



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0369.02 (002): Create a county road maintenance district**

Primary Sponsor: **John Fitzpatrick** Status: **As Amended in House Committee**

☐ Included in the Executive Budget ☒ Needs to be included in HB 2 ☐ Significant Local Gov Impact
☐ Significant Long-Term Impacts ☐ Technical Concerns ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Expenditures				
General Fund (01)	\$12,500	\$12,500	\$0	\$0
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
Net Impact	<u>(\$12,500)</u>	<u>(\$12,500)</u>	<u>\$0</u>	<u>\$0</u>
General Fund Balance				

Description of fiscal impact

HB 369 as amended in the House Local Government Committee, allows counties to create county road maintenance districts through a petition and public hearing. The bill includes a one-time appropriation of funding for the biennium beginning July 1, 2025, of \$25,000, from the general fund, to the Department of Administration for a financial audit of Granite County.

FISCAL ANALYSIS

Assumptions

1. The county road maintenance district is a new type of special purpose district that is separate from a county road improvement district that is currently defined in MCA 2-7-501(7)(b).
2. The county road maintenance district will be required to register as a local government entity with the DOA and file an annual financial report as required by MCA 2-7-503(1)(a).
3. Both the county and the county road maintenance district will incur costs to the state in the form of filing fees and audit costs if the total revenues and financial assistance of each entity exceeds the threshold dollar amount as outlined in MCA 2-7-503(3)(a).
4. The bill, as amended, requires an audit that is in addition to, or has a separate focus from, the audit for the fiscal year ended 2024 that is currently under contract with an independent audit firm.
5. The Department may contract for (as opposed to conduct) the completion of the financial audit for the fiscal year 2024 that is specified in the bill, as amended. There will be a procurement solicitation event to select the independent auditor.
6. The contract for the financial audit required by this bill, as amended, will be negotiated as a three-way contract as required by MCA 2-7-506(3) containing the signatures of the State, the County and the audit firm.
7. That DOA will be successful in contracting with an independent auditor to conduct this work for the price of \$25,000.

8. The \$25,000 appropriation will be used toward the cost of the final audit.
9. It is assumed the \$25,000 appropriation will be split evenly over the 2027 biennium.
10. Granite County would be responsible for any costs of the financial audit that exceed \$25,000.

Department of Revenue

1. HB 369 creates a new type of rural improvement district called a county road maintenance district.
2. This district may be formed if the county commissioners decide to no longer maintain a road previously maintained by a county and owned by an entity other than the county.
3. If the district is formed, the annual maintenance budget of the district must be subtracted from the revenue authority of the county road mill levy.
4. Department of Revenue would work with counties to establish the districts and identify properties subject to special assessment. This cost will be absorbed by the department.
5. The amendment to HB 369 adds a \$25,000 appropriation to the Department of Administration for an audit of Granite County for Fiscal Year 2024.

Fiscal Analysis Table

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Operating Expenses	\$12,500	\$12,500	\$0	\$0
TOTAL Expenditures	\$12,500	\$12,500	\$0	\$0
<u>Funding of Expenditures</u>				
General Fund (01)	\$12,500	\$12,500	\$0	\$0
TOTAL Funding of Expenditures	\$12,500	\$12,500	\$0	\$0
<u>Revenues</u>				
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	(\$12,500)	(\$12,500)	\$0	\$0

Technical Concerns**Department of Revenue**

1. The language inserted into 15-10-420, MCA causes a compounding reduction to the revenue authority of a county that contains a county road maintenance district since they must subtract the special district budget from their road fund prior year assessment each year. The language should reflect a one-time reduction event or specify the reduction under 15-10-420(11) counts as taxes assessed by the governmental unit.

NOT SIGNED BY SPONSOR

Sponsor's Initials

Date

Budget Director's Initials

4/8/2025

Date