. For the purposes of this fiscal note, it is assumed no funding is provided for administrative or rulemaking costs for the DOC. Please see the technical notes below.
26. No funding is appropriated for the purpose of Historic Preservation Competitive Grants in this bill.
27. For the purposes of this fiscal note, it is assumed that the \$800,000 allocation contained in Section 12 of the bill would be distributed as directed in the bill to the Daly and Moss mansions (\$400,000 each) in FY 2020.
28. It is further assumed that the department would develop and adopt rules in FY 2020 and accept and rank grant applications to bring to the 2021 legislature and grant funds would be disbursed beginning in FY 2022.

	<u>FY 2020 Difference</u>	<u>FY 2021 Difference</u>	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Grants (DOC)	\$800,000	\$0	\$3,693,067	\$1,923,733
<b>TOTAL Expenditures</b>	<b>\$800,000</b>	<b>\$0</b>	<b>\$3,693,067</b>	<b>\$1,923,733</b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$800,000	\$0	\$3,693,067	\$1,923,733
<b>TOTAL Funding of Exp.</b>	<b>\$800,000</b>	<b>\$0</b>	<b>\$3,693,067</b>	<b>\$1,923,733</b>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$2,198,000	\$9,096,000	\$9,370,000	\$9,619,000
<b>TOTAL Revenues</b>	<b>\$2,198,000</b>	<b>\$9,096,000</b>	<b>\$9,370,000</b>	<b>\$9,619,000</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$1,398,000	\$9,096,000	\$5,676,933	\$7,695,267

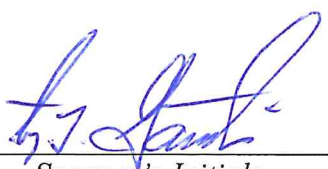

**Technical Notes:**

**Department of Administration (DOA)**

1. SB 338 does not provide any spending authority for funds to the Department of Administration.

**Department of Commerce (DOC)**

2. The bill does not identify any administration funding or support for the department to adequately administer the grant program including but not limited to receiving applications, making recommendations, administering grant funds awarded to eligible entities, and following audit and records management practices.
3. Section 12 of SB 338 states “There is allocated \$800,000 from the historic preservation grants account established in [section 7] to the department of commerce for the biennium beginning July 1, 2019, to finance program grants authorized in subsection (2) as long as there are sufficient funds available in the historic preservation grants account.” SB 338 should be amended to strike the word allocated and insert the word appropriated into this section.

 _____ Sponsor's Initials	<u>3-23-2019</u> _____ Date	 _____ Budget Director's Initials	<u>3/22/19</u> _____ Date
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### Dedication of Revenue 2021 Biennium

#### 17-1-507, MCA. Montana heritage center construction account (Section 3)

- 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(3)(a) is to provide the department of administration funds for capital construction.
- 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 3 of the bill creates the Montana heritage center account in the state special revenue fund.  
(3) There is an account in the state special revenue fund established in 17-2-102 known as the Montana heritage center construction account. The tax collections allocated in 15-68-820(3)(a) must be deposited in the account until December 30, 2024. The money in the account is authorized to the department of administration and may be used only for capital construction of the Montana heritage center.
- 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?)**  
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 that shows all financial activity such as revenues, expenses and fund balance.



### Dedication of Revenue 2021 Biennium

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#### 17-1-507, MCA. Montana heritage center operations (Section 4)

- 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(4)(a) is to provide for operation and maintenance 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 4 of the bill creates the Montana heritage center account in the state special revenue fund.

(4) There is an account in the state special revenue fund established in 17-2-102 known as the Montana heritage center operations account. The tax collections allocated in 15-68-820(4)(a) must be deposited in the account. The money in the account may be used for expenses incurred in the operation and maintenance of the Montana heritage center, which may include the veterans' and pioneer memorial building.

- 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 operations and maintenance would be accounted for in a dedicated fund.

The purpose of this account is to provide financial assistance for the operation and maintenance 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?)**

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 operations and maintenance would be accounted for in a dedicated fund that shows all financial activity such as revenues, expenses and fund balance.

## Department of Commerce (DOC)



**Dedication of Revenue 2021 Biennium**

GOVERNOR'S OFFICE OF  
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**17-1-507, MCA. Historic preservation grant program account (Section 7)**

- a) **Are there persons or entities that benefit from this dedicated revenue that do not pay?**  
Yes. The dedicated revenue fund created in this bill for the Department of Commerce is for the Historic Preservation Competitive Grant program 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 7 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 grant program account. The tax collections allocated in 15-68-820(3)(b) and (4)(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.”
- 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?**  
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.