HOUSE BILL 14

Introduced by Cobb

7/06	Introduced
7/06	Referred to Appropriations
7/06	First Reading
7/06	Fiscal Note Requested
7/08	Fiscal Note Received
7/08	Fiscal Note Printed
7/09	Referred to Education & Cultural Resources
7/09	Hearing
	Died in Committee

House BILL NO. 14

INTRODUCED BY Cobb

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE STATE EQUALIZATION AID PAYMENT SCHEDULE TO SCHOOL DISTRICTS; ALLOWING TRUSTEES OF A DISTRICT TO TRANSFER FUNDS FROM THE DISTRICT TRANSPORTATION FUND TO THE DISTRICT GENERAL FUND IF NECESSARY DUE TO A LEGISLATIVE REDUCTION IN THE FOUNDATION PROGRAM ENTITLEMENT OF A DISTRICT; AMENDING SECTION 20-9-344, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A TERMINATION DATE."

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

Section 1. Section 20-9-344, MCA, is amended to read:

"20-9-344. Purpose of state equalization aid and duties of board of public education for distribution ~~----conditions of---first--payment~~. (1) The money available for state equalization aid must be distributed and apportioned to provide:

(a) an annual minimum operating revenue for the elementary and high schools in each county, exclusive of revenues required for debt service and for the payment of any costs and expense incurred in connection with any adult education program, recreation program, school food services program, new buildings and grounds, and transportation; and

(b) the Montana educational telecommunications network as provided in 20-32-101.

(2) The board of public education shall administer and distribute the state equalization aid in the manner and with the powers and duties provided by law. To this end, the board of public education shall:

(a) adopt policies for regulating the distribution of state equalization aid in accordance with the provisions of law and in a manner that provides for monthly distribution to each district of its foundation program amount and to each county and district distribution of its guaranteed tax base aid;

(b) have the power to require reports from the county superintendents, budget boards, county treasurers, and trustees as it considers necessary; and

(c) order the superintendent of public instruction to distribute the state equalization aid on the basis of each district's annual entitlement to the aid as established by the superintendent of public instruction. In ordering the distribution of state equalization aid, the board of public education may not increase or decrease the state equalization aid distribution to any district on account of any difference that may occur during the school fiscal year between budgeted and actual receipts from any other source of school revenue.

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(3) The board of public education may order the superintendent of public instruction to withhold distribution of state equalization aid or order the county superintendent of schools to withhold county equalization money from a district when the district fails to:

(a) submit reports or budgets as required by law or rules adopted by the board of public education; or

(b) maintain accredited status.

(4) Prior to any proposed order by the board of public education to withhold distribution of state equalization aid or county equalization money, the district is entitled to a contested case hearing before the board of public education, as provided under the Montana Administrative Procedure Act.

(5) If a district or county receives more state equalization aid than it is entitled to, the county treasurer shall return the overpayment to the state upon the request of the superintendent of public instruction in the manner prescribed by the superintendent of public instruction.

(6) (a) ~~The-first~~ For each of the first 11 months of school fiscal years 1993 and 1994, the foundation program payment and guaranteed tax base aid payment must be based on an estimate of ~~20%~~ 8% of the entitlement of each district or county and distributed by ~~July-15-of-the-school-fiscal--year~~ the final working day of each month.

(b) ~~Each-subsequent-monthly-payment-must-be-at-least-7% of-the~~ The final payment for each of the school fiscal years 1993 and 1994 must be the balance of the foundation program and guaranteed tax base aid entitlement of each district or county."

NEW SECTION. **Section 2.** **Contingency transfer of funds.** If legislation is passed and approved to fund the foundation program schedules provided for in 20-9-318 and 20-9-319 for school fiscal year 1993 at less than 100% and if a school district does not have sufficient general fund financing, including general fund reserves, to cover the general fund budget of the district, the trustees of the district may transfer from the district transportation fund to the district general fund an amount that does not exceed the reduction in foundation program schedule funding.

NEW SECTION. **Section 3.** **Codification instruction.** [Section 2] is intended to be codified as an integral part of Title 20, chapter 9, and the provisions of Title 20, chapter 9, apply to [section 2].

NEW SECTION. **Section 4.** **Effective date.** [This act] is effective on passage and approval.

NEW SECTION. **Section 5.** **Termination.** [This act] terminates June 30, 1994.

-End-

STATE OF MONTANA - FISCAL NOTE
Form BD-15
In compliance with a written request, there is hereby submitted a Fiscal Note for HB0014, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act revising the state equalization aid payment schedule; allowing districts to transfer funds from district Transportation Fund to the General Fund if there is a reduction in Foundation Program Entitlement.

ASSUMPTIONS:

1. Funds are invested at an interest rate of 5%.
2. 35% of interest losses to districts are reflected as increased state GTB costs.
3. All funds are invested, i.e. interest gain to state = interest loss to school districts.

FISCAL IMPACT: General Fund

	FY93
Increased General Fund Revenue	$1,085,000
Increased General Fund Cost	380,000
Net Effect	$ 705,000

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Net loss to school districts of $705,000 due to reduced interest earnings on state advances (see assumption #3).

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The same impact would occur in fiscal year 1994.

7/7/92

STEVE YEAKEL, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

7/8/92

JOHN COBB, PRIMARY SPONSOR DATE

Fiscal Note for HB0014, as introduced

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52nd Legislature
Special Session 7/92

House BILL NO. 15

INTRODUCED BY

A BILL FOR AN ACT ENTITLED: "AN ACT CHANGING THE METHOD OF DETERMINING THE REIMBURSEMENT FOR LOSS OF PERSONAL PROPERTY TAX REVENUE TO LOCAL GOVERNMENTS AND SCHOOLS BY USING THE CURRENT TAXABLE VALUE OF PERSONAL PROPERTY THAT WAS IN THE COUNTY IN 1989; AMENDING SECTION 15-1-111, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

Section 1. Section 15-1-111, MCA, is amended to read:

"15-1-111. **Reimbursement to local governments and schools -- duties of department and county treasurer -- statutory appropriation.** (1) (a) ~~On-or-before-May-1,-1990,~~ ~~the~~ The department of revenue shall ~~remit--to--the--county treasurer--of--each--county--30%--of--the~~ administer state personal property tax reimbursement to counties ~~amount specified---in---subsection---(1)(b),--as--computed--by--the department~~. The department shall base the reimbursement on the reduction in personal property tax revenues due to the reduction in personal property tax rates for class eight property, as provided for in 15-6-138, and any reduction in taxes based upon recalculation of the effective tax rate for property in 15-6-145. The reimbursement basis must also

include loss of personal property tax revenue due to the reclassification of new industrial property from class five to class eight with the reduced tax rate. The determination of the reimbursement basis must be made in the year in which the reclassification is made.

(b) The reimbursement revenue must be based on the ~~county's~~ current taxable value of personal property that was taxed in the county in 1989 and on mill levies for tax year 1989.

(2) Prior to September 1, 1990, the department's agent in the county shall supply the following information to the department for each taxing jurisdiction within the county:

(a) the number of mills levied in the jurisdiction for taxable year 1989;

(b) the number of mills levied in the jurisdiction for taxable year 1990;

(c) the total taxable valuation for taxable years 1989 and 1990, reported separately for each year, of all personal property not secured by real property; and

(d) the total taxable valuation for taxable years 1989 and 1990, reported separately for each year, of all personal property secured by real property.

(3) Prior to September 1 of each year, the department's agent in each county shall determine the taxable value of the personal property that was reported under subsection

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(2)(d) for the current taxable year.

~~(3)~~(4) After receipt of the information from its agent, the department shall calculate the amount of revenue lost to each taxing jurisdiction, using current year mill levies and the current year taxable value of personal property that was taxed in the county in 1989, due to the annual reduction in personal property tax rates set forth in 15-6-138, and any reduction in taxes based upon recalculation of the effective tax rate for property in 15-6-145. The department shall total the amounts for all taxing jurisdictions within the county.

~~(4)~~(5) For taxable year 1990 and for each year thereafter, the department shall remit to the county treasurer the base amount of revenue reimbursable, determined pursuant to subsection ~~(3)~~(4), as follows:

(a) on or before November 30, 1990, and on or before each November 30 thereafter, the department shall remit 50% of the base amount of the revenue reimbursable to the county; and

(b) on or before May 31, 1991, and on or before each May 31 thereafter, the department shall remit 50% of the base amount of the revenue reimbursable to the county.

~~(5)~~(6) Upon receipt of the reimbursement from the department, the county treasurer shall distribute the reimbursement to each taxing jurisdiction in the relative

proportions required by the levies for state, county, school district, and municipal purposes in the same manner as current year mill levies on personal property taxes are distributed.

~~(6)~~(7) For the purposes of this section, "taxing jurisdiction" ~~means--local--governments-and~~ includes school districts, each municipality with tax increment financing, and the state of Montana.

~~(7)~~(8) The amounts necessary for the administration of this section are statutorily appropriated, as provided in 17-7-502, from the general fund to reimburse school districts and local governments for reductions in tax rates on personal property."

NEW SECTION. **Section 2.** Effective date. [This act] is effective on passage and approval.

-End-

STATE OF MONTANA - FISCAL NOTE
Form BD-15
In compliance with a written request, there is hereby submitted a Fiscal Note for HB0015, as introduced, with amendments.

DESCRIPTION OF PROPOSED LEGISLATION:
An act changing the method of determining the reimbursement for loss of personal property tax revenue to local governments and schools by depreciating the value of the reimbursement by 10 percent each year; and providing an immediate effective date.

ASSUMPTIONS:
1. The total reimbursement for tax year 1992 (FY 93) is estimated to be $19,826,000. For the purposes of this note, it is assumed that there will be no change in the reimbursement amount for subsequent fiscal years.
2. Under the proposal, the amount of the reimbursement for tax year 1992 (FY 93) is estimated to be $17,843,000 (90% of $19,826,000). The amount of the reimbursement for tax year 1993 (FY 94) is estimated to be $15,861,000 (80% of $19,826,000).
3. Based on tax year 1991 reimbursement data, 12.2% of the reimbursement goes to state equalization (40 mills), 1.8% goes to universities (6 mills), and 86.0% goes to local governments.

FISCAL IMPACT:
Expenditures:

The General Fund will be impacted as follows:

	FY '93			FY '94		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Personal Prop. Reimb.	(19,826,000)	(17,843,000)	1,983,000	(19,826,000)	(15,861,000)	3,965,000

Revenues:

The following funds will see a reduction in the amount of reimbursement:

	FY '93			FY '94		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
State Equalization	2,419,000	2,177,000	(242,000)	2,419,000	1,935,000	(484,000)
Universities	357,000	321,000	(36,000)	357,000	285,000	(72,000)

(Over)

7/10/92
STEVE YEAKEL, BUDGET DIRECTOR / DATE
Office of Budget and Program Planning

7-10-92
BEN COHEN, PRIMARY SPONSOR DATE
Fiscal Note for HB0015, as introduced, with amendments

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EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Under the proposal, local government revenues would receive approximately $1,705,000 less in payments in FY 93 and $3,409,000 less payments in FY 94.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The long range effect of the proposal would be to phase out the personal property tax reduction reimbursements. The proposal would reduce the amount of reimbursement under current law by 10% for FY 93, by 20% for FY 94, by 30% for FY 95, ..., until the reimbursement is phased out completely in FY 2002 ($0 reimbursement).

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