



The Big Sky Country

MONTANA SENATE HOUSE OF REPRESENTATIVES

APPROPRIATIONS COMMITTEE
SPECIAL SESSION
NOVEMBER 2, 1981

The joint meeting of the House Appropriations Committee and the Senate Finance and Claims Committee was called to order at 8:30 a.m. with Chairman Gene Donaldson presiding. The meeting was held in the House Chambers.

The agenda for the meeting consisted of the Governor's recommendations, presented by Dave Lewis, the report of the Office of the Legislative Fiscal Analyst, presented by Judy Rippingale, presentations from the League of Cities and Towns and the counties, followed by a question and answer session from the committee and other legislators present.

Chairman Donaldson opened the meeting with an introduction of the committee staff and members of both the House Appropriations Committee and the Senate Finance and Claims Committee.

GOVERNOR'S RECOMMENDATIONS

Dave Lewis, budget director, passed out copies of the "Amended Montana Executive Budget 1982-1983" to members of the committee. Introduction of the budget staff followed:

Dave Lewis, Budget Dir.	Francis Olson, Education
Ron Weiss, SRS & Health	Tom Crosser, Institutions
George Harris, Lab. & Ind.	Terry Cohea, Hiwy, Just. EQC
Doug Booker, LFA	Carolyn Doering, Fish & Game,
Glen Leavitt, Education	Agr. DNR

These people would be available to work with the committees and can be reached through the Office of the Budget Director.

Mr. Lewis's presentation consisted of an overview of the executive budget. He said that they are asking for \$13.7 million dollars in total, most of which would be going to SRS. This would reduce the projected ending general fund balance to \$12 million.

LFA BUDGET ANALYSIS

Judy Rippingale, Legislative Fiscal Analyst, gave a synopsis of the "Budget Analysis" prepared by the Office of the LFA. Introduction of the LFA staff was made. This is listed in the front of the report.

Ms. Rippingale stated that the Governor's recommendations exceed the revenue on expenditures and therefore the Governor's budget is out of balance. The LFA staff has estimated the revenue at \$12 million less than the Executive, and if they are correct it would leave a zero balance. She said that the Executive general fund balance is substantially less than the 3% they recommend. There are problems that could arise; unforeseen emergencies. Ms. Rippingale also pointed out the dangers of estimating revenue figures too high; such as oil, coal tax etc. Also, she stated, the LFA staff sees potential trouble in the cutbacks in the Department of Highways, school lunch program and also in the shifting around of funds in the department.

Ms. Rippingale went into SRS requests, the changes in AFDC requirements, the tightening of requirements in various areas such as two-parent recipients of welfare, pregnant women to the third trimester, and finished by saying there is a \$1.7 million difference in the LFA and the Executive budgets and the governor's office has not been able to explain this difference satisfactorily as of this date.

Discussion was held by the committee on the pro's and con's of recommendations for cutting the case loads in welfare and what would happen on the local levels as a result of the tightening of qualification requirements. Ms. Rippingale pointed out on page 276 of the LFA's report the uneven distribution of funds to the counties, and that perhaps direct aid to recipients would be better than paying salaries since it would be cheaper for the state and possibly less devastating to the counties.

Representative Conroy said he had been to a conference where it was suggested it might be good to coordinate some of the services between the state and the Indian Services to eliminate any duplication of services that might be occurring.

Representative Conroy made a motion that a letter be drafted authorizing the federal government to make inquiries into the feasibility of coordinating services. The motion was voted on and passed unanimously.

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A motion was made by Representative Moore that the committee accept the LFA analysis. The motion was voted on and passed unanimously.

LOCAL GOVERNMENT HEARING - COMMENTS ON BLOCK GRANTS
AND EXECUTIVE PROPOSALS RELATING TO LOCAL GOVERNMENT.

Don Peoples, president of the Montana League of Cities and Towns, testified and introduced representatives from six (6) cities and towns in Montana. They are as follows:

Gene Marcel, Butte	Al Thelen, Billings
Mike Young, Missoula	Bill Verwolf, Helena
Dan Worsdall, Anaconda	Jim Nugent, Missoula

A copy of the "Resolution" by the Montana League of Cities and Towns is attached as well as a letter from Mr. Thelen addressing the "impact of the elimination of business inventory taxes".

All of the six representatives testified. Their testimony was based on the basic concept that the League of Cities and Towns does support the proposed assumption of the small cities block grant program under the following conditions:

1. That a Planning Committee be established to formulate State Community Development Block Grant Regulations. That this committee be composed of appropriate State and local officials, and that this group be a permanent advisory committee but not participate in ranking or evaluating Community Development Block Grant applications.
2. That the State honor multi-year commitments previously made by the Department of Housing & Urban Development.
3. That the State assume control of the block grant program as soon as practical without interrupting the existing funding cycle.
4. That the block grant program remain competitive with the State, adopting, as close as possible, the existing Dept. of Housing & Urban Development ranking criteria.
5. That the State maintain the current funding categories and that limits be established for each category.

6. That the State provide formal technical assistance and that no person serving as a technical representative be involved in ranking or evaluationg procedures.

7. That in the formalization of Community Development Block Grant Regulations, a mechanism be developed to assure distribution of funds in a timely fashion.

Mr. Peoples also said that the League supports the proposal for additional state funding of local welfare costs.

Ed McCaffree, county commissioner from Rosebud County and President of the Montana Assoc. of Counties, along with members of the executive committee, shared perceptions of what the federal budget cuts might mean to counties with the changeover to the block grant system of funding. In summarizing he stated that the counties believe that flexibility to set priorities and provide programs accordingly should be a function of the local governments; that the state must look at alternative means of funding programs; increasing property taxes at the local level to replace lost federal funding is not an acceptable alternative. Mr. McCaffree urged that administrative costs be cut both at the state and local level with most of the funds going to the programs.

Other members of the association who spoke are as follows:

Everett Elliott, Pondera county commissioner
Jim Straw, Yellowstone county commissioner
John Nesbo, Toole county commissioner
Joe Gottfried, Toole county commissioner

A copy of Mr. McCaffree's and the other members prepared testimony is attached.

John Evans, League of Cities & Towns, Bozeman, summed up the testimony of the league touching on the main points of each speaker.

Questions from the committee followed.

Representative Hurwitz commented that according to his information the city development block grant will be increased by 9% in 1982 and 1983. Even though the cities are hurting he said he could not understand why they should be hurt by the community development grants.

Mr. Peoples said the point is that he feels the state should take the responsibility if the cities want any input into the community block grant system. Representative Hurwitz presented some figures for them by saying the 1980 revenue was \$5,999,000, the 1981 \$5,738,000; the 1982 will be \$6,423,000 and the 1983 will be \$6,423,000 which is an 11.9% increase.

Nancy Leifer, Department of Commerce addressed the above figures by saying she felt there was some confusion because of the community development block grant being such a limited program while we are talking about a variety of block grant programs. This particular grant is very limited as to what it can be used for. It does not necessarily answer the local governments problems that cover the needs of the other areas. Mr. Peoples said it also covers the needs of other areas and includes the multi-year projects. Ms. Leifer answered that there were \$2,517,000 in annual multi-year projects out of the \$6.3 million commitment.

Representative Donaldson asked that they clarify whether the cities and towns want the state to assume the responsibility. Ms. Leifer said the Department of Commerce has been assuming responsibility as though they would be taking on the program. We have taken steps to get suggestions from them, people for the advisory group, etc. We have a cap of 2% federal funds which is matched dollar for dollar by the state for administrative costs and we think we can get the entire process in line and have it take place to get the grants by July 1st, with this money.

Mr. Peoples said that the direct relationship between the cities and the federal government is shifting to a relationship between the state government and the federal government. When the state makes the determination on rules and regulations they would ask that the cities' programs and those residents who would be affected be represented through input from the cities and towns.

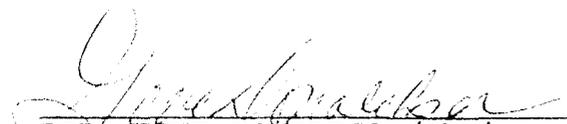
Some concerns were expressed on DD. It was brought up that if it were not properly funded the alternative might be to return to "warehousing at the institutions"; general assistance and medical assistance to the counties. Senator Smith asked if the commissioners approve the proposed plan to aid counties. Mr. McCaffree said there are mixed feelings on this and it will depend on the final program. They feel the state should pay a portion of the GA. He also said that the LFA projections with the discrepancies on distributions to the counties need study.

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Representative Waldron pointed out that a fair hearing process had been mentioned. He said when you have a client that is getting GA you go on to a fair hearing. SRS administers that hearing, but SRS has no economic interest so that rather than going along with the states proposal, if the state picks up some general assistance the state would have an economic interest in insuring that the system was not abused by clients and SRS would be a little tougher to deal with. Mr. McCaffree agreed.

The meeting was adjourned at 3:40 p.m.

Respectfully Submitted:



REP: GENE DONALDSON/Chairman



Cathy Martin/Secretary

RESOLUTION 2

A RESOLUTION BY THE MONTANA LEAGUE OF CITIES AND TOWNS ENDORSING THE ASSUMPTION OF THE COMMUNITY DEVELOPMENT SMALL CITIES BLOCK GRANT PROGRAM BY THE STATE OF MONTANA.

WHEREAS, the Montana League of Cities and Towns has a responsibility to assist the cities and towns of Montana in every way possible; and

WHEREAS, the State of Montana will be required under the emerging Block Grant Program of the Federal Government to exercise an option relative to administration of the Small Cities Community Development Program; and

WHEREAS, the Montana League of Cities and Towns desires to see the Block Grant Program continue to aid the cities and towns in their efforts to provide a better environment for their citizens;

NOW, THEREFORE, BE IT RESOLVED BY THE MONTANA LEAGUE OF CITIES AND TOWNS THAT THEY DO ENDORSE THE PROPOSED ASSUMPTION OF THE SMALL CITIES BLOCK GRANT PROGRAM BY THE STATE OF MONTANA UNDER THE FOLLOWING CONDITIONS:

SECTION 1: That a Planning Committee be established to formulate State Community Development Block Grant Regulations. That this committee be composed of appropriate State and local officials, and that this group be a permanent advisory committee but not participate in ranking or evaluating Community Development Block Grant applications.

SECTION 2: That the State of Montana honor multi-year commitments previously made by the department of Housing & Urban Development.

SECTION 3: That the State of Montana assume control of the Community Development Block Grant Program as soon as practical without interrupting the existing funding cycle.

SECTION 4: That the Community Development Block Grant Program remain competitive with the State of Montana adopting, as close as possible, the existing Department of Housing & Urban Development ranking criteria.

SECTION 5: That the State of Montana maintain the current funding categories (single purpose comprehensive and multi-year) and that limits be established for each category.

SECTION 6: That the State of Montana provide formal technical assistance to communities requesting such assistance and that no person serving as a technical representative be involved in ranking or evaluating procedures.

SECTION 7: That in the formalization of Community Development Block Grant Regulations, a mechanism be developed to assure distribution of funds in a timely fashion.

I have analyzed the personal property taxes collected by Billings over the last five years and approximately 70% of the personal property taxes are collected in the months January through June and 30% are collected from July through December. The average personal property taxes collected over the last five years have been \$706,000 per calendar year. On an average, approximately \$212,000 is collected in the first half of the fiscal year and \$494,000 in the second half of the fiscal year. With the business inventory tax being eliminated, effective January 1, 1983, the cash receipts for FY 82-83 from personal property taxes will be reduced by approximately \$494,000 than in previous fiscal years.

In summary, the law enacted by the 1981 legislature will reduce the cash revenue for the next fiscal year (82-83) by approximately \$494,000 and approximately \$706,000 for all future years.

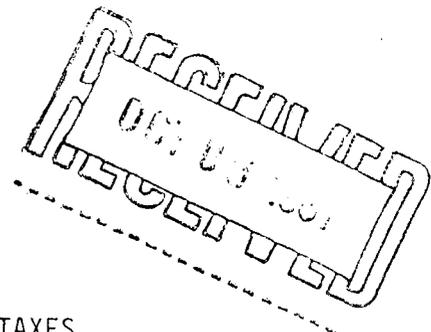
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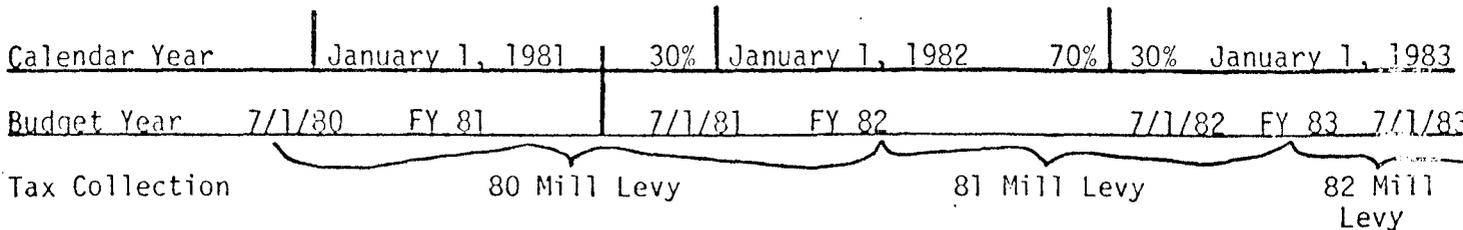
October 5, 1981



TO: AL THELEN, CITY ADMINISTRATOR
FROM: SAM BOGGESS, DIRECTOR SUPPORT SERVICES *SB*
SUBJECT: IMPACT OF THE ELIMINATION OF BUSINESS INVENTORY TAXES

This correspondence is in response to the Montana State Department of Administration's position that the elimination of the Business Property Tax in calendar year 1983 will not have an impact on local government budgets for FY 1982-83. It is my position that the Department of Administration has made an error in their analysis and submit the following in support thereof:

The primary area of misunderstanding is a firm grasp of the relationship between budget processes, tax collection and the mill levy. Due to their unpredictability, Personal Property Taxes are normally budgeted by local governments on a cash basis, not on an accrual basis. Additionally, the levy of personal property taxes is made on a fiscal year and is collected from the taxpayer throughout the following calendar year as diagramed below. The net result is that the personal property taxes collected in any fiscal (budget) year are split between two mill levies. The prior years' mill levy for the first six months, July through December, and the current mill levy for the last six months, January through June.



It is my interpretation of the law enacted by the 1981 Legislature that the business inventory tax will be collected by local governments for calendar years 1981 and 1982, and the taxes paid by businesses during these years will be reimbursed to the business by the State of Montana as a tax credit or rebate. It is also my understanding that inventory tax will be eliminated. Specifically, this means the 1982 local governments' mill levy will not include business inventory property. Therefore, the fiscal year 82-83 budget will only receive six months (July through December 1982) of business inventory tax revenue.

The County tax records are not in such a form where I can distinguish between business inventory and other personal property; however, the general feeling is that business inventory is the lion's share of personal property currently being taxed.

1. ~~Good afternoon.~~ I am Ed McCaffree, county commissioner from Rosebud County. I am also President of the Montana Association of Counties, and I have here with me today members of the executive committee: Everett Elliott, Pondera county; Jim Straw, Yellowstone county; Joe Gottfried, Toole County, and John Nesbo, also Toole county. Following their comments, I will have a closing statement.
2. We are here to share with you our perceptions of what the federal budget cuts might mean to counties, especially in the changeover to the block grant system of funding.
3. First of all, I know you realize that the impact of these budget cuts will not affect every county in the same way. Montana's varied geography and population patterns are unique, and our counties reflect these differences. We have urban and rural counties; mineral-rich counties; heavily-timbered counties; counties with more cows than people; and counties encompassing 7 Indian reservations.
4. However, there is one overriding concern in every county today, no matter whether it's large or small, rich or poor: as the federal government decreases its share of funding of programs, and tightens eligibility for mandated social services, state and local governments will have to take up the slack. (Counties are agreeable to tightening our belts, along with the state; however) there is a clear indication that when funding for programs is cut at the federal and state level, much of that burden may be shifted to the last level on the totem pole: local governments.
5. In order to understand how this will affect county budgets, the executive committee and I will try to give you a picture of the county financial and service structure as it is today.

Counties statewide depend on the property tax to finance their government services. This tax base is shrinking away at an alarming rate...alarming if there is no replacement through other revenues. Each legislative session there is a move to provide property tax relief to taxpayers. However, the net result is to concentrate the financing of county government on a smaller and smaller core of taxpayers. I have provided a list of typical cuts in the property tax base from the past few sessions, labeled Exhibit A.

Another major problem with the reliance on property tax is that the county must compete with other units of local government for the property tax dollar. Increasingly, counties are losing the battle. In 1980, counties received ~~only~~ 20.59% of the tax dollar. The rest went to the state, cities and towns, and schools, with the schools receiving the major portion of the tax dollar. You can see this distribution on the chart labeled Exhibit B.

Montana law designates the services that counties must provide, and strictly regulates how much the county may or may not raise in taxes to support these services. Exhibit C will refresh your memories on the various laws authorizing county taxes. Some of the basic services counties provide are roads, law enforcement, social services, and health services. Other functions include planning, elections, fire protection, licensing and registration, fairs, managing county property and many more.

Ed McCaffree, continued

6. The federal government has indicated at least a 25% cutback in federal funds, affecting many of these programs. Some funds they may pull back completely, such as urban and secondary road funding.

The question is: how much will the state absorb of these impacts, and through what means?

A larger question is: how much can the counties absorb without cutting crucial services, such as road maintenance, sheriff's departments, or aid to the truly needy?

7. I'm going to ask the MACo officers to explore these questions in relation to their own counties and the other counties we represent.

CALL ON EVERETT FIRST; JIM SECOND; JOHN THIRD; AND JOE FOURTH.

Following their comments, you may describe the impacts in your own and neighboring counties, then make a closing statement:

1. Counties believe that flexibility to set priorities and provide programs accordingly should be a function of the local governments.
2. We urge that administrative costs should be cut, both at the state and local level, with most of the funds going to the programs.
3. The state must look at alternative means of funding programs. Increasing property taxes at the local level to replace lost federal funding is not an acceptable alternative.

NOTES:

We appreciate having your attention today. However, as you know, we cannot learn all about local government financing in the short time given us this week, or this month. There is a need for an on-going research effort to examine local government finances...where we are, where we're going. The level of government closest to the people is the most misunderstood, because the state doesn't have the data-gathering capacity to examine local government finances. We would urge you to provide a financial base to the proper state agency to develop this capability that could provide you with an on-going data comparison, county by county, city by city, school district by school district.

EVERETT ELLIOTT

1. Thank you. I am Everett Elliott, Pondera county commissioner, and first vice president of MACo.

2. Describe your class of county, and your major revenue sources, and how these revenue sources are holding up in relation to changes brought about by legislative action, and by the federal budget cutbacks. Include information about your neighbor or similarly-situated counties.

Discuss areas that you can gather information on, such as roads, poor fund, law enforcement, public health, social services, etc.

If you can pinpoint some state regulations that need changing, to provide more local flexibility, mention them.

3. Preliminary figures from the Department of Revenue indicate that this year 26 counties lost taxable value. That's tough to take. Thirty counties gained taxable value. However, the total gain statewide for all counties was only about 8.94% over last year, which is a losing proposition when measured against a 12% inflation rate. Counties' ability to continue to provide services is steadily eroding.

4. In addition, many counties like my own depend on supplementary revenue from such sources as the federal payment-in-lieu of taxes program, and the general revenue sharing program. Both of these federal programs are in jeopardy. Both may be completely eliminated, or greatly reduced. Counties statewide depend on this income to give their property taxpayers some relief, and to finance expenditures that the county probably would have to forego if the funds were not available. These include items ranging from new jails and hospitals, to road graders, police and fire services, ambulances and computers.

So you can see that what we're facing today is more than "block grants"...it is unavoidably mixed up in federal cuts in categorical programs, and in cuts of entitlement programs.

5. One of the largest budget items for counties is for law enforcement. Salaries and equipment for the sheriff's department are a major budget item within the county general fund. In addition, many of us have jails built as much as 50 to 100 years ago, and we are in grave danger of civil rights lawsuits that could wipe out a county's budget for years to come. When the budget crunch becomes acute, we'll be forced to cut back on deputies, make old vehicles do the job, and push back the schedule for upgrading or replacing our jail facilities.

(Everett: at some point in this special session it is likely that the League will ask the legislature to support the concept of eliminating city residents from paying for "duplicated" county services, such as the sheriff. Of course, this move would completely gut the sheriff's department budget. Perhaps you can obtain a list of services provided city residents by the sheriff, such as servicing subpoenas for city courts, etc. The point is, at a time when some cities and counties are looking for ways to save money and provide service by consolidation, it would be fiscally irresponsible to fund duplicate services by having a whole new layer of employees at the city to do the job the sheriff's office does now.)

(I don't believe that in your initial presentation you will have time to explore the problems of staffing patterns in the sheriff's department; however, in response to questions concerning salary costs, etc. this information would prove valuable.)

Thank you. I am Jim Straw, Yellowstone county commissioner, and second vice president of MACo.

Describe your class of county, and your major revenue sources, and how these revenue sources are holding up in relation to changes brought about by legislative action, and by the federal budget cutbacks. Include information about your neighbor or other urban counties.

Discuss areas that you can gather information on, such as roads, poor fund, law enforcement, public health, social services, dumps, district courts, etc.

If you can pinpoint some state regulations that need changing, to provide more local flexibility, mention them.

Urban counties experience some unique problems that are brought about because people tend to migrate here to take advantage of our medical facilities, and on the expectation of job possibilities. However, unemployment is running at _____% in Yellowstone county. When these people are out of work, the county picks up a major part of their costs for welfare aid and medical help, depending on their eligibility for the various programs.

Those who qualify for AFDC and Medicare receive federal and state funds. As you know, these funds are being reduced, and eligibility for programs is being tightened. However, persons who no longer qualify for federal and state aid usually still qualify for county-funded general assistance and county medical. That is why the county poor fund will experience one of the greatest impacts as a result of the federal cuts.

The state has offered to help counties offset this expected impact by allocating \$8.8 million to pay for mandated staff salaries, the county share of foster care, and indirect costs. We believe that this proposal shows good faith by the state administration, but it is exceedingly cautious. The state is offering to assume the known costs of personnel salaries and the more or less controllable costs of foster care, and leave the counties with the unpredictable and uncontrollable costs of general assistance and county medical.

We would like to see the state assume instead some or all of the costs associated with general assistance and county medical. Do you know, according to a federal study, Montana ranks third lowest of all the states in percentage of shared welfare costs? Forty-seven states paid a higher share of welfare for a U. S. average of 80% state share. Montana's share was 52%, compared to an average in the Rocky Mountain region of 78%. Only two states paid less: New York at 45% and Nevada at 47%.

I also would like to address the problem of county roads. Our budget is becoming tighter and tighter. Every year inflation pushes up the costs of building, reconstructing, or maintaining roads. Bridges are the same. We are going to have to abandon some bridges, if funds are not sufficient to repair or replace them. The proposal of the federal government to reduce or eliminate funds for urban and secondary roads will be a real blow to local governments. Some counties are not at their maximum mill levy for roads, but this is because the county is trying to spare the overloaded property taxpayer an additional burden. We believe that a better source of road funds is based on the gas tax: paid by those who use the roads, when they use the roads. We would hope that if this session looks at additional funding for roads, that cities and counties receive an equitable share of a new gas tax.

JOHN NESBO

1. Thank you. I am John Nesbo, Toole county commissioner, and immediate past president of MACo.

2. Describe your class of county, and your major revenue sources, and how these revenue sources are holding up in relation to changes brought about by legislative action, and by the federal budget cutbacks. Include information about your neighbor or similarly-situated counties.

Discuss areas that you can gather information on, such as roads, poor fund, district courts, etc.

If you can pinpoint some state regulations that need changing, to provide more local flexibility, mention them.

3. Our county supports a nursing home and a hospital. We can foresee that cuts in the federal budget will have a boomerang effect on these facilities, leaving local governments with impossible costs to bear. I can predict that some counties will have to close their facilities.

(John, discuss briefly here the effect of changed reimbursement rates and related concerns. Discuss the difference between those counties who include the costs of running their health facilities within the poor fund, and those who levy outside the poor fund, especially as this relates to application for state grants-in-aid.)

4. Our county participates in a very successful Mental Health regional program.

(John, discuss the concerns that mental health services will be reduced because of inability to fund programs. Also touch briefly on the concern in many areas that the state intends to so merge mental health with alcohol and drug abuse programs that the separate programs will lose their effectiveness.)

5. Our county also participates in an area agency approach to senior citizen programs. There have been some problems but we are working on them. We would hope to work with the state in reducing administrative costs where we can, and applaud the state's intention to reduce administrative costs at the state level.

(John, discuss what cutbacks in senior citizen programs would do to other county programs, such as impacting general assistance and county medical.)

6. Discuss any concerns your county has regarding cutbacks in the preventative health services. Should EMS be arbitrarily imposed statewide, even though it is a fine program? Counties should have the local option to support EMS. Support state's proposal to distribute block grant monies on a formula basis, letting counties determine whether they need all the programs, and allowing counties to increase their support through interlocal agreements.

JOE GOTTFRIED

1. Thank you. I am Joe Gottfried, Toole county commissioner, and fiscal officer of MACo.
2. Since John will probably describe your county's revenue and projected cutbacks, you will not have to duplicate. If John does not examine district court costs, please
3. In varying degrees, most counties are already affected by certain statewide budget problems. These problems affect their ability to maintain a balanced budget, and a budget that meets the needs of its citizens without undue hardship.
4. When a county adopts a budget in August each year, it must include as expected income all property identified on the tax rolls. It is this and other expected revenue that determines the expenditures for programs.

However, this fine balance swiftly deteriorates when taxes are paid under protest, or when they become delinquent. Currently, counties must find a way to recover from the lost revenue as a result of the settlement of the 34% commercial property tax protests.

The subject of delinquent taxes has been discussed widely lately, beginning with MACo's request to the last legislative session to raise the interest rate on these unpaid taxes. It is not our intention to ask that the special session be opened to this still-unsolved problem, but it does have a direct influence on a county's ability to balance a budget.

5. What happens when revenues do not come up to expectations? When income drops, counties must register warrants to pay the bills...in effect, borrowing against next year's income, with interest. This may mean raising next year's levies to compensate for this activity. It is no windfall when delinquent taxes finally are paid...this money already is budgeted, and must be used to pay for the services the taxes should have been supporting all along.
6. Many counties are now experiencing a sudden reduction in taxable valuation from B. N. railroad abandonments. The estimated lost taxable value statewide could be as much as \$4.8 million, affecting 20 counties. The estimated lost tax revenue statewide could be over \$1 million. These figures could change, but it gives you an idea of impacts in addition to federal budget cuts.
7. Discuss laws authorizing county taxes: they are not flexible...they cannot be transferred between budgets, there is a cap on program budgets. This in spite of the fact there are differences between counties, based on geography, population, resources, taxable valuation, etc. (Refer if necessary to Exhibit C that Ed distributed.)

Budget woes afflict the district courts throughout the counties, some more than others. Fifteen counties applied in July for grants to reimburse their cost overruns. As you know, counties are allowed to levy 6 mills for class 1 and 2 counties; 5 mills for class 3 and 4; and 4 mills for class 5, 6 and 7 counties. The total amount of the claims was about \$670,000. Because the legislature only appropriated \$750,000 for the biennium, the Dept. of Administration had to adjust the reimbursement downward, for a 55-60% payoff. That means the counties had to absorb the remainder of the cost overrun. We perceive a need to bring the district court system under some kind of fiscal control, and to increase the appropriation for state grants-in-aid. A complete state assumption of district court funding would not be out of order.

EROSION OF PROPERTY TAX BASE

In addition to long-standing exemptions from property taxation (such as public buildings, charity and religious property and public art galleries), the legislature has removed or lowered the taxable value of other properties during the past five sessions, including the following:

Household goods

Freeport merchandise

Unprocessed fruits and vegetables

Unprocessed agricultural products

Livestock under nine months

Swine under three months

Bankshares

One-half of coal contracts if producer extracts less than 20,000 tons annually

Pickup toppers less than 300 pounds

Property of nonprofit community service organizations

Sprinkler irrigation systems

Senior citizen centers

Business inventories (due to end after Jan. 1, 1983)

Automobiles and light trucks (effective Jan. 1, 1983)

Livestock and poultry (from 8% to 4%)

100% disabled veterans (depending on adjusted gross income)

Rollback taxes

Agricultural machinery and trucks (from high book to low book)

Aircraft (to low book)

Trucks over 3/4 ton (to low book)

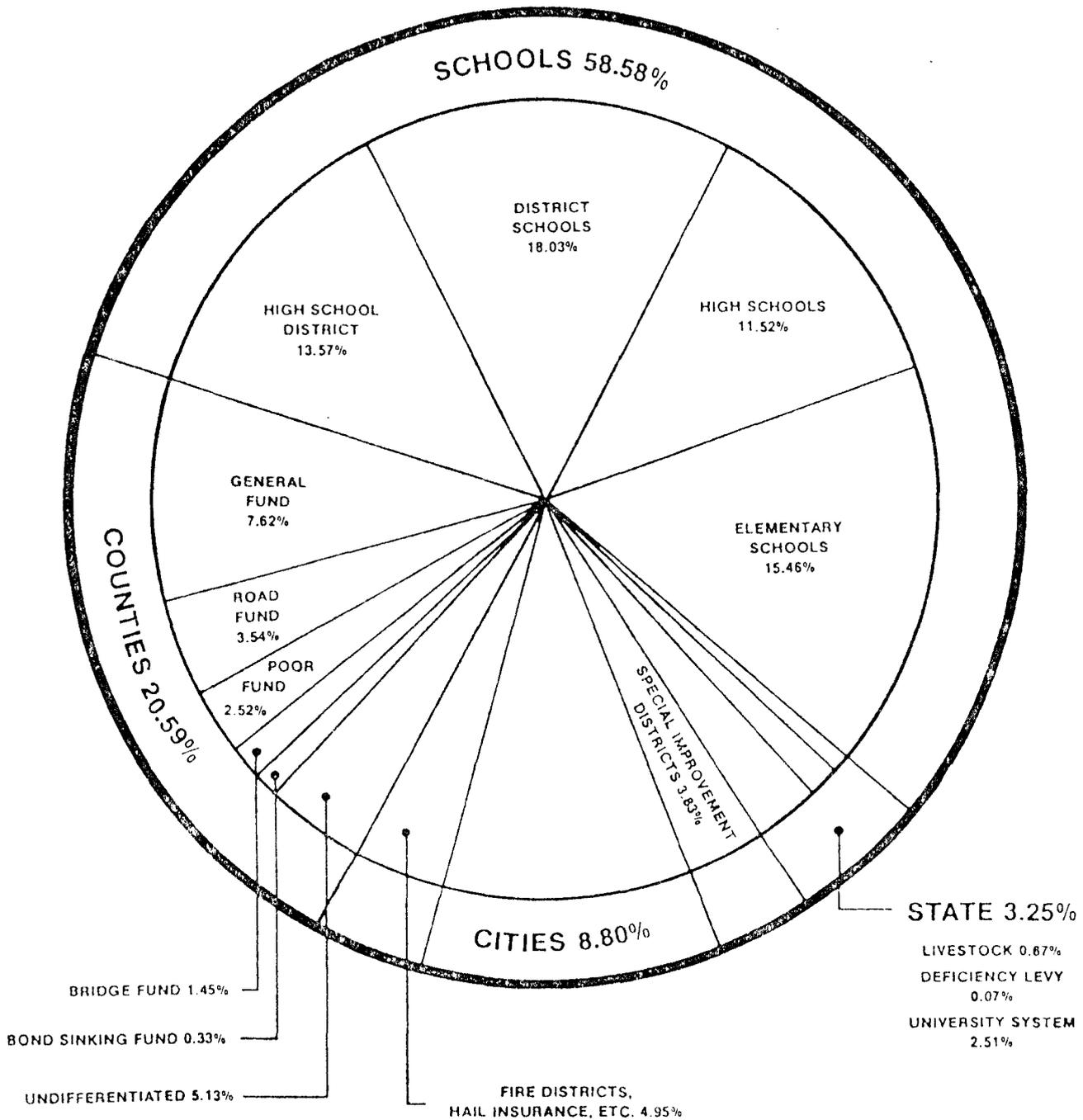
Construction Equipment (to low book)

Motor boats (to low book)

Boat trailers (to low book)

Motorcycles (to low book)

PROPERTY TAXES LEVIED 1980



LAWS AUTHORIZING COUNTY TAXES

<u>General Fund Tax.</u>	Up to 27 mills for 4th, 5th, 6th, 7th class. Up to 25 mills for 1st, 2nd and 3rd class.
<u>Economic Development.</u>	1 mill (requires voter approval).
<u>Poor Fund Tax.</u>	Up to 13.5 mills.
<u>District Court Tax.</u>	Up to 6 mills for 1st and 2nd class. Up to 5 mills for 3rd and 4th class. Up to 4 mills for 5th, 6th and 7th class.
<u>Bond Sinking and Interest Fund Taxes.</u>	No limit.
<u>Capital Improvement Fund.</u>	No separate mill levy; funds established from existing levies.
<u>County Road Tax.</u>	Up to 15 mills for 1st, 2nd, 3rd class. Up to 18 mills for 4th, 5th, 6th, and 7th class.
<u>Emergency Levies.</u>	Up to 2 mills.
<u>Unemployment Compensation.</u>	As needed.
<u>Public Employees Retirement Tax.</u>	As needed.
<u>Group Insurance.</u>	As needed.
<u>County Bridge Tax.</u>	Up to 4 mills. Up to additional 1 mill for excess bridges in low-valuation county. Up to additional 2 mills for excess bridges in medium-valuation county.
<u>Additional Tax For Road and Bridge Construction.</u>	Additional levy up to 10 mills (requires voter approval).
<u>Special Bridge Tax.</u>	Up to 5 mills (for city bridges).
<u>Airport Taxes.</u>	Up to 2 mills.
<u>Airport Authorities.</u>	No limit (for payment of bonds.)
<u>Public Ferry Tax.</u>	Up to 2 mills.
<u>District Fair Taxes.</u>	Up to 1½ mill in host county. Up to 1 mill in other counties in district.
<u>County Fair Taxes.</u>	Up to 1½ mills.
<u>Purebred Livestock Show.</u>	Up to 1/4 mill.
<u>Capital Improvement Fund.</u>	Funding from unexpended (fair) budgets.
<u>Library Tax.</u>	Up to 3 mills.
<u>Joint City-County Library.</u>	Up to 3 mills.
<u>Library Depreciation Reserve.</u>	Funded from unspent budgets or federal funds.
<u>Worm Control Tax.</u>	Up to 2 mills (in district).
<u>Insect Pest Tax.</u>	Up to 3 mills.
<u>Feed Control Tax.</u>	Up to 2 mills.
<u>Agriculture and Economics Extension.</u>	No limit.

Comprehensive Insurance. As needed.

Gasoline Tax. 2¢ per gallon (local voted option).

Maximum Levy Exceeded. A county voted levy may be imposed above all other levies.

Flood Control Projects. As needed to pay off bonds.

Open Space Land Act. Up to 1 mill for bonds.

Schools, University. Basic 46 mills.

<u>Fire Protection - Fire Districts.</u>	As needed (in district).
<u>Rural Fire Control.</u>	\$15,000 maximum.
<u>Soil Conservation Districts.</u>	Up to 1½ mills (in district). (Regular assessment). Up to 3 mills (special assessment.)
<u>Conservancy Districts.</u>	Up to 2 mills (in district) for running district. Up to 3 mills to pay bonded indebtedness.
<u>Temetary Tax.</u>	Up to 4 mills (in district).
<u>Refuse Disposal Districts.</u>	Fees for service.
<u>Local Board of Health.</u>	Mixed funding (federal, state and local). Up to 5 mills outside city limits for city-county board (class 1 & 2 Additional appropriation allowed from general fund for city-county board, if needed (class 1 & 2). For other than class 1 & 2, county may appropriate from general fund, plus levy up to an additional 1 mill.
<u>Museum Tax.</u>	Up to 1 mill.
<u>Mosquito Control District.</u>	Up to 5 mills (in the district).
<u>Planning & Zoning Commissions.</u>	Up to 1 mill (in the district).
<u>Planning Board.</u>	Up to 2 mills (1st class). Up to 3 mills (2nd class). Up to 4 mills (3rd class). Up to 5 mills (4th class). Up to 6 mills (5th, 6th, 7th class).
<u>Community Based Services (DD).</u>	Up to 1 mill.
<u>Public Hospital District.</u>	Up to 3 mills (in the district). Up to an additional 6 mills (with voter approval).
<u>County Park Commission.</u>	May contract indebtedness up to 13% of county valuation (voter approval).
<u>Livestock Protective Committees.</u>	Up to 50¢ per head on cattle (owner petition). Up to 5¢ per head on sheep (owner petition).
<u>Cattle Protective Districts.</u>	Up to 50¢ per head on cattle (owner petition).
<u>Civic Center Tax.</u>	Up to 2 mills.
<u>Metropolitan Sanitary & Storm Sewer Districts.</u>	May set rates up to \$7 for operation and maintenance. Additional \$7 per unit for operation and maintenance. Up to 2 mills (for revenue for reserve fund).
<u>County Water Districts.</u>	May set rates. May levy taxes as needed to pay operating expenses and pay bonds.
<u>Rural Special Improve- ment Districts.</u>	May create a revolving fund, by making transfers from the general fund, as a loan; or by levying a tax on all property in the county up to 5% of the outstanding principal on the bonds and warrants, to be used as a loan.
<u>Television Districts.</u>	As needed, per person owning a set.
<u>Ambulance Service.</u>	Up to 1 mill.
<u>Recreational.</u>	Up to 1 mill (for elderly).

Conrad clerk battles Dept. of Revenue over city's drop in taxable valuation

By RALPH BIDWELL
Independent-Observer Editor

There's an old saying that a squeaky wheel gets the grease. That may be true with a wagon wheel, but Ted Jury, city clerk, finds it doesn't work that way in a bureaucracy, particularly at the state level. Jury has been "squawking" periodically to the state Department of Revenue and governor's office ever since so-called statewide equalization of property values began and the city's tax base declined while the cost of running the city increased. It doesn't take much of a mathematician to realize that when outgo exceeds

income cash surpluses soon vanish and after a while the belt can be tightened no more. Then what?

Cities don't have the "luxury" of deficit spending as does the state and federal government. Once Conrad's budget is used up, that's it.

In fact, that is what Jury was telling the City Council at the last meeting when he handed the mayor and aldermen the accompanying charts and figures showing the city had spent \$188,845 the first quarter (July, August and September) of the current fiscal year. The budget is \$633,443. Somewhere between now and next June 30, there will

have to be some more belt tightening, because if the city continues at its present spending rate, it would, if it could, end up \$121,937 in the red.

What does Jury have to show for his running feud with the state? Only satisfaction.

And a letter from former Governor Thomas L. Judge, dated April 18, 1980, that said:

"Dear Mr. Jury:

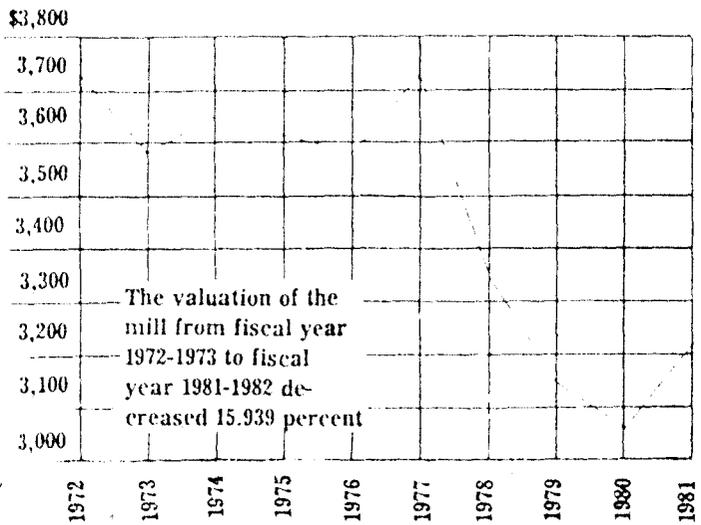
"Your concern over the failure of the property tax base to grow as rapidly as the cost of local government is certainly legitimate. You make the point that 1972 values are used for real property. In a technical sense, this is true; the Department of Revenue used a manual based on 1972 sales data to perform the statewide appraisal of residential property. It also used a 1976 cost based manual for the appraisal of commercial property (that has been the subject of many protests and still has not been resolved).

"There are two aspects which are important. First, it is essential that like properties be treated in like fashion. The law demands uniformity in practice throughout the state so the same appraisal manual must be used to find a value for all improvements on the tax roll. Se-

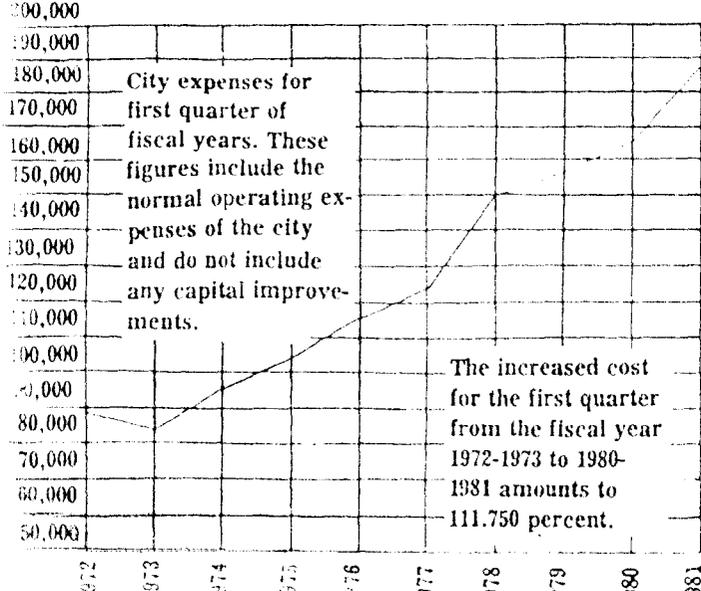
cond, appraising real property is a complicated, time-consuming task. It is impossible, given the resources available, for the state to reappraise all real property annually. The Legislature has recognized the size of the task and has established a cycle which requires that real property be reappraised once every five years. The department cannot, however, place the new appraisals on the tax rolls as they are completed. Both the Legislature and the courts have held that this would produce unequal treatment. Thus, no new appraisals of existing property may be used until the entire reappraisal is completed in 1982.

"Assessed value was defined to be equal to appraised value by the 1977 session. Prior to that, assessed value had been 40 percent of appraised value. At the same time the Legislature reduced the classification percentage from 30 to 12. There was concern that the reappraisal would result in a windfall for local governments so a sliding scale was provided which further reduced the classification of property statewide. In 1978, the final values were available and the

Valuation of 1 mill



Quarterly expenses



Moonlight Madness strikes Conrad merchants this Thursday

Moonlight Madness has struck Conrad's merchants and they're going all out this Thursday with hundreds of mad, mad buys with some businesses offering bargains from 9 a.m. until 5:30 p.m. and 6:30 until 9 p.m. Most business, however will have their bargains from 6:30 until 9.

In conjunction with the mad evening Ken Stroh, chairman of the Chamber of Commerce-sponsored promotion, said a FREE Walt Disney movie will be held at the Ancient Mariner

from 7 p.m. until 8:30 for all youngsters. While parents do their shopping, they can drop their kids off at the entrance of the temporary water office where they will enter there and go directly to the Chart Room where the film will be shown. Stroh said a chaperone will be on duty for the length of the movie.

So, moms, dads and kids, get ready to have a fun night out this Thursday when Conrad's merchants go crazy with bargain sales.

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Minutes, Finance and Claims

November 2, 1981

Page 2

\$12 million. We ended up with a balance for 1981 of \$9 or \$10 million more than anticipated. Discussion was held on funds changing around because of the changes in the foresters, DCA, etc., and that the fund balances were also reflected here. There is \$60 million in education, also monies in highway that are in base level projects and even with those out they can pull it down to \$12 million. There will be an increase in oil severance tax for instance that will build the revenue base to maintain the programs to the level we have recommended.

Representative Marks asked if rather than the \$13.7 million there wasn't actually \$23 million of open-ended authority here. Mr. Lewis answered that this was the accrual issue, and the totals of House Bill 500 included the accrual figures. In his calculations he was asking to use this in a different way. He also mentioned some reversions such as Old West \$90,000, coal tax \$93,000, Swan River, etc., and the \$13.8 is the net of all that.

Representative Bardanouve pointed out that this money had been given to pay bills at the end of the biennium in 1983 and he did not like to see a bookkeeping process have those bills go in dispair. Mr. Lewis pointed out that the legislature had appropriated for 3 years and they only need the one time appropriation and that LaFaver is using the money appropriated in 1981 to do this. Representative Quilici pointed out that the accrual of \$1.9 million, in his understanding, was to go to medicaid. Mr. Lewis said they are asking that it be re-appropriated and that most of it would go to the counties. About 1/2 of the SRS request is to back up some of the cost to the counties.

Senator Himsl asked if on page i the \$9,135,000 was included in the \$351 million on that page. Mr. Lewis said that all along we have considered it as a part of the total. We are simply asking for a different way of using it.

Discussion was held on the end of the fiscal year for the federal and the state and if this was apt to cause any problems. Mr. Lewis said this fiscal year for federal government will carry us through October of the next fiscal year. It is closer to January and we can look forward to handle any further problems in the next legislature.

Representative Donaldson recessed the joint meeting and Senator Ed Smith opened the Finance Committee meeting. Senator Smith introduced the members of the finance committee and the Legislative staff--Judy Rippingale director of LFA, the staff, members of the committee, and asked Mrs. Rippingale to give a preview of their analysis.

DATE _____

COMMITTEE ON _____

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Tom Jenkins	OBPP			
Perry W Johnson	OBPP			
George H. Johnson	OBPP			
Ron Weir	---			
Doug Booker	OBPP			
T. Cohen	OBPP			
Glen Leavitt	OBPP			
FRANCIS OLSON	OBPP			
Ken Rutledge	MT Hosp. Assoc			
Tom Crosser	OBPP			
Dave Lewis	OBPP			
Sandy Mesdinger	LWV MT			
Jay Smith	LWV - MT.			
Dave Depew	MPEA			
Port Harrington	Leg Council			
Lee Heiman	Leg. Council			
Doug Petersel	Leg. Council			
Jarvis Stone	Gallatin County Rep. Cent. Comm.			
Don Hunt	MT Optometric Assoc MT Funeral Directors Assoc			
Richard Manning	Rep Dist 35			
Rae Hayes	Mountain Bell			
Jim Deane	" "			
Wesley Russell	Representative # 34			
Brian McCullough	Dept of Commerce			
David Cole	" "			
Cete Story				

DATE _____

COMMITTEE ON

LFP Budget Book Received

those that have not signed in

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
John G. Bengtson	Representative			
John Shertz Rep	HD 53			
Joe Lullini	Dist 84			
Francis Bagnone	Dist 6			
Walter J. Salas	" 79			
Just Speranza	Dist 15			
Earl L. Long	Dist 99			
Richard J. Santall	Dist 40			
Walter H. Moore	Dist 41			
Tom Morrison	HD 29			
Ed Smith	Dist # 1			
Mark Shinnick	Dist # 9			
Port Harrington Leg Council				
Ang. Petek	Leg council			
Lee Keiman	"			
Judy Johnson	OPI			
Mary Suerwald	OPI			
Kay Shackelford	OPI			
Ed M. Skoog	MCHA			
Berry Leazer	League of Women Voters			

DATE

11/2/81

COMMITTEE ON

Budget Book Received LFA

If you have not
signed in -

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
GARRY J MOES	The Associated Press			
JOHN LAFAVER	BRS			
Gene Cook	Rep. HERRING			
J. H. ...	Sen. ...			
Pat ...	Leg. ...			
Robert ...	Rep. ...			
Tom ...	Sen. ...			
Tom Conroy	House Dist # 58			
Bill Thomas	Sen. Dist 20			
Tom Wolf	Sen. Dist # 11			
Bob Kraft	HD 92			
Budd ...	Dist 98			
John ...	Dist # 11			
Chas Stabi	Dist 23			
Charles ...	H.D. 64			
Heald ...	Sen. Dist 27			
Gene Ernst	HD # 47			
Mark Etchart	Sen. District 2			
Pat Ryan	Senate District 31			
Larry Jacobson	Senate District 42			
Larry ...	Dist 43			
Steve Waller	House Dist 97			
...	Sen. ...			
...	Sen. ...			

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Harold E Johnson	Environ. Quality Council			
John E Kauter	EAC			
Deborah Schmidt	EAC			
Tony Berggren	Legislators Dist. #36			
Ben Johnson	Dept SRS			
Shirley Dennis				
Janelle Fullan	Montana Chamber			
Dennis Brown	Mont. Nat. Typog. Soc.			
James S. Dastum	State Rep Dist. 57			
Chuck Jensen	Sen. Dist. 10			
Hal Harper	HD 30			
EMILY METCALF	HD 31			
JOE LAMSON	MT. DEMOCRATIC PARTY			
John Wiley	Sen			
Ken O'Donnell	Sen # 34			
Richard E. Manning	Sen Dist 35			
EP. BOBBY SPILKER	Dist. # 30			
Raymond D. Mack	# 30			
Beverly Gibson	MACO			
A.D. Holmes	Mont. Institute of Arts Foundation			
Gene Depew	DDPEX			
Bill Peterson	LFA			
Dee Mang	LFA			
Myrta	LFA			

DATE 11/10/11

COMMITTEE ON Budget & Revenue 25A

If you have not signed...

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
JOHN LAFAVER	SRS			
Donnelly, Ed	Senate Dist 59			
Tom Courney	House Dist # 58			
Bill Thomas	Sen Dist 70			
Sam Wolf (Huron)	Sen Dist # 49			
John Craft	HD 92			
John P. (Grand)	Dist # 11			
John Lee	Dist 23			
Mark Green	HD # 47			
Mark St. Louis	Senate District 2			
Pat Ryan	Senate District 31			
John... (Washington)	Senate District 42			
John... (Huron)	Dist 43			
John... (Huron)	Dist 45			
John... (Huron)	Dist 46			
John... (Huron)	Dist 47			

DATE _____

COMMITTEE ON _____

1st Federal Bank Revised

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
John Bengtson	League of Women			
Joe Gulini	Dist 84			
James B. ...	Dist. 6			
Walter ...	" 79			
Burt ...	Dist 15			
Earl ...	Dist 99			
...	Dist 40			
Orlando ...	Dist 41			
...	Dist 21			
...	Dist #			
...	Dist # 9			
...	Council			
...	"			
...	OPI			
...	OPI			
...	OPI			
...	MPLA			
...	League of Women			

DATE _____

COMMITTEE ON _____

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Edward E. Johnson	Emission Quality Council			
John E. Kauter	EAC			
Deborah Schmidt	EAC			
Ioni Bergene	Legislator Dist. #36			
	Dist SAS			
Janelle Fuller	Montana Chamber			
	Mont. Taxpayers			
	Std. Top. Dist. #37			
	Gov. Dist. #38			
	HD 30			
EMILY BIELECE	HD 31			
JOE LAMSON	MT. DEMOCRATIC PARTY			
	Leg. # 34			
	Leg. Dist 35			
	Bill # 200			
	# 31			
Beverly Gibson	MACO			
And. Holmes	Mont. Institute of Arts Foundation			
Joe Deppen	DDPEX			
	LFR			

ROLL CALL

COMMITTEE

LEGISLATIVE SESSION, 19__

Date

Name	11/2														
Sen. Bill Thomas	✓														
Sen. Larry Stimatz	✓														
Sen. Fred Van Valkenburg	✓														
Rep. Chuck Cozzens	✓														
Rep. Earl Lory	✓														
Rep. Walt Sales	✓														
Rep. John Shontz	✓														
Rep. Steve Waldron	✓														
Rep. Joe Quilici	✓														
Sen. Pete Story	✓														
Sen. Gary Aklestad															
Sen. Paul Boylan	✓														
Sen. Harold Dover	✓														
Sen. Pat Regan	✓														