



# Entitlement Share



Updated March 2024

## HB 124 & SB 146

HB 124, passed during the 2001 Legislative Session, revised laws governing local and state government revenue collection and allocation. The state would assume control of alcohol, vehicle, and gambling taxes as well as district court fees; in return, the state would reimburse local governments for the lost revenue in the form of an entitlement share payment and assume the costs associated with district courts and local welfare offices.

Prior to the passage of HB 124, local governments were reimbursed from property tax cuts in SB 184 (passed during the 1999 Session.) These

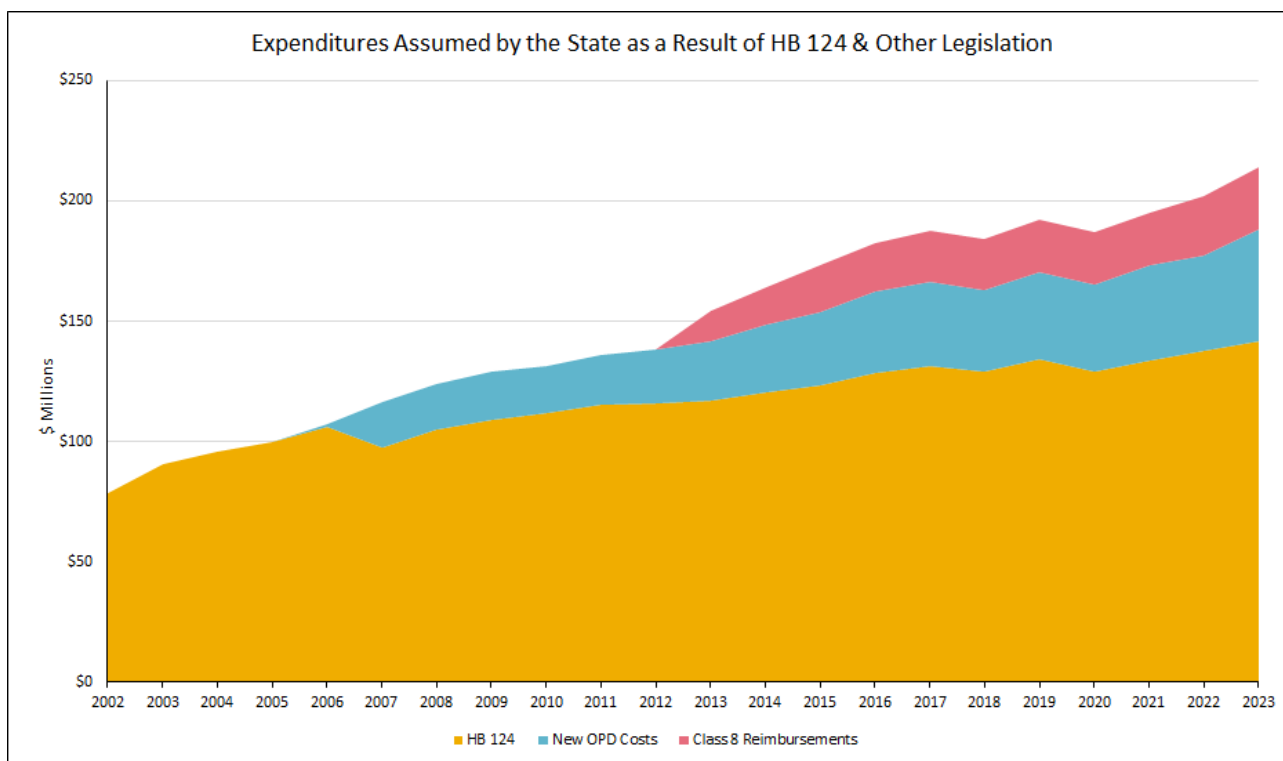
reimbursements were included in the newly created entitlement share payments and were forecast to grow at the rate of the entitlement share payments.

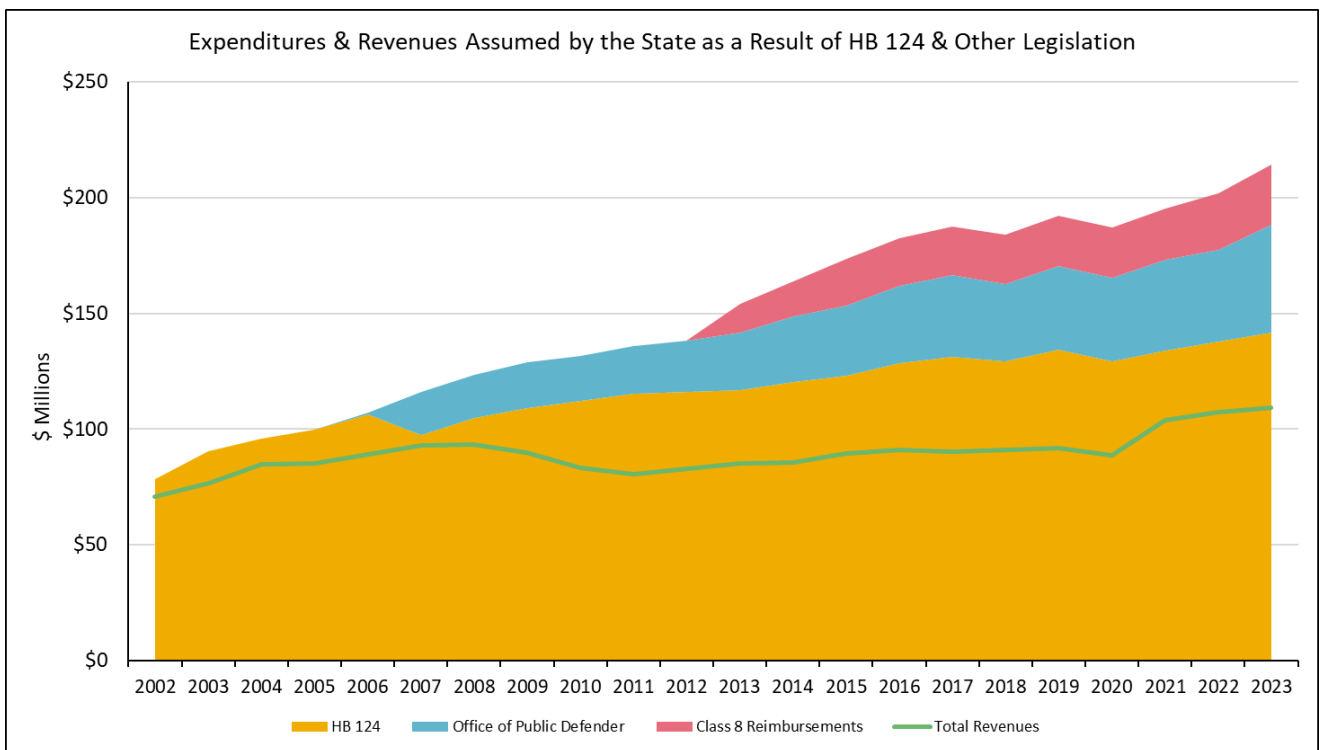
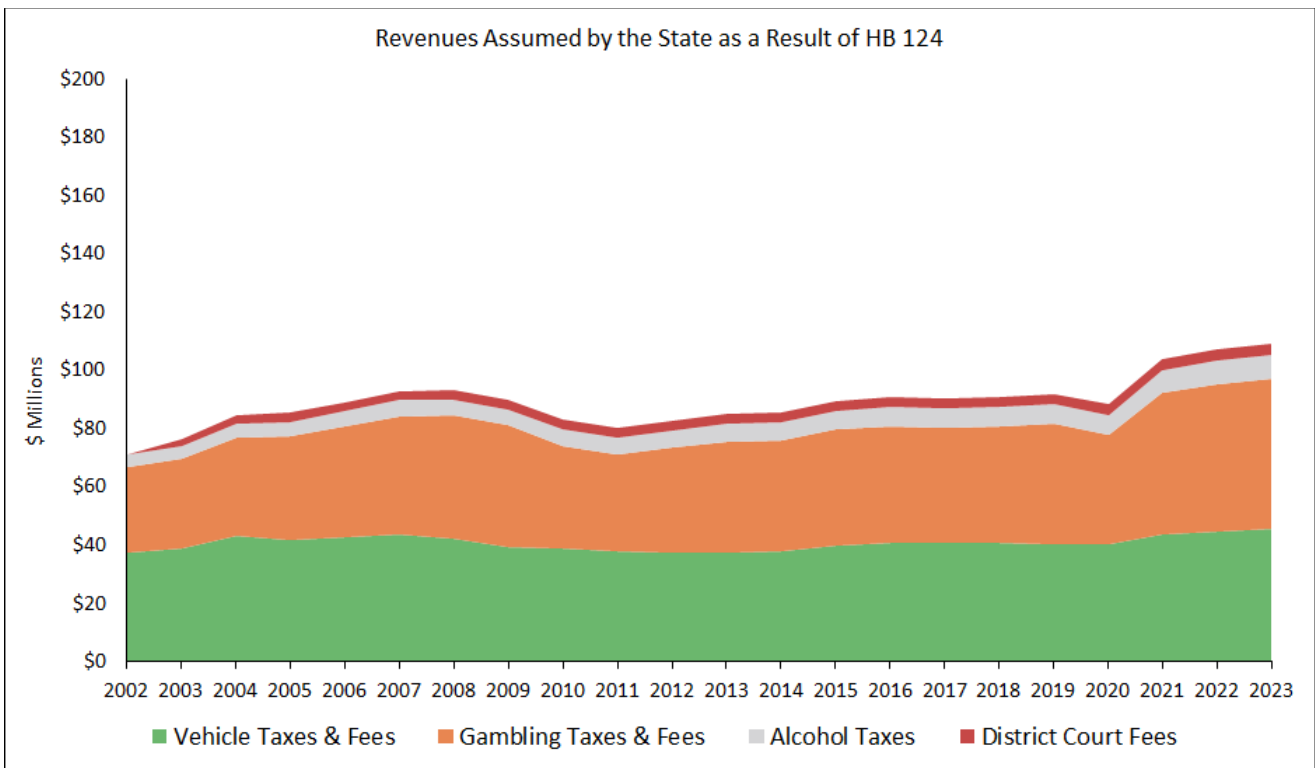
In FY 2007, the passage of SB 146 created the Office of the Public Defender (OPD) and the state assumed control of district courts and local welfare office costs. As a result, local governments' entitlement share payments were slightly decreased to account for the increased costs to the state.

Since the passage of HB 124, revenues, entitlement share payments,

and costs assumed by the state have all increased. However, the growth of the assumed responsibilities of the state coupled with the entitlement share payments has outpaced the assumed revenues collected by the state.

SB 372, SB 96, HB 303, and HB 212 from the 2011, 2013, 2021 and 2023 Legislative Sessions reduced taxes on Class 8 property business equipment. To offset the lost revenue at the local levels, the state agreed to reimburse local governments through an addition to their ongoing entitlement share payment.





When HB 124 was passed, the fiscal note assumed that the costs accepted by the state would be slightly more than the new revenues, roughly \$2.0 million. Part of the reasoning behind the legislation was to provide a method to share state revenue growth with local governments.

In the first few years the difference hovered around \$10.0 million. However, beginning in FY 2009 the revenues decreased for multiple years and until recently had experienced slow growth. However, expenditures have continued to grow.

This trend is expected to continue in future years, as entitlement share payments will likely grow by its historical rate of approximately 3.0% per year. Growth in public defender costs are not forecast to slow either. In contrast, revenues are forecast to experience slow growth, and the increase in recent years is not expected to continue.