Fiscal Note 2025 Biennium

Governor's Office of
Budget and Program Planning

Bill information:	
HB0324 - Provide for a local government expenditure limitation (Hinkle, Caleb)	
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

	FY 2024 Difference	FY 2025 Difference	FY 2026 Difference	FY 2027 Difference
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:	$0	$0	$0	$0

Description of fiscal impact: HB 324 sets a formula that limits total expenditure growth for certain municipalities and counties. The formula ties these entities expenditures to their prior year total expenditures plus the prior three-year average of CPI inflation and population growth. This bill sets expenditure limits and potentially an additional revenue limit on class one municipalities and counties with populations over 20,000. The first budgets that would operate under these conditions would be those starting in FY 2027.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. HB 324 creates a formula tying total expenditures of cities of the first class and counties with 20,000 or more residents, to inflation and population growth.
2. The total amount expended by these local government entities could not exceed the total amount of money expended in the prior fiscal year, multiplied by the sum of the average inflation rate of the prior three years and the population growth rate of the local government entity of the prior three years.

3. A local government may exceed this expenditure limit if the governor declares an emergency or if voters elect to approve an amount above the expenditure limitation for the given fiscal year.
4. This bill would apply to the local governments beginning in FY 2027.
5. Because this bill only affects certain local governments, there would be no fiscal impact to the Department.

Fiscal Impact:	**FY 2024 Difference**	**FY 2025 Difference**	**FY 2026 Difference**	**FY 2027 Difference**
FTE	0.00	0.00	0.00	0.00
Expenditures:				
Personal Services	$0	$0	$0	$0
TOTAL Expenditures	$0	$0	$0	$0
Funding of Expenditures:				
General Fund (01)	$0	$0	$0	$0
State Special Revenue (02)	$0	$0	$0	$0
TOTAL Funding of Exp.	$0	$0	$0	$0
Revenues:				
General Fund (01)	$0	$0	$0	$0
State Special Revenue (02)	$0	$0	$0	$0
TOTAL Revenues	$0	$0	$0	$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	$0	$0	$0	$0
State Special Revenue (02)	$0	$0	$0	$0

Effect on County or Other Local Revenues or Expenditures:

Department of Revenue

1. Cities with populations of 10,000 residents or more (Belgrade, Billings, Bozeman, Great Falls, Helena, Kalispell, and Missoula) and counties with over 20,000 residents (Cascade, Flathead, Gallatin, Lake, Lewis and Clark, Lincoln, Missoula, Ravalli, Silver Bow, and Yellowstone) would be subject to the requirements HB 324.

Montana Association of Counties (MACo)

2. HB 324 proposes a formula to limit county expenditures and introduces a new component to the 15-10-420, MCA Mill levy limitation. The interaction of these two factors generates an undeterminable result.

Long-Term Impacts:

Office of Budget and Program Planning

1. HB 324 affects counties and communities that meet the population standards starting in FY 2027, and the impact of HB 324 will build over time and are outside the principal fiscal note window.

Technical Notes:

Montana Association of Counties (MACo)

1. It is unclear, given the definition of total expenditures in section 1, how specific special purpose voted levies for county subcomponents would be counted toward a county's total expenditure limit. Funding for many sub-unit jurisdictions flows through county financial reporting. Examples include various rural improvement

funds (pest control and irrigation districts) and enterprise funds (water and sewer operations, nursing homes, solid waste services). For counties meeting the revenue or expenditure limits created by HB 324, it is unclear how disparate, independent functions affecting different areas and populations within the county would be balanced. Without clearly delineating special revenues it is impossible to quantify the impact to county property taxpayers.

Montana League of Cities and Towns

2. It is unclear whether enterprise funds (fees and charges for water and sewer services, etc.) would be counted in the expenditures that are limited under the bill. These charges are adjusted annually to address operation and maintenance needs, usually tied to regulatory requirements in system permits. Fees and assessments are also adjusted to pay for system improvements. Impact fees, charged on new development to help offset the costs of new system extensions and new capacity on the system, also fluctuate based on the service area report supporting the adoption of the impact fee. These reports contain an analysis of upgrades and project improvements necessary to serve new development and change over time.
3. The ability to submit approval for additional expenditures to the voters is limited to one fiscal year. This will not address issues related to bond indebtedness, operations and maintenance levies, or other long-term expenditure needs. Local governments cannot plan for long-term costs or commit to long-term debt with only the ability to ask voters for approval to exceed the expenditure limitations for a single fiscal year.

CH	2/2/23	[signature]	2·2·23
Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*