

HOUSE TAXATION COMMITTEE

46th LEGISLATURE

The House Taxation Committee was called to order by Chairman Herb Huennekens on April 19, 1979, at 9 a.m., in room 434, Capitol Building. Absent were Representatives Fagg and Vinger. The staff attorney Randy McDonald was present.

Bills to be heard and acted on were SBs 318 and 354.

Senator William Thomas, District #20, chief sponsor of SBs 318 and 354, was not present. Senator Jean Turnage, District #13, introduced the bills. He said
SENATE BILLS the real purpose of a SID is to allow a developing community
318 and 354 to build itself a sewer system or water system or put in a
 paved street. The homes are there. The bonding was a reason-
 able avenue. Usually the bonds are started by the interested
 parties and after appropriate notice and opportunity to protest,
 a decision would be reached and the district would be approved
and the things done. In order to set up a reserve fund to trigger the security
and sale of bonds the governing body would take out of the general fund a percent-
age of the bonds--5%. Everybody paid for that--the sinking fund money. If the
collection from the district were insufficient the governing body goes back to
all the taxpayers to pay the cost and in a sense it is a GO bond. Wasn't that
particular until we had a faltering economy with not enough money and then the
clever people hit upon the idea of how the SID approach could keep this thing
moving down the road. That is an abuse of the SID. A single owner could create
a SID which could cause the rest of Helena to be taxed to fund his little program.
This bill counters that and so there are those that don't like it. If you kill
the bill you are going to allow this abuse to continue.

Senator Tom Towe spoke for the bill. He called the attention of the committee to the last section of the bill which specifies each district must have their own reserve fund. If the amount in the district fund is insufficient than the people have to cough up their own for their own improvement plus the 5% reserve. He felt this was only fair.

Tom Harrison, representing D.A. Davidson, spoke in opposition. He said the original purpose of the SID was to provide for a particular purpose but times are changing and Montana has come since that time from small rural areas to areas that are growing rapidly into cities and new subdivisions are needed. This is a matter of providing for the orderly growth of the cities and this bill seeks to eliminate the ability to bring on line a new subdivision. If that is the intent then we are back to the beginning base with just a morass with septic tanks here and there, etc. This bill eliminates the tool that aids in the cities orderly growth. It's a rich man's game if the developer is going to have the right to dictate what goes in. The SID brings the engineering approval and other city approvals. If you want that new subdivision to become part of the city you are going to want things done right--size of streets, etc. The ad valorem tax is city wide and that funds the revolving fund. It is not a one-way street as when the revolving fund reaches a point in excess of 5% then it spills over and goes back into the general fund. The money sits and earns interest and when that or one of the other SIDs are paid off and the 5% becomes accessible it spills back into the general fund. Don't see any great inequity in that. The solution to

the problem Senator Turnage is referring to is payment of taxes. He said he had understood amendments were to be drafted to increase the incentive to keep current on taxes. Once you take the ad valorem aspect off it will adversely affect the salability of the bonds.

Dan Mizner, League of Cities and Towns, said this would make it more difficult for his people in the lower-income areas to raise the needed capital to apply for federal funds or otherwise get the needed work done. He felt the bill would need to be amended in some way so the city has discretion to help the low-income people develop their areas.

Senator Turnage said in closing that if lines 8 and 9 make too much trouble to leave them out. He said the bill has enough importance that we could live with that. He said what he wants to see is that if a speculator wishes to add a subdivision that he should do so with his own money and not use taxpayer money. He said if we don't take steps now to do this all our counties and cities will be mortgaged to the hilt. As far as transfer of funds take it out if you want to--it has the mischief in it inherent in the present law. The developer would still have to put up his own front end money.

During questions Rep. Fabrega asked if it is reasonable to put the same restrictions on SIDs (cities) and RIDs (rural areas). Senator Turnage said the city can protect itself better than the rural area. The real problem is there and it is the basis of the creation of the RID. The commissioners really have little discretion. One man can file a petition and at the meeting if 50% of the affected owners don't protest he can march right down the road.

Rep. Reichert said she would rather see SB 354 pass which is for RIDs than the other which is for SIDs. She asked why it took so long for the committee to consider these bills. Chairman Huennekens responded that the sponsor had requested that they be killed.

EXECUTIVE SESSION

SENATE BILL 354

Rep. Bertelsen moved to amend on page 7 to strike lines 8 and 9. Rep. Burnett said he resists that motion. Rep. Lien also expressed his wish to have these lines remain in the bill. Rep. Dassinger said he was for the amendment as did Rep. Reichert and Rep. Fabrega. A roll call vote was taken and the motion passed with 9 voting for and 7 opposed. Those opposed were Reps. Huennekens, Burnett, Gilligan, Lien, Sivertsen, Underdal and Williams.

Rep. Bertelsen moved the bill as amended be concurred in. Rep. Nordtvedt urged that the bill be killed. He felt there would be many unaware buyers stuck with the bills. Rep. Dozier spoke against the bill. Rep. Bertelsen said this is needed in their area. They have people who are buying up chunks of land for subdivisions. If they want to do this they should put up the front end money--don't think they should get an RID and obligate the rest of the people in the county. Rep. Fabrega said his problem was not with the front end money but with the people who buy in good faith. They could lose their homes under this bill. Rep. Hirsch spoke for the bill. He said people are becoming very concerned about this. It is not right to obligate everybody so someone can do a subdivision in your area.

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Rep. Nordtvedt moved a substitute motion of be not concurred in. He said the bill has more ramifications than we are aware of.

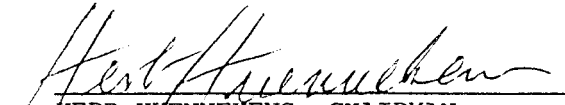
The question was called and the motion of BE NOT CONCURRED IN passed. Voting no were Reps. Bertelsen, Johnson, Hirsch, Huennekens. Absent were Reps. Fagg and Vinger.

SENATE BILL 318

Rep. Reichert moved be not concurred in. This motion of BE NOT CONCURRED IN carried. Voting no were Reps. Johnson, Hirsch and Burnett. The same were absent as previous bill.

Meeting adjourned at 10:35 a.m.


Emelia A. Satre, Asst. Sec.


HERB HUENNEKENS, CHAIRMAN