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HOUSE BILL NO. 324

INTRODUCED BY C. HINKLE, S. KERNS, J. SCHILLINGER, C. KNUDSEN, B. MITCHELL, P. FIELDER, L. BREWSTER, J. HINKLE, B. LER, A. REGIER, F. NAVE, R. MARSHALL, B. KEENAN, J. READ, M. HOPKINS, T. MANZELLA, B. PHALEN, L. DEMING, R. KNUDSEN

A BILL FOR AN ACT ENTITLED: "AN ACT LIMITING LOCAL GOVERNMENT EXPENDITURE GROWTH; PROVIDING THAT THE LIMIT IS EQUAL TO THE AVERAGE RATE OF INFLATION FOR THE PRIOR 3 YEARS PLUS THE AVERAGE POPULATION GROWTH OF A LOCAL GOVERNMENT ENTITY IN THE PRIOR 3 YEARS; PROVIDING EXCEPTIONS; PROVIDING MECHANISMS TO EXPEND AN AMOUNT ABOVE THE EXPENDITURE LIMITATION IN CERTAIN SITUATIONS; AMENDING SECTION 15-10-420, MCA; AND PROVIDING A DELAYED EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

**NEW SECTION. Section 1. Local government expenditure limitation -- exceptions.** (1) Except as

provided in subsection (4), total expenditures by a local government entity, as defined in 7-6-602, for fiscal years beginning July 1, 2026, may not exceed the greater of:

- (a) the total amount expended by the local government entity in the prior fiscal year; or
- (b) the sum of the average inflation rate of the prior 3 years plus the average population growth rate of the local government entity for the prior 3 years multiplied by the amount of money expended in the prior fiscal year. The rate of inflation must be calculated using the consumer price index as published by the United States department of labor. The population growth rate must be calculated using the most recent estimate published by the United States census bureau.

(2) For purposes of the local government expenditure limitation, total expenditures include expenditures from all available sources of revenues collected during the prior year, including but not limited to revenue collected pursuant to Title 7 and Title 15, but not including:

- (a) money from the federal government;
- (b) money from the state government in the form of a grant;

**Amendment - 1st Reading-white - Requested by: Larry Brewster - (H) Local Government**

- 2023

68th Legislature 2023

Drafter: Laura Sankey Keip, 406-444-4410

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- 1 (c) payments of principal and interest on bonded indebtedness; ~~and~~
- 2 (d) grants, gifts, devises, or bequests made to the local government entity
- 3 (e) enterprise funds, including but not limited to funds for airports, water and sewer, landfills, street
- 4 maintenance, and arterial construction;
- 5 (f) revenue collected from a mill levy election held pursuant to 15-10-425; and
- 6 (g) any funds collected, held, or expended on behalf of a special district.

7 (3) A local government entity is not required to expend the full amount allowed in subsection (1) in  
8 a fiscal year.

9 (4) (a) A local government entity may expend an amount above the expenditure limitation provided  
10 in this section if:

11 (i) the governor declares or renews a declaration of emergency or disaster pursuant to 10-3-303  
12 in that fiscal year and the declaration includes all or part of the geographic territory of the local government  
13 entity; or

14 (ii) the local government entity passes a resolution and submits to the electors the question to  
15 approve an amount above the expenditure limitation. If the majority voting on the question is in favor of  
16 expending an amount above the expenditure limit, the local government entity shall apply the additional amount  
17 to the budget of the fiscal year for which the resolution was passed and subsequent fiscal years until revoked  
18 by the local government entity. An election allowed in this subsection (4)(a)(ii) must be held in accordance with  
19 Title 13, chapter 1, part 4 or 5.

20 (b) Any amount expended above the expenditure limit as allowed in subsection (4)(a) may only be  
21 applied to the fiscal year in which a declaration of emergency or disaster is declared or renewed pursuant to  
22 subsection (4)(a)(i) or to the fiscal year for which a resolution is passed pursuant to subsection (4)(a)(ii).

23 (5) Except for an amount allowed in subsection (4), any revenue collected in excess of the  
24 expenditure limitation provided in this section must be subtracted from the total amount of revenue authorized  
25 to be raised by property tax collections pursuant to 15-10-420 for the subsequent year.

26 (6) (a) This section applies only to cities of the first class and counties and consolidated city-  
27 counties with more than 20,000 residents.

28 (b) This section does not apply to a local government entity with self-governing powers that has

1 mills that are fixed in the government charter.

2

3 **Section 2.** Section 15-10-420, MCA, is amended to read:

4 **"15-10-420. Procedure for calculating levy.** (1) (a) ~~Subject~~ Except as provided in [section 1(5)] and  
5 subject to the provisions of this section, a governmental entity that is authorized to impose mills may impose a  
6 mill levy sufficient to generate the amount of property taxes actually assessed in the prior year plus one-half of  
7 the average rate of inflation for the prior 3 years. The maximum number of mills that a governmental entity may  
8 impose is established by calculating the number of mills required to generate the amount of property tax  
9 actually assessed in the governmental unit in the prior year based on the current year taxable value, less the  
10 current year's newly taxable value, plus one-half of the average rate of inflation for the prior 3 years.

11 (b) A governmental entity that does not impose the maximum number of mills authorized under  
12 subsection (1)(a) may carry forward the authority to impose the number of mills equal to the difference between  
13 the actual number of mills imposed and the maximum number of mills authorized to be imposed. The mill  
14 authority carried forward may be imposed in a subsequent tax year.

15 (c) For the purposes of subsection (1)(a), the department shall calculate one-half of the average  
16 rate of inflation for the prior 3 years by using the consumer price index, U.S. city average, all urban consumers,  
17 using the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of  
18 labor.

19 (2) A governmental entity may apply the levy calculated pursuant to subsection (1)(a) plus any  
20 additional levies authorized by the voters, as provided in 15-10-425, to all property in the governmental unit,  
21 including newly taxable property.

22 (3) (a) For purposes of this section, newly taxable property includes:

23 (i) annexation of real property and improvements into a taxing unit;

24 (ii) construction, expansion, or remodeling of improvements;

25 (iii) transfer of property into a taxing unit;

26 (iv) subdivision of real property; and

27 (v) transfer of property from tax-exempt to taxable status.

28 (b) Newly taxable property does not include an increase in value:

1 improvements, or newly taxable value in a governmental unit. (Subsection (3)(b)(ii) terminates December 31,  
2 2025--sec. 13(5), Ch. 506, L. 2021.)"

3  
4 NEW SECTION. Section 3. Codification instruction. [Section 1] is intended to be codified as an  
5 integral part of Title 7, chapter 6, part 40, and the provisions of Title 7, chapter 6, part 40, apply to [section 1].

6  
7 NEW SECTION. Section 4. Severability. If a part of [this act] is invalid, all valid parts that are  
8 severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications,  
9 the part remains in effect in all valid applications that are severable from the invalid applications.

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11 NEW SECTION. Section 5. Effective date. [This act] is effective ~~January~~ July 1, 2024.

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13 NEW SECTION. Section 6. Applicability. [This act] applies to local government entity budgets  
14 adopted on or after July 1, ~~2026~~ 2024.

15 - END -