

MINUTES

MONTANA HOUSE OF REPRESENTATIVES  
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON LOCAL GOVERNMENT

Call to Order: By Chairman Darko, on February 16, 1989, at 3:40 p.m.

ROLL CALL

Members Present: All except:

Members Excused: Rep. Rehberg

Members Absent: None

Staff Present: Lee Heiman, Legislative Council

Announcements/Discussion: None

HEARING ON HOUSE BILL 698

Presentation and Opening Statement by Sponsor:

Rep. Bud Campbell, District 48, stated that the junk vehicle fee was passed in 1973. According to that legislation the county is prevented from selling junk cars or any parts from those cars for anything but crushing. The salary of the Solid Waste Bureau Chief is funded entirely from these funds and previously there were other salaries and expenditures being paid by this fund that have nothing to do with junk vehicles. The cost of administering the program varies from county to county because of the disparity in collecting the cars for crushing. This bill would eliminate the need for an increase in the junk vehicle fee and would also enable counties to sell parts or entire cars to licensed facilities.

Testifying Proponents and Who They Represent:

Will Selser, Lewis & Clark County Health Department  
Rep. Ed Grady, District 47  
Linda Stoll Anderson, Lewis & Clark County Commissioner  
Henry Lohr, self

Proponent Testimony:

Will Selser stood in support of this bill. The ongoing use of funds from this program to fund portions of the State Health Department. There is presently a bill proposing that the

fee for junk vehicles be increased to keep the fund from going bankrupt. Exhibit 1

Rep. Ed Grady stood in support of this bill. The raise in junk vehicle fees may not be necessary if the counties are allowed to sell parts or entire cars and receive additional funds. Money from the fund is being diverted to other things and not for the original purpose.

Linda Stoll Anderson stated that one of the first issues she was confronted with was junk vehicles in the county lot. She soon learned that the cars must be crushed because of state regulations and this bill allows counties to recycle junk vehicles.

Henry Lohr showed pictures of cars that were in the county lot waiting to be crushed. The parts cannot be sold but must be crushed even if there is a buyer for the parts or the car. There is hardly a car that some part of it cannot be salvaged.

#### Testifying Opponents and Who They Represent:

Duane Robertson, Chief, Solid and Hazardous Waste Bureau,  
Department of Health and Environmental Sciences  
Chris Kaufmann, Montana Environmental Information Center  
Hank Wruck, Administrator, Gallatin County  
William M. King, Carbon County Health Department  
Don McClain, Pondera County Commissioner

#### Opponent Testimony:

Duane Robertson stood in opposition to this bill. Exhibit 2

Chris Kaufmann supported the program the way it stands. It has been a very effective and model program for the entire country. There has been some misuse of funds but there are changes being made to protect the fund in the future. If this bill passes the program will suffer in small counties and will not be as effective statewide. Selling parts from these cars should be a viable option but the program should not be changed dramatically to accommodate this.

Hank Wruck said that beauty should be the first priority and not the cost. From the pictures that he has seen one car of 100 in the county lot might fit the criteria for parts. The county does not want to be put in the position of a used car salesman.

Don Taylor stated that Carbon County has been trying to clean up their county and get rid of eyesores such as junk vehicles and they feel that they are well on their way to this end. They do not have enough money to carry

out that program on their own and need the state's support to maintain the program. Classic cars do not come to the junk yard because people generally know the value of such vehicles.

Don McClain stated that he remembers well the junk vehicle program getting on its feet. Pondera County was allocated \$5900 and turned back \$1300. The program is working well now and they are not interested in having it return to the pre-program days.

Questions From Committee Members: Rep. Good Asked Rep. Campbell if she would have an opportunity as a private citizen to purchase a vehicle or its parts from the county under this bill. Rep. Campbell stated that she would have to get a licensed facility to buy for her. Rep. Campbell explained that it is only optional for the county to sell parts - they are not mandated to do so.

Rep. Good asked Mr. Robertson how many FTE's are presently assigned to the program. Mr. Robertson stated that there is 4.59 FTE's and their duties include the budgeting and technical assistance to counties and citizens, inspect facilities and force compliance. The accountant visits the counties and pulls claims and makes sure funds are spent on junk vehicle programs. Rep. Good asked why the program cost so much in Great Falls. Mr. Robertson stated that it was possibly because of the size of the county and the distance that the cars are from the county lot.

Rep. Wallin asked Mr. Robertson about the ability of the county to continue the program. Mr. Robertson stated that HB 111 will raise the fees from \$0.50 to \$0.85 so they will be getting more funds. With this bill the county will still dispose of the cars but the wrecking facilities will only be interested in a small portion of those and the county will not be forced to dispose of the cars on a timely basis.

Rep. Wallin asked Mr. Lohr what would be done with the stripped vehicle. Mr. Lohr said that he has them crushed and they are sent to the steel mill. Mr. Lohr felt that most wrecking yards would keep their yards clean. Some are even buying their own crushers.

Rep. Wyatt asked Mr. Robertson what percentage of the fee is retained by the county or by the state. Mr. Robertson said that there is about \$750,000 collected by the junk vehicle fee per year. Of that the State is keeping and using about \$177,000 per year for administrative purposes and the rest goes back to the county. If the county does not use the entire allocation then it reverts back to the junk vehicle account.

- Rep. Hansen asked Mr. Robertson about the question of selling of parts. Mr. Robertson said that when the fund was started the State did not want to be in competition with private enterprise and not sell parts. It is in the code presently that parts cannot be sold.
- Rep. Darko asked Mr. Robertson if he knew of any attempts to alter that rule in the past. Mr. Robertson was not aware of any attempts. They have not been able to figure out a way to recycle the vehicles and still be in compliance with the law.
- Rep. Darko asked how this bill would help or hurt most counties. Mr. Robertson stated that with this bill the county would operate with the money that they collect so many counties would only receive \$600 per year and would be extremely hurt by this bill.

Closing by Sponsor: Rep. Campbell stated that most counties would receive up to 30% more in administrative savings. He does not object to amendments but felt the bill would be successful depending on how aggressive the county chose to be in picking up junk vehicles.

#### HEARING ON HOUSE BILL 649

#### Presentation and Opening Statement by Sponsor:

Rep. Francis Koehnke, District 32, stated that this bill would simply increase the amount of claims that can be brought before Small Claims Court from \$1500 to \$2500.

#### Testifying Proponents and Who They Represent:

Charles Brooks, Montana Retail Association  
Ray Brandwein, Montana Independent Bankers  
Bill Leary, Montana Bankers Association  
Kyle Peck, Valley Bank, Helena

#### Proponent Testimony:

Charles Brooks stated that the small retailer carries open 30 day accounts and sometimes these accounts get long overdue. Increasing the amount that can be brought before the Small Claims Court would save these retailers lawyer fees and other expenses relating to collecting these accounts in other ways. Buck Boles of the Montana Chamber of Commerce also asked Mr. Brooks to convey to the committee his support of this bill.

Ray Brandewie stood in support of this bill.

Bill Leary stated that this bill would benefit small banks. It is an efficient way of collecting on small accounts without much expense.

Kyle Peck stated that he supports this bill because many of their delinquent accounts are collectable and people tend to pay immediately when faced with the prospect of going to Small Claims Court.

Testifying Opponents and Who They Represent: None

Opponent Testimony: None

Bernard McCarthy, Justice of the Peace, Lewis & Clark County, stated that he neither supports nor opposes this bill. Initially, they opposed the bill but then realized that the bill would not accomplish anything because the bill is directed to small claims courts established by District Courts and to his knowledge there are no such courts in Montana. If this bill were amended to affect small claims courts in justice courts then he opposes the bill because jurisdiction for civil matters in justice court now rest at \$3500. To amend to \$2500 raises some concerns about the split (\$1000).

Questions From Committee Members: Rep. Hoffman asked Rep. Koehnke if the bill as written would accomplish his purpose. Rep. Koehnke responded that it did not accomplish his purpose.

Rep. Good asked Lee to explain. Lee said he thinks Mr. McCarthy is right and that the bill is aimed at the wrong place.

Rep. Brooke asked Mr. McCarthy if the bill was changed addressing it to the small claims court of the justice court, why did he oppose it. Mr. McCarthy stated that most district courts will not take claims under \$3500. In district court people they are entitled to other expenses. There are two divisions of justice court - one handles claims up to \$1500 and the other division handles from \$1501 to \$3500. The small claims procedure is designed to benefit the small person (the individual) the ability to go to court and be heard. In Montana it is not the individual that is benefitting, but businessmen who can afford to collect in other manners. Raising the jurisdiction will encourage more banks, more corporations to file in small claims. Expanding the jurisdiction to \$3500 draws the court further away from its original intent.

Closing by Sponsor: Rep. Koehnke stated that he did not realize that the wrong court was cited in the bill but he still believes that \$2500 is not too much to be able to take to small claims court.

#### DISPOSITION OF HOUSE BILL 649

Motion: Rep. Rehberg moved HB 649 DO PASS. Rep. Wyatt seconded.

Discussion: Rep. McDonough presented amendments to the bill that would amend it to the intent of the bill. It was not Rep. Koehnke's fault that the bill was improperly drafted.

Rep. Hoffman asked why there were no small claims courts in district court. Lee explained that technically there is a small claims division of district court and there is also the small claims court of justice court. There are no small claims courts in the district court system.

Rep. Stickney asked for clarification of the objection on the amount. Lee explained that justice court has a civil jurisdiction of \$3500. If a person is suing for \$3500 or less then it must be filed in justice court but there is attorneys involved. Presently, any cases under \$1500 do not require an attorney and this bill would raise this limit to \$2500 which leaves \$1000 difference. Attorneys would not be required under \$2500 and anything over \$3500 would be in district court.

Rep. McDonough rose in opposition because organizations that are favoring the raising of the amount have lawyers on retainers that actually draw up the documents but just don't present them. The person who cannot afford a lawyer to respond to these documents is at a distinct disadvantage and by raising the limits the stakes are being raised for them.

Rep. Dave Brown concurred with Rep. McDonough's position. The point is for a citizen to be able to fight his own case. The banks, landlords and others are using it as a collection agency.

Rep. Wallin agreed but felt it was a two way street and it is saving customers in the long run from paying higher fees.

Rep. Good stated that the larger court system is so clogged that by raising the limit it might alleviate some of that by putting more claims in justice court.

Rep. Gould stated that this raise is reasonable.

Amendments, Discussion, and Votes: Rep. McDonough moved to amend according to Rep. Koehnke's intentions. Rep. Wyatt seconded. The amendments CARRIED unanimously.

Recommendation and Vote: Rep. Brooke moved to TABLE HB 649. Rep. Wyatt seconded. A roll call vote was taken and the motion FAILED. Rep. Good moved DO PASS AS AMENDED. Rep. Wyatt seconded. The motion CARRIED on a roll call vote.

## HEARING ON HOUSE BILL 704

Presentation and Opening Statement by Sponsor:

Rep. Ben Cohen, District 3, was unable to present his bill because of illness so Chairman Darko presented it.

Testifying Proponents and Who They Represent:

Mona Jamison, Montana Association of Planners  
Tom Jentz, Flathead County Commissioners  
Mary Kay Peck, Planning Director, Gallatin County  
Robert Rasmussen, Lewis and Clark County

Proponent Testimony:

Mona Jamison stated that there are times when residents actually request zoning. When zoning occurs the residents rely on it and want the assurance that property values will not be affected by changes in zoning. This bill provides that when there is a problem with the zoning there is a five year limit on challenges to the zoning.

Tom Jentz stated that in Flathead County there are 35 zoning districts created by petition of the people in those areas. The commissioners do not take an active role in the creation of these districts. Residents need 60% of the homeowners signing a petition, a map, a legal description, the type of zoning and the county commissioners merely facilitate the process. The intent of this bill is to see that the zoning districts created are maintained. This bill is necessary because zoning covenants expire and the residents usually request that a zoning district be set up with the same provisions as the covenants. There has been circumstances where mistakes have been made and an attack is made on the procedure and the zoning district is threatened. This bill provides that the assurance of zoning is still in place even though procedural errors may have been made. The assurance will only be effective after that five year waiting period.

Mary Kay Peck stated that Gallatin County has more than a dozen of these petition. They do not have the staff to scrutinize each petition and these ordinances provide ~~Aliens~~ for property protection and the protection should not be lost because of insignificant errors.

Robert Rasmussen stated that Lewis & Clark County has approximately 30 such districts and research in the past has identified 5 districts that could have been challenged in court due to improper adoption procedures, technical errors or poor records by the planning and zoning commission. This bill would insure the protection of property rights of individuals in

these districts. The county chose to correct the errors before a court challenge and it involved a great deal of work and public meetings. This bill would have saved the effort and expense that could have gone to other uses.

Testifying Opponents and Who They Represent: None

Opponent Testimony: None

Questions From Committee Members: Rep. Gould asked Mr. Jentz if this bill would affect going to the commissioners and asking for a variance in the zoning. Mr. Jentz said that it doesn't affect requests for variance. It only affects how the district was adopted originally. The regulations are still open to question and it doesn't affect the impact or the reasonableness of the zoning.

Rep. Rehberg asked Mr. Rasmussen about page 2, sub 2 where a piece of property has been improperly included, what protection does that person have. Mr. Rasmussen said that he questioned that portion and favors the first section strongly. With regard to the boundary errors he questioned the appropriateness of the language as stated presently.

Closing by Sponsor: Rep. Darko closed.

#### DISPOSITION OF HOUSE BILL 704

Motion: Rep. Wallin moved DO PASS. Rep. Stickney seconded.

Discussion: Rep. Rehberg suggested amending the section that involved property that is improperly included in the zoning district. It would strike subsection 2 on page 1 and subsection 2 of section 2 on page 2.

Rep. Rehberg asked what the difference between planning and zoning district and a zoning district. With the permission of the committee Linda Stoll Anderson responded that a planning area involves just the city area while a zoning and planning district may go beyond city limits.

Amendments, Discussion, and Votes: Rep. Rehberg moved to amend HB 704. Rep. Good seconded. The motion CARRIED unanimously.

Recommendation and Vote: Rep. Rehberg moved HB 704 DO PASS AS AMENDED. Rep. Good seconded. The motion CARRIED unanimously. As a courtesy to the sponsor and because there are still some questions by committee members the bill will be held in committee.

HEARING ON HOUSE BILL 647

Presentation and Opening Statement by Sponsor:

Rep. Mike Kadas, District 55, stated that this bill allows cities to issue small denomination bonds.

Testifying Proponents and Who They Represent:

Chuck Stearns, Finance Director and City Clerk, Missoula  
Alec Hansen, Montana League of Cities and Towns  
Gordon Morris, Montana Association of Counties

Proponent Testimony:

Chuck Stearns stood in support of this bill. This method of issuing bond is used by many other states. The differences are they are issued directly to the citizens so there are no brokers or underwriters involved and there are also no sealed bids. It also authorizes two additional forms of bonds -zero coupon bonds and capital appreciation bonds.  
Exhibit 3

Alec Hansen stated that his organization supports this legislation because it provides another financing option for municipalities and gives the people an opportunity to invest in their city.

Gordon Morris stated that this appears to be a good idea and perhaps the bill should be amended to include counties.

Al Stiff, Mayor, Bozeman, sent a letter of support.

Testifying Opponents and Who They Represent: None

Opponent Testimony: None

Questions From Committee Members: Rep. Gould asked Mr. Stearns the amount of indebtedness and the limit on indebtedness. Mr. Stearns stated that there is a limit of 28% of the taxable valuation. Presently, Missoula is at 3.63% of their taxable valuation for bonds. The people must vote to give general obligation bond authorization. This bill would be another mechanism for selling those bonds. In a recent survey Missoula is about in the middle of indebtedness of cities comparable in size.

Rep. Wallin asked Mr. Stearns if you wanted to cash in the bond before the maturity date how would you go about it. Mr. Stearns responded that the procedure is published in an official statement that shows what the value is at any given point - sell it on the open market (through

ordinary brokers) for that amount or redeem it with the city.

Rep. Good asked Mr. Stearns how the bonds are marketed. Basically, there are two methods - through city hall or through telephone subscriptions. Rep. Good then asked who initiated the calls on telephone subscriptions. Mr. Stearns said the citizen initiates the call. The most common way is for the people to come to city hall.

Rep. Nelson asked Mr. Stearns if the people selling these bonds are licensed securities agents. Mr. Stearns responded that they are securities and they are direct marketed in the same manner as SID bonds because underwriters do not want to touch bonds under \$100,000. A mailing list is kept and they also publish a legal ad and most bonds are sold in this manner.

Rep. Gould asked Mr. Stearns about the "put" provision. Mr. Stearns stated that the "put" restrictions are carefully designed because of potential hardship to the city. Structuring of the "put" affects the marketability and the sale as a whole.

Rep. Guthrie asked Mr. Stearns what determines the tax-free status of these bonds. Mr. Stearns stated that presently general obligation bonds issued by local governments are tax exempt.

Rep. Good asked Mr. Stearns who would regulate this since they are securities. Mr. Stearns stated that basically the same regulation that there is for general obligation bonds. The only regulation now is a review by the Attorney General's office and by the Internal Revenue Service upon issuing bonds. A bond counsel opinion as to the tax exempt nature is also required.

Closing by Sponsor: Rep. Kadas stated that this bill allows people in the community to support their local government and to keep their dollars within the community.

#### DISPOSITION OF HOUSE BILL 647

Motion: Rep. Stickney moved HB 647 DO PASS. Seconded by Rep. Dave Brown.

Discussion: Rep. Nelson liked the idea of the bill but opposed it because he saw it as an encroachment into private business especially the small broker.

Rep. Good concurred with Rep. Nelson. It uses tax dollar to compete with small businessmen.

Rep. Dave Brown stated that it is not any different than what is presently being done and it is a new mechanism for

local governments to try to compete in the private market.

Rep. Hansen concurred especially in light of I-105.

Rep. Guthrie stated that the small investor is provided with an opportunity to participate in the building of city government on a small scale.

Rep. Dave Brown stated that Butte would not have many new operations if they had not used a mechanism very similar to this. It is another tool for city governments.

Amendments, Discussion, and Votes: None

Recommendation and Vote: The motion DO PASS CARRIED with Reps. Good, Nelson and Gould opposing.

EXECUTIVE ACTION

DISPOSITION OF HOUSE BILL 656

Hearing Date: February 14, 1989

Motion: Rep. Wallin moved HB 656 DO PASS. Rep. Dave Brown seconded.

Discussion: Rep. Wallin stated that this bill is a good bill that local governments want passed.

Amendments, Discussion, and Votes: None

Recommendation and Vote: The motion DO PASS CARRIED with Rep. Good opposing.

DISPOSITION OF HOUSE BILL 549

Hearing Date: February 9, 1989. It was returned to committee on February 14.

Motion: Rep. Jan Brown moved HB 549 DO PASS. Rep. Wyatt seconded.

Discussion: Rep. Brown explained the amendments. Rep. Rehberg said that the amendments did not address his objections. It does not specifically address the particular areas that would be required to have fees nor does it address the fee.

Rep. Hansen supports the amendments even though there is not a specific laundry list provided with the bill. Local governments should be entrusted and charge what is necessary.

Rep. Hoffman's concern with the bill was that county commissioners would begin charging for services that have been free in the past.

Rep. Guthrie stated that this is a plea on the part of counties to be reimbursed for out of pocket costs.

Rep. Darko stated that there is a possibility of discontinuance of services if the counties are not going to be able to charge for them. There is a hearing process that is available before the fees are set.

Amendments, Discussion, and Votes: Rep. Jan Brown moved to amend the bill. Rep. Wyatt seconded. The motion CARRIED with Reps. Good, Rehberg, Guthrie and Gould opposing.

Recommendation and Vote: Rep. Jan Brown moved HB 549 DO PASS AS AMENDED. Seconded by Rep. Stickney. Roll call vote was taken. The motion CARRIED 9 to 7.

#### DISPOSITION OF HOUSE BILL 630

Hearing Date: February 14, 1989. The bill was TABLED. Rep. Dave Brown asked to reconsider the bill and amend it.

Motion: Rep. Dave Brown moved to reconsider HB 630. Seconded by Rep. Rehberg. The motion CARRIED unanimously. Rep. Dave Brown moved HB 630 DO PASS. Rep. Rehberg seconded.

Discussion: Rep. Brown proposed amendments that would strike subsection 2 on line 19 through 21 and the appropriate place in the title and insert language that says basically that the fee would be based on the number of mobile home spaces occupied on January 1.

Rep. Hoffman asked if the mobile home owners pays the fee. Rep. Brown responded affirmatively. Rep. Nelson asked if it was a landfill fee. Rep. Brown said "yes".

Amendments, Discussion, and Votes: Rep. Dave Brown moved to amend HB 630 according to the amendments he passed out. Seconded by Rep. Rehberg. The vote to amend CARRIED unanimously.

Recommendation and Vote: Rep. Dave Brown moved DO PASS AS AMENDED. Rep. Rehberg seconded. The vote CARRIED unanimously.

ADJOURNMENT

Adjournment At: 6:50 p.m.

*Paula Darko*

REP. PAULA DARKO, Chairman

PD/td

4011.min

DAILY ROLL CALL

LOCAL GOVERNMENT

COMMITTEE

DATE 2/16/89

NAME	PRESENT	ABSENT	EXCUSED
BROOKE, VIVIAN	X		
BROWN, DAVE	<i>handly</i>		X
BROWN, JAN	X		
DARKO, PAULA	X		
GOOD, SUSAN	X		
GOULD, BUDD	X		
GUTHRIE, BERT	X		
HANSEN, STELLA JEAN	X		
HOFFMAN, ROBERT	X		
JOHNSON, JOHN	X		
MCDONOUGH, MARY	X		
NELSON, THOMAS	X		
REHBERG, DENNIS			X
STICKNEY, JESSICA	X		
WALLIN, NORM	X		
WYATT, DIANA	X		

ROLL CALL VOTE

LOCAL GOVERNMENT

COMMITTEE

DATE 2/14/85 BILL NO. 549 NUMBER \_\_\_\_\_

NAME	AYE	NAY
GOOD, SUSAN		X
GOULD, BUDD		X
GUTHRIE, BERT		X
HOFFMAN, ROBERT		X
NELSON, THOMAS	X	
REHBERG, DENNIS		X
WALLIN, NORM		X
BROOKE, VIVIAN		X
BROWN, DAVE	X	
BROWN, JAN	X	
HANSEN, STELLA JEAN	X	
JOHNSON, JOHN	X	
MCDONOUGH, MARY	X	
STICKNEY, JESSICA	Y	
WYATT, DIANA	X	
DARKO, PAULA	X	

TALLY

9      7

*Terri Dore*  
Secretary

*Paula G. Alarico*  
Chairman

Motion: Rep. Jan Brown moved DO PASS AS AMENDED. Seconded

by Rep. Stickney. Motion CARRIED 9 to 7.

ROLL CALL VOTE

LOCAL GOVERNMENT

COMMITTEE

DATE 2/16/89 BILL NO. TABLE HB 649 NUMBER \_\_\_\_\_

NAME	AYE	NAY
GOOD, SUSAN		X
GOULD, BUDD		X
GUTHRIE, BERT		X
HOFFMAN, ROBERT		X
NELSON, THOMAS	X	
REHBERG, DENNIS		X
WALLIN, NORM		X
BROOKE, VIVIAN	X	
BROWN, DAVE	X	
BROWN, JAN		X
HANSEN, STELLA JEAN		X
JOHNSON, JOHN		X
MCDONOUGH, MARY	X	
STICKNEY, JESSICA	X	
WYATT, DIANA	X	
DARKO, PAULA	X	

TALLY

7      9

Tami Dore  
Secretary

Paula A. Darko  
Chairman

Motion: Rep. Brooke moved to TABLE HB 649. Rep. Wyatt seconded.

The motion FAILED 9 to 7.

ROLL CALL VOTE

LOCAL GOVERNMENT

COMMITTEE

DATE 2/16/89 BILL NO. DPA 649 NUMBER \_\_\_\_\_

NAME	AYE	NAY
GOOD, SUSAN	X	
GOULD, BUDD	X	
GUTHRIE, BERT	X	
HOFFMAN, ROBERT	X	
NELSON, THOMAS	X	
REHBERG, DENNIS	X	
WALLIN, NORM	X	
BROOKE, VIVIAN		X
BROWN, DAVE		X
BROWN, JAN	X	
HANSEN, STELLA JEAN	X	
JOHNSON, JOHN	X	
MCDONOUGH, MARY		X
STICKNEY, JESSICA		X
WYATT, DIANA		X
DARKO, PAULA		X

TALLY

10 6

*Terril Dore*  
Secretary

*Paula A. Marko*  
Chairman

Motion: Rep. Good moved DO PASS AS AMENDED. Rep. Wyatt

seconded. Motion carried 10 to 6.

Vote me with Bert Guthrie on any  
and all motions

Sam Reddy

STANDING COMMITTEE REPORT

February 17, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Local Government report that HOUSE BILL 549 (second reading copy -- YELLOW) do pass as amended .

Signed: Paula Darko  
Paula Darko, Chairman

And, that such amendments read:

1. Title, line 5.

Following: "FOR"

Insert: "NON-GENERAL GOVERNMENTAL"

2. Page 2, line 12.

Following: "fee for a"

Insert: "non-general governmental"

3. Page 2, line 15.

Following: "service."

Insert: "For the purposes of this section, a non-general governmental service is a service identified by the board of county commissioners as one that benefits particular individuals rather than the public as a whole."

STANDING COMMITTEE REPORT

February 17, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Local Government report that HOUSE BILL 630 (first reading copy -- white) do pass as amended .

Signed:   
Paula Darko, Chairman

And, that such amendments read:

1. Title, lines 7 and 8.

Strike: "REQUIRING" on line 7 through "FEE;" on line 8

2. Page 1, lines 19 through 21.

Strike: "In" on line 19 through "space." on line 21

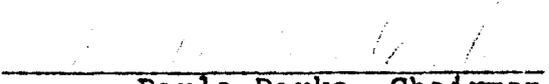
Insert: "Fees for mobile home park accounts shall be based upon the number of mobile home spaces occupied on January 1."

STANDING COMMITTEE REPORT

February 17, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Local Government report that HOUSE BILL 647 (first reading copy -- white) do pass.

Signed:   
Paula Darko, Chairman

STANDING COMMITTEE REPORT

February 17, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Local Government report that HOUSE BILL 649 (first reading copy -- white) do pass as amended .

Signed:   
Paula Darko, Chairman

And, that such amendments read:

1. Title, line 8.  
Following: "SECTIONS"  
Insert: "3-10-1004,"

2. Page 1.  
Following: line 12  
Insert: "Section 1. Section 3-10-1004, MCA, is amended to read:  
"3-10-1004. Jurisdiction -- removal from district court. (1) The small claims court has jurisdiction over all actions for the recovery of money or specific personal property when the amount claimed does not exceed ~~€1,500~~ \$2,500, exclusive of costs, and the defendant can be served within the county where the action is commenced.  
(2) A district court judge may require any action filed in district court to be removed to the small claims court if the amount in controversy does not exceed ~~€1,500~~ \$2,500. The small claims court shall hear any action so removed from the district court." "

Renumber: subsequent sections

STANDING COMMITTEE REPORT

February 17, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Local Government report that HOUSE BILL 656 (first reading copy -- white) do pass .

Signed: *Paula Darko*  
Paula Darko, Chairman

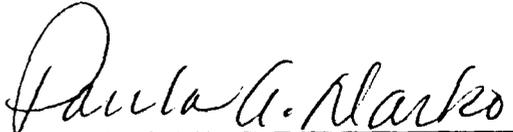


*The Big Sky Country*

**MONTANA HOUSE OF REPRESENTATIVES**

February 16, 1989

Mr. Speaker: This bill was tabled by the Local Government Committee on February 14, 1989. On February 16, the committee voted to reconsider the bill. The committee now recommends HB 630 DO PASS AS AMENDED.

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Rep. Paula Darko, Chairman

What this bill does:

- (1) Eliminates the need for any increase in the J.V. reregistration fee. The program, as established by this bill will provide the counties with stable, predicable funding.
- (2) Reduces state government expenditures and provides the necessary minimum oversight to the counties.
- (3) Eliminates the need to collect revenue at the county level, send it to the state, then send it back to the counties.
- (4) Allows for the sale of vehicles and parts to licensed wrecking facilities.

Every year many cars are needlessly crushed that could be restored to useful service, old classics that people would love to refurbish. Thousands of valuable parts are crushed which could otherwise be made available to the ever growing population of older car owners. Owners and auto parts dealers will benefit. Examples: L & C County collected 508 cars in FY88. If 20% are sold for \$100 each = \$10,000 added revenue.

Central MT Health District (6 counties) -  
 collected 239 cars x .20 x 100 = \$4,780

Eastern MT Junk Vehicle Distirct -  
 collected 269 cars x .20 x 100 = \$5,380

- (5) Guarantees the funding of county programs at its current level of \$1 per registered vehicle and continues the funding of the small counties at their current level without a vehicle fee increase. The current program does not guarantee any level of funding to counties, only what is left after State Administrative overhead is taken out.

## Responses to Opponents

(1) This bill will gut the Junk Vehicle Program. Without state FTEs to watch over the counties, they will pocket the money and not enforce the law.

A. It is the State Health Department which is "pocketing the money." The counties are at the mercy of the S.H.D. as to how much of their J.V. vehicle fees are returned to them. The state threatened 20-50% cuts in programs at county and state level, but not only did not plan for reduced FTEs at the state level, but planned on spending a bunch of the counties money on unrelated programs.

B. The state provides very little unduplicated help to county programs. The counties run the programs, they enforce the law, inspect the wrecking facilities and maintain the graveyards.

The annual audit is a duplication of the annual audit required of every county.

C. State Health will tell you that counties only generate 50 cents for each dollar. They "give" us. Using FY1988 figures, the program generated \$741,905. The counties were eligible for \$777,666, but in fact, received only \$680,671. The counties generated \$1.09 for every \$1 "given them."

Again using FY88 figures, if every county received the full \$1 per car as continued in this bill, the current fund balance would have had to pay out only \$35,761. This would be reduced by the monies generated by sale of vehicles allowed under this bill.

If the cost of the subsidy to the small (under 5000 cars) counties is brought up to the full \$5,000 per county another \$19,098 would be added.

This total, \$54,859 will come from the existing J.V. Fund Balance, \$473,280 as of July 1, 1989. If the fund generates 10% per annum, the fund should not be depleted before 20 years.

(2) The sale of cars will be a hassle.

A. The sale of cars is not mandatory. Also, it can be handled easily by contract or bids on a yearly or semi-yearly basis. Counties are use to soliciting bids.

(3) County Commissioners will use J.V. money for other purposes.

This is an insulting and curious statement coming from the Bureau Chief who has misappropriated over \$27,000 in Junk Vehicle funds per year to pay his salary when he spends only a fraction of his time on the program.

(4) There will be no audit oversight with this bill.

This bill requires counties to send pertinent parts of their annual county audit to the state. The expensive audit by the State Health Department is an unnecessary duplication.

(5) With "Big Brother" state oversight (4.6 FTEs worth) the counties will not apply the Junk Vehicle laws consistently.

There is already great variation in the way the programs are run. Some do it well, others don't. That will not change under HB698. The law is very clear. These funds must be spent on control, collection and recycling of junk vehicles.

(6) The State is concerned about the liability of selling cars to dealers.

The cars are county property. There is only one secure motor graveyard in the state. All the others have people constantly coming into them to steal parts. The counties liability will not be increased and may even be lessened by making some of these cars the property of retailers.

(7) This bill allows no crushing.

Amendments will correct this problem (see attached).

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698

Department of Health & Environmental Sciences  
Testimony on HB 698  
Giving Counties Authority over Auto Wrecking Facilities & Graveyards

The Department of Health and Environmental Sciences would like to go on record opposed to HB 698. The original purpose of the Junk Vehicle law was to provide an organized method of collecting and disposing of junk vehicles on a state-wide basis. The program has been very successful over the past 16 years of operation, and to date has recycled in excess of 120,000 junk vehicles into new steel products.

The bill you have before you today is a major change in the way the program is now operated. HB 698 proposes to keep all the fees collected on the county level and eliminate the state oversight that is now part of the present Junk Vehicle Act. We feel a crucial part of the program is to make sure the junk vehicle fees are spent for their intended purposes.

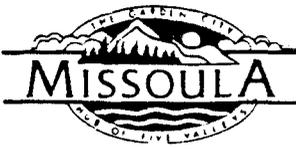
Section 4 of the bill removes the crushing and recycling part of the act and allows the counties to allow sale of junk vehicle or component parts of junk vehicles to licensed motor vehicle wrecking facilities. The reason that 7,000 to 8,000 junk vehicles are being picked up each year by the county programs is because the private motor vehicle wrecking facilities do not feel there is enough valuable parts left on the junk vehicles to bother collecting them. The wrecking facilities may be interested in a small percentage of the vehicles but the rest will still have to be crushed and transported.

The bill calls for sending 5% of the fees collected to the state for administering the program. This is not anywhere close to adequate for the duties that we will still have to perform.

We just received this bill at 1:00 p.m. and have not had the time to thoroughly review it. We have also been called by several county junk vehicle programs that are very concerned about this legislation but will not have the opportunity to testify at this hearing.

In summary, the present junk vehicle program has been in existence for 16 years. It has provided a uniform statewide program. The effectiveness of the program is very evident as one travels to other states and notices the thousands of unshielded vehicles along the roadways.

We believe the present junk vehicle program is equitable to both large and small counties. It provides for uniform program administration and county funding throughout the state. The program is accountable to you, the Legislature, and effectively meets the needs of the citizens of the state.



FINANCE/CITY CLERK OFFICE

201 W. SPRUCE • MISSOULA, MT 59802-4297 • (406) 721-4700

FINANCE AND DEBT MANAGEMENT  
BUDGET AND ANALYSIS  
ACCOUNTING  
CITY CLERK  
UTILITY BILLING  
RISK MANAGEMENT

EXHIBIT 3  
DATE 2/16/89  
NO 647

**CITY OF MISSOULA**  
**CHUCK STEARNS TESTIMONY ON HOUSE BILL #647**

The City of Missoula supports House Bill #647 and thanks Representative Kadas for sponsoring this bill. The issuance of Citizen Bonds or Mini-Bonds by municipalities has grown in popularity during recent years. Citizen bonds are small denomination bonds, often \$500.00 denominations, that cities issue directly to citizens over the counter. As there is no sealed bid involved, the interest rate and yields are pre-determined prior to the advertising and sale of the bonds. As the cities sell the bonds directly, there are no underwriters' commissions and no brokers' fees.

Two additional forms of bonds would also be allowed when issuing citizens bonds. These types of bonds are called "zero-coupon" or "capital appreciation bonds. These bonds are the concept of U.S. Savings Bonds and being considered in HB 500, the College Savings Bond bill. Basically, rather than paying a regular interest payment to the bondholders, the bonds are sold at a discount below their face value and, when the bond maturity date occurs, the full face value is paid. For example, in the July, 1987 sale of \$1,700,000 of mini-bonds by the City of Forth Worth, Texas, a 20 year bond was sold for \$226.51 and the holder of the bond in the year 2006 will be paid \$1,000, thus paying an 8% return.<sup>1</sup> A bond that matures in 1990 was sold for \$834.97.<sup>2</sup> Zero coupon bonds require much less administrative expenses than do bonds with semi-annual payments.

**BENEFITS TO INVESTORS**

- \* Allows small scale investors to purchase tax-exempt investments without fees or commissions. With the decline of IRA's, this type of investment, for the small investor to begin tax free capital accumulation, may increase in the future.
- \* Is a Tax-exempt "savings bond" that helps people plan for future money requirements such as retirement. With zero-coupon bonds, there are often no provisions for an early call or redemption of the bonds, so the investor knows exactly how long (s)he will hold the bonds and how much they will be worth at maturity.
- \* Encourages citizens to participate in the city's capital projects and community development.
- \* Is a local solution to the nationwide problem of insufficient savings rates by making small investments more beneficial and easier to purchase.

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<sup>1</sup> Lawrence Pierce et al, *Minibonds: Bringing Tax-Exempts from Wall Street to Main Street*, working paper, Government Finance Officers Association, (Washington, D.C.: 1988), p.36.

<sup>2</sup> *ibid.*

## BENEFITS TO MUNICIPAL ISSUERS

- \* Expands the market for purchasers of bonds. As the Tax Reform Act of 1986 has restricted institutional purchasers of bonds and lowered corporate income tax rates, thus making tax-exempt bonds less attractive, there is a need to expand beyond the traditional buyers of bonds.
- \* Encourages citizens to participate in the city's capital projects and community development. Helps the city generate positive public relations and citizen involvement.
- \* Although the first such issue by a city may have increased costs, as time goes by, issuers can save on issuing costs by selling the bonds directly. The following chart provides an example<sup>3</sup>:

	FIRST \$2 MILLION MINIBOND SALE	ADDITIONAL MINIBOND SALES	REGULAR \$2 MILLION G.O. SALE
Underwriter Costs	\$0	\$0	\$25,000
Paying agent and registrar	0	0	2,000
Bond Counsel	8,000(A)	2,500	2,500
Financial Advisor	5,000(A)	3,500	3,500
Software	7,000	0	0
City Personnel	1,500	500(C)	500
Equipment	6,030(B)	0	0
Bond/O.S./Promotional Printing	7,750	7,750	1,000
Advertising	5,000	10,000	1,500
	\$40,280	\$24,250	\$36,500

The table reflects the assumptions that:

- (A) costs of bond counsel and financial advisor for minibond sale are comparable to regular G.O. sale after initial minibond sale;
- (B) the cost of rating the minibonds or the traditional sale would be equal;
- (C) the equipment purchases apply only to first-time sale; and
- (D) the need for staff training drops significantly after the first sale.

## DRAWBACKS OR RISKS

- \* There is a limited secondary market in which to sell citizen bonds, especially zero-coupon bonds. This drawback may diminish as more and more bonds are sold because the demand for a secondary market will increase. A "put option" whereby the citizens can cash in the bonds early can also be used.
- \* If the city cannot sell the entire issue of citizen bonds, it needs another mechanism to sell the bonds. For this reason, and to allow some participation by underwriters, citizen bonds are often issued in conjunction with and backed up by a regular underwritten issue. This aspect also addresses one of the points raised in the fiscal note to HB500.

<sup>3</sup> Lawrence Pierce et al, *Minibonds: Bringing Tax-Exempts from Wall Street to Main Street*, working paper, Government Finance Officers Association, (Washington, D.C.: 1988), p.24.

**SAFETY AND SECURITY FEATURES WRITTEN INTO HB647**

- \* Only for general obligation bonds, thus investors have the pledge of the city's full faith and security. They do not have to investigate the income stream of a revenue bond or the riskiness of a Special Improvement District.
- \* Section 5 provides for an enhanced review by the Attorney General and the A.G. can impose new requirements, if necessary.

**EXAMPLES OF ISSUES:**

<u>ISSUER</u>	<u>DATE</u>	<u>AUTHORIZED DOLLAR AMOUNT</u>	<u>TYPE OF BOND</u>
East Brunswick, NJ	9/78	\$ 529,000	Semi-annual Interest
State of Massachusetts	1/79	\$ 1,000,000	Zero Coupon
Framingham, Mass.	3/79	\$ 600,000	Semi-annual Interest
Ocean City, NJ	4/79	\$ 1,000,000	Semi-annual Interest
Stonington, CT	12/79	\$ 500,000	Annual Interest
Rochester, NY	12/79	\$ 500,000	Semi-annual Interest
Southern Minnesota Myny Power	1984	\$ 10,000,000	Semi-annual Interest
Southern Minnesota Myny Power	1985	\$ 6,000,000	Semi-annual Interest
Germantown, TN	11/85	\$ 2,000,000	Zero Coupon & Interest
Fort Worth, TX	7/87	\$ 1,700,000	Zero Coupon
Southern Minnesota Myny Power	1984	\$ 6,000,000	Semi-annual Interest
Salt River Project, Arizona	1979 - 1987	\$160,000,000	Zero Coupon & Interest
Eugene, OR	9/86	\$ 1,000,000	Capital Appreciation Bonds
Eugene, OR	4/88	\$ 2,000,000	Capital Appreciation Bonds
Virginia Beach, VA	4/88	\$ 2,000,000	Capital Appreciation Bonds

**Sources:**

Lawrence Pierce et al, *Minibonds: Bringing Tax-Exempts from Wall Street to Main Street*, working paper, Government Finance Officers Association, (Washington, D.C.: 1988), pp. 35-39.

John E. Petersen & Wesley C. Hough, *Creative Capital Financing*, (Chicago, Municipal Finance Officers Association: 1983), p. 241.

HB647 is based on Oregon's enabling legislation (ORS 287.029) and is modified to add the enhanced review by the Attorney General's office. We feel that we have both a safe and well tested, but still innovative method of issuing bonds that Montana cities should be able to use. The City of Missoula thanks you for your consideration and encourages your support of HB647.

# GOVERNMENT FINANCE REVIEW

Government Finance Officers Association Volume 2, Number 4 August 1986



**GIVE US A THOUSAND DOLLARS, AND WE'LL GIVE YOU \$2,952.58 CHANGE. TAX FREE.**

INVEST AS LITTLE AS \$1,000. Or as much as \$25,000. It's a sound investment in a sound community... Germantown. We've got a Aa credit rating with Moody's and we'll pay you 8 3/4% interest, compounded annually, when you purchase our Zero Coupon Bonds.

THERE'S NO FEE, NO COMMISSION. Every penny is pure investment. That gives big returns in only 11 years. Just in time for the kids' college, retirement or that dream house. All tax-free.

CALL 756-4086. Or come by the Germantown Municipal Center, 1930 South Germantown Road. We're open 9 AM-6 PM Monday-Friday, 9 AM-Noon Saturday. We've got the complete details for you. But act quickly. This opportunity ends Wednesday, November 27, 1985. Then the big investors and brokers will snap up what's left. It's that good an investment. But we're giving you the first shot.

PAYS IN	INVESTMENT		
	1000	5000	10,000
1996	590.52	2,952.58	5,905.16
1997	590.52	2,952.58	5,905.16
1998	590.52	2,952.58	5,905.16
1999	590.52	2,952.58	5,905.16
2000	590.50	2,952.58	5,905.16
TOTAL	2,952.58	14,762.90	29,525.80

**GERMANTOWN'S ZERO COUPON BONDS**

# MUNICIPAL MINIBONDS

## Small Denomination Direct Issuances by State and Local Governments

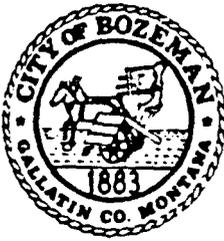
by Lawrence Pierce, John E. Petersen, Percy R. Aguila, Jr. and Catherine L. Holstein

Minibonds are small-denomination securities, generally \$500 or \$1,000, sold directly by governments to the investing public. Recent developments in the capital markets and debt administration have stimulated interest in this alternative method of borrowing. The growing ownership of tax-exempt securities by individual investors, the widespread use of original discount and zero-coupon bonds, and the ability of governments to act as their own fiscal agents for issuances have combined to prompt interest in the minibond.

*Municipal Minibonds* reviews recent minibond issuances and analyzes why miniature municipal bonds present an attractive option for state and local issuers. By broadening the market and tapping local sources of capital, the minibond issuance can both reduce issuance costs and foster community participation in and support of capital financing programs. But, as with any innovation, would-be issuers need to think through the increased responsibilities and new procedures that minibond issuances would entail.

The Research Report provides state and local governments with the basic information necessary to design and conduct a successful minibond sale. Topics include:

- *Nature and history of minibonds*
- *Alternative financial structures of a minibond sale and setting the interest rate*
- *Administrative needs placed on a government by a minibond sale*
- *Preparation of marketing material*
- *Legal requirements and accounting treatment of minibonds*
- *Risks associated with a minibond sale*
- *Time requirements necessary in preparing a minibond sale*



**THE CITY OF BOZEMAN**

411 E. MAIN ST. P.O. BOX 640 PHONE (406) 586-3321  
BOZEMAN, MONTANA 59771-0640

February 15, 1989

4  
2/16/89  
647

Rep. Paula Darko, Chairperson  
House Local Government Committee  
Capitol Station  
Helena, Montana 59620

FEB 16 1989

Dear Rep. Darko:

The City of Bozeman wishes to support HB647, which authorizes the issuance of small denomination General Obligation "Citizen Bonds".

This concept of small denomination bonds is not a new one; U.S. Savings Bonds have been in existence for almost five decades.

The bill provides for bond counsel and Attorney General reviews, selling at a competitive rate and in denominations that would avail the investment to a new type of investor.

This tool would work well for smaller issues, which probably could not be sold with additional underwriting costs. Also, the authorization for these bonds would be given by voter approval.

Thank you in advance for your favorable consideration.

Sincerely,

ALFRED M. STIFF  
Mayor

AMS:rs

Enclosure





VISITORS' REGISTER

Local Government

COMMITTEE

BILL NO. 698

DATE 2/16/89

SPONSOR Campbell

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Will I. Selser	LTC City-Co Health Medena	✓	
Dwane Robertson	Dept of Health		✓
Hank Wreck	GALLATIN CO ADMINISTRATOR		✓
Don Taylor	CARBON County Commissioner		✓
William M. King	CARBON County Health Department		✓
Don McClain	PONDERA County Commissioner		✓
Henry F. Lahr	Hank's Salvage.	X	
Linda Still-Anderson	619 First - Hel.	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

