

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE SENATE

February 6, 1979

The twentieth meeting of the committee was called to order on the above date in Room 415 of the State Capitol Building by Chairman Turnage.

ROLL CALL: Roll call found all members present with the exception of Senators Norman and Roskie, who were excused.

Witnesses giving testimony are listed on attached Register.

CONSIDERATION OF SENATE BILL 182: Senator Thiessen introduced his bill and said it deals with impact of gas and oil development in Eastern Montana. He said he felt the Legislature should take care of the impact in this area from the coal as well, and said some of the eastern counties are feeling a tremendous impact and have had little or no help with the problem. He stated they would like to take the increment on that particular year of the increase of gas and oil severance tax and allocate that on a year-to-year basis on the gas and oil tax of those counties. He distributed an amendment, see Exh. #1, attached, which corrected the formula in the bill.

Representative Kvaalen, representing Sidney and Fairview areas also, said he seconded Sen. Thiessen's testimony and also said the bill would 'self-destruct' when the growth is over. Senator Ed Smith spoke also, representing Sheridan, Roosevelt and Daniels counties where they are also feeling the impact of the gas and oil development. Senator Olson said although his area, around Glendive, had not felt the impact as yet, he believed they would in the future.

Other proponents of the bill included Mr. Sinnard of the Sidney Chamber of Commerce. He spoke briefly on some of the problems being encountered in the town of Sidney and introduced its Mayor, Mr. Nordell. He read from a prepared statement, which is attached, see Exh. #2. In his testimony the Mayor mentioned specifically the problems the town had and stated building permits had increased from just over \$1 million in 1975 to over \$5 million in 1978, illustrating the growth. Mr. Mercer also testified and distributed a copy of his statement, see Exh. #3.

Next to speak was Mr. Peterson, who also had written testimony, see Exh. #4, attached. Mr. Staub read his statement also, see Exh. #5. All the witnesses from Sidney testified to the impact the town had felt, mentioning the fact they had worked hard to keep property taxes as low as possible and had tried to keep mill levies low as well.

Speaking also as proponent was Mr. Zinnecker who said the bill could also assist other counties, mentioning in particular Choteau, Hill and Blaine as counties who would soon be feeling

impact from natural gas development. Mr. Spilde also spoke as a proponent of the bill, echoing previous testimony.

The Chairman called for further testimony from proponents and following, from opponents and there being none, permitted questions from the committee.

Senator Towe suggested using fiscal year in the bill rather than calendar year. The question was also raised about the \$200,000 noted in the Fiscal Note, and how much of this money Richland County would receive. Sen. Thiessen said he would obtain this information. Senator Manley asked if the valuation of the county had increased and Mr. Peterson responded that it had, and that this had helped a great deal, saying the valuation had gone from \$17 million to about \$42 million, \$20 million of which was directly attributable to the oil industry. Mr. Allen responded to several questions of the committee, as did Mr. Madison of the Department of Revenue, who said the Department would have no problem if they changed the effective date of the bill.

Senator Towe Moved to Adopt Amendments to SB 182. His motion carried. See Attached.

The Chairman then reminded the committee that he would like to see them take action on SB168 and 187, directing their attention to the proffered amendments on SB168. The amendments were approved.

Senator Goodover Moved to Adopt Amendments to SB168. His motion carried. See attached.

Senator Goodover then Moved SB168 As Amended, Do Pass. His motion carried. Note for the record, however, Sen. Norman had requested a "No" vote be cast for him. Sen. Towe announced he would Abstain from voting on the motion. See attached Roll Call Vote.

Senator Goodover then Moved to Adopt Amendments to SB167. His motion carried.

Senator Goodover Moved SB167 As Amended, Do Pass. His motion carried. Note for the record, Sen. Norman requested a "No" vote be cast for him. Sen. Towe Abstained. See attached.

Following disposition of these bills, the meeting adjourned.

  
JEAN A. TURNAGE - CHAIRMAN

Date FEB. 6, 1979

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.



SENATE COMMITTEE TAXATION

Date 2-6-79 Sen Bill No. 168 Time 9:35a.m.

NAME	YES	NO
SEN. GOODOVER (Vice Chairman)	✓	
SEN. BROWN	✓	
SEN. HAGER	✓	
SEN. MANLEY	✓	
SEN. MANNING	✓	
SEN. McCOLLUM	✓	
SEN. NORMAN		✓
SEN. ROSKIE	✓	
SEN. SEVERSON	✓	
SEN. TOWE	ABSTAIN	
SEN. WATT	✓	
CHAIRMAN TURNAGE	✓	

1 - ABSTAIN                      10                      1 - No

Nita Fjeseth  
Secretary

Jean A. Turnage  
Chairman

Motion: Do Pass As Amended

(include enough information on motion—put with yellow copy of committee report.)

SENATE COMMITTEE TAXATION

Date 2-6-79 Sen Bill No. 167 Time 9:40 a.m.

NAME	YES	NO
SEN. GOODOVER (Vice Chairman)	✓	
SEN. BROWN	✓	
SEN. HAGER	✓	
SEN. MANLEY	✓	
SEN. MANNING	✓	
SEN. McCOLLUM	✓	
SEN. NORMAN		✓
SEN. ROSKIE	✓	
SEN. SEVERSON	✓	
SEN. TOWE	ABSTAIN	
SEN. WATT	✓	
CHAIRMAN TURNAGE	✓	

(1-ABSTAIN)      10      1-NO

Nita Fjeseth  
Secretary

Jean A. Turnage  
Chairman

Motion: Do Pass As Amended

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(include enough information on motion—put with yellow copy of committee report.)

AMENDMENT TO SB 168

1. Title, page 1, line 6.

Following: "MCA;"

Strike: "AND"

Following: "MCA"

Insert: ", AND PROVIDING AN EFFECTIVE DATE"

2. Page 2, line 15.

Following: line 15

Insert: "Section 4. Effective date. (1) This act is effective on January 1, 1980, and applies to taxable years beginning after December 31, 1979, unless Senate Bill No. 187, introduced in the 46th legislature, is passed and approved.

(2) If Senate Bill No. 187, introduced in 46th legislature, is passed and approved, this act is effective January 1, 1981, and applies to taxable years beginning after December 31, 1980."

1. Page 1, line 15.  
Following: "~~1973~~"  
Strike: "1978"  
Insert: "1979"

2. Page 1, line 19.  
Following: line 18  
Strike: "1978"  
Insert: "1979"

3. Page 2, line 1.  
Following: "~~1973~~"  
Strike: "1978"  
Insert: "1979"

4. Page 2, line 5.  
Following: line 4  
Strike: "1978"  
Insert: "1979"

5. Page 2, line 13.  
Following: "~~1973~~"  
Strike: "1978"  
Insert: "1979"

6. Page 2, line 17.  
Following: line 16  
Strike: "1978"  
Insert: "1979"

7. Page 3, line 10.  
Following: "~~1973~~"  
Strike: "1978"  
Insert: "1979"

8. Page 7, line 9.  
Following: "31,"  
Strike: "1978"  
Insert: "1979"

167



Exh. #1

Amended

26th

HB 182 - Proposed amendment

1. Page 2, lines 14 through 16.

Following: line 13

Strike: line 14 through "county." on line 16 in its entirety

Insert: "the following manner. The county receives the available money multiplied by the ratio of the rural population to the county population. Each <sup>incorporated</sup> municipality receives the available money multiplied by the ratio of the <sup>incorporated</sup> municipality population to the county population. The rural population is that population of the county living outside the boundaries of a municipality."

incorporated -

Exp. #2

TESTIMONY

SENATE TAXATION COMMITTEE

2-6

by

Ben G. Nordell  
Mayor of Sidney

RE: SENATE BILL 182

It is a pleasure for me to represent the City of Sidney for the Senate Taxation Committee. I appreciate the willingness of your committee to listen to our concerns and will attempt to be brief.

I will present my written testimony to you and be prepared to answer any questions that you might have when it is concluded.

Sidney is a growing community in Eastern Montana. The building permits reflect that growth. The dollar amounts of building permits for the past four years are as follows:

- a) 1975 - \$1,358,000.00
- b) 1976 - \$2,350,000.00
- c) 1977 - \$3,234,000.00
- d) 1979 slightly over \$5,000,000.00.

This shows the growth in our community and it is primarily due to the energy impact from the oil business.

The value of the mill in Sidney, 1975-76 was \$4,987 and is now \$4,983. This is a reduction of \$4.00. This is due to the changes in the tax laws and the reducing of the taxes from 12% to 8.55%. Mr. Harold Mercer, our Director of Public Works, can explain more of this to you.

Sidney's population in the early part of the 1970's hovered

around 4,500 to 5,000 people. Records show that we did not have much growth. Now we estimate the population at approximately 6,200 to 7,000 people. This is all due to the oil impact and so far we have been able to keep up with the added cost involved in providing these people with the necessary benefits of a resident.

In recent years we have spent money to purchase the following items:

- a) a new fire truck with a cost of \$115,000.
- b) a new garbage system at a cost of \$132,000
- c) an increase of expenditures as far as the police force is concerned.

There are many benefits in relationship to oil. Substantial amounts of income have been brought into our community through salaries and oil payments, and hopefully these people are spending the bulk of it in our area. This seems to be true.

We do not have any unemployment in our community and the city has a difficult time matching the salaries that a person can receive working for the oil companies. A young person just out of high school with little or no training can make approximately twenty to twenty-four thousand dollars a year in the oil field. We find that it is difficult for the city to keep competent people and still not have to pay them a salary that would be out of proportion with the rest of the people involved in city government.

For example, our new garbage system had to be highly mechanized thus using less personnel, because we simply could not keep enough people working on the garbage routes.

It looks to me like this problem will continue to be a major area of concern for us in the future.

We see a tendency by the people to be concerned by increases in taxes, which is in itself not an unusual happening, but they tend to feel that all of it goes to provide benefits just for the oil people. This is an excuse, I know, but a concern of some people in the community, and it is important to look at this area.

In 1971 and 1972 the City of Sidney hired Morrison-Maierle, Inc. of Helena to conduct a major study of our community. The study provided some excellent goals and ideas for us, and we have been able to accomplish some of them.

One of the suggestions was that by 1980 we would need to provide a major addition to one of our older grad schools and possibly look at adding to our grade school on the West side of town. They pointed out that the approximate cost of that addition in 1971-72 would be \$500,000.

The local school board started one year ago and proposed a school bond issue for approximately the same as recommended by Morrison-Maierle, Inc. and by then the cost was \$2,400,000. It is my understanding that this cost is going up every day, but this bond issue has been defeated five times for the following reasons:

- a) The ridiculous system that allows somebody not to vote and in effect have a "no" vote as far as school bond elections are concerned.
- b) The feeling by some people in the community that all of the additions relate to the oil, and since they do not benefit directly, they are not willing to pay the necessary

taxes.

c) The general concern by the people is, now is the time to cut back rather than expand. Their concerns are important, I realize, but the fact remains that shortly we will have to tear down the condemned school and then be forced to operate out of churches, commercial buildings, and other areas until a new school can be built.

All of these things seem to reflect a feeling by the community of Sidney that the basic income provided by the energy impact in terms of dollars is going to the government of the county rather than to the government of the towns where most of the growing pains are being felt. I fully realize that this is not exactly the case because the county also has some restrictions in this area. However the primary problems concerned with the energy impact seem to be more heavily centered in the communities and this is why we want to propose your consideration of Senate Bill 182.

Senate Bill 182 provides for energy impact funds to be distributed back to the county and split between the county and the cities in proportion to the population. I think it is important for you to consider this prospect, and we feel this is possibly an avenue that we can use to help our city continue to grow and be financially sound.

We want to provide the quality of life and level of care necessary for our community. The oil impact is here whether we like it or not.

TESTIMONY - Ben G. Nordell  
February 6, 1979 - Senate Bill 182  
Page 5

I thank you for the opportunity to appear before you this morning and will be happy to attempt to answer questions. If I do not have the answers, I am sure that someone else here might have them and if not we can find the answers for you.

BEN G. NORDELL  
MAYOR OF SIDNEY

BEN G. NORDELL  
Mayor  
LOUISE CHRISTENSEN  
City Clerk  
HAROLD L. MERCER  
Director of Public Works  
PAUL H. CRESAP  
City Attorney  
EVA HAYNER  
City Treasurer  
DUANE BROWN  
Police Judge  
ED BANTA  
Water Commissioner  
MICHAEL GEAR  
Rec. Administrative Dir.

*City of Sidney*  
COUNTY OF RICHLAND  
MONTANA

PHONE 482-2809

59270

115 SECOND ST S. E.

*Ed # 3* ALDERMEN  
First Ward  
LORAN CASEY  
JOHN OLSON

Second Ward  
CONRAD GEOROS  
KNUT HOVERSTER

Third Ward  
LOREN DETIENNE  
CHARLES CUMMIN

February 2nd 1979

GENTLEMEN:

THE CITY OF SIDNEY AND RICHLAND COUNTY HAS EXPERIENCED A POPULATION GROWTH FOR WHICH NEITHER WAS PREPARED FOR. THIS HAS CREATED MANY PROBLEMS IN THE AREA.

THE CITY FINDS THAT MOST OF THOSE MOVING IN WANT TO LIVE WITHIN THE CITY PROPER BUT THAT WE CAN'T PROVIDE THE NECESSARY SERVICES TO THESE PEOPLE.

OUR MAIN CONCERN IS THAT OUR SEWER LINES ARE NOT LARGE ENOUGH TO HANDLE THE ADDITIONAL GROWTH THAT IS BEING DEVELOPED. WE ARE HAVING AN ENGINEERING STUDY MADE AND TO UPDATE OUR LINES THEY ARE TAKING IN TERMS OF OVER ONE MILLION DOLLARS.

WE FIND THAT OUR LANDFILL IS BEING USED UP MUCH FASTER THAT HAD BEEN PROJECTED AND THE PURCHASE OF NEW LAND WOULD INVOLVE SEVERAL HUNDRED THOUSAND DOLLARS.

TO GIVE PROPER PROTECTION TO THE CITIZENS OF OUR COMMUNITY MEANS A LARGER POLICE FORCE. LAST YEAR THE CITY OF SIDNEY BROUGHT THERE POLICE FORCE UP TO NINE OFFICERS AND FOUR DISPATCHERS. THIS COST THE CITY A TOTAL OF ONE HUNDRED FIFTY TWO THOUSAND DOLLARS. WITH THE RATE OF INCREASED CRIME IN THE AREA WE WILL HAVE TO ADD ANOTHER MAN AND POSSIBLE ANOTHER POLICE CAR AT BUDGET TIME THIS WILL ADD FIFTEEN TO TWENTY THOUSAND MORE TO THE BUDGET.

IF WE REACH SEVEN THOUSAND FIVE HUNDRED PEOPLE WE HAVE TO ADOPT BY STATE LAW THE METROPOLITAN POLICE LAW WHICH MANY CITIES HAVE FOUND ALMOST IMPOSSIBLE TO HANDLE.

AT THE PRESENT TIME WE HAVE A VOLUNTEER FIRE DEPARTMENT, BUT WITH THE GROWTH WE ARE EXPERIENCEING THERE IS A STRONG POSSIBILITY OF A PARTLY PAID DEPARTMENT WITH AND ESTIMATED COST OF ONE HUNDRED TWENTY FIVE THOUSAND DOLLARS

ABOUT EIGHTEEN PERCENT OF OUR PEOPLE ARE ON SOCIAL SECURITY OR WAS BEFORE WE HAD THIS ADDITIONAL GROWTH. WE FIND THAT THE LOCAL PEOPLE WILL NOT SUPPORT BOND ISSUES AS THEY FEEL THE PROBLEMS HAVE BEEN BROUGHT ABOUT BY THE PEOPLE MOVING IN AND THAT THEY ARE THE ONES TO PAY THE BILL.

OUR MILL LEVY IS FOUR DOLLARS LESS THIS YEAR THEN IT WAS IN 1975-76. YET WE HAD A BUILDING BOOM OF OVER FIVE MILLION LAST YEAR. THIS DECREASE HAS COME ABOUT DUE TO CHANGES IN THE TAXING LAWS.

WE NEED HELP FROM SOURCES OTHER THAN PROPERTY TAXES THEREFORE WE ASK THAT YOU LOOK UPON THIS BILL IN A FAVORABLE LIGHT. THANK YOU.

*Harold L. Mercer*  
HAROLD L. MERCER  
DIR. PUB. WKS. SIDNEY, MONT.

RE: SENATE BILL 182

*Exp. #4*

Oil development is an additional source of money for this area, but it creates problems with housing, garbage and sewage disposal and roads to mention the main ones.

These problems cost money and no one knows if the oil development will last long enough to pay all of the extra expenses involved.

Schools, road and sewage systems are expensive to build, and generate no return until they are completed.

Oil development on the scale we have, can create as large a problem as coal impact.

Andrew Peterson  
Chairman of the Board of Richland  
County Commissioners



Exp. #5

TESTIMONY PRESENTED TO SENATE TAXATION COMMITTEE BY THE SIDNEY CHAMBER OF COMMERCE: 2-6-79; 9:00 A.M.

RE: SENATE BILL 182

The Sidney Chamber of Commerce, in a vote by its Board of Directors, supports Senate Bill //182 as amended. We feel that there is an increase in services demanded by the people who are now living and those who are moving into the City of Sidney because of the energy development. The major areas that are in need of financial assistance are:

1) Police Department

City - 8 or approximately 1 for every 900 people.  
County - 7 or approximately 1 for every 1,000 people living in the County.

2) Fire Department

With an increase in oil production, there has been an increase in oil related fires. We need more sophisticated equipment.

3) Sewer & Sewage Treatment

We are currently working to expand the sewage facilities in Sidney, but with projected population increases we will need to develop a treatment plant in the near future and expand our solid disposal area.

4) School Buildings

Alot of the people moving here are renting, causing an increase in the school population, but creating no property tax revenue.

We also oppose an increase in the taxes charged on oil and gas since we believe this would (1) decrease the production and thereby decrease revenue or (2) cause this increased tax to be passed on to the consumer.

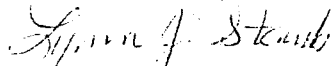
TESTIMONY, SIDNEY CHAMBER OF COMMERCE

FEBRUARY 6, 1979

PAGE 2

We know Senate Bill #182 is a bill proposed by the Richland County legislators, and we would like to see it passed as amended since #182 would benefit Sidney and Richland County but more than that, the Sidney Chamber of Commerce supports the CONCEPT presented in this bill. We, in Sidney, are currently living in an Energy Impacted Area and we hope you will realize through our testimony today that every community that goes through this needs the financial support we are proposing.

Thank you.



Mr. Lynn J. Staub  
Executive Vice President  
Sidney Chamber of Commerce