



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # HB0694

Title: Revise laws related to special districts

Primary Sponsor: Gist, Steve

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 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$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: This bill has no fiscal impact on the Department of Administration's State Financial Services Bureau, Local Government Services Bureau (LGSB). The department will use current training resources to work with the Local Government Center and work directly with the special purpose districts on any delinquent annual financial reporting requirement.

FISCAL ANALYSIS

Assumptions:

- Under 7-6-611(2)(a), MCA, Special Purpose Districts (SPDs) are required to submit an annual financial report on a cash basis. Unless the required \$750,000 in annual revenue threshold is met, an annual audit under 2-7-503(3)(a), MCA, is not required. SPDs are not required to submit an annual budget to the LGSB.
- The LGSB does not require public hearing information from SPDs, so it would have no way of knowing if official misconduct is being committed according to 45-7-401(4), MCA, and the language added by HB 694.
- SPDs can be small, lacking funding resources to pay for unanticipated training. The LGSB could see a significant increase in bad debt allowance in its enterprise fund. The department would turn over any uncollectable balances to the Department of Revenue for collections.
- This will affect the 845 SPDs in Montana.

Effect on County or Other Local Revenues or Expenditures:


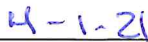
Montana State University - Local Government Center

- The Local Government Center could provide mandated training to noncompliant special districts, but not at the expense of its existing plan of work and current support of local governments across Montana.

2. It will take at least a year, if not two years, for the center to generate sufficient revenues from the special district training to support additional FTE needed to deliver the training.
3. Currently, there are approximately 3,500 special districts in Montana who are delinquent in submitting their annual financial report.
4. Each training is estimated to cost \$1,800. If 120 of the 3,500 special districts were required to receive mandatory training, the cost to the center would be \$216,000 per year or \$432,000 for the biennium. This is the equivalent of 2.00 FTE.
5. Funding will be needed to provide sufficient resources to meet the additional demand created by HB 694 until enough revenue is generated to sustain the capacity required to deliver the mandatory training.

Technical Notes:

1. Section 1(3)(a) states, "The department shall review all claims received pursuant to subsections (1) and (2) and report those claims to the local government center." The current version of the bill does not provide that the department will receive all claims, so those claims that are received by the department will be reported to the local government center.
2. The department (finance related) and the local government center (governance/policy related) provide local governments training. 1(3)(b) states, "The board of the local government entity shall participate in all relevant training offered by the local government center." This does not mandate the board to participate in training offered by the department.
3. This bill requires the department to reimburse the local government center for charges incurred to provide the training, yet does not provide that the department retain charges if it is the entity providing the training.
4. This bill requires the department to reimburse the local government center when it has not yet collected money from the board. This could create a financial hardship on the department. This bill should consider remitting fees directly to the entity providing the training.
5. Section 2-7-524(3)(b), MCA, already provides a remedy for non-compliance with certain requirements, including technical assistance and training.

<i>Sponsor's Initials</i>	<i>Date</i>	 <i>Budget Director's Initials</i>	 <i>Date</i>
---------------------------	-------------	---	--