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INTRODUCED BY

Swanson

House BILL NO. *587*

A BILL FOR AN ACT ENTITLED: "AN ACT DECREASING THE NUMBER OF STATEWIDE MILLS LEVIED TO CORRESPOND WITH THE STATEWIDE INCREASE IN TAXABLE VALUATION; DECREASING THE MILLS LEVIED FOR THE UNIVERSITY SYSTEM, ELEMENTARY BASE FUNDING, HIGH SCHOOL BASE FUNDING, AND STATE EQUALIZATION AID; AMENDING SECTIONS 15-10-106, 20-9-331, 20-9-333, AND 20-9-360, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

Section 1. Section 15-10-106, MCA, is amended to read:

"15-10-106. (Temporary) Tax levy for university system. There is levied upon the taxable value of all real and personal property subject to taxation in the state of Montana ~~an amount, not to exceed~~ 5 mills, or so much thereof as is necessary to raise the amount appropriated by the legislature from the state special revenue fund for the support, maintenance, and improvement of the Montana university system, as provided in referendum measure No. 106 passed by vote of the people at the general election held November 8, 1988. The funds raised from the levy must be deposited in the state special revenue fund. (Terminates January 1, 1999--sec. 3, Ch. 588, L. 1989.)"

Section 2. Section 20-9-331, MCA, is amended to read:

"20-9-331. Basic county tax and other revenues for county equalization of the elementary district BASE funding program. (1) The county commissioners of each county shall levy an annual basic tax of ~~33~~ 27.3 mills on the dollar of the taxable value of all taxable property within the county, except for property subject to a tax or fee under 23-2-517, 23-2-803, 61-3-504(2), 61-3-521, 61-3-527, 61-3-537, and 67-3-204, for the purposes of local and state BASE funding program support. The revenue collected from this levy must be apportioned to the support of the elementary BASE funding programs of the school districts in the county and to the state general fund in the following manner:

(a) In order to determine the amount of revenue raised by this levy that is retained by the county, the sum of the estimated revenue identified in subsection (2) must be subtracted from the total of the BASE

1 funding programs of all elementary districts of the county.

2 (b) If the basic levy and other revenue prescribed by this section produce more revenue than is
3 required to repay a state advance for county equalization, the county treasurer shall remit the surplus funds
4 to the state treasurer for deposit to the state general fund immediately upon occurrence of a surplus
5 balance and each subsequent month thereafter, with any final remittance due no later than June 20 of the
6 fiscal year for which the levy has been set.

7 (2) The revenue realized from the county's portion of the levy prescribed by this section and the
8 revenue from the following sources must be used for the equalization of the elementary BASE funding
9 program of the county as prescribed in 20-9-335, and a separate accounting must be kept of the revenue
10 by the county treasurer in accordance with 20-9-212(1):

11 (a) the portion of the federal Taylor Grazing Act funds distributed to a county and designated for
12 the common school fund under the provisions of 17-3-222;

13 (b) the portion of the federal flood control act funds distributed to a county and designated for
14 expenditure for the benefit of the county common schools under the provisions of 17-3-232;

15 (c) all money paid into the county treasury as a result of fines for violations of law, except money
16 paid to a justice's court, and the use of which is not otherwise specified by law;

17 (d) any money remaining at the end of the immediately preceding school fiscal year in the county
18 treasurer's accounts for the various sources of revenue established or referred to in this section;

19 (e) any federal or state money distributed to the county as payment in lieu of property taxation,
20 including federal forest reserve funds allocated under the provisions of 17-3-213;

21 (f) gross proceeds taxes from coal under 15-23-703;

22 (g) oil and natural gas production taxes;

23 (h) anticipated local government severance tax payments for calendar year 1995 production as
24 provided in 15-36-325; and

25 (i) anticipated revenue from property taxes and fees imposed under 23-2-517, 23-2-803,
26 61-3-504(2), 61-3-521, 61-3-527, 61-3-537, and 67-3-204."

27

28 **Section 3.** Section 20-9-333, MCA, is amended to read:

29 **"20-9-333. Basic special levy and other revenue for county equalization of high school district**
30 **BASE funding program.** (1) The county commissioners of each county shall levy an annual basic special tax

1 for high schools of ~~22~~ 18.2 mills on the dollar of the taxable value of all taxable property within the county,
2 except for property subject to a tax or fee under 23-2-517, 23-2-803, 61-3-504(2), 61-3-521, 61-3-527,
3 61-3-537, and 67-3-204, for the purposes of local and state BASE funding program support. The revenue
4 collected from this levy must be apportioned to the support of the BASE funding programs of high school
5 districts in the county and to the state general fund in the following manner:

6 (a) In order to determine the amount of revenue raised by this levy that is retained by the county,
7 the sum of the estimated revenue identified in subsection (2) must be subtracted from the sum of the
8 county's high school tuition obligation and the total of the BASE funding programs of all high school
9 districts of the county.

10 (b) If the basic levy and other revenue prescribed by this section produce more revenue than is
11 required to repay a state advance for county equalization, the county treasurer shall remit the surplus funds
12 to the state treasurer for deposit to the state general fund immediately upon occurrence of a surplus
13 balance and each subsequent month thereafter, with any final remittance due no later than June 20 of the
14 fiscal year for which the levy has been set.

15 (2) The revenue realized from the county's portion of the levy prescribed in this section and the
16 revenue from the following sources must be used for the equalization of the high school BASE funding
17 program of the county as prescribed in 20-9-335, and a separate accounting must be kept of the revenue
18 by the county treasurer in accordance with 20-9-212(1):

19 (a) any money remaining at the end of the immediately preceding school fiscal year in the county
20 treasurer's accounts for the various sources of revenue established in this section;

21 (b) any federal or state money distributed to the county as payment in lieu of property taxation,
22 including federal forest reserve funds allocated under the provisions of 17-3-213;

23 (c) gross proceeds taxes from coal under 15-23-703;

24 (d) oil and natural gas production taxes;

25 (e) anticipated local government severance tax payments for calendar year 1995 production as
26 provided in 15-36-325; and

27 (f) anticipated revenue from property taxes and fees imposed under 23-2-517, 23-2-803,
28 61-3-504(2), 61-3-521, 61-3-527, 61-3-537, and 67-3-204."

29
30 **Section 4.** Section 20-9-360, MCA, is amended to read:

1 "20-9-360. **State equalization aid levy.** (1) There is a levy of ~~40~~ 33 mills imposed by the county
2 commissioners of each county on all taxable property within the state, except property for which a tax or
3 fee is required under 23-2-517, 23-2-803, 61-3-504(2), 61-3-521, 61-3-527, 61-3-537, and 67-3-204.
4 Except as provided in subsection (2), proceeds of the levy must be remitted to the state treasurer and must
5 be deposited to the credit of the state general fund for state equalization aid to the public schools of
6 Montana.

7 (2) For the benefit of each municipality that created an urban renewal area and adopted a tax
8 increment financing provision for the urban renewal area prior to July 1, 1990, the state treasurer shall
9 distribute each fiscal year from the state equalization aid levy to the municipality the amount, if any, equal
10 to the product of the incremental taxable value of the urban renewal area times the reduced school levy
11 for the area, each calculated for the fiscal year. The reduced school levy for a fiscal year is the difference
12 between the aggregate amount of all property tax levies for school purposes in the urban renewal area,
13 expressed in mills, in the fiscal year ended June 30, 1989, and the aggregate amount of all property tax
14 levies for school purposes in the area or the district, expressed in mills, in the fiscal year, including the state
15 equalization aid levy. The state treasurer shall distribute the amounts to municipalities in two equal
16 installments on December 31 and June 30 of the fiscal year."

17

18 NEW SECTION. **Section 5. Effective date -- retroactive applicability.** [This act] is effective on
19 passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning after
20 December 31, 1996.

21

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0587, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act decreasing the number of statewide mills levied to correspond with the statewide increase in taxable valuation; decreasing the mills levied for the university system, elementary base funding, high school base funding, and state equalization aid; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

1. The proposal reduces the university mill levy from 6 mills to 5.0 mills beginning in FY98. This is expected to reduce revenues from this levy by \$2,700,000 in FY98 and by \$2,760,000 in FY99 (HJR2).
2. The proposal reduces the 95 mill levy to 78.5 mills beginning in FY98. This is expected to reduce revenues from this levy by \$40,500,000 in FY98 and by \$41,100,000 in FY99 (HJR2).
3. Reducing the mills levied for statewide purposes will result in a shifting of non-levy revenue from the state to local governments. The degree of this shift is dependent on the change in the weighting of local mill levies to statewide mill levies due to the proposal.

FISCAL IMPACT:

Expenditures:

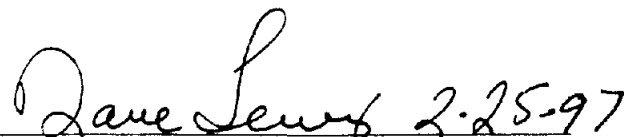
The proposal does not impact expenditures of the Department of Revenue.

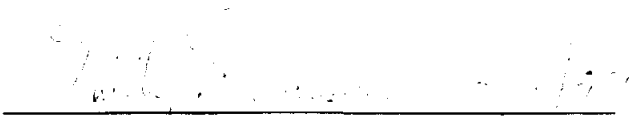
Revenues:

	<u>FY98</u>	<u>FY99</u>
95 Mill	\$(40,500,000)	\$(41,100,000)
<u>Other Fund Impacts:</u>		
6 Mill University	(2,700,000)	(2,760,000)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The proposal will result in a shift of non-levy revenue from the state to local governments.


DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning


EMILY SWANSON, PRIMARY SPONSOR DATE