

MINUTES OF MEETING
LOCAL GOVERNMENT COMMITTEE
MONTANA STATE SENATE

March 15, 1983

The meeting was called to order by Vice Chairman Donald Ochsner in the absence of Chairman McCallum who was presenting a bill before a House Committee. The meeting was called to order at 12:30 p.m. on March 15, 1983 in Room 405 of the State Capitol.

ROLL CALL: All members were present, with Sen. McCallum excused.

CONSIDERATION OF HOUSE BILL NO. 788: Rep. Helen O'Connell, District 34, sponsor of the bill, said this bill makes it statutorily right for the cities and towns to assess the fire districts for costs of fire hydrant districts and providing for the establishment of such. The city of Great Falls asked for this bill and it was endorsed by the House. Legislation is needed to authorize local governments to maintain fire hydrants. This would make them more equitable and statutorily right.

PROPOSERS: Bill Verwolf, representing the City of Helena, and also asked to speak for the Montana League of Cities and Towns and the City of Great Falls, supported the bill. The cities need to pay a fair share of the fire hydrant costs but the law is not clear on this.

There were no opponents.

DISCUSSION OF HOUSE BILL NO. 788: Sen. Marbut asked where the cities are operating with the fire protection agency on contract, how does this affect the character of the hydrants such as the specifications? Mr. Verwolf said he did not fully understand the question. Sen. Marbut stated his question again - where the cities are not doing their own fire protection, do you still want the fire hydrant district? Mr. Verwolf said the insurance premiums are based on the fact that the hydrants are available. The district would relate to the cost and maintenance of those districts.

Sen. Crippen asked if the provision for protest follows the provision for assessment. Mr. Verwolf said that this is Section 5 of this bill. If that is not clear enough, they would have no objection to having it say that the assessment would be on the amount the property is assessed for. Sen. Van Valkenburg asked if the property owners protest this why is it a 6 month prohibition rather than 1 year which it is in the bill changing the sprinkling districts to maintenance districts? Sen. Van Valkenburg also asked how those things are presently being paid for. Mr. Verwolf said in some cities they are paid out of the general fund. In Billings and Great Falls they have their own fire hydrant maintenance districts and they are not clearly authorized. This would provide for proper guidelines and proper protest procedures. The costs of the fire hydrants should be borne by the people that have the fire protection. This would not be a new ability, just clarifying it.

Mae Nan Ellingson, City of Missoula, said they have a 1 mill levy which is about \$90,000 per year. If this bill is passed they would be able to create a district and tax the people. This would allow them to specifically tax the right people.

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Sen. Crippen asked if there is a problem where they could be assessed more than they were before and not have any right to protest? Mr. Verwolf said if the district was already established and changed over there is a possibility they would get a higher charge than under the previous system.

In answer to Sen. Van Valkenburg's question about the percentage of protestors, Mae Nan Ellingson said that this bill is patterned after the general SID law which is 51% and 6 months. Sen. Marbut asked how they would pay for this when there are multiple water suppliers. Mrs. Ellingson said the same way that they do now. They would collect the general fund money and pay the bills.

In closing, Rep. O'Connell said that even though the charge is mandated by the PSC there is no statutory provision for it.

The hearing was closed on House Bill No. 788.

CONSIDERATION OF HOUSE BILL NO. 634: Rep. Duane Compton, District #5, said that this bill was introduced at the request of the county commissioners and the county attorneys up on the hi-line. He went through the bill explaining the deletions and additions to it. He said there is a lot of county land that was acquired by the counties in the 1930's because the people could not pay their taxes. The law states how the commissioners can lease, exchange or sell land. This bill deletes the words sell and exchange and just addresses leasing. Even if the land is appraised it is just a guess and he didn't feel the counties should be harnessed with an appraisal.

There were no proponents and no opponents.

DISCUSSION OF HOUSE BILL NO. 634: Sen. Marbut asked why the retro-active date on this bill? Rep. Compton didn't know for sure but felt it was done to protect some counties that have done this without statutory right.

CONSIDERATION OF HOUSE BILL NO. 720: Rep. Earl Lory, District #99, sponsor of the bill said it allows cities, counties, municipalities and school districts to either have a negotiated private sale of general obligation refunding bonds and municipal revenue refunding bonds or to put them out for bid. The private sale is most important to small towns and school districts because it would save them a great deal of money. General obligation bonds have not been allowed to be renegotiated. This allows them to resell the bonds at a lower rate. The profits of the second sale are put in escrow. When this bill was drawn up there was a case in Federal district court and the bill had to be rewritten. The House then amended it also.

PROPONENTS: Mae Nan Ellingson, City of Missoula and League of Cities and Towns said the purpose of this bill is to allow cities, counties and school districts to issue advance refunding bonds. During 1981 and 1982 there was some very major indebtedness by cities, towns and school districts. The city of Missoula has a half million dollar bond issue out at 11 3/4%. If they could advance that they could save the city about \$90,000.

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Mr. Verwolf, City of Helena, definitely supported the bill. In Helena, Lewis and Clark County issued a general obligation bond for about \$4 million. If they could lower the interest rate that would be a substantial savings on an amount of \$4 million.

DISCUSSION OF HOUSE BILL NO. 720: Sen. Marbut asked how this would work for the bond purchaser. Mrs. Ellingson said that the new money from the sale of the bond goes into escrow; then when those bonds are callable or redeemable, they pay them off. As soon as they can, they pay them off but there has to be a cash flow to pay off the bond.

The hearing was closed on HB 720.

CONSIDERATION OF HOUSE BILL NO. 830: Rep. Stella Jean Hansen, District #96, sponsor of the bill, said this would allow a local government to charge a fee for review of a minor subdivision above the \$30 that is now charged. Now an applicant pays \$30 and \$15 is returned to the local government. They are asking that the local government be allowed to add to that the cost of their review. In some areas it is a difficult review situation such as inaccessible area, ground formations, etc. In some cases the data has been falsified and local officials must investigate this at the expense of the county. The taxpayers are subsidizing this when they are not allowed to increase the fee.

PROPONENTS: Howard Schwartz, Executive Officer of Missoula County, appeared on behalf of the county commissioners and said that all that needs to be said has been said. The fees that are allowed by law to cover review, do not cover the cost of that review when it is a complex matter. When subdivision activity picks up people turn to developable parts of the county that are not easily accessible. In some cases the review can be very complex and costly. This would allow local health departments to charge an additional fee to cover the cost of those reviews.

OPPONENTS: Dennis Rehberg, representing the Montana Association of Realtors, said that this is the easiest bill he had to oppose. He talked about SB 140, which passed out of the committee and passed the Senate. It did not, however, pass the House. This was a cost and time saving measure that they thought was a good idea. There was also SB 406 which the Realtors supported. It was also killed in the House. Ex-senator Elmer Flynn appeared at the hearing in the House and said that 90% of the subdivisions are going unreviewed. If so, that means there are 21 people employed in Missoula reviewing the other 10% at a cost of \$500,000 a year in salaries. This bill says they can charge more than \$30. At least the Legislature has limited what the State can charge! These are the same people that opposed SB 140 and now are asking for a fee increase. He passed out a handout concerning fees. He also said that Mr. Thelen in Billings is already charging extra fees but didn't know what Missoula was doing.

John Hollow, representing the Montana Home Builders, opposed the bill in its present format. There is already HB 118 which increases the fees 66%. The lowest fee of \$45 is still an increase of \$15. If it is increased 60% even the highest estimate should be covered. He did not think there would be a great deal of activity in the next couple of

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years. He would like to see this put in with HJR 20 and the idea of a local fee be discussed with that Resolution. He felt there probably will be a fee increase and there probably is not going to be a great deal of activity.

There were no further opponents.

DISCUSSION OF HOUSE BILL NO. 830: Sen. Fuller asked if there was any discussion of a fiscal note on this bill? Rep. Hansen said she imagined that would be on each individual review, however, Mr. Schwartz said it would be a reduction in the cost to the Department and not an increase. The cost would be passed on to the people that benefited from the service. Mr. Rehberg felt that the people are responsible - the person buying the lot and the local government because this is not just a benefit to the person that is purchasing the lot.

Sen. Van Valkenburg asked what the status was of HB 118? Mr. Hollow said it was up for hearing in the Agriculture Committee on March 16th. Sen. Van Valkenburg said that Mr. Hollow felt this idea could be incorporated into HJR 20 but he didn't know how they could direct the health department in its rulemaking powers to give local government some authority to adjust the fees that they receive.

Mr. Hollow said he did not mean to say that they can raise the fees through HJR 20, but that they should address or study it. Sen. Story felt that the Agriculture Committee is a perfectly rational committee to hear this bill since it is agricultural land that is being subdivided, and as far as any subdividing that is going on in Missoula, this bill would certainly take care of those last few people that are trying to accomplish something. Sen. Story asked Mr. Schwartz if this was their total bill (\$500,000) for the Department of Health in Missoula. Mr. Schwartz said they have 21 paid city-county planning staff. About 3 or 4 work on these reviews. The staff has declined in the last couple years also. There were only 2 or 3 major subdivisions last year. Sen. Story asked how many are reviewing major subdivisions. Mr. Schwartz said the people are both health and planning staff; they don't just do subdivisions. He would guess maybe 1 fulltime. There are four fulltime equivalents reviewing the major subdivisions but there are also informal consultations beforehand.

Sen. Marbut asked Rep. Hansen who she thought should pay for this review. Rep. Hansen said that since this is a state mandated review the state assumes a portion of the fee. She assumed the state should assume the greater portion, along with the local government. Sen. Marbut felt all of the costs of the review should be borne by the person desiring the review. If it runs over the maximum the public picks up the extra cost but the person desiring the review should pick this up.

The hearing was closed on House Bill No. 830.

CONSIDERATION OF HOUSE BILL NO. 872: Rep. Walter Sales, District #79, said this gives an alternative method of financing RIDs and SIDs for cities, towns and counties. It doesn't interfere with the present manner. It also sets up a district and issues bonds that are not secured by the revolving fund. The general taxpayers are not liable

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for any default. The whole obligation would remain with the property in the district itself.

PROPOSERS: Bill Verwolf, city of Helena, said this would provide cities that don't wish to have their general taxing authority back the bonds, to assist developers. They would not be backed by the taxing authority of the city. Some cities don't want their taxing authority tied to the bonds.

DISCUSSION OF HOUSE BILL NO. 872: Sen. Marbut asked what the difference would be in the interest rate? Mae Nan Ellingson said there was no way of knowing if they can even be sold, much less what the interest would be. She suspected it would be 2-3% higher than if there was a revolving fund.

Sen. Van Valkenburg wondered what the practical effect is of having this on the books. He felt there was a problem of confusion between the two types of bonds and the possibility for the local government that likes one type of developer to say yes to one and no to another. He sees a potential for bad feelings being generated. Mr. Verwolf said that Bozeman is in no position to issue any SID bonds at the present time. This would provide a method by which a developer could develop his tract. It would be an option the municipalities would have.

Rep. Sales said that any developer that comes into Bozeman now gets an automatic "no" because they have been burned so badly in the past.

Mr. Verwolf said you could use this to put water and sewers in; PUDs would be another way. Sen. Marbut asked if they really thought these would maintain their tax exempt status. Mae Nan Ellingson said there was no problem of maintaining their tax exempt status.

In closing, Rep. Sales said that Montana is the only state that runs the way we do now with 100% backing. This is not an unusual type of bond but it would probably be a little higher interest rate.

The hearing was closed on House Bill No. 872.

Vice Chairman Ochsner relinquished the Chair to Chairman McCallum who returned to the hearing.

CONSIDERATION OF HOUSE BILL NO. 733: Rep. Esther Bengtson, District 59, co-sponsor of the bill with Sen. Tom Towe, said that this is not a new concept. These were introduced last year as separate bills. The Committee on Economic Development put all three of the bills from last session into one bill. The bill has been very well drafted and the University Law School worked very hard on this bill. There is, however, a section that is duplicated and Sen. Towe will explain this to the committee. The limit had been set at \$150,000 for each bond issue but the committee in the House amended that to \$500,000. Also, on line 12, page 5, they raised the total amount from \$10 to \$25 million. She also said there were several people present that wanted to speak on this. In this bill, umbrella bonding, the interest rates can be lower.

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PROPONENTS: Don Judge, representing the Montana State AFL-CIO read his written testimony, a copy of which is attached to these minutes. They believe that investing Montana money in the Montana economy helps the state, the local government units and all taxpayers.

Sen. Tom Towe, District #34, said this was an outgrowth of the Economic Development Finance Committee. If something can be done to reduce the interest rates to municipalities it will most likely generate projects that will put people to work. D.A. Davidson did not object to this for small bonds but for the large bonds they did object to anything over \$150,000 because they felt there was a market for the larger bonds. Sen. Towe said that the House action did deviate from that understanding by amending the ceiling from \$150,000 to \$500,000. He believed it would be within the original understanding to reduce that back to \$150,000 and said he would rather work with D.A. Davidson than against them.

Sen. Towe went through the bill and explained each section. Page 5, lines 5-8 is what he was referring to as being amended in the House. On line 9-12, page 5, the amount has been changed from \$10 to \$25 million but he had no problem with that change. The "Board" is defined as the Board of Investments. If HB 100 passes, this becomes the Board of Economic Development. Under this bill they should be able to get a better rate of interest by selling larger issues. On page 14, section 20 it states that the interest income from these bonds is free from taxation. Concerning section 21, this is a very important section concerning the reserve fund.

He explained subsection (4) on page 16 and said that this is not mandatory. This does not create a debt or liability of the state. Sen. Towe said section 34 should be deleted from the bill as it is a duplication. The committee should strike page 25, line 11-25, page 26 and lines 1-5 on page 27. With this section in the bill it would set up two reserve funds and you don't need two reserve funds, therefore, this section should come out. He felt it is a good bill, very needed, helps municipalities get lower interest for their bonds and will generate projects for work.

Wayne Buchanan, Montana State Bankers' Association, said that the concept has been around for a long time and is particularly good for small districts and other districts that have small bonds.

Robert Mullendore, University of Montana, Associate Professor of Law, introduced two of his students that worked on the drafting of this bill with him and put in a lot of time and research; Penny Leatzow and Cindy Reimers. He said this would enable the borrowing to occur in bigger chunks. The Board borrows the money using the name of the state but not the obligation of the state. The interest savings can be passed on through the money that is earmarked. They thought this was a bill that would not garner any opposition at all. The only opposition has been from D.A. Davidson. They wanted to create a ceiling on the amount that any one borrower could borrow at any one time. This was \$150,000. This is a compromise and the amount of the ceiling should be carefully considered.

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Miss Reimers said that this has been implemented in five states and Puerto Rico.

Jesse W. Long, School Administrators of Montana, said that it would appear that the decreased interest costs would be in the best interest of the taxpayers and the school districts and it would make it easier to sell bonds on those smaller projects. He asked for the committee's concurrence in this measure.

Bill Verwolf, representing Municipal Clerks, Treasurers and Finance Officers, said they are not severely hampered by the small bond issues. When you go over the \$150,000 the bond brokers normally get the bonds and the costs equal out to the amount you would get from a private buyer. This bill provides for small communities and small school districts and felt that \$150,000 is a reasonable break point.

OPPONENTS: Bruce McKenzie, Vice President and Counsel for D.A. Davidson, handed out his written testimony. (Copy attached to the minutes). He said that the reason for the \$150,000 is that they did not feel there would be any significant savings or benefits by dealing with the municipal bond bank on issues of any greater size. He said they pay taxes in the state and their employees do also and do not feel that this should be used to subsidize a bond bank which competes with private business. He said that D.A. Davidson is not a very big company and when it is above \$5 million they cannot underwrite that amount. They do not feel that this is responsible legislation. Above that \$150,000 they did not feel you would be getting your dollars worth. They did not think tax dollars should be used to intrude into the private sector when they have shown they can do it.

DISCUSSION OF HOUSE BILL NO. 733: Sen. Conover referred to line 7 on page 5. Where this is needed for the smaller ones, how can they afford the expense of going through the whole bonding process? Sen. Towe said the Board would issue a bond anticipation note; when there is a bond issue, they would sell the whole works and they would get the loan at lower rates.

Sen. Fuller asked what was the average number of issues under \$150,000. Mr. McKenzie said about five below that figure but above there is a significant number. Sen. Towe said that one reason there aren't many small issues is that they know they are going to take a beating. Mr. McKenzie said that you pay a higher interest for those smaller issues

Sen. Crippen said that two years ago they had a similar bill in the Taxation Committee and he said that when taking an average it doesn't show some of the factors that affect it. Mr. McKenzie said there are different economic situations in each state but he felt the interest rate on the table was a favorable rate.

Cindy Reimers said that the large interest saving is to very small issues. Sen. Crippen asked what the average size was of a small issue and remarked that \$150,000 doesn't provide a whole heck of a lot. The ones that want \$250-\$300,000 bond are in the same position. He also said he understood the problems of D.A. Davidson.

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Mr. Mullendore said that Vermont and Maine seem to be the two states that have had the greatest success. The average mean was \$1 million, the medium was 1/2 million.

Sen. Thomas asked who is responsible in the case of default. Sen. Towe said the state does not issue bonds, the Board does and there is a provision for a reserve fund. This does not create a debt against the state.

Sen. Towe said that D.A. Davidson would support it under the \$150,000. Mr. Mullendore said in the first draft they did have a ceiling on the size of the bond issue that the Board could sell.

Sen. Thomas said that the Board is going to issue the notes payable. If they issue the note, then they are going to assume liability. In this fund - the reserve fund - are you going to take a percentage of each bond sale and put it back into the reserve fund? Sen. Towe said that the notes are on a temporary basis. After they get enough issues accumulated, the notes are cashed in and paid off. The municipality is also going to sign a note to the Board. That is where the Board can get the money it needs. Sen. Towe explained how three hypothetical cities with small issues make their application. While they are waiting for that bond issue to be sold, the Board can go ahead and issue a note, payable in 6 months, so they can get going on the project. Sen. Thomas said "if these bonds are sold". Sen. Towe said they can be sold but maybe not at the interest rate they anticipated so they would have to go back to the municipality and make arrangements for a higher rate.

Sen. Marbut brought up HB 720 which gives authorization for districts to renegotiate bonds. How would these municipalities take advantage of this? Sen. Towe said the state would do it, in fact, the Board would probably do it even sooner than the cities. Sen. Marbut asked about the exceptions on page 14, line 16 and Sen. Towe said that is standard bond language.

Sen. Marbut also referred to Section 28 concerning default. Sen. Towe said this is not the state, this is the Board, which are two different things. There is no coal tax money or retirement monies involved as was suggested. They cannot commit any funds of the state of any kind except those it has itself.

Sen. Ochsner asked if this took effect today, approximately what interest would be charged on about \$4 million? Mr. McKenzie said he guessed in the area of 9 1/2-10%.

Sen. Towe, in referring to page 16, line 7, (4), said that if the committee didn't like this they could take it out. It is not mandatory.

In closing, Rep. Bengtson said with the limitation of \$150,000 she was not sure they would be pooling them. She has mixed emotions about the whole bill and was not sure the committee would be able to accept the limitation.

MEETING ADJOURNED 3:00 p.m.



Because you want your money to do more.

MARCH 14, 1983

M E M O

TO: SENATE LOCAL GOVERNMENT COMMITTEE
CHAIRMAN GEORGE McCALLUM

FROM: BRUCE A. MACKENZIE

RE: HOUSE BILL 733

D. A. Davidson & Co. originally supported provisions of House Bill 733 prior to the amendment which increased the size of municipal issues which could be purchased by the fund to \$500,000. The company has opposed this type of legislation in previous sessions. This opposition has been based primarily upon the fact that previous bills provided no limitation upon the size of issues which could be purchase by the bond bank. As such, D. A. Davidson & Co. viewed such pooling concepts as an unwarranted intrusion of state government into the private sector without any concomitant cost savings or benefits to the public.

House Bill 733 was drafted after careful consideration in a sub-committee that evolved from the Initiative 95 process. The initial limit established by House Bill 733 before amendment was \$150,000. This limitation was established as a result of significant research conducted by the company and others that showed that there would be no significant savings or benefits to the municipal governments by dealing with the municipal bond bank on issues of any greater size. D. A. Davidson & Co. does not feel that the tax dollars paid into the state, as well as the tax dollars its employees pay into the state, should be used to subsidize a municipal bond bank which directly competes in its private business without a convincing showing that there will be significant cost savings to the public. There has never been nor can there be, in our opinion, convincing proof that the municipal bond bank can provide those type of savings at the expense of government intrusion into the private market.

I would draw your attention to Table 7 which is a compilation of municipal issues for the year 1982. During that year Montana had an effective annual net interest cost to municipal governments of 10.64% which compares favorably to the average net interest cost for all 50 states of 10.99%. We have also marked those states which now presently employ bond banks and in all cases Montana municipal issues were below the interest charges in states employing bond banks.

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& Co.

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Members:
Midwest Stock
Exchange Inc.
Pacific Stock
Exchange Inc.
Securities Investor
Protection Corp.

House Bill 733 was created primarily to provide an additional market place for small municipal issues. The cost of marketing these issues and the fact that the private sector operates on a profit basis cause such small issues to bear a higher interest rate comparatively than larger issues of the same type. It was D. A. Davidson & Co.'s position that if the cost savings could be effected to those municipalities through the use of the municipal bond bank, we would withdraw our objections to the bill. It was shown that on issues of a size of \$150,000 or less the bond bank could be cost effective. Above that amount we feel this legislation is an unwarranted intrusion into the private sector which is providing Montanans with competitive and low interest financing. We request that House Bill 733 as amended receive a do not pass recommendation.

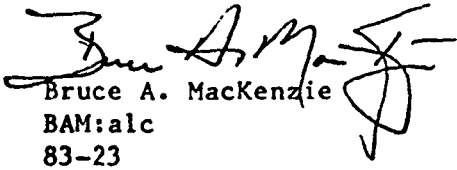

Bruce A. MacKenzie
BAM:alc
83-23

TABLE 7 - VOLUME BY STATE - JAN THRU DEC 1982

*** STATE ***	ALL ISSUES		
	SALES	AMOUNT	ANIC
50 States	6,031	75,020,386	10.99
Alabama.....	82	1,134,163	11.07
Alaska.....	41	1,304,264	11.05 *
Arizona.....	107	1,764,623	10.76
Arkansas.....	41	567,373	11.34
California.....	315	6,378,048	10.99
Colorado.....	174	2,067,978	9.91
Connecticut.....	89	1,141,406	10.12
Delaware.....	22	405,684	11.69
Florida.....	190	3,999,478	11.62
Georgia.....	75	1,602,208	11.03
Hawaii.....	15	408,124	10.75
Idaho.....	15	69,646	11.54
Illinois.....	303	3,253,919	10.33
Indiana.....	126	1,108,213	11.39
Iowa.....	253	416,870	10.94
Kansas.....	89	551,244	9.91
Kentucky.....	127	1,230,688	11.09
Louisiana.....	124	2,382,499	11.19
Maine.....	37	349,216	11.13 *
Maryland.....	69	1,501,431	10.17
Massachusetts.....	124	2,308,458	10.38
Michigan.....	255	1,925,700	10.99
Minnesota.....	312	1,543,110	10.78
Mississippi.....	40	690,361	11.75
Missouri.....	88	734,003	11.78
Montana.....	29	254,529	10.64
Nebraska.....	90	606,529	12.35
Nevada.....	23	646,502	10.41
New Hampshire.....	24	267,700	10.28 *
New Jersey.....	270	2,437,153	10.44
New Mexico.....	65	868,201	9.19
New York.....	258	5,297,696	10.85
N. Carolina.....	69	1,953,225	10.13
N. Dakota.....	75	240,788	11.99 *
Ohio.....	279	2,405,590	11.94
Oklahoma.....	95	913,637	12.12
Oregon.....	97	916,289	9.62
Pennsylvania.....	199	2,472,170	11.92
Rhode Island.....	20	194,359	10.27
S. Carolina.....	95	1,658,676	10.44
S. Dakota.....	28	155,620	9.63
Tennessee.....	121	1,155,007	9.55
Texas.....	589	6,595,326	10.95
Utah.....	60	717,297	10.66
Vermont.....	27	215,256	11.18 *
Virginia.....	82	1,730,560	9.91
Washington.....	105	2,872,741	12.91
W. Virginia.....	36	243,385	10.15
Wisconsin.....	150	1,021,937	10.07
Wyoming.....	32	341,506	8.83

- Amounts in thousands.
 - ANIC - average net interest cost weighted by
 average maturity (life) and size of issue.



Box 1176, Helena, Montana

JAMES W. MURRY
EXECUTIVE SECRETARY

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TESTIMONY OF DON JUDGE ON HOUSE BILL 733, HEARINGS OF THE SENATE LOCAL GOVERNMENT
COMMITTEE, MARCH 15, 1983

I am Don Judge, representing the Montana State AFL-CIO.

We support House Bill 733. For several years, the Montana State AFL-CIO has been on record as supporting the investment of Montana money in Montana. We have called for use of the coal tax trust fund to purchase the bonds put out by local government units, for the purpose of encouraging construction and jobs.

This bill concerns not just the coal tax trust fund, but all funds administered by the Board of Investments.

The concept is a sound one. It provides that the state may purchase local government bonds. Those bonds, being tax-exempt, often bear lower rates of interest than are available elsewhere. When the state purchases such bonds, the immediate rate of return is usually lower than may be available from other sources. But the purchase of the bonds stimulates economic activity and jobs. That in turn leads to increased taxes from individual income and often corporate license taxes, property taxes and other forms of taxation.

We believe that the state can make more money in the long run by such investments of Montana money in the Montana economy. That helps the state, the local government units involved, and all taxpayers.

We support the concept behind House Bill 733. Thank you.

NAME Don Judge BILL NO. HR 723
ADDRESS 601 Peosta Helena DATE 3/15/82
WHOM DO YOU REPRESENT MT STATE AFL-CIO
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Prepared statement left with
Committee secretary

Fees! Fees! Fees!

Local Government Increases Fees To Raise Additional Revenue!

We Think The Consumer Should Know!

Below is a list of fee increases that local government has imposed in the last 2 years upon the consumer buying a new home in the Billings area.

	Increase
Building Permit Fee	55%
Plumbing Permit Fee	36%
Heating Permit Fee	-0-
Electrical Permit Fee	-0-
Sewer Permit Fee	23.3%
Street Permit Fee	50%
Water Permit Fee	100%
Right-of-way Permit Fee	100%
Sidewalk Permit Fee	361%
Driveway Approach Permit Fee	100%
Plat Fee	600%
Subdivision Fee	1,000%
State Dept. Health Fee	1,000%

Other Fees	City Increase	County Increase
Zone Change	100%	180%
Special Review	167%	100%
Variance	100%	67%
P.U.D.	100%	180%
Preliminary Plat		200%
Minor Plat		200%

On an average home in the Billings area these permits and fees could now cost you between \$750 and \$1200. We feel that this is excessive.

Make Your Concern Known To Your Local Council Person.

TABLE 14

SPECIAL FEES AND CHARGES

ITEM	OLD	EXISTING EFF
	<u>EXISTING</u> (\$)	<u>PROPOSED</u> (\$)
(1) Application for enlargement of the sanitary sewer design area of the city.....	35.00	39.00
(2) Application for extension of the sanitary sewer system of the city.....	50.00	56.00
(3) Application for introduction of sanitary sewage service to a previously unserved tract or parcel of land which does not require an extension of the sewer system.....	15.00	17.00
(4) Application for sanitary sewer service line installation permits:		
(a) Domestic users permit.....	20.00	22.00
(b) Major and significant industrial users permit.....	500.00	560.00
(c) Minor industrial users permit....	50.00	56.00
(5) Special Agreements.....	75.00	84.00
(6) Lateral Sewer Construction Fee (\$/sq. ft.).....	0.0800	0.0900
(7) Trunk Sewer Construction Fee (\$/sq. ft.).....	0.0225	0.0260
(8) Septage Disposal Permit Fee		
(a) First 2,000 gallons or any portion thereof.....	10.00	12.00
(b) Each additional 1,000 gallons or any portion thereof.....	5.00	6.00

EXISTING EFF
*
~~PROPOSED~~
11-1-82

~~EXISTING~~
4.00



*NOTE: Reflects proposed 12% increase.

(9) water Hookup fee (like (4)) = 5.00 / Front Foot.
~~Service Fee~~ DDD
~~0.30 is for permits on~~
~~then con study~~

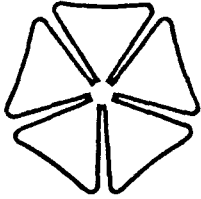
Effective: January 1, 1983

P R I C E L I S T

County:	Zone Change	\$280.00
	Special Exception	150.00 Residential 280.00 Other
	Variance	150.00 Residential 190.00 Other
	Planned Development	280.00
	Preliminary Plat	375.00 or <u>9.50 per lot</u> whichever is greater
	Final Major Plat	260.00 or <u>8.50 per lot</u> whichever is greater
	Minor Plat	150.00
	Extension of Preliminary Plat Approval	50.00
City:	Zone Change	200.00
	Special Review	200.00
	Variance	150.00
	Planned Development	200.00
	Preliminary Plat	675.00 or <u>16.90 per lot</u> whichever is greater
	Final Major Plat	260.00 or <u>8.50 per lot</u> whichever is greater
	Minor Plat	250.00
	Extensions of Preliminary Plat Approval	50.00

OVER

3/15/83



THE GARDEN CITY
HUB OF FIVE VALLEYS

Missoula, Montana 59802

March 14, 1983

OFFICE OF CITY ATTORNEY
201 West Spruce Street
Phone 721-4700

83-185

Chairman George McCallum
Members of Senate Local Government Committee
State Capitol
Helena, Montana 59620

Re: House Bill No. 720

Dear Chairman McCallum and Members of Senate
Local Government Committee:

The purpose of HB 720 is to expressly authorize cities, counties, and school districts to issue advance refunding bonds to refund outstanding general obligation bonds. At the present time there are no statutes authorizing the refunding of general obligation bonds in advance of the maturity date or redemption date of the outstanding bond.

Consequently, governing bodies are not able to refund the outstanding, high interest rate bonds issued in the recent past, until time of redemption, which may be several years from now. At that time interest rates may have climbed to high levels and refunding would not be advantageous. Therefore, it seems prudent to permit the advance refunding of general obligation bonds in a manner comparable to that authorized for the advance refunding of municipal revenue bonds as provided in Title 7, Chapter 7, Parts 45 and 46.

Those sections of current law allow refunding bonds to be sold at a private, negotiated sale, as would this Bill if enacted. That is a critical element of this legislation. The ability to issue a refunding bond is dependent on being able to find an advantageous market rate and move quickly. If an issuer has to follow the current law and advertise four (4) weeks for public sale of a refunding bond, the favorable interest rate may have dissipated and the bond issue no longer feasible.

In summary, the Bill provides for the following:

- (a) It expressly authorizes the issuance of refunding bonds in advance of the maturity or redemption of the outstanding bonds.
- (b) It requires that the proceeds of the refunding bonds, less any accrued interest and premium,

be deposited in escrow for the payment of the refunded bonds.

- (c) It provides that the escrow account shall be invested in general obligations of the United States or obligations guaranteed by the United States, which mature and bear interest and are payable at the times and in the amounts to insure that the stream of income from the escrow fund will be sufficient to pay the principal of and interest on the refunded bonds as the same become due. This arrangement will insure that the escrow account will provide fully for the payment of the refunded bonds thereby effectively discharging the political subdivision's obligation with respect thereto.
- (d) It provides that any funds to the credit of the sinking fund account for the refunded bonds which are not required to pay principal and interest on refunded bonds due prior to the refunding can be appropriated to the escrow account. It is quite likely that the sinking fund account will have some surplus money in it at the time of refunding. This surplus arises from (i) investment income received by the political subdivision upon investment of the sinking fund account and (ii) the receipt of tax payments prior to the payment of principal and interest on the outstanding bonds to which the tax payments are appropriated. It is desirable to be able to take this "surplus" money and appropriate it to the escrow account in order to improve the ability of a political subdivision to issue refunding bonds given the constraints and limitations imposed by the provisions of the Internal Revenue Code.
- (e) It authorizes the political subdivision to pay reasonable costs and expenses of printing the refunding bonds and establishing and maintaining the escrow account. This, I believe, is consistent with present law. It does not authorize the subdivision to issue the refunding bonds at a discount or to pay other expenses, such as legal and accounting expenses associated with the refunding.
- (f) It provides that the refunded bonds will not constitute debt. This is consistent with other provisions of Montana law and the great body of judicial decisions with respect to refunded bonds. Since there have been deposited in escrow sufficient

Chairman George McCallum
Members of Senate Local Government Committee
Page 3
March 14, 1983

funds to pay the principal of and interest on the refunded bonds as due, the bonds should be regarded as having been discharged for purposes of applicable debt limitations.

The availability of advance refunding authority in Montana is particularly significant to a significant number of school districts which issued bonds in the high interest rate period. In the City of Missoula, we could save our taxpayers \$90,000.00 on a 11.75% bond issue if we could go to the market now and issue an advance refunding bond.

Your favorable consideration of this Bill would be appreciated.

Very truly yours,



Mae Nan Ellingson
Deputy City Attorney

MNE/jd

Attachment: Exhibit to Mae Nan Ellingson's testimony.

P.S. An immediate effective date on this Bill would also enable us to take advantage of the current favorable rates.

Exhibit to Mae Nan Ellingson's Testimony

Random selection of larger bond
issues issued in Montana

			%
May 19, 1981	Culbertson School District	\$2,303,000.00	10.75
June 2, 1981	Helena School District	\$2,966,000.00	9.78
June 9, 1981	Glendive School District	\$1,595,000.00	10.3
January 12, 1982	Havre School District	\$6,300,000.00	12.13
June 30, 1982	Colstrip School District	\$9,706,000.00	11.75
April 20, 1982	Butte School District	\$1,191,000.00	11.89
May 20, 1982	Laurel School District	\$1,200,000.00	10.77
August 17, 1982	Lewis & Clark County Jail	\$4,193,000.00	10.01

Assuming a 1% saving on these issues alone, and assuming a 20-year bond issue, this Bill could save the taxpayers in these jurisdictions \$3,000,000.00.

NAME Howard Schwartz BILL NO. HR 830
ADDRESS Missoula ~~County~~ DATE 3/15/83
WHOM DO YOU REPRESENT Missoula County
SUPPORT OPPOSE AMEND

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Attached

Local Government Committee

Members of the Committee:

Missoula County strongly supports HB830 and requests your favorable consideration.

Under the current Sanitation Act, certain sanitation review authority may be delegated to a local health department. But the local department is only partially reimbursed for the costs of that review. In our experience, this partial reimbursement has been inadequate.

In every instance, review at the local level involves field inspection of the proposed divisions of land as well as examination of the soil and water well data supplied by the applicant and that which is already on file for the surrounding area.

Costs for local review vary for various reasons. The soil and water conditions may be quite variable depending upon the complexity of physical site factors such as slope, soil characteristics, bedrock, water seeps, and groundwater. In some cases, a more thorough analysis is needed. While the developer or subdivider can be required to generate additional data, the local officials must also spend additional time analyzing that data.

Also in some cases, data has been falsified and the local officials must investigate the veracity of the data at local expense.

Under the current system, local taxpayers and applicants with nonproblematic land which can readily accomodate the type of sewage and water system proposed are really subsidizing those applicants who attempt to rely on inadequate or falsified data and who attempt to obtain sanitary approval for marginally developable land.

If the fee for review is commensurate with the cost incurred at the local level the burden can be shifted to the user of the service. This shift will also encourage applicants to present sufficiently developed data and to do their own cost-benefit analysis before seeking review.

For these reasons, we urge your favorable recommendation.

H. Schwartz