

January 31, 1977

A meeting of the Local Government Committee was called to order by Chairman Robbins at 3:50 PM in Room 225. The secretary called roll; Representative Gerke was excused, Representatives Colburn and South were absent. All other members were present.

Chairman Robbins said each proponent and opponent will have five minutes to present their testimony. There is a gentleman here to answer any questions on Chapter 6, since questions were not asked at that time. There were no questions.

HOUSE BILL 122, CHAPTER 9: Senator Thiessen gave the opening statement on Chapter 9 and prepared statement is - exhibit 1.

Proponents to speak were:

Steve Turkiewicz, representing the Montana Association of Counties, spoke and copy of his testimony is - exhibit 2.

Chuck Painter, administrative officer of Missoula County, said this is technically sound but not perfect. Chapter 9 provides a vehicle for response, and it is constrained within the other chapters. Continuing input from citizens and commission through creation of an advisory council is important. Alternative taxes are necessary. Chapter 9 provides for a full competitive process. It puts the printing establishment on the same competitive basis as other private enterprises in dealing with local government. In summary, he thinks there are risks in Chapter 9 particularly in the alternative taxes and the chance of abuses is relatively minor. Additional comments are - exhibit 3.

George W. Sager, representing the Gallatin County Commission, spoke and prepared testimony is - exhibit 4.

Howard Schwartz, self, Missoula, written testimony is - exhibit 5.

Herb Barrett, representing Missoula County, prepared testimony is - exhibit 6.

Larry Heggen, representing the Local Government Services Division, DCA, said they are the division that deals with local government finance on a daily basis. Their main responsibility is of auditing and of area accounting systems. They were asked to come to hearing, and he would like to preface by stating their involvement is limited to the finance area and does not deal with the philosophy of home rule. The five major areas which we feel to be an improvement in financial control is: Section 101 - that states that the intent of Chapter 9 is accountability, Section 102 - creation of local government advisory council, Section 104 - recognizes national acceptance of general accounting principles, Section 201 - provides for the budgeting process, and Section 301 - provides allocation of financial responsibility that does not exist in the laws today.

Dan Mizner, representing the Montana League of Cities and Towns, said they had committee made up of towns and cities and they worked on the committee and with state commission and support in the process of the convention. There was some objection as to whether or not you grant the taxing authority and there was unanimous support for the voter review.

Raymond C. Young, finance director, city of Great Falls, was asked by the mayor to speak in support of the bill. The financial and recordkeeping part of the bill are acceptable. They have had much time and input in this process, and they are at a point that the bill is acceptable in the present form. The real thing he wanted to speak about today is the revenue needs of the cities. The mill value, present revenue source, does not keep up with inflation. Recently, they had other sources of revenue sharing of federal government that has been used. They need some other sources of revenue other than property tax. They have constant demands for basic services. Additional information is - exhibit 7. They urge support of House Bill 122 and in particular your consideration in helping us solve - how to finance local government.

Lee K. Rodebaugh, budget officer of the city of Great Falls, said their need is for additional funds and ideally should come from some other sources than the taxpayer. Our costs are increasing. House Bill 122 provides us with some alternative sources for funding.

Wilfred V. Thibodeau, Missoula County Commissioner, said they support Chapter 9.

Dean Holmes, mayor of Miles City and first vice-president of the Montana League of Cities and Towns, said they are generally supportive of this chapter. It does give the local citizen an option. They are supportive in that they have a guideline as far as preparing and filling out their budgets.

Larry McGinley, finance director of the city of Butte, said he is sure that those who have had to work with codes feel Chapter 9 solves and arranges the financial tools to do the daily job of financial reporting, by providing flexibility to local government, and also recognizes accountability. The city of Butte was given the opportunity to consolidate with county and there are many problems coming up when the new budget is adopted and he feels House Bill 122 alleviates some of the problems.

G. Scott Lockwood, administrative assistant to Lewis & Clark County Commissioners, said he is responsible for preparing the budget and Chapter 9 is a great improvement. The improved time table where you have an approved adopted budget prior to beginning of the fiscal year. The calling for evaluation is half the effectiveness of the programs enacted by the county.

James R. Hughes, representing Mountain Bell, proposed two amendments to Chapter 9 - exhibit 8.

Noel Rosetta, representing the Audubon Society and Sierra Club, said, although their main concern is with pesticide use, they still support related programs to do with it. They support Chapter 9 concerning local government finances and believe in the concept of strict accountability, the annual budget review, requirements for goals and objectives, and evaluation of past performance. They do believe this far better than what we have.

Opponents were:

Tim Berry, representing the Montana Conference of Seventh Day Adventist, released his time to Arthur R. Lickey, Portland, Oregon, who spoke in opposition to Chapter 9, on page 516, beginning on line 18, sections (d) and (e), and said any of these services could be charged to tax entities and public tax entities. They feel this means any of these services could be charged and feel this is a substitution for a tax. He read from prepared statements - exhibit 9. He said in taking a close look at those churches that would be hurt, the most are the churches least able to pay. He has some suggested amendments - exhibit 10.

Ward Shanahan, representing the Montana Catholic Conference, said he will have to endorse what the previous gentleman said. Taking into consideration their concern with Chapter 9, part 4, you don't have any specification of what those services are. On page 16, line 2, it says charges for service may be entered on the tax notice to be collected with other taxes. They oppose the language in the bill. Comments are exhibit 11.

Pat McKitrick, representing Montana Independent Colleges, said he shares the sentiments of the last two gentlemen. This does something to the philosophy of the state of Montana which is counter to the history of addressing itself to the possibility of promoting private colleges. Chapter 9, part 4, detracts from that philosophy. It in part says that the non-profit corporation will not be recognized for value they contribute to Montana. In this time of inflation and there is a charge to be allowed against these colleges when they can least afford a charge.

Edward W. Nelson, representing the Montana Taxpayers Association, spoke and prepared testimony is - exhibit 12.

Tom Winsor, representing the Montana Chamber of Commerce, said their remarks are directed to sections as regards to service charges and public enterprise charges. They were not able to find out the deference between public enterprise and service charges. They were disturbed to find out that service charges could be only levied up to cost and enterprise could be levied for excess and put in general fund. They would like to see section 47A-9-403, sub-section 10(c), on page 516, and sub-section 4(c), page 517. They are in opposition to many sections of alternative forms of taxation. They would not oppose local government tax, if there was a counter surrender of such an authority by the state.

Representative Esther G. Bengtson, speaking for self and constituents, said a number of things in Chapter 9 is what we turned down in Yellowstone County. This would result in the fragment of the tax base and a large expensive administrative measure. It would result in border taxation driving some business out of a city and to go from one county to another. It should be amended to mandate a dollar for dollar replacement for property taxes. Voters are apathetic; therefore, a vote should be required on all taxes. If they vote, should be limited to once every three or five years. The present county commission form of government has too broad a taxing power. She would surely hope the committee would consider all of the amendments and consider deleting this section before bringing to the floor of the House.

People leaving signed witness sheets and prepared statements are: Larry Anderson, Liberty County Commissioner, support.

M. Richard Gebhardt, Missoula County, support.

George Lackman, Montana Department of Agriculture, support and statement is - exhibit 13.

W. A. Burley, Lake County, amend and comments are exhibit 14.

Chad Smith, representing Montana Hospital Association, oppose and statement is - exhibit 15.

Leonard H. Sargent, Montana School Boards Association, oppose and statement is - exhibit 16.

John Frankino, Montana Catholic Conference, oppose and amend.

Leo G. Walchuk, V.P. for business affairs, Carroll College, oppose and comments are - exhibit 17.

Letter from Niels Nielsen, Assistant Administrator, St. James Community Hospital, Inc., - exhibit 18.

Since the two main sponsors were not present, Chairman Robbins asked Mr. Harris to close on the bill.

Dale Harris, director of the State Commission on Local Government, said in regards to service charges on tax exempt entities, he would suggest the committee review that. There is a distinction between service charge and tax. Secondly, many such institutions pay service charges for collection of garbage or solid waste.

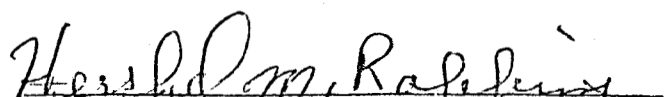
Questions were asked by the committee. Roth - you spoke of abuse of powers in this section and wonder in what areas where most likely to be. Painter - I said there are risks involved in granting local government to impose additional taxes. It is up to me to become involved in local government. Hurwitz - I know that you are familiar with taxes and inflation and heard the gentleman from Great Falls say Great Falls isn't keeping up with inflation. Nelson - government has been growing above rate of inflation and government is taking large percent of revenue. Halvorson - I understand everyone had input in this bill; did your people present anything helpful. Nelson - made two presentations. Windsor - we had opportunity to review bill but made no presentation. Gould - do you see a particular area we can cut down on services. Painter - there are two thought processes to deal with those areas most expensive and those are

public service in terms of fire and safety that are most expensive and he don't think you can reduce that service. Is it the role of local government to begin to really get into the social services and he is not sure local government can deal with social services effectively. Increase the efficiency of time effectively by giving to the policy makers the ability to restructure. Use the mail for licensing. Gunderson - do you see with the county being able to levy a tax on gas that you would see a problem between counties with people going to this county or that? Dale - there would be some incentive at a border of a county to go to next county to buy gas. This tax is at retail level and there is exemptions from tax for agricultural use. Vinger - define interlocal agreement. Dale - there was a law adopted in 1969 that authorized cities, counties and school districts to enter into contract to deal with services. Under existing law they have to be approved by attorney general and filed with secretary of state. In revision, it is to be approved by county attorney and filed in county. Vinger - say they want to impose a tax, such as, gas tax can the county do this without the consent of cities in that county. Dale - No gas tax has to be city and county together. Hotel-Motel can be county or city. Vinger - where county wants to impose gas tax and city doesn't. Dale - it requires unanimous consent of all governing bodies. Gould - what is alternatives to additional taxes? Dale - as indicated last week local governments in Montana are not currently using their full tax authorization. My point is just because legislature authorizes mill levies, local governments are not using the maximum legislature given them in the past. Some of our large cities are in most instances up to the ceiling. Our proposal is not to grant power to tax, but to permit the local government to create a balanced system. Mr. Nelson comments about growth in government expense are true, but he was referring to government for city and county and school districts. City and county governments are the slowest growing and school district grow very fast. Regarding property tax, you must remember city and county governments receive only 1/3 of the property tax in Montana, 2/3 goes to schools. Halvorson - who bails out cities and counties when people refuse to vote for levies? Dale - you have to cut expenditures or go to services charges. Vinger - if had input in this bill would like to ask anyone what was that input? Al Sampson - we did have input - don't know if they listened, and he attended some ten meetings concerning this. Zinnecker - we spent two years and many of our suggestions were used. Painter - wording in finance section came directly as a product of a task force. City of Great Falls - there was some compromises. Catholic Association - no, had no reason to feel that section would be in bill. Dan Mizner - they did have input but did not get a lot of things in.

Hearing was closed on House Bill 122, Chapter 9.

The meeting adjourned at 5:55 PM.

Respectfully submitted,


HERSHEL M. ROBBINS, Chairman