



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0865 - Provide for a local government expenditure limitation & penalties (Hinkle, Caleb)

Status: As Introduced

- | | | |
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| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:				
General Fund	\$20,000	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$20,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 865 limits the amount of revenue that cities of the first class and counties with 20,000 or more residents can expend. This bill would limit these entities to expending the same amount as the prior year, or the amount expended in the prior year plus the average rate of inflation for the prior three years plus the average rate of population growth for the entity for the prior three years. There would be a fiscal impact to local governments but no impact to state revenues relative to current law. This bill appropriates \$20,000 to the Department of Revenue to develop a curriculum to explain the expenditure limitations.

FISCAL ANALYSIS

Assumptions:

1. HB 865 limits total expenditure amounts for cities of the first class and counties with 20,000 or more residents.
2. The total amount expended by these local government entities would be limited to not exceed the total amount of money expended in the prior fiscal year, multiplied by the sum of the average inflation rate of the prior three years and the population growth rate of the local government entity of the prior three years.
3. A local government may exceed this expenditure limit if the governor declares an emergency or if voters elect to approve an amount above the expenditure limitation.

- 4. HB 865 appropriates \$20,000 from the general fund to the Department of Revenue in the biennium beginning July 1, 2023, to develop a curriculum and explain the expenditure limitation outlined in this bill to local governments.

Effect on County or Other Local Revenues or Expenditures:

- 1. Cities of the first class (populations of 10,000 residents or more) and counties with over 20,000 residents would be subject to the expenditure limitations in HB 865.
- 2. It is estimated this bill would apply to the following counties and cities beginning in FY 2024:
 - a. Counties: Cascade, Flathead, Gallatin, Lake, Lewis and Clark, Lincoln, Missoula, Ravalli, Silver Bow, and Yellowstone.
 - b. Cities: Belgrade, Billings, Bozeman, Great Falls, Helena, Kalispell, and Missoula.

Technical Notes:

Department of Revenue

- 1. The appropriation in this bill should be directed to the Department of Administration (DOA). DOA is the entity to whom local governments submit their budget information. The Local Government Services Division would be better suited to develop a curriculum and provide support to local governments on the expenditure limitation in HB 865.

CH

Sponsor's Initials

3/27/23

Date

RO

Budget Director's Initials

3-27-23

Date