

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

January 19, 1979

The fifth meeting of the Senate Taxation Committee was called to order on above date in Room 415 of the State Capitol Building by Chairman Turnage.

ROLL CALL: Roll call found all members present.

Witnesses who gave testimony are listed on attached Visitors' Register.

CONSIDERATION OF SENATE BILL 42: Senator Dover introduced his bill and submitted a statement, see Exh. #1, attached. He said the bill came out of the Interim Subcommittee on Subdivision. He stated often there is a need for subdivision development but lack of funds prevents the developer from developing an area. He believed this bill would be a way to split the costs between the developer and the homeowner. He felt the term 'common areas' used in the bill creates some problems and might have to be amended.

Other proponents of the bill included Cliff Christian of the Mont. Assoc. of Realtors, supporting the bill for the reasons given by Sen. Dover, as did Michael J. Stephen of the Mont. Assoc. of Counties. He said he felt the area of public parks and common areas have been ignored in the past and thought this bill would provide added interest on this matter.

Chairman Turnage called for additional proponents; there being none, opponents were given a change to testify and there were none. Questions of the committee evolved around problem of maintenance of the parks or common areas, and who would pay this cost. The problem affected both city and rural subdivision areas. It was also brought out how SID's are created, that 60% of the freeholders in an area must vote for it, and following, a public hearing before the governing body must be held before the SID's or RSID's can be created.

CONSIDERATION OF SENATE BILL 43: Sen. Dover said this bill is also the result of the subcommittee and the reason these bills were drawn up was because of the financial burden of developers, and this legislation could get projects going in the state. He said the cost of such developments had been escalating in the past years making it difficult for both the developer and the prospective home owner. He presented his written testimony again, see Exh. #2, attached.

Following his presentation the members asked a number of questions of him and Mr. MacKenzie who responded as a representative of his bonding company, by telling the committee the policies of his company regarding the financing of SID's and RSID's, how the bonds are paid off and other pertinent information. He was

to prepare written testimony for this committee, see Exh. #3. Following a period of questioning by the committee, the hearing was closed on SB 43.

The committee then was directed to SB 71, previously heard by the committee. A Statement of Intent had been prepared by Researcher Cohea and this was presented to the committee. The members questioned Sen. Jergeson, sponsor of the bill who was also present at the meeting, about a Fiscal Note and this was distributed to the members. He was also asked if the Statement of Intent agreed with his conception of the bill and he agreed it was.

Sen. Towe Moved the Statement Of Intent Be Adopted. His motion was carried unanimously. The S of I for SB71, as adopted by the committee is attached, see Exh. #4

DISPOSITION OF SB71:

The members then discussed an amendment to the bill and after some discussion moved the amendment, making the Department of Revenue responsible for offering courses of instructions for appraisers from 'reputable' institutions; line 18, page 1 strike "or" and on line 19 strike: "offered by others"

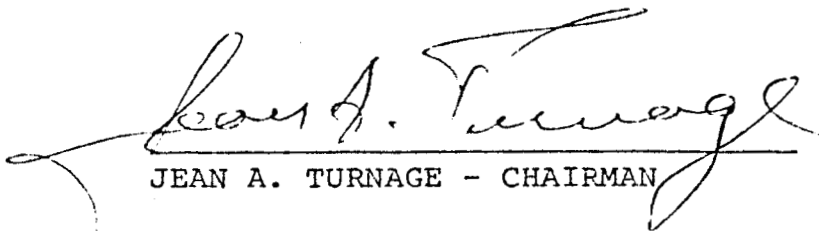
Sen. Towe Moved Amendments No. 1 and 2, see Committee Report attached. His motion was carried unanimously. Sen. Watt then Moved SB71, As Amended, Do Pass. His motion was carried unanimously.

The members of the committee then briefly discussed SB 58, also heard previously, and said several gasoline distributors had additional information for the members' consideration and the disposition of this bill will await further discussion.

Chairman Turnage reminded the committee of Saturday's meeting at 10:00 and Monday's 9:00 a.m. meeting as well.

He also told the members that SB22, part of the HB122 package of bills, will possibly lay on the table of the committee, but Sen. Watt had a number of changes he wished to bring to the committee's attention before they disposed of the bill.

The meeting was then adjourned.


JEAN A. TURNAGE - CHAIRMAN

Date 1-19-79

ROLL CALL

SENATE TAXATION COMMITTEE

46th LEGISLATIVE SESSION - 1979

NAME	PRESENT	ABSENT	EXCUSED
SEN. GOODOVER (Vice Chairman)	✓		
SEN. BROWN	✓		
SEN. HAGER	✓		
SEN. MANLEY	✓		
SEN. MANNING	✓		
SEN. McCOLLUM	✓		
SEN. NORMAN	✓		
SEN. ROSKIE	✓		
SEN. SEVERSON	✓		
SEN. TOWE	✓		
SEN. WATT	✓		
CHAIRMAN TURNAGE	✓		

Each Day Attach to Minutes.

EXH. #1

SENATE BILL 42

SENATOR HAROLD DOVER

Senate Bill 42 is a bill that has resulted from the interim sub-committee on subdivision. It was found by this committee that a great need exists for adequate money to finance existing parks. Senate Bill 42 will make it possible for public parks to be acquired and improved through the use of SID and RSID money. At present, many towns have park land that they have acquired through the provisions of the subdivision laws but they do not have the funds nor the means of obtaining the funds to develop them. Many new subdivisions have land for parks, given to the city by the developer in compliance with the subdivision law but they are unable to properly landscape and equip the area. This leaves the new home owners with a poor living environment. One of the most convenient and inexpensive methods of financing such a public project is through the use of SID's and RSID's. Cities and towns have allowed persons to create SID's for the purpose of establishing and maintaining parks. However, it is always done with considerable reservation due to the fact that the enabling legislation does not specifically authorize the same. Public improvements within densely populated cities and towns are very expensive. Senate Bill 42 states that when there is public interest or consideration and upon petition of 60% of the affected freeholder, the board of county commissioners are empowered to order and create special improvement districts outside of the limits of incorporated towns and cities in order to raise money for building, constructing,

Senate Bill 42

acquiring by purchase or maintaining public parks or common area. Payments can be spread over a period of 20 years. This allows development costs to be lower, with lower interest rates, and the development to be done when the need is evident.

This bill will allow persons living in new subdivisions, and areas not previously improved to be able to develop, use and enjoy these parks.

SENATE BILL 43
SENATOR HAROLD DOVER

Ex H. #

The legislature in the last ten years has passed many bills to control and regulate subdivision growth in Montana. This new legislation has greatly increased the risk and out of pocket costs to subdividers and thus causing the initial cost of a home or business to be higher.

Costs of constructing H₂O systems and sewer systems have been escalating at a rate of 8% to 12% per year for many years. Interest rates have skyrocketed within the last ten months to rates never seen before. These factors and others have increased costs to subdividers and the consuming public. Furthermore, a bank or other lending institution prefers not to loan money on these projects. When money is tight they simply will not make that type of a loan.

It is becoming more expedient that steps be taken to assist developers and the consuming public in attaining lower subdivision costs.

Senate Bill 43 would assist subdividers in borrowing money for installation of H₂O and sewer systems through the use of tax exempt securities. An industrial development bond package is sold through a qualified bonding company. Each industrial revenue bond package must stand on its own merits for its financial feasibility. In other words, the bonding company looks at the parties requesting the industrial bond in the same manner that a mortgagee would look at a creditor. They must be able to determine whether the petitioners have the ability through its proposed project to retire the industrial development bond issue. If upon that analysis the

petitioner has the necessary ability, the bonding company will underwrite the bonds and sell them to the public. Each issue must stand on its own merits for repayment of the debt obligation. They are not backed by the public through general fund monies.

Many subdividers are faced through lack of public sewer and water systems to install their own sewer and H₂O systems. They must be paid through private capital which requires very high interest rates. Senate Bill 43 would give them the option to utilize an industrial revenue bond at a much lower interest rate. The bill makes the following conditions for the financing of water and sewage supply and distribution facilities.

1. It will connect onto an existing facility of the municipality or county
2. The governing body determines after a public hearing that the new facility and its operations are in the public interest.

The availability of industrial development bond money would be very advantageous to developers and ultimately the consuming public. They can acquire the facilities when they are in demand and extend the payments at a low interest rate over a period of time easing the burden of initial cost of development and construction.

EXH.#4

STATEMENT OF INTENT SB 71

The Senate Taxation Committee understands that the cost produced by this bill will be minimal because the Department of Revenue will continue to offer yearly appraisal seminars to the appraisers it employs on the same basis as at present. The only additional cost may result from conducting the semi-annual examinations required by the bill.

In allowing the Department of Revenue to promulgate rules requiring appraisers to complete continuing education courses, the Senate Taxation Committee expects the department to require only that appraisers attend the annual appraisal seminars now held by the department and possibly complete examinations on the material presented.

SENATE TAXATION COMMITTEE