

1 HOUSE BILL NO. 324

2 INTRODUCED BY C. HINKLE, S. KERNS, J. SCHILLINGER, C. KNUDSEN, B. MITCHELL, P. FIELDER, L.  
3 BREWSTER, J. HINKLE, B. LER, A. REGIER, F. NAVE, R. MARSHALL, B. KEENAN, J. READ, M. HOPKINS,  
4 T. MANZELLA, B. PHALEN, L. DEMING, R. KNUDSEN

5  
6 A BILL FOR AN ACT ENTITLED: "AN ACT LIMITING LOCAL GOVERNMENT EXPENDITURE GROWTH;  
7 PROVIDING THAT THE LIMIT IS EQUAL TO THE AVERAGE RATE OF INFLATION FOR THE PRIOR 3  
8 YEARS PLUS THE AVERAGE POPULATION GROWTH OF A LOCAL GOVERNMENT ENTITY IN THE  
9 PRIOR 3 YEARS; PROVIDING EXCEPTIONS; PROVIDING MECHANISMS TO EXPEND AN AMOUNT  
10 ABOVE THE EXPENDITURE LIMITATION IN CERTAIN SITUATIONS; AMENDING ~~SECTION SECTIONS~~ 15-  
11 10-420, AND 15-10-425, MCA; AND PROVIDING A DELAYED EFFECTIVE DATE AND AN APPLICABILITY  
12 DATE."

13  
14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

15  
16 NEW SECTION. Section 1. Local government expenditure limitation -- exceptions. (1) Except as  
17 provided in subsection (4), total expenditures by a local government entity, as defined in 7-6-602, for fiscal  
18 years beginning July 1, 2026, may not exceed the greater of:

- 19 (a) the total amount expended by the local government entity in the prior fiscal year; or  
20 (b) the sum of the average inflation rate of the prior 3 years plus the average population growth  
21 rate of the local government entity for the prior 3 years multiplied by the amount of money expended in the prior  
22 fiscal year. The rate of inflation must be calculated using the consumer price index as published by the United  
23 States department of labor. The population growth rate must be calculated using the most recent estimate  
24 published by the United States census bureau.

25 (2) For purposes of the local government expenditure limitation, total expenditures include  
26 expenditures from all available sources of revenues collected during the prior year, including but not limited to  
27 revenue collected pursuant to Title 7 and Title 15, but not including:

- 28 (a) money from the federal government;

**Amendment - 1st Reading-white - Requested by: Caleb Hinkle - (H) Local Government**

- 2023

68th Legislature 2023

Drafter: Megan Moore, 406-444-4496

HB0324.001.001

1 (b) money from the state government in the form of a grant;

2 (c) payments of principal and interest on bonded indebtedness; and

3 (d) grants, gifts, devises, or bequests made to the local government entity.

4 (3) A local government entity is not required to expend the full amount allowed in subsection (1) in  
5 a fiscal year.

6 (4) (a) A local government entity may expend an amount above the expenditure limitation provided  
7 in this section ~~if~~:

8 (i) if the governor declares or renews a declaration of emergency or disaster pursuant to 10-3-303  
9 in that fiscal year and the declaration includes all or part of the geographic territory of the local government  
10 entity; ~~or~~

11 (ii) to deposit funds in an account for emergency savings, only to be expended if the revenue in a  
12 given year is below the expenditure limitation;

13 (iii) to service debt incurred prior to July 1, 2026; or

14 (iv) if the local government entity passes a resolution and submits to the electors the question to  
15 approve an amount above the expenditure limitation. If the majority voting on the question is in favor of  
16 expending an amount above the expenditure limit, the local government entity shall apply the additional amount  
17 to the budget of the fiscal year for which the resolution was passed. An election allowed in this subsection  
18 (4)(a)(ii) must be held in accordance with Title 13, chapter 1, part 4 or 5, and may be combined with a mill levy  
19 election conducted pursuant to 15-10-425.

20 (b) Any amount expended above the expenditure limit as allowed in subsection (4)(a) may only be  
21 applied to:

22 (i) the fiscal year in which a declaration of emergency or disaster is declared or renewed pursuant  
23 to subsection (4)(a)(i);

24 (ii) to service debt pursuant to subsection (4)(a)(iii), or

25 (iii) to the fiscal year for which a resolution is passed pursuant to subsection ~~(4)(a)(ii)~~, ~~(4)(a)(iv)~~.

26 (5) Except for an amount allowed in subsection (4), any revenue collected in excess of the  
27 expenditure limitation provided in this section must be subtracted from the total amount of revenue authorized  
28 to be raised by property tax collections pursuant to 15-10-420 for the subsequent year.

1 (6) This section applies only to cities of the first class and counties and consolidated city-counties  
2 with more than 20,000 residents.

3

4 **Section 2.** Section 15-10-420, MCA, is amended to read:

5 **"15-10-420. Procedure for calculating levy.** (1) (a) ~~Subject~~ Except as provided in [section 1(5)] and

6 subject to the provisions of this section, a governmental entity that is authorized to impose mills may impose a

7 mill levy sufficient to generate the amount of property taxes actually assessed in the prior year plus one-half of

8 the average rate of inflation for the prior 3 years. The maximum number of mills that a governmental entity may

9 impose is established by calculating the number of mills required to generate the amount of property tax

10 actually assessed in the governmental unit in the prior year based on the current year taxable value, less the

11 current year's newly taxable value, plus one-half of the average rate of inflation for the prior 3 years.

12 (b) A governmental entity that does not impose the maximum number of mills authorized under

13 subsection (1)(a) may carry forward the authority to impose the number of mills equal to the difference between

14 the actual number of mills imposed and the maximum number of mills authorized to be imposed. The mill

15 authority carried forward may be imposed in a subsequent tax year.

16 (c) For the purposes of subsection (1)(a), the department shall calculate one-half of the average

17 rate of inflation for the prior 3 years by using the consumer price index, U.S. city average, all urban consumers,

18 using the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of

19 labor.

20 (2) A governmental entity may apply the levy calculated pursuant to subsection (1)(a) plus any

21 additional levies authorized by the voters, as provided in 15-10-425, to all property in the governmental unit,

22 including newly taxable property.

23 (3) (a) For purposes of this section, newly taxable property includes:

24 (i) annexation of real property and improvements into a taxing unit;

25 (ii) construction, expansion, or remodeling of improvements;

26 (iii) transfer of property into a taxing unit;

27 (iv) subdivision of real property; and

28 (v) transfer of property from tax-exempt to taxable status.

**Amendment - 1st Reading-white - Requested by: Caleb Hinkle - (H) Local Government**

- 2023

68th Legislature 2023

Drafter: Megan Moore, 406-444-4496

HB0324.001.001

1 (b) Newly taxable property does not include an increase in value:

2 (i) that arises because of an increase in the incremental value within a tax increment financing  
3 district; or

4 (ii) caused by the termination of an exemption that occurs due to the American Rescue Plan Act,  
5 Public Law 117-2, and section 14, Chapter 506, Laws of 2021.

6 (4) (a) For the purposes of subsection (1), the taxable value of newly taxable property includes the  
7 release of taxable value from the incremental taxable value of a tax increment financing district because of:

8 (i) a change in the boundary of a tax increment financing district;

9 (ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or

10 (iii) the termination of a tax increment financing district.

11 (b) If a tax increment financing district terminates prior to the certification of taxable values as  
12 required in 15-10-202, the increment value is reported as newly taxable property in the year in which the tax  
13 increment financing district terminates. If a tax increment financing district terminates after the certification of  
14 taxable values as required in 15-10-202, the increment value is reported as newly taxable property in the  
15 following tax year.

16 (c) For the purpose of subsection (3)(a)(ii), the value of newly taxable class four property that was  
17 constructed, expanded, or remodeled property since the completion of the last reappraisal cycle is the current  
18 year market value of that property less the previous year market value of that property.

19 (d) For the purpose of subsection (3)(a)(iv), the subdivision of real property includes the first sale  
20 of real property that results in the property being taxable as class four property under 15-6-134 or as  
21 nonqualified agricultural land as described in 15-6-133(1)(c).

22 (5) Subject to subsection (8), subsection (1)(a) does not apply to:

23 (a) school district levies established in Title 20; or

24 (b) a mill levy imposed for a newly created regional resource authority.

25 (6) For purposes of subsection (1)(a), taxes imposed do not include net or gross proceeds taxes  
26 received under 15-6-131 and 15-6-132.

27 (7) In determining the maximum number of mills in subsection (1)(a), the governmental entity:

28 (a) may increase the number of mills to account for a decrease in reimbursements; and

1 (b) may not increase the number of mills to account for a loss of tax base because of legislative  
2 action that is reimbursed under the provisions of 15-1-121(7).

3 (8) The department shall calculate, on a statewide basis, the number of mills to be imposed for  
4 purposes of 15-10-109, 20-9-331, 20-9-333, 20-9-360, and 20-25-439. However, the number of mills calculated  
5 by the department may not exceed the mill levy limits established in those sections. The mill calculation must  
6 be established in tenths of mills. If the mill levy calculation does not result in an even tenth of a mill, then the  
7 calculation must be rounded up to the nearest tenth of a mill.

8 (9) (a) The provisions of subsection (1) do not prevent or restrict:

9 (i) a judgment levy under 2-9-316, 7-6-4015, or 7-7-2202;

10 (ii) a levy to repay taxes paid under protest as provided in 15-1-402;

11 (iii) an emergency levy authorized under 10-3-405, 20-9-168, or 20-15-326;

12 (iv) a levy for the support of a study commission under 7-3-184;

13 (v) a levy for the support of a newly established regional resource authority;

14 (vi) the portion that is the amount in excess of the base contribution of a governmental entity's  
15 property tax levy for contributions for group benefits excluded under 2-9-212 or 2-18-703;

16 (vii) a levy for reimbursing a county for costs incurred in transferring property records to an  
17 adjoining county under 7-2-2807 upon relocation of a county boundary;

18 (viii) a levy used to fund the sheriffs' retirement system under 19-7-404(2)(b); or

19 (ix) a governmental entity from levying mills for the support of an airport authority in existence prior  
20 to May 7, 2019, regardless of the amount of the levy imposed for the support of the airport authority in the past.

21 The levy under this subsection (9)(a)(ix) is limited to the amount in the resolution creating the authority.

22 (b) A levy authorized under subsection (9)(a) may not be included in the amount of property taxes  
23 actually assessed in a subsequent year.

24 (10) A governmental entity may levy mills for the support of airports as authorized in 67-10-402, 67-  
25 11-301, or 67-11-302 even though the governmental entity has not imposed a levy for the airport or the airport  
26 authority in either of the previous 2 years and the airport or airport authority has not been appropriated  
27 operating funds by a county or municipality during that time.

28 (11) The department may adopt rules to implement this section. The rules may include a method for

1 calculating the percentage of change in valuation for purposes of determining the elimination of property, new  
2 improvements, or newly taxable value in a governmental unit. (Subsection (3)(b)(ii) terminates December 31,  
3 2025--sec. 13(5), Ch. 506, L. 2021.)"

4

5 **Section 3.** Section 15-10-425, MCA, is amended to read:

6 **"15-10-425. Mill levy election.** (1) A county, consolidated government, incorporated city,  
7 incorporated town, school district, or other taxing entity may impose a new mill levy, increase a mill levy that is  
8 required to be submitted to the electors, or exceed the mill levy limit provided for in 15-10-420 by conducting an  
9 election as provided in this section. An election pursuant to this section may be combined with a question to  
10 approve an amount above the expenditure limitation provided for in [section 1].

11 (2) An election pursuant to this section must be held in accordance with Title 13, chapter 1, part 4  
12 or 5, or Title 20 for school elections, whichever is appropriate to the taxing entity. The governing body shall  
13 pass a resolution, shall amend its self-governing charter, or must receive a petition indicating an intent to  
14 impose a new levy, increase a mill levy, or exceed the current statutory mill levy provided for in 15-10-420 on  
15 the approval of a majority of the qualified electors voting in the election. The resolution, charter amendment, or  
16 petition must include:

- 17 (a) the specific purpose for which the additional money will be used;
- 18 (b) either:
  - 19 (i) the specific amount of money to be raised and the approximate number of mills to be imposed;
  - 20 or
  - 21 (ii) the specific number of mills to be imposed and the approximate amount of money to be raised;
- 22 and
- 23 (c) whether the levy is permanent or the durational limit on the levy.

24 (3) Notice of the election must be prepared by the governing body and given as provided in 13-1-  
25 108. The form of the ballot must reflect the content of the resolution or charter amendment and must include a  
26 statement of the impact of the election on a home valued at \$100,000 and a home valued at \$200,000 in the  
27 district in terms of actual dollars in additional property taxes that would be imposed on residences with those  
28 values if the mill levy were to pass. The ballot may also include a statement of the impact of the election on

1 homes of any other value in the district, if appropriate.

2 (4) If the majority voting on the question are in favor of the additional levy, the governing body is  
3 authorized to impose the levy in either the amount or the number of mills specified in the resolution or charter  
4 amendment.

5 (5) A governing body, as defined in 7-6-4002, may reduce an approved levy in any fiscal year  
6 without losing the authority to impose in a subsequent fiscal year up to the maximum amount or number of mills  
7 approved in the election. However, nothing in this subsection authorizes a governing body to impose more than  
8 the approved levy in any fiscal year or to extend the duration of the approved levy."

9  
10 **NEW SECTION. Section 4. Codification instruction.** [Section 1] is intended to be codified as an  
11 integral part of Title 7, chapter 6, part 40, and the provisions of Title 7, chapter 6, part 40, apply to [section 1].

12  
13 **NEW SECTION. Section 5. Severability.** If a part of [this act] is invalid, all valid parts that are  
14 severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications,  
15 the part remains in effect in all valid applications that are severable from the invalid applications.

16  
17 **NEW SECTION. Section 6. Effective date.** [This act] is effective January 1, 2024.

18  
19 **NEW SECTION. Section 7. Applicability.** [This act] applies to local government entity budgets  
20 adopted on or after July 1, 2026.

21 - END -