

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 13, 1981

The twenty-sixth meeting of the committee was called to order at 8:00 a.m. in Room 415 of the State Capitol Building, Chairman Pat Goodover presiding.

ROLL CALL: All members were present.

CONSIDERATION OF SENATE BILL 292:

Sen. Hager explained that the reason for the bill is that in today's market there is a wide variation in the amount of interest rates. This bill would give the people who are issuing long-term bonds for large projects a chance to time their entry into the market when they could get the best rate. An amendment was offered on line 21, page 2, where "to acquire a project" is changed to "pay the costs of acquiring or improving the project."

PROPONENT: Bob Sullivan, in charge of the legal department of Montana Power Company, said he supports SB 292 that amends 3 sections of the industrial development code. Amendments relate to requiring only one hearing rather than multiple hearings, and provides for having Montana law track with federal law so that refunding periods for short-term bonds will be the same as federal. The savings could be up to 1 1/4%, because of good credit, to the consumer. He made reference to the bill amendments, Attachment #1. Purchasers have limits on the number of bonds they have in their portfolio. The change means they could be called bonds or notes. Notes will be issued for Colstrip. Section 2 of the bill: "to acquire a project" -- law provides there must be a hearing for the issuance of bonds. This means we would have a hearing for short term bonds and another would be required for the turnover. This amendment does away with continuous hearings if a series of bonds are issued. Section 3 makes a specific reference to including short-term, as well as long-term bonds. Page 4, line 19, provides that in the event long-term bonds are sold the money is put in trust to ensure payment of the short-term bonds when they mature. These amendments create flexibility and an opportunity to take advantage of an attractive market for short-term bonds. Sen. Hager passed out the proposed amendments. There were no further proponents or opponents and questions were called from the committee.

Sen. Crippen asked for an expansion of the mention about savings going to the consumers. Mr. Sullivan said when Colstrip 3 and 4 were first planned, the estimated cost was about 450 million dollars. With the delays necessary for getting the permit and pollution control, the cost has escalated to 1.8 billion dollars. MPC is exploring all ways in which it can reduce the cost of financing, and saving cost of tax on bonds benefits the consumer.

Sen. Elliott wondered if the paperwork involved was a part of the company's cost. Mr. Sullivan said it is included in the cost of the bonds. He said further that the fact that there are no opponents here today seems to show this bill would be a good thing for the State of Montana.

Sen. Eck asked if local governments would have this capacity by taking advantage of this law. Mr. Sullivan said the law as it is now speaks in terms of municipalities and counties but it would seem, in having had some exposure to Wall Street lawyers, that they take the attitude that unless industry specifically gives authorization in the law, they could not do it.

Sen. Norman asked if Whitefish, for instance, could issue an industrial revenue bond to Montana-Dakota Utilities? Mr. Sullivan said under the law as presently written, no. The authority relates to a facility to be built within a county.

The hearing was closed on Senate Bill 292.

CONSIDERATION OF SENATE BILL 339:

"AN ACT AUTHORIZING CREATION OF BUSINESS IMPROVEMENT DISTRICTS; PROVIDING PROCEDURES FOR CREATION; PROVIDING FOR ORGANIZATION, OPERATION, APPOINTMENT, TERMS, AND REMOVAL OF A BOARD OF TRUSTEES; ESTABLISHING POWERS OF THE BOARD OF TRUSTEES; PROVIDING FOR A BUDGET AND AN ANNUAL WORK PLAN; PROVIDING FOR A MANNER OF ASSESSING COSTS; PROVIDING FOR A TAX LEVY UPON THE DISTRICT; PROVIDING FOR THE DISTRICT'S DURATION; PROHIBITING DECREASE IN SERVICES; AND PROVIDING AN EFFECTIVE DATE."

Sen. Mazurek explained the idea behind this bill is to allow creation of business improvement districts which are much like SID's, giving a business district the ability to essentially operate itself like a shopping center, take additional burdens on themselves for management of the project within the district, and to spread an assessment upon themselves for operating the districts. The meat of the bill is in section 4. Section 13 provides the governing body cannot reduce services unless it is part of an overall reduction in the city. The idea is not to take on all the burden of running the district itself. The regular services that any property owner expects from the city would not be eliminated and should not be cut back because the district takes upon itself this additional burden.

PROPOSERS:

Larry Gallagher, Redevelopment Counselor, Helena, testimony is Attachment #2.

Ron Molen, Missoula Chamber of Commerce

C. E. Abramson, real estate broker, Missoula

Cliff Christian, Montana Association of Realtors

Ira Kaufman, City Center Improvement Corporation and past president of the Chamber of Commerce, Great Falls

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Ed Gallagher, City of Kalispell
Jan Brown, Downtown Helena Businessmen
Don Kearns, City of Helena
Alice Fryslie, Helena Improvement Association
Senator Mike Halligan, Missoula
Senator Steve Brown, Helena

There were no further proponents and no opponents, so questions were called from the committee.

Sen. Norman wondered if Sen. Mazurek would care about an amendment to say that creation of the district had to be by petition only or, if that failed, that they couldn't come back for 6 months to try again.

Sen. Mazurek said he would have no objection to the 51% petition. Larry Gallagher said he also wouldn't object to 51%, but would not like the time restraints.

Sen. Norman referred to page 6 talking about what governing body may exist. He wondered if there would be objection if we put in a percentage of what the property is valued at as the most they could or put a maximum of some kind on the taxpayer.

Sen. Crippen said there is a big difference between a shopping center and what they can do and what is being proposed here. When tenants come into a mall they sign a lease which provides they have to join the merchant's association. You will be dealing with a lot of absentee property owners--basically it's good for the owner and the renter having an interest. Under section 7 only the property owner is protected. Secondly, while it says that the tax will be assessed same as other SID taxes, I would assume that the BID would in turn reimburse the multiple body that it incurred for collecting this tax, and I would suggest you have something like that. Sen. Crippen said he also couldn't agree with the philosophy behind industrial revenue bonds.

Sen. Towe wondered if this bill might be too broad in limits of SID's, as people want to take care of the money themselves, not with the city.

The hearing was closed on Senate Bill 339.

CONSIDERATION OF SENATE JOINT RESOLUTION 10:

"A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA URGING THE CONGRESS OF THE UNITED STATES TO REMOVE ALCOHOL FUEL PRODUCTION PERMITS AND INFORMATION FROM THE CONFIDENTIALITY REQUIREMENTS OF THE INTERNAL REVENUE CODE AND URGING THE BUREAU OF ALCOHOL, TOBACCO AND FIREARMS TO MAKE THIS INFORMATION AVAILABLE."

Sen. Norman presented the resolution and said, as he understands it, there is a federal law that says confidentiality shall be made on permits issued for alcohol stills. If the federals license, that information is not available to the public or the DOR. This resolution would

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petition Congress and our delegation and also the director of internal revenue to change things so that confidentiality in this case could be waived.

Larry Weinberg, Dept. of Revenue, said there is a considerable amount of red tape involved in getting information from the IRC, and it is the Department's position that those who are licensed to produce alcohol fuel are not properly under confidentiality requirements of the IRC. We are interested in getting them to apply so we can issue them a permit.

The hearing was closed on Senate Joint Resolution 10.

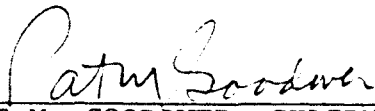
DISPOSITION OF HOUSE BILL 250:

Sen. McCallum made a motion that House Bill 250 BE CONCURRED IN. The motion carried unanimously.

Next on the agenda was a request to the committee on taxation to clarify the classification of lands and improvements for property taxation, adding classes for residential, commercial, and industrial property. The Department of Revenue is asking the committee sponsorship. Ellen Feaver said President Turnage suggested this would be a way to address the situation where 3,400 tax appeals are tied up in litigation until another manual could be issued.

A vote was taken on the motion to adopt and the motion carried by an 11-3 margin. Sen. Towe made the motion to adopt.

The meeting was adjourned at 10:00 a.m.


PAT M. GOODOVER, CHAIRMAN

ROLL CALL

TAXATION COMMITTEE

47th LEGISLATIVE SESSION - - 1981

Date FEB. 13, 1981

NAME	PRESENT	ABSENT	EXCUSED
Goodover, Pat M., Chairman	✓		
McCallum, George, Vice	✓		
Brown, Bob	✓		
Brown, Steve	✓		
Crippen, Bruce D.	✓		
Eck, Dorothy	✓		
Elliot, Roger H.	✓		
Hager, Tom	✓		
Healy, John E. "Jack"	✓		
Manley, John E.	✓		
Norman, Bill	✓		
Ochsner, J. Donald	✓		
Severson, Elmer D.	✓		
Towe, Thomas E.	✓		

Each day attach to minutes.

DATE _____

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COMMITTEE ON

Taxation

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
E. ABRAHAMSON	SELE (Real Estate Broker)	5339	X	
Larry & Ellyse	City of Missoula Redevelopment ^{Agency}	5339	X	
LES PRENTICE	CITY of MISSOULA	5339	X	
Robert Sullivan	Montana Power Co	5292	X	
Michael E. Thompson	Mont. Power Co	5292	X	
Donna Williams		5292	X	
Ron Olsen	Mont. Chamber of Commerce	5339	X	
Cliff CHRISTIAN	MONT ASSN of REALTORS		X	
Ed Collier	CITY of Kalispell	339		
Larry Wilson	D. J. R.	538 D		X
Tim McKeown	Gr. Falls C.C.C.	339	X	
Jan Brown	Downtown Helena	339	Y	
Harvey	Mont. C.C.C. - 1051	339	X	
Alie Foyelle	Helena Improvement Soc.	339		
Donald Hanna	City of Helena	339		

(Please leave prepared statement with Secretary)

SENATE BILL 292, INTRODUCED BILL

1. Amend page 2, line 21.
Following: "county"
Strike: "to acquire a project"
Insert: "to pay the costs of acquiring or improving a project"
2. Amend page 3, line 5.
Following: "bonds"
Strike: "to acquire a project"
Insert: "to pay the costs of acquiring or improving a project"
3. Amend page 3, line 11.
Following: "to"
Strike: "acquire a project"
Insert: "pay the costs of acquiring or improving a project"

February 10, 1981

THE NEED FOR THE BUSINESS IMPROVEMENT DISTRICT ACT

Since 1970 Montana cities and towns have been aggressively implementing urban redevelopment projects to improve the tax base, job opportunities and investment climate for private development and redevelopment of neighborhoods and central business districts.

Central business districts, our downtowns, and neighborhood business districts historically have been the centers of employment and commerce and the largest producers of the tax revenues needed to improve and maintain our cities, schools and counties. The success of our communities is measured in part by the physical appearance and economic strength of the business district. The decline of these areas has been a problem in the past and the need to redevelop them has been addressed by national and state legislation.

Congress enacted legislation to authorize and finance redevelopment and rehabilitation of these city centers. In 1959 the Montana Legislature enacted the Urban Renewal Law (7-15-4201 through 7-15-4324, MCA), and declared: "... (1) that blighted areas which constitute a serious and growing menace injurious to the public health, safety, morals, and welfare of the residents of the state, exist in municipalities of the state;... (3) that prevention and elimination of such areas is a matter of state policy and state concern in order that the state and its municipalities shall not continue to be endangered by (such) areas ..." and (7-15-4204(2)) "... that the necessity in the public interest for the provisions enacted in this part and part 43 (the Urban Renewal Law) is hereby declared as a matter of legislative determination."

Thus far the Cities of Billings, Great Falls, Helena, Kalispell, Missoula, Butte-Silver Bow and Anaconda have declared that it is necessary and in the public interest that they exercise the urban renewal powers granted by the state. At least seven other, smaller cities are now developing or considering redevelopment plans: Dillon, Hamilton, Shelby, Polson, Columbia Falls, Wolf Point and Deer Lodge. Through the process of urban renewal local governments are creating public/private partnership whereby the private sector--investor developers and business--is provided maximum opportunity to redevelop and rehabilitate declining business districts. The process is working. There is dramatic, positive improvement in our downtowns and surrounding neighborhoods. But more is needed.

Senate Bill 339, the Business Improvement District Act, has been drafted and introduced for your consideration at the request of the private side of public/private partnership. The public side, through the use of urban renewal and other programs, can provide public improvements and other incentives to encourage private investment. Cities have created public parking programs, landscaping, malls and all manner of urban beautification. Cities have obtained federal funds and provided low interest loans and grants. Cities, the public side of the partnership, have used all of the tools available (statutory authorization) to encourage private investment. Now it is necessary and in the public interest that the private side of the partnership be given the tools (statutory authorization) further to encourage and protect the enormous investment we all have in our business districts.

Senate Bill 339 will authorize local government to appoint a board of trustees to manage the affairs of the business improvement district. A governing body desiring to establish a district under the Act must establish it in the same manner as a special improvement district is established. If a majority of the property owners in the district protest the creation of the district, it will not be created. Section 9 of the Act contains the powers authorized and necessary to carry out the function of the district, including:

(1) Sue and be sued, enter into contracts, hire and terminate personnel needed for its purposes;

(2) Provide special police, maintenance or cleaning personnel for the protection and employment of the property owners, business and the general public using the business district;

(3) Landscape and beautify public areas and maintain or repair public parking facilities;

(4) Contract with the governing body to maintain, operate or repair public parking facilities;

(5) Contract with the governing body to maintain streets, alleys, malls, bridges, ramps, tunnels, landscaping and other facilities as mutually agreed upon;

(6) Promote private investment and business expansion in the district;

(7) Provide for the management and administration of the affairs of the district;

(8) Promote business activity by advertising, decorating, marketing and promoting and managing the events and other actions designed for the general promotion of the business activities of the district; and

(9) Perform such other functions as are necessary to carry out the purposes of the Act and to further the objectives of the district.

Section 10 of the Act requires local governing body approval of the annual budget and work plan and requires a public notice and public hearing on objections to the work plan and budget. Local government is authorized to modify the work plan and budget as it considers necessary and appropriate. After approval of the work plan and budget, the governing body shall by resolution levy and assess a tax upon all of the property in the district, using as a basis one of the methods prescribed in the Act. Thus, all properties benefited by implementation of the Business Improvement District Act will help pay the costs of implementation.

Section 13 of the Act requires that the governing body not decrease the level of public service in the district existing prior to creation of the district, or transfer the financial burden of providing those services to the district, unless the services at the same time are decreased throughout the jurisdictional area of the governing body. It is not the intention of this Act to place financial burdens on local government but to create a method of equitable districtuion of the costs of operating and managing a business improvement district which will directly benefit private property owners. This section is provided to assure, however, that local government does not put the full financial burden of providing services to the district upon the property owners within the district. Historically cities have provided snow removal, landscaping, maintenance, parking management, police and fire protection and other municipal services which are funded through the general fund. Private sector supporters of the Business Improvement District Act expect that this level of local government support will continue unless the local governing body deems it necessary to reduce that level of public service throughout the jurisdictional area of the governing body.

Cities have done an excellent job, over the past decade, of improving the business investment climate of our business districts. Passage of this Act is important to the continued success of business districts, the centers of employment, tax base, and community activities.

STATING COMMITTEE REPORT

February 13

19 81

MR. **PRESIDENT:**

We, your committee on **TAXATION**

having had under consideration **HOUSE** Bill No. **250**

Respectfully report as follows: That **HOUSE** Bill No. **250**

BE CONCURRED IN

~~XXXXXX~~
~~DO PASS~~

P.A.

SENATE COMMITTEE TAXATION

Date 2/13/81 Senate Taxation Comm Bill No. _____ Time 9:58 a.m.

NAME	YES	NO
SEN. McCALLUM (Vice-Chairman)	✓	
SEN. BOB BROWN	✓	
SEN. STEVE BROWN	✓	
SEN. CRIPPEN	✓	
SEN. ECK	✓	
SEN. ELLIOTT		✓
SEN. HAGER		✓
SEN. HEALY	✓	
SEN. MANLEY		✓
SEN. NORMAN	✓	
SEN. OCHSNER	✓	
SEN. SEVERSON	✓	
SEN. TOWE	✓	
SEN. GOODOVER (CHAIRMAN)	✓	
	11	3

Betty Dean

Secretary

Pat M. Goodover

Chairman

Motion: by Sen. Towe to adopt as a committee bill: "AN ACT TO CLARIFY THE CLASSIFICATION OF LANDS AND IMPROVEMENTS FOR PURPOSES OF PROPERTY TAXATION ADDING CLASSES FOR RESIDENTIAL PROPERTY, COMMERCIAL AND INDUSTRIAL PROPERTY, AND OTHER REAL PROPERTY AND IMPROVEMENTS AND A RESIDUAL CLASS FOR PROPERTY NOT OTHERWISE COVERED; CLARIFYING THE ROLE OF THE DOR IN THE CLASSIFICATION AND APPRAISAL PROCESS; AMENDING SECTIONS 15-10101, 15-6-133, 15-6-134, 15-6-140, 15-6-151, 15-7-101 THROUGH 15-7-103, 15-8-111, 15-24-1102, AND 15-24-1103, MCA; AND PROVIDING AN APPLICABILITY ~~(include enough information on motion put with yellow copy of committee report.)~~

DATE AND AN IMMEDIATE EFFECTIVE DATE."