

HOUSE BILL NO. 170

1/14 Introduced  
1/14 Referred to Local Government  
1/15 Fiscal Note Requested  
1/22 Fiscal Note Received  
1/24 Hearing  
Died in Committee

1 *Berggren* HOUSE BILL NO. 170  
 2 INTRODUCED BY *Marko Keenan* *Manahan Lynch*  
 3 *Wichor Switzer Hoyer Rados* *Stittala* *Jensen* *Rang*  
 4 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOCATING 5 PERCENT OF *Montana*  
 5 THE PROCEEDS FROM THE STATE INDIVIDUAL INCOME TAX TO THE *locally*  
 6 LOCAL GOVERNMENT BLOCK GRANT PROGRAM; PROVIDING THAT *Julien*  
 7 ONE-HALF OF THE TOTAL PROCEEDS OF SUCH PROGRAM BE USED TO *Lehy*  
 8 REDUCE THE AMOUNT OF PROPERTY TAXATION AUTHORIZED UNDER THE *to state*  
 9 ALL-PURPOSE MILL LEVIES OR GENERAL FUND MILL LEVIES OF *Montana*  
 10 RECIPIENT MUNICIPALITIES AND COUNTIES; AMENDING SECTIONS *Harbin*  
 11 7-6-302, 7-6-304, AND 7-6-309, MCA; AND PROVIDING AN ~~AN~~  
 12 EFFECTIVE DATE." *Vincent*

13  
 14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
 15 Section 1. Section 7-6-302, MCA, is amended to read:  
 16 "7-6-302. Local government block grant account created  
 17 -- source of funds. (1) There is a local government block  
 18 grant account within the state special revenue fund.  
 19 (2) Funds in this account must be used to provide  
 20 payments from the local government block grant program to  
 21 eligible jurisdictions.  
 22 (3) ~~Thirty-three--and--one-third-percent~~ The following  
 23 must be deposited in the account:  
 24 (a) 33 1/3% of the oil severance tax collected under  
 25 the provisions of 15-36-101;

1 (b) 5% of the individual income tax collected under  
 2 the provisions of 15-30-103; and  
 3 (c) all funds appropriated to the account must--be  
 4 deposited-in-the-account."  
 5 Section 2. Section 7-6-304, MCA, is amended to read:  
 6 "7-6-304. Division of block grant funds. The division  
 7 of funds within the local government block grant account is  
 8 as follows:  
 9 (1) ~~Except-as-provided-in-7-6-309(i);~~ The general  
 10 purpose block grant for municipalities, counties, school  
 11 districts, and other jurisdictions must be funded, before  
 12 any other distributions are made from the account, in an  
 13 amount sufficient to cover the reimbursements required by  
 14 61-3-536.  
 15 (2) (a) The general services block grant for counties  
 16 must be funded from a percentage of the remaining funds  
 17 deposited in the account equal to the ratio of the  
 18 unincorporated population to the state population.  
 19 (b) The general services block grant for  
 20 municipalities must be funded from a percentage of the  
 21 remaining funds deposited in the account equal to the ratio  
 22 of the incorporated population to the total state  
 23 population."  
 24 Section 3. Section 7-6-309, MCA, is amended to read:  
 25 "7-6-309. Disposition and use of funds.

1 (1) Disbursements from the local government block grant  
2 account shall be made as follows:

3 ~~(1) On October 1, 1983, a disbursement must be made~~  
4 ~~from the general services block grant that is the lesser of:~~

5 ~~(a) \$2 million; or~~

6 ~~(b) one third of the total general fund appropriation~~  
7 ~~to the account for the biennium ending June 30, 1985.~~

8 ~~(2) On March 1, 1984, and on March 1 of each~~  
9 ~~succeeding year for the reimbursement required by 61-3-536~~  
10 ~~must be distributed, and~~

11 ~~(3) On June 30, 1984, a disbursement must be made from~~  
12 ~~the general services block grants for municipalities and~~  
13 ~~counties that equals the amount which is the lesser of the~~  
14 ~~difference between the account balance on that date and:~~

15 ~~(a) \$3 million dollars; or~~

16 ~~(b) one half of the total general fund appropriation~~  
17 ~~to the account for the biennium ending June 30, 1985.~~

18 ~~(4) On June 30, 1985, and on June 30 of each~~  
19 ~~succeeding year, all funds remaining in the account must be~~  
20 ~~distributed.~~

21 ~~(5)(2) The One-half of the funds distributed by this~~  
22 ~~part from the general services block grant may be used for~~  
23 ~~any purpose authorized by law. The remaining one-half must~~  
24 ~~be applied against the maximum general fund or all-purpose~~  
25 ~~mill levy of the county or municipality and treated as~~

1 revenue from such a levy, thereby reducing the actual number  
2 of mills that may be levied under such a levy."

3 NEW SECTION. Section 4. Effective date. This act is  
4 effective January 1, 1986.

-End-

STATE OF MONTANA  
FISCAL NOTE

REQUEST NO. FNN 105-85

Form BD-15

In compliance with a written request received January 16, 19 85, there is hereby submitted a Fiscal Note for House Bill 170 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

An act allocating 5 percent of the proceeds from the state individual income tax to the local government block grant program; providing that one half of the total proceeds of such program be used to reduce the amount of property taxation authorized under the all purpose mill levies or general fund mill levies of recipient municipalities and counties.

ASSUMPTIONS:

1. Individual Income Tax revenues are \$192,915,625 in FY 1986 and \$204,103,125 in FY 1987 (OBPP).
2. Distribution of Individual Income Tax under proposed law is:

General Fund	60.80%
School Equalization	23.75
Long-Range Building	10.45
Local Govt. Block Grant	<u>5.00</u>
TOTAL	100.00%

3. On average, 56.75% of Individual Income Tax revenue is collected in the last half of each fiscal year.

*David L Hunter*

BUDGET DIRECTOR  
Office of Budget and Program Planning

Date: Jan 21, 1985

FISCAL IMPACT:

	Under	<u>FY 86</u> Under	Difference	Under	<u>FY 87</u> Under	Difference
	Current Law	Proposed Law		Current Law	Proposed Law	
Individual Income Tax	192,915,625	192,915,625	-0-	204,103,125	204,103,125	-0-
Total Revenue	192,915,625	192,915,625	-0-	204,103,125	204,103,125	-0-
<b>Fund Information</b>						
General Fund	123,466,000	119,962,652	(3,503,348)	130,626,000	124,094,700	(6,531,300)
School Equalization Fund	48,228,906	46,860,411	(1,368,495)	51,025,781	48,474,492	(2,551,289)
Capitol Project Fund	21,220,719	20,618,581	( 602,138)	22,451,344	21,328,777	(1,122,567)
Local Govt. Block Grant	-0-	5,473,981	5,473,981	-0-	10,205,156	10,205,156

EFFECT ON COUNTY OR OTHER LOCAL REVENUE:

Under the proposed legislation local governments would receive an additional \$5,473,981 for one-half of FY 1986 and \$10,205,156 in FY 1987 under the Local Government Block Grant Program. Of these amounts, the legislation states that one-half could be used for any purpose authorized by law. The remaining one-half would theoretically be added to funds that must be applied against general fund or all purpose mill levies in order to reduce the actual number of mills that may be levied under such a levy.

TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

The bill does not specifically state the new disposition of Individual Income Tax revenue and therefore is in conflict with 15-1-501 and 17-5-408, MCA, which explicitly provide for the disposition of Individual Income Tax revenue. The title of the proposed legislation states that one-half of the total proceeds from the 5% income tax allocation to the local government block grant account must be used to reduce all purpose or general fund mill levies. One-half of the proceeds will only be available for this purpose if none of the proceeds from this legislation are distributed to the general purpose block grant in accordance with section 2(1) and section 3(1) of the bill.