

HOUSE BILL NO. 14

INTRODUCED BY BARDANOUE

BY REQUEST OF THE DEPARTMENT OF COMMERCE

IN THE HOUSE

June 16, 1986	Introduced and referred to Committee on Local Government.
June 27, 1986	On motion, taken from Committee on Local Government and referred to second reading.
	Second reading, do pass.
	Third reading, passed.
	Transmitted to Senate.

IN THE SENATE

June 28, 1986	Introduced and referred to Committee on Taxation.
	Committee recommend bill be concurrent in as amended. Report adopted.
	Second reading, concurrent in as amended.
July 1, 1986	Third reading, concurrent in. Ayes, 41, Noes, 7.
	Returned to House with amendments.

IN THE HOUSE

July 1, 1986	Received from Senate.
	Second reading, amendments not concurrent in.

July 1, 1986

On motion, segregated from
Committee of the Whole report.

On motion, placed on second
reading.

Second reading, amendments
concurred in.

Third reading, amendments
concurred in.

Sent to enrolling.

Reported correctly enrolled.

HOUSE BILL NO. 14

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BY REQUEST OF THE DEPARTMENT OF COMMERCE

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR GENERAL FISCAL AND CERTIFYING MODIFICATIONS OF THE LOCAL GOVERNMENT BLOCK GRANT PROGRAM; PROVIDING AUTHORITY TO PRORATE AVAILABLE FUNDS IF REVENUES ARE NOT SUFFICIENT FOR FULL FUNDING; CHANGING RESPONSIBILITY FOR CERTIFICATION OF THE NUMBER OF VEHICLES FROM INDIVIDUAL COUNTY TREASURERS TO THE DEPARTMENT OF JUSTICE; AMENDING SECTIONS 7-6-302 THROUGH 7-6-306, 7-6-309, AND 61-3-536, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

Section 1. Section 7-6-302, MCA, is amended to read:

"7-6-302. Local government block grant account created -- source of funds. (1) There is a local government block grant account within the state special revenue fund.

(2) Funds in this account, to the extent they are available, must be used to provide payments from the local government block grant program to eligible jurisdictions.

(3) Thirty-three and one-third percent of the oil severance tax collected under the provisions of 15-36-101 and all funds appropriated to the account must be deposited

in the account."

Section 2. Section 7-6-303, MCA, is amended to read:

"7-6-303. Local government block grant program. (1) The department of commerce shall administer the local government block grant program and shall, to the extent they are available, distribute funds from the local government block grant account.

(2) The local government block grant program is comprised of three parts:

(a) a general purpose block grant for municipalities, counties, school districts, and other jurisdictions;

(b) a general services block grant for counties; and

(c) a general services block grant for municipalities."

Section 3. Section 7-6-304, MCA, is amended to read:

"7-6-304. Division of block grant funds. The division of funds within the local government block grant account is as follows:

(1) Except as provided in 7-6-309(1), the general purpose block grant for municipalities, counties, school districts, and other jurisdictions must be funded, before any other distributions are made from the account, in an amount sufficient to cover the reimbursements required by 61-3-536, to the extent funds are available.

(2) (a) The general services block grant for counties

1 must be funded from a percentage of the remaining funds
2 deposited in the account equal to the ratio of the
3 unincorporated population to the state population.

4 (b) The general services block grant for
5 municipalities must be funded from a percentage of the
6 remaining funds deposited in the account equal to the ratio
7 of the incorporated population to the total state
8 population."

9 Section 4. Section 7-6-305, MCA, is amended to read:

10 "7-6-305. Distribution of general purpose block grant
11 funds. The general purpose block grant for municipalities,
12 counties, school districts, and other jurisdictions must be
13 distributed, to the extent funds are available, by the state
14 to counties pursuant to 61-3-536 and by counties to other
15 jurisdictions pursuant to 61-3-509."

16 Section 5. Section 7-6-306, MCA, is amended to read:

17 "7-6-306. Distribution of general services block grant
18 funds to counties. Funds in the general services block grant
19 for counties must be distributed, to the extent funds are
20 available, as follows:

21 (1) One-half of each county's share is determined by
22 the ratio of the county's population to the total county
23 population in the state.

24 (2) The remaining one-half is distributed according to
25 the following formula where CMV = average mill value per

1 capita of all counties; IMV = individual county mill value
2 per capita; ICP = individual county population; CG = 1/2
3 total county grant:

4 $\frac{CMV}{IMV} \times ICP = \text{county tax base factor (TBF)}$

5 IMV

6 $CG \times \frac{\text{individual county TBF}}{\text{sum of all county TBFs}} = \frac{1}{2} \text{ individual}$
7 county share"

8 Section 6. Section 7-6-309, MCA, is amended to read:

9 "7-6-309. Disposition and use of funds. Disbursements
10 from the local government block grant account shall be made
11 as follows:

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

14 (a) \$2 million; or

15 (b) one-third of the total general fund appropriation
16 to the account for the biennium ending June 30, 1985.

17 (2) On March 1, 1984, and March 1 of each succeeding
18 year the reimbursement required by 61-3-536 must be
19 distributed, to the extent funds are available.

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

24 (a) \$3 million dollars; or

25 (b) one-half of the total general fund appropriation

to the account for the biennium ending June 30, 1985.

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

(5) The funds distributed by this part may be used for any purpose authorized by law."

Section 7. Section 61-3-536, MCA, is amended to read:

"61-3-536. (Temporary) State aid for local government.

(1) Each county treasurer shall compute:

(a) the total amount received during the period from January 1, 1981, to December 31, 1981, for property taxes on automobiles and trucks having a rated capacity of three-quarters of a ton or less, denoted CT;

(b) the total amount that would have been received during the same period if the license fee system, excluding the block grant fee allocated to local governments under 61-3-509(3), had been in effect, denoted CF; and

(c) the number of light vehicles registered in the county on December 31, 1981, denoted NC.

(2) The three quantities, CT, CF, and NC, shall be certified to the department of revenue by February 1, 1982. The department shall compute for each county a quantity called county revenue loss, denoted CRL, and county loss per vehicle, denoted CLV, and defined as follows:

(a) CRL = larger of:

(i) 0; or

(ii) CT - CF;

(b) CLV = CRL/NC.

(3) In order to be eligible for reimbursement payment, a light vehicle must be such that it would have been subject to ad valorem tax if it had been registered prior to January 1, 1982.

(4) Prior to February 1 of year denoted Y, the ~~county treasurer~~ department of justice shall determine and certify to the department the number of eligible light vehicles registered in the each county on December 31 of the prior year, denoted NC(Y). Prior to March 1 of year Y, the department of revenue shall transmit to the department of commerce the amount of CLV x NC(Y) for each county.

(5) On March 1 of year Y, the department of commerce shall, to the extent funds are available, transmit to each county treasurer a warrant in the amount of CLV x NC(Y). If revenues are not sufficient to fully fund the general purpose block grant, the department of commerce shall prorate the available funds against the amount of CLV x NC(Y) certified by all counties.

(6) Upon receipt of the payment provided for in subsection (5), the county treasurer shall credit the payment to a motor vehicle suspense fund and, at some time between March 15 and March 30, shall distribute the payment

in the same manner as funds are distributed to the taxing jurisdictions as provided in 61-3-509.

61-3-536. (Effective July 1, 1987) State aid for local government. (1) Each county treasurer shall compute:

(a) the total amount received during the period from January 1, 1981, to December 31, 1981, for property taxes on automobiles and trucks having a rated capacity of three-quarters of a ton or less, denoted CT;

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NEW SECTION. Section 8. Effective date. This act is effective on passage and approval.

-End-

In compliance with a written request, there is hereby submitted a Fiscal Note for HB014, as introduced.

Description of Proposed Legislation:

House Bill 014 provides authority to prorate available funds for the Local Government Block Grant (LGBG) and changes the responsibility for certification of the number of vehicles from individual county treasurers to the Department of Justice. It amends sections 7-6-302 through 7-6-306, 7-6-309, and 61-3-536, MCA.

Assumptions:

- 1) Unpaid balance of General Fund loan to LGBG at FYE86 will total \$1.674 million.
- 2) Vehicle registrations will increase by 2.06% from FY86 to FY87.
- 3) County grant allocation requests will increase at the same rate as vehicle registrations between FY86 and FY87.
- 4) One-third of oil severance tax proceeds in FY87 = \$7.161 million.
- 5) Light vehicle registration proceeds in FY87 = \$2.344 million.
- 6) The \$1.5 million General Fund appropriations for FY86 and FY87 are cut by 2% in FY86 and by 5% in FY87; FY86 = \$1.470 million, FY87 = \$1.425 million.
- 7) Available revenue in FY87 represents 53.93% of the projected FY87 total county grant allocation requests.
- 8) Proration will result in payment of 53.93% of the total county grant allocation requests in FY87.

Fiscal Impact (FY87 only in current biennium):

(Current law)

FY87

Grants (projected)	\$17.160 million
Funds:	
General Fund: appropriation (-5%)	\$ 1.425 million
State Special Revenue	<u>9.505 million</u>
TOTAL	<u>\$10.930 million</u>
Projected Revenue shortfall: FY87	6.230 million
FY86	<u>1.674 million</u>
CUMULATIVE REVENUE SHORTFALL	<u>\$ 7.904 million</u>

David L. Hunter 6/18/86
 BUDGET DIRECTOR DATE
 Office of Budget and Program Planning

Barbara 6/18/86
 PRIMARY SPONSOR DATE

Fiscal Note for HB014

Fiscal Note Request HB014, as originally introduced

Form BD-15 page 2
(continued)

(Proposed law)

Grants (prorated)	\$ 9.256 million
Repayment of GP loan balance	<u>1.674 million</u>
TOTAL EXPENDITURES	\$10.930 million

Funds:

General Fund	\$ 1.425 million
State Special Revenue	<u>9.505 million</u>
TOTAL	\$10.930 million

Affect on County or Other Local Revenue or Expenditures:

LGBG funds are used by local governments for county general funds, county school district funds, and city general funds. Under proposed legislation, county governments will receive approximately 53.93% of anticipated grant allocations in FY87. Statewide, an average of 3.34 mills would have to be levied by local governments to make up the shortfall in FY87. Mills range from a low of .015 in Liberty county to 22.547 mills in Deer Lodge-Anaconda.

Long-Range Effects of Proposed Legislation:

Future level of funding for the LGBG will depend on legislative appropriation of general fund and of projected state special revenue beginning in FY88. In order to maintain local government services at current level through local levies, the current statutory mill limits by class of county would have to be raised.

Technical or Mechanical Defects or Conflicts with Existing Legislation:

none noted.

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16 to the account for the biennium ending June 30, 1985.

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REFERENCE BILL

HB 14

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 15 department of revenue shall transmit to the department of
 16 commerce the amount of CLV x NC(Y) for each county.
 17 (5) On March 1 of year Y, the department of commerce
 18 shall, to the extent funds are available, transmit to each
 19 county treasurer a warrant in the amount of CLV x NC(Y). If
 20 revenues are not sufficient to fully fund the general
 21 purpose block grant, the department of commerce shall
 22 prorate the available funds against the amount of
 23 CLV x NC(Y) certified by all counties.
 24 (6) Upon receipt of the payment provided for in
 25 subsection (5), the county treasurer shall credit the

1 payment to a motor vehicle suspense fund and, at some time
2 between March 15 and March 30, shall distribute the payment
3 in the same manner as funds are distributed to the taxing
4 jurisdictions as provided in 61-3-509.

5 61-3-536. (Effective July 1, 1987) State aid for local
6 government. (1) Each county treasurer shall compute:

7 (a) the total amount received during the period from
8 January 1, 1981, to December 31, 1981, for property taxes on
9 automobiles and trucks having a rated capacity of
10 three-quarters of a ton or less, denoted CT;

11 (b) the total amount that would have been received
12 during the same period if the license fee system had been in
13 effect, denoted CF; and

14 (c) the number of light vehicles registered in the
15 county on December 31, 1981, denoted NC.

16 (2) The three quantities, CT, CF, and NC, shall be
17 certified to the department of revenue by February 1, 1982.
18 The department shall compute for each county a quantity
19 called county revenue loss, denoted CRL, and county loss per
20 vehicle, denoted CLV, and defined as follows:

21 (a) CRL = larger of:

22 (i) 0; or

23 (ii) CT - CF;

24 (b) CLV = CRL/NC.

25 (3) In order to be eligible for reimbursement payment,

1 a light vehicle must be such that it would have been subject
2 to ad valorem tax if it had been registered prior to January
3 1, 1982.

4 (4) Prior to February 1 of year denoted Y, the county
5 treasurer department of justice shall determine and certify
6 to the department the number of eligible light vehicles
7 registered in the each county on December 31 of the prior
8 year, denoted NC(Y). Prior to March 1 of year Y, the
9 department of revenue shall transmit to the department of
10 commerce the amount of CLV x NC(Y) for each county.

11 (5) On March 1 of year Y, the department of commerce
12 shall, to the extent funds are available, transmit to each
13 county treasurer a warrant in the amount of CLV x NC(Y). If
14 revenues are not sufficient to fully fund the general
15 purpose block grant, the department of commerce shall
16 prorate the available funds against the amount of
17 CLV x NC(Y) certified by all counties.

18 (6) Upon receipt of the payment provided for in
19 subsection (5), the county treasurer shall credit the
20 payment to a motor vehicle suspense fund and, at some time
21 between March 15 and March 30, shall distribute the payment
22 in the same manner as funds are distributed to the taxing
23 jurisdictions as provided in 61-3-509."

24 NEW SECTION. SECTION 8. APPROPRIATION. THERE IS
25 APPROPRIATED \$7 \$6.5 MILLION FROM THE GENERAL FUND TO THE

1 LOCAL GOVERNMENT BLOCK GRANT ACCOUNT FOR FISCAL YEAR 1987.
2 NEW SECTION. Section 9. Effective date --
3 COORDINATION. This-act-is (1) SECTIONS 1 THROUGH 7 AND THIS
4 SECTION ARE effective on passage and approval.
5 (2) SECTION 8 OF THIS ACT IS EFFECTIVE ONLY IF SENATE
6 BILL 17 IS PASSED AND APPROVED.

-End-

COMMITTEE OF THE WHOLE AMENDMENT

June 28, 86

DATE

6:00

TIME

MR. CHAIRMAN: I MOVE TO AMEND House Bill No. 14

third reading copy (blue) as follows:
Color

Amend Senate Taxation Standing Committee Report of June 28,
1986, as follows:

Amendment No. 2.

Following: "appropriated" in the Insert section

Strike: "\$7"

Insert: "\$6.5"

HB14.1

ADOPT
REJECT

[Handwritten signature]

STANDING COMMITTEE REPORT

JUNE 28, 1986

MR. PRESIDENT

We, your committee on TAXATION
having had under consideration HOUSE BILL No. 14
third reading copy (blue color)

MODIFICATION OF LOCAL GOVERNMENT BLOCK GRANT PROGRAM

Respectfully report as follows: That HOUSE BILL No. 14
be amended as follows:

1. Title, line 7.
Following: "PROGRAM;"
Insert: "PROVIDING A CONTINGENT APPROPRIATION FROM THE
GENERAL FUND TO THE LOCAL GOVERNMENT BLOCK GRANT ACCOUNT;"

2. Page 8.
Following: line 21
Insert: "NEW SECTION. Section 8. Appropriation. There is
appropriated \$7 million from the general fund to the local
government block grant account for fiscal year 1987."
Renumber: subsequent section

3. Page 8, line 22.
Following: "date"
Strike: ". This act is"
Insert: "-- coordination. (1) Sections 1 through 7 and
this section are"

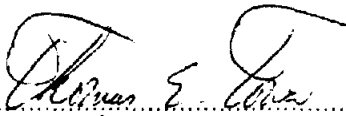
4. Page 8.
Following: line 23
Insert: "(2) Section 8 of this act is effective only if
Senate Bill 17 is passed and approved."

HB14.SCR

Report adopted

AND AS AMENDED, BE CONCURRED IN
~~XXXXXX~~

~~XXXXXX~~


Senator Thomas E. Towe, Chairman.