



## Entitlement Share Payments

### How did we get here?

Commitment to keep local governments and schools whole when legislative action reduces revenue.

Cleaning up of distribution and collection of revenues

The state assumed 100% responsibility from counties for Public Assistance, District Courts, and Public Defenders.

### Background

#### HB20 – 1989

Reduce the tax rate on tangible personal property from 12% to 9%.  
The bill reimbursed local governments and schools for revenue losses.

#### SB417 – 1995

Reduce the tax rate on tangible personal property from 9% to 6%.  
The bill reimbursed local governments and schools for revenue losses, but included a 10% phase-out per year for both SB417 and HB20. Both reimbursements ended in FY2008 causing concerns about the state's commitments to reimbursements.  
The reimbursement mechanism had County Treasurers withhold their county's reimbursement amounts from the property tax collections generated by the 40 mill State Equalization Levy.

#### HB175 – 1999

All investor-owned electric utility generation facilities are transferred from class 9 (12%) to a new class 13 and taxed at 6% of their market value on January 1, 2000, except for electrical generation facilities used for noncommercial purposes, exclusively for agricultural purposes, or qualifying small power production facilities.

#### SB200 – 1999

Reduce the tax rate on tangible personal property from 6% to 3%.  
The bill created threshold exemption of \$5K.

The bill eliminated Class 6 (livestock).

The bill created a trigger that would reduce the tax rate on tangible personal property to 0%.

If Montana wage and salary income grew at more than 2.85% after adjusting for inflation, the rate would drop 1% until it reached 0%

#### SB184 – 1999

The bill provided a two-year reimbursement for SB200 and HB175 revenue losses, sunsetting in FY2002. The interim local government funding and court funding and structure committee was created. This committee developed the draft bill that became HB124 (2001's Big Bill).

#### HB124 – 2001 (The Big Bill)

Cleaned up Distribution of State/Local Revenue

State assumed 100% collection of certain revenue sources from local governments. (State retain all motor vehicle fees, gaming revenue, all beer/wine/liquor revenue, and district court fees)

State assumed 100% of Public Assistance cost from county governments (SB239).

State assumed 100% of District Court cost from county governments (SB176).

The bill created a vehicle to reimburse local governments and schools. (Entitlement Share, Block Grants)

Provided continue funding of SB184 reimbursements which terminated in FY2002.

#### SB48 – 2005

Increase the threshold exemption on tangible personal property from \$5k to \$20K.

The bill eliminated the rate reduction trigger.

#### SB169 – 2007

The bill reduced entitlement payments to reflect state's 100% assumption of the Public Defender's Office.

#### SB372 – 2011

Created a two-step split tax rate for tangible personal property:

1. 1.5% on the first \$2M of assessed value and 3% on the assessed value above \$2M,

2. If certain conditions were met then the 1.5% rate would be applied to the first \$3M of assessed value and 3% on the assessed value above \$3M.

Changed how the growth rate of the entitlement share is calculated and provided a limit to the maximum amount of growth that can be applied (3% for counties, 3.25% for consolidated governments, 3.5% for cities/towns) to the entitlement share.

#### SB96 – 2013

The bill eliminated the \$20k threshold exemption.

It created an exemption for the first \$100K in assessed value.

The bill changed the split tax rate on tangible personal property to 1.5% on the first \$6.1M of assessed value and 3% on the assessed value above \$6.1M.

### **Two Parts – Local Governments (Entitlement Share Payments/School Block Grants)**

#### DOR

Calculates and applies annual growth rate (need legislative fix)

Calculates Revenue Loss

Distributes Entitlement Share:

Cities/Towns

Counties

Consolidated Government

Tax Increment District

University

#### OPI

Distributes Block Grants to Schools

Fix growth rate of 0.75%

## The Numbers

### Revenues Assumed 100% by State Under HB 124 (2001)

Revenue	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Vehicle Taxes and Fees	12,534,181	99,505,000	103,537,562	114,330,576	110,772,000	113,292,384	116,454,885	112,485,831	104,678,282	103,858,176	100,569,000	99,763,028	99,144,345
Video Gambling Tax	20,891,449	43,666,145	45,794,025	50,748,949	53,361,007	57,277,216	60,641,063	63,134,000	62,458,106	52,395,999	49,824,310	53,823,548	57,260,664
Total Liquor Taxes	8,760,173	13,529,296	14,153,742	15,038,259	15,907,913	17,240,807	18,790,796	19,878,606	17,701,683	20,590,614	20,964,948	22,097,523	22,951,309
District Court Funds	0	490,765	2,709,511	2,942,065	3,087,915	3,152,311	3,207,574	3,488,227	3,559,954	3,631,766	3,693,107	3,465,560	3,398,760
<b>Total Taxes</b>	<b>42,185,803</b>	<b>157,191,206</b>	<b>166,194,839</b>	<b>183,059,849</b>	<b>183,128,836</b>	<b>190,962,718</b>	<b>199,094,318</b>	<b>198,986,665</b>	<b>188,398,025</b>	<b>180,476,554</b>	<b>175,051,366</b>	<b>179,149,659</b>	<b>182,755,077</b>

### Entitlement Share Payment to Local Governments/ Block Grant Payment to Schools Under HB 124 (2001)

Government	FY2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007*	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Cities	0	41,819,074	43,073,646	44,457,494	46,000,170	47,485,975	48,286,045	50,328,545	52,482,607	55,138,227	57,972,332	57,972,332	57,972,332
Counties	0	29,033,623	29,552,023	30,415,967	31,231,115	32,008,770	31,359,261	32,384,708	33,453,404	34,758,086	36,134,507	36,134,507	36,134,507
Consolidated Governments	0	3,775,984	3,862,832	3,976,964	4,099,455	4,284,842	4,337,831	4,500,500	4,671,069	4,880,333	5,102,388	5,102,388	5,102,388
TIF's	0	3,144,570	3,748,748	3,608,324	3,907,121	2,327,685	1,725,279	1,725,279	1,288,464	819,498	819,498	762,576	762,576
Schools	0	53,350,294	52,402,592	47,712,970	48,073,701	48,440,963	48,809,114	49,180,064	49,555,030	49,930,441	50,309,913	50,309,913	58,555,844
<b>Total Payments</b>	<b>0</b>	<b>131,123,546</b>	<b>132,639,841</b>	<b>130,171,719</b>	<b>133,311,562</b>	<b>134,548,235</b>	<b>134,517,531</b>	<b>138,119,096</b>	<b>141,450,574</b>	<b>145,526,585</b>	<b>150,338,637</b>	<b>150,281,715</b>	<b>158,527,647</b>

\*Entitlement Share Reduced to Reflect the State Assumption of Public Defenders Office

### Cost to State Government for Assuming District Courts and Public Defenders Office

Program	FY 2001	FY 2002 <sup>2</sup>	FY 2003 <sup>2</sup>	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
District Courts	0	5,844,621	5,192,468	25,815,872	25,220,695	31,197,741	24,130,187	24,176,112	24,819,163	24,002,762	24,730,593	25,310,848	25,399,481
Public Defenders	0	0	0	0	0	527,729	14,134,117	19,802,489	20,151,042	20,022,492	20,012,055	23,049,014	22,994,531
Public Assistance <sup>1</sup>	0	15,167,615	15,545,704	15,545,705	15,545,706	15,545,707	15,545,708	15,545,709	15,545,710	15,545,711	15,545,712	15,545,713	15,545,714
<b>Total</b>	<b>0</b>	<b>21,012,236</b>	<b>20,738,172</b>	<b>41,361,577</b>	<b>40,766,401</b>	<b>47,271,177</b>	<b>53,810,012</b>	<b>59,524,310</b>	<b>60,515,915</b>	<b>59,570,965</b>	<b>60,288,360</b>	<b>63,905,575</b>	<b>63,939,726</b>

<sup>1</sup> The Public Assistance cost assumed by state were spread over several programs in DPHHS and not broken out after 2003 Biennium

<sup>2</sup> From the HB 124 Fiscal Note