

MINUTES OF THE MEETING OF THE LOCAL GOVERNMENT COMMITTEE  
February 10, 1983

The meeting of the Local Government Committee held at 12:40 p.m. in Room 224A of the Capitol Building on February 10, 1983, was called to order by Chairman Kathleen McBride. All members were present except Reps. Bergene and Waldron, who were absent.

CHAIRMAN McBRIDE stated that HOUSE BILLS 418 and 600 were interrelated and were going to be heard together. Chairmanship was turned over to Vice-chairman Pistoria.

HOUSE BILL 600. REP. McBRIDE, sponsor. She stated HOUSE BILL 600 is the Governor's local government block grant program. She gave background leading up to the need for such a piece of legislation (EXHIBIT 1).

HOUSE BILL 418. REP. YARDLEY, sponsor, stated this bill will earmark 33 1/3% of the oil severance tax for the local government block grant program. It will not affect that portion of the oil severance tax that is distributed to counties with increased production. It will not change the rate of oil severance taxes (EXHIBIT 2). The amendments to the bill were passed out and discussed (EXHIBIT 3).

GEORGE TURMAN, Lt. Governor, said the objectives for local government assistance are simply (1) to offset within the limits of state revenue resources the losses which local governments have experienced; (2) to provide assistance without further burdening property taxpayers on a basis which from the perspective of local governments best address their needs; and (3) to establish an assistance program which has a basis for continuity (EXHIBIT 4).

TERRY COHEA, Office of Budget and Program Planning, stated the estimates for fiscal year - 1984 - \$30.67 per barrel and for fiscal year 1985 - \$32.156 per barrel. In conversing with other people around the country, we feel that the rate of growth we project, or actually a decline from 1982 and 1983 and then slow growth between 1984 and 1985, is the best estimate we can come up with at this time.

GARY BUCHANAN, Director, Department of Commerce, stated that the department is strongly in favor of the local government block grant program. He said that without solvent, well-managed public services, communities cease to be attractive to business expansion. The block grant program is an appropriate solution to the funding problems of local governments in the 1980's. The Governor recently proposed a comprehensive program to address the economic problems of the state. It is entitled "BUILD MONTANA." These two bills are cornerstones of the "BUILD MONTANA" program, along with highway construction, an expanded building program and a package of economic programs. The Department of Commerce would be the administering agency.

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We think the local government block grant program will constitute a vital tool for the state in assisting local governments and we welcome the responsibility of the administrative program.

JIM MURRY, executive secretary of the Montana State AFL-CIO, spoke in support of HOUSE BILLS 418 and 600. House Bill 418 would continue the program enacted in 1981 which provides for reimbursement in the amount of approximately \$30 million over the next biennium, to local governments for revenue taxes lost when the property tax for motor vehicles was changed to a fee system. This funding comes from a portion of the oil severance tax. House Bill 600 would provide for funds to local governments from the general fund in the amount of an estimated \$15 million (EXHIBIT 5).

MIKE STEPHEN, Montana Association of Counties, stated the very essence of this bill is that we are experiencing erosion of the property tax base. The Legislature has removed the taxable value of other property during the past five sessions including the following: (EXHIBIT 6). We need some property tax base protection. The essence of this bill is to look to other sources and to try to find something that can permanently give this. We are a political subdivision of the state and we feel that the state, through many mandated provisions of the state, should get some assistance as far as funding these services at the local level. We feel that earmarking this oil severance tax is very appropriate as far as giving us some stability in regard to looking at the future and not having to put up with the whims of a tax base that continually gets hacked at. We used to depend on the property tax. We are seeking other additional sources and we feel this block grant is that source.

BOB MARLINEE, President of League of Cities and Towns, and Mayor of Plentywood, stated we have a unique situation in the backing of today's house bills in that all cities and towns, regardless of size, are in total agreement with their passage (EXHIBIT 7).

DON PEOPLES, Chief Executive of Butte Silver Bow, and representing the League of Cities and Towns, said that the block grant program presents a ray of hope in an otherwise very bleak economic picture for local governments in Montana. Montana ranks 46th in the nation as far as sharing revenues is concerned and at the same time, they rank 7th in the nation in regard to the highest level of property tax. We can no longer consider as viable options the raising of mill levies or the cutting of services. We have to keep in mind the property tax system in Montana is antiquated and we must free homeowners and

the community business people from the responsibility of subsidizing a tax that is being destroyed by inflation. He urged passage of HOUSE BILLS 418 and 600.

MARY VANT HULL, City Commissioner, Bozeman, related to the question of urban sprawl. In 1960, there were four people living in town to help pay for the services through their property taxes; in 1970, there were three people living in town to help pay for the services; in 1980, there were two people living in town; and in 1990, there will be one person living in town to help pay for the services of the people in the country.

TOM BECK, Powell County Commissioner and vice-president of Montana Association of Counties, said his mill levy in Powell County jumped from 56 mills to 65 mills. They are sitting at the top of their mill levy. He said they could not put any more burden on the property tax owners. He urged the Committee's support on passage of these two bills.

JOE GODFREY, Toole County Commissioner, urged support of HOUSE BILLS 600 and 418.

BOB WALTMIRE, Councilman from Columbia Falls, stated their mill levy is also at the top. He supported passage of HOUSE BILLS 600 and 418.

JIM VANARSDALE, Councilman from Billings, Montana, appeared in support of HOUSE BILLS 600 and 418. He said it is important that cities, large and small, as well as cities and counties support this program as being a fair and equitable approach for the state to provide assistance to local governments (EXHIBIT 8).

VERN ERICKSON, Montana State Firemen's Association, spoke regarding the employee cuts. In thirteen first- and second-class cities of the state, fiscal year 1977-78, there were 437 paid firefighters. In 1980, there were 419; in 1981-82, there were 319. He urged support of HOUSE BILLS 600 and 418.

RAMONA M. TOW, representing the City of Glasgow and Montana League of Cities and Towns, presented documentation in support of the proposal to provide financial assistance to local governments under the block grant program (EXHIBIT 9).

BILL CREGG, Mayor of Missoula, expressed his support of these two bills, and hoped that the Committee would give the counties and towns a hand in this measure.

ARDI AIKEN, Commissioner, Great Falls, in a state-wide sampling, 84% were opposed to an increase of property taxes. Local governments must have an alternative source of revenue. She urged support of these two bills.

KEITH BEYAR, Mayor, City of Wolf Point, said this program is not just for the big cities. The small cities are also in favor of the local government block grant program. He supported HOUSE BILLS 600 and 418 (EXHIBIT 10).

GEORGE ALLEN, Montana Retailers Association, stated he did not know of another group of individuals who is affected more than the main street merchants. He spoke in favor of both bills.

DAVE GOSS, Billings Chamber of Commerce, wanted to go on record as supporting the program.

ANN MULRONEY, League of Women Voters, stated the League is please to support the block grant concept. They do have some concern regarding earmarking in the bill and offered for consideration some of the reasons why they concluded that earmarking should not continue to grow (EXHIBIT 11).

JOHN WILKINSON, Chairman of Board of County Commissioners, Lewis and Clark County, said that there needs to be a major program for redistribution of funds. These two bills direct themselves to that effort. He urged the Committee's support of these two bills.

GEORGE BOUSLIMAN, Urban Coalition, stated that local government is really hurting and urged support of these bills.

OPPONENTS:

REP. BERTELSEN said the problem he sees goes back to certain basic concepts: (1) if we instituted this kind of a program, we will need the high school gymnasium to accommodate the crowd that will arrive in a few years to lobby for their share of the benevolence that the state government has granted. He did not feel that we could divorce ourselves in the block grant program from the inventory tax loss. If we use the assumption that we are dealing with the same piece of money (\$8 million), what really happens to that money. Is this new money--by no means. He said the inventory tax replacement money could have

been put back in this year. But when you take it and put it back on the open market for everyone to grab it, then you redistribute in a very significant way. The large portion of the inventory tax money went to schools at the local level; the rest of the inventory tax money went to the state. If you take the same source of funds and redistribute it on a different basis, the cities and towns get 55% and the counties get 45%. You can see that the schools lose, and if you use the original figure, about 5.28 million dollars from their funding. When you earmark funds from a particular source, you can readily see it is an unstable source of revenue. If we reinstitute the inventory tax, the money goes back to the local taxpayer. He stated there was also a bill in the Senate that would refund only up to \$9,000 of inventory tax. Beyond that point, the person having an inventory would continue to pay. Instead of losing 8.8 million dollars, the state would lose 2.5 million dollars in revenue. Another alternative would be to put government back at the local level where it really belongs. He asked why not put an income tax rider at the local level to solve local needs. An advantage of keeping the tax at the local level--if you vote the tax, you control the expenditure. He closed saying it was his purpose to ask "Is this the program you really want to embark on or do you want us to give back to you the money we took and let you run your own show?"

DON ALLEN, Executive Director of the Montana Petroleum Association, stated he was not appearing to oppose the concept of the block grant program. He only opposed the portion that would earmark the oil tax revenues. He asked if we are sincere about needing more money, then we should help his organization to encourage a healthy oil and gas industry in the state.

REP. SWITZER concurred with REP. BERTELSEN that this is general fund money and the taxpayers have a friendlier feeling towards a general fund than they have with the oil companies. He stated that the goose that laid this golden egg is about to molt (stop laying).

REP. SALES said he thought a terrible mistake was being made. There is no reason that the state should have any surplus to give back to anybody. What they should be doing is allowing you at the local level to authorize you to meet your responsibilities.

REP. YARDLEY closed by saying earmarked funding does not relate to this Legislature. Most of the money in the Highway Department and Fish and Game is earmarked money. One-third of the income tax money and corporation license tax money goes to the

school foundation program. There is nothing unique in this proposal in talking about earmarked funding. REP. YARDLEY used the example of the inventory tax. It was very easy in the last Legislature to repeal the inventory tax: (1) It had very little effect on the funding of state government, and (2) By making a two-year delay, there was no complaint about repealing it. REP. BERTELSEN says we should do it again. The problem is--as time goes by, there will be less and less information on the part of the Legislature to reimburse anybody from the inventory tax. It was set up in the manner that as time goes by, the Legislature will feel less obligated to provide that type of refund. It was suggested that the oil severance tax is unstable; it is more stable. You can rely on the general fund to provide for the Legislature every two years. This is a proposal to set up continuous-type funding for local government and he hoped the Committee would support it.

REP. McBRIDE stated she and most of the people testifying did not see this bill as the only solution to local government problems. The keystone toward relief or help for local government would be the opportunity for local governments to raise their own taxes aside from those related to property. I think it has been tried in some communities; but if a community is hurting, now is not the time to tell that community to go raise its taxes. In addition, local governments are dependent upon property taxes. They are unlike schools as schools have foundation programs. Since 1973, the proportion of state funding in the foundation program has increased from 50% to 68%. While schools are affected by the eroding tax base, they have another source of income and a stabilizing effect that local governments do not have. One of the criticisms was that the program as it is proposed now does not address the needs of the community. The formulas that were developed for the distribution of the monies for the service of the block grant do take in the needs of the community. It ties population as part of the formula and also takes into consideration a relationship between the county population and the mill levy value per capita. In closing, she hoped that the Committee would give this careful consideration.

QUESTIONS:

REP. KADAS to LT. GOV. TURMAN: Several of the opponents talked about this not being a long-term solution to local government problems. If not, what is.

LT. GOV. TURMAN: We were trying for a degree of continuity in this. We think it advisable to set up some measure of assistance which local governments can count on from year to year. We would expect oil, over time, to become an attractive revenue source for local governments. They will still rely on options that have been suggested and on property tax sources.

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REP. KADAS: How do you feel about local option income taxes?  
LT. GOV. TURMAN: I have no objection. We have been generally supportive of local option taxes. Those governments who have attempted to impose them have had little success.

REP. BERGENE: Would it be your hope that this would be a very temporary measure for Great Falls and we would try to initiate a lot of the things we try to do under home-rule type of government.

MR. JOHNSON: I am in full support of REP. BERTELSEN. The problem is the drastic emergency condition of local government that needs help now. We can't wait to deal with all the complexities of those local options that will develop.

REP. SANDS: The brochure put out by the Montana League of Cities and Towns states that the additional funds will lead to mill levy reductions in many towns and cities. Is that correct?

Answer: Very likely in Bozeman and Missoula.

VICE-CHAIRMAN PISTORIA closed the hearing on HOUSE BILL 600 and 418.

The meeting adjourned at 2:50 p.m.

Kathleen McBride  
CHAIRMAN KATHLEEN MCBRIDE

Geri Bennett  
Secretary

HB 600 LOCAL GOVERNMENT BLOCK GRANT PROGRAM

Local government finance is nearly exclusively reliant on a single source of revenue - the property tax. Historically this revenue base has been static. However, in recent years property valuations have declined when adjusted for inflation.

With a declining tax base local governments have applied two management options.

- 1) They have cut budgets, programs, services and employees.
- 2) They have been forced to raise mill levies.

As a result, all of us, residents and business are being forced to pay higher taxes for less services. Help is needed not per se to the local governments, but for the local property taxpayer.

Property Valuations

In the last 10 years, property valuations in Montana declined three (3) percent when adjusted for inflation. With the decline in the value of a mill, as has happened in most cities and many counties in recent years, cities are required to increase levies just to stay even.

Reasons for the eroding property tax base:

- 1) Legislative decisions have nibbled at the property tax base.  
Exempted from taxation:
  - a) household goods (1974)
  - b) recreational vehicles (1979)
  - c) bank stock (1979)  
Lowered the tax rate for:
  - a) business inventories (1975)
  - b) real property (1977)
  - c) centrally assessed property (1979)
- 2) In 1981, Legislature did more than nibble - 3 large bites:
  - a) lowered tax rate for livestock and poultry - reduction in revenue - \$7.1 million per year.
  - b) changed method for valuing certain machinery - cost \$3.2 million annually.
  - c) *business inventory tax - 3% per year*
- 3) Judicial Decisions
  - a) taxation of banks & savings & loans - \$2 million loss per year and may have to refund up to \$6.9 million from previous years.



The combination of static property base, rollbacks, protests, court decisions, and legislative reductions have radically diminished the local government tax base. These losses have been subsidized by higher mill levies on other classifications, principally residential property.

The proposed solution to the problem of the eroding tax base of local government comes about by the cooperative efforts of many people - Administrative, Montana League of Cities and Towns, and Montana Association of Counties.

#### THE BLOCK GRANT PROGRAM

Additional funds would assest local governments in efforts to keep property taxes down and deal with recent reductions in that property tax base.

The Governor's Block Grant Program would address the general problems of local government in two ways:

1) It would under HB 418 continue the program enacted in 1981 which reimburses local governments approximately \$30 over the next biennium for revenues lost in the change from a property tax to a fee system for motor vehicles. These funds have been set aside from oil severence taxes.

2) The Block Grant would make an estimated \$12.6 million available over the next biennium to cities & counties to replace lost revenues from previous administrative, judicial and legislative actions.

#### Grant Definition

The program consists of three separate grants:

- a general purpose block grant for municipalities, counties school districts, and other jurisdictions which is a continuation of the vehicle reimbursement program;
- a general services block grant for municipalities and consolidated governments; and
- a general services block grant for counties.

#### Revenue Sources

Funding for the program comes from two sources:

- 33 1/3% of the oil severance tax; and
- a general fund appropriation of \$6 million.

The Office of Budget and Program Planning estimates these two revenue sources will generate ~~\$4.46~~ million in the coming biennium.

## STATE OF MONTANA

REQUEST NO. 320-83

## FISCAL NOTE

Form BD-15

In compliance with a written request received February 7, , 19 83 , there is hereby submitted a Fiscal Note for House Bill 600 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 600 establishes a local government block grant program providing financial assistance to municipalities and counties in Montana; provides a method for distribution of the funds; designates the Department of Commerce as the administering agency; and provides an effective date.

ASSUMPTIONS:

- 1) Section 2 of the bill provides that 33 1/3% of total oil severance tax collection will be deposited in the local government block grant account. Currently, these revenue are deposited in the general fund.
- 2) The Executive Budget recommendation contains \$47.6 million for the local government block grant program for the FY84 - 85 biennium. This amount includes \$6.0 million in general fund and the oil severance tax portion, originally estimated at \$41.6 million. The latest revenue projections by the Office of Budget and Program Planning (2/3/83) indicate this estimate should be revised to \$37.422 million.
- 3) The bill continues funding for the Motor Vehicle Reimbursement Program through the General Purpose Grant. It does not alter the existing distribution mechanism.
- 4) The Department of Revenue annually devotes about 0.1 FTE to collecting the data required in Section 10. Continuation of this function was anticipated in the 84-85 budget and no additional expenses will be incurred in transmitting the information to the Department of Commerce. Distribution to counties was \$15,048,616 in 1982. The 1983 distribution data is not yet complete but it appears that approximately \$15.3 million will be sent to counties this year. (Copy of 1982 distribution attached, Table III.)

Continued

David M. Lem

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-9-83

FISCAL IMPACT:

	<u>FY82</u>	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>
General Fund				
Appropriation For Motor				
Vehicle Reimbursement	\$15.04M	\$15.302M	0	0
Local Government Block				
Grant Account	<u>0</u>	<u>0</u>	<u>\$21.189M</u>	<u>\$22.233M</u>
Total Cost to General				
Fund	<u>\$(15.048)</u>	<u>\$(15.302)</u>	<u>\$(21.189)</u>	<u>\$(22.233)</u>

The estimated distribution of the general services block grant to municipalities and consolidated governments is shown in Table 1.

The estimated distribution of the general services block grant to counties is shown in Table II.

Table III shows the 1982 distribution of motor vehicle reimbursement funds. The distribution of the general purposes block grant would be similar to this distribution.

TABLE I

**ESTIMATED BLOCK GRANT DISTRIBUTION  
MUNICIPALITIES  
REVISED: 2/4/83**

CITIES/TOWNS	BY POPULATION	BY VALUATION	TOTAL
DILLON	15039.91	18164.82	33204.74
LIMA	1026.96	1789.71	2816.68
HARDIN	12487.21	13498.93	25986.15
LODGE GRASS	2905.07	12031.42	14936.49
CHINOOK	6280.92	8268.28	14549.21
HARLEM	3858.83	5781.05	9639.89
TOWNSEND	6001.75	6837.37	12839.13
BEARCREEK	220.32	425.54	645.86
BRIDGER	2729.24	3418.68	6147.93
FROMBERG	1761.12	2993.14	4754.27
JOLIET	2186.69	2934.30	5120.99
RED LODGE	7175.12	6764.17	13939.30
EKALAKA	2333.09	3932.49	6265.59
BELT	3111.03	6118.33	9229.37
CASCADE	2920.14	4915.61	7835.76
GREAT FALLS	214716.23	209009.26	423725.49
NEIHART	337.29	278.43	615.73
BIG SANDY	3154.81	4064.53	7219.35
FORT BENTON	6397.90	6823.02	13220.92
GERALDINE	1144.66	1452.43	2597.10
ISMAY	102.62	190.88	293.50
MILES CITY	36346.40	37957.90	74304.31
FLAXVILLE	528.19	703.97	1232.16
SCOBAY	5223.81	7219.14	12442.96
GLENDIVE	22626.26	19176.65	41802.91
RICHEY	1570.23	2362.36	3932.59
BAKER	8906.82	10285.48	19192.31
PLEVNA	719.09	1158.93	1878.02
DENTON	1335.55	1613.90	2949.45
GRASS RANGE	513.84	983.12	1496.96
LEWISTOWN	26881.96	38148.07	65030.03
MOORE	865.49	1467.50	2333.00
WINIFRED	571.97	983.12	1555.09
COLUMBIA FALLS	11768.12	10695.95	22464.08
KALISPELL	40293.51	27965.92	68259.44
WHITEFISH	14012.95	12706.69	26719.64
BELGRADE	8833.62	8979.43	17813.06
BOZEMAN	81921.87	83926.48	165848.36
MANHATTAN	3726.78	4959.39	8686.18
THREE FORKS	4709.97	6147.75	10857.73
W. YELLOWSTONE	2773.02	1408.66	4181.68
JORDAN	1834.32	2376.71	4211.04
BROWNING	4636.77	14041.44	18678.22
CUT BANK	13954.10	15200.38	29154.49
LAVINA	616.46	924.27	1540.74
RYEGATE	1026.96	1393.59	2420.56
DRUMMOND	1555.16	2112.63	3667.80
PHILIPSBURG	4299.47	8920.59	13220.07
HAVRE	41217.85	46159.45	87377.31

CITIES/TOWNS	BY POPULATION	BY VALUATION	TOTAL
HINGHAM	689.66	689.62	1379.28
BOULDER	5444.13	11591.53	17035.67
WHITEHALL	3888.26	5076.36	8964.62
HOBSON	983.18	1599.54	2582.73
STANFORD	2244.82	2758.48	5003.31
POLSON	10579.68	10754.80	21334.48
RONAN	5781.43	5971.93	11753.37
ST. IGNATIUS	3316.28	8304.88	11621.17
EAST HELENA	6221.36	4210.92	10432.28
HELENA	90608.38	76619.79	167228.17
CHESTER	3643.53	3330.42	6973.96
EUREKA	4226.27	5913.09	10139.37
LIBBY	10388.78	7483.22	17872.01
REXFORD	484.41	205.23	689.65
TROY	4108.58	6236.01	10344.60
CIRCLE	3521.53	4254.70	7776.24
ENNIS	2494.57	2538.18	5032.75
SHERIDAN	2435.72	2890.52	5326.25
TWIN BRIDGES	1643.43	1584.47	3227.91
VIRGINIA CITY	719.09	807.30	1526.40
WHITE SULPHUR S	4915.94	8216.61	13132.56
ALBERTON	1379.33	2890.52	4269.86
SUPERIOR	3976.53	5267.24	9243.77
MISSOULA	126382.10	88577.30	214959.41
MELSTONE	894.91	1349.82	2244.73
ROUNDUP	8011.91	10681.60	18693.51
CLYDE PARK	1071.46	1863.62	2935.09
LIVINGSTON	26470.74	26043.45	52514.19
WINNETT	777.93	1525.63	2303.57
DODSON	587.04	836.01	1423.05
MALTA	8950.60	8421.85	17372.46
SACO	953.76	1217.78	2171.54
CONRAD	11621.00	11767.34	23388.35
VALIER	2421.37	2787.90	5209.28
BROADUS	2685.46	2963.72	5649.19
DEER LODGE	15216.46	21113.48	36329.94
TERRY	3507.18	5062.01	8569.19
DARBY	2186.69	3550.72	5737.42
HAMILTON	10065.84	8671.58	18737.42
STEVENSVILLE	4563.57	6177.17	10740.75
FAIRVIEW	5164.97	9698.48	14863.45
SIDNEY	21672.49	19939.47	41611.96
BAINVILLE	924.34	3022.56	3946.90
BROCKTON	1408.75	11781.69	13190.45
CULBERTSON	3345.71	6470.67	9816.38
FROID	1217.86	2230.32	3448.19
POPLAR	3756.21	7365.53	11121.74
WOLF POINT	11621.00	17709.86	29330.86
FORSYTH	9655.34	12207.24	21862.58
HOT SPRINGS	2274.25	4167.15	6441.40
PLAINS	4211.20	5076.36	9287.56
THOMPSON FALLS	5590.54	7702.81	13293.35
MEDICINE LAKE	1540.80	2551.81	4092.62

CITIES/TOWNS	BY POPULATION	BY VALUATION	TOTAL
OUTLOOK	454.99	601.35	1056.35
PLENTYWOOD	9361.82	8847.39	18209.22
WESTBY	1100.16	2303.52	3403.69
COLUMBUS	5444.13	5428.70	10872.84
BIG TIMBER	6382.83	7570.77	13953.60
CHOTEAU	6794.05	8685.93	15479.98
DUTTON	1349.91	1951.17	3301.08
FAIRFIELD	2450.79	2626.44	5077.24
KEVIN	777.93	1496.93	2274.87
SHELBY	11885.81	15127.19	27013.01
SUNBURST	1789.83	3168.95	4958.79
HYSHAM	1687.20	2435.56	4122.77
GLASGOW	16859.89	17371.87	34231.76
NASHUA	1863.75	3066.34	4930.09
OPHEIM	792.29	1115.16	1907.45
HARLOWTON	4460.95	7351.18	11812.13
JUDITH GAP	792.29	2171.48	2963.77
WIBAUX	2949.56	3946.84	6896.41
BILLINGS	253013.95	158726.42	411740.37
BROADVIEW	439.92	337.27	777.19
LAUREL	20733.80	21759.32	42493.13
WALKERVILLE	3345.71	8847.39	12193.10
TOTAL CITIES/TOWNS	1466340.00	1466339.99	2932680.00

#### CONSOLIDATED GOVERNMENTS

BUTTE-SILVER BOW	215488.00	202125.00	417613.00
ANACONDA-DEER LODGE	72503.00	85866.00	158369.00
TOTAL CONSOLIDATED	287991.00	287991.00	575982.00

COUNTY	BY POPULATION	BY VALUATION	TOTAL
TOOLE	10582.80	2271.89	12854.69
TREASURE	1867.55	727.40	2594.96
VALLEY	19513.17	11894.68	31407.86
WHEATLAND	4490.88	3252.97	7743.86
WIBAUX	2809.89	250.26	3060.16
YELLOWSTONE	205668.89	198039.81	403708.71
<b>TOTAL COUNTIES</b>	<b>1401167.99</b>	<b>1401168.00</b>	<b>2802336.00</b>

TABLE III  
1982 Distribution of Motor Vehicle  
Reimbursement General Purpose  
Grant

<u>COUNTY</u>	<u>NUMBER</u>	<u>TOTAL</u>	<u>AVG/VEHICLE</u>
Beaverhead	6640	92,176.51	13.88
Big Horn	6781	-0-	-0-
Blaine	4347	-0-	-0-
Broadwater	3022	37,150.87	12.29
Carbon	7492	137,327.65	18.33
Carter	1715	25,443.04	14.84
Cascade	55684	1,564,285.58	28.09
Chouteau	6768	34,521.16	5.10
Custer	9434	299,707.36	31.77
Daniels	2844	27,699.22	9.74
Dawson	12034	308,054.40	25.60
Deer Lodge	8031	365,385.69	45.50
Fallon	3676	-0-	-0-
Fergus	10724	268,050.38	25.00
Flathead	46336	1,092,641.70	23.58
Gallatin	30669	1,032,250.77	33.66
Garfield	1773	21,449.20	12.10
Glacier	5502	80,347.06	14.59
Golden Valley	616	3,615.66	5.87
Granite	3320	39,294.70	11.84
Hill	13429	221,621.54	16.50
Jefferson	5485	166,373.29	30.33
Judith Basin	2844	18,922.38	6.65
Lake	13356	172,887.60	12.94
Lewis & Clark	32570	983,886.89	30.21
Liberty	2411	735.24	.30
Lincoln	13374	174,241.69	13.03
Madison	5576	60,831.44	10.91
McCone	1372	10,448.25	7.62
Meagher	2120	45,236.31	21.34
Mineral	2834	99,568.80	35.13
Missoula	51149	2,219,968.20	43.40
Musselshell	4114	34,326.63	8.34
Park	11713	226,943.30	19.38
Petroleum	696	-0-	-0-
Phillips	4486	10,163.46	2.26
Pondera	6072	80,962.09	13.33
Powder River	2597	-0-	-0-
Powell	4862	113,086.06	23.26
Prairie	1786	21,069.35	11.80
Ravalli	17541	200,650.82	11.44
Richland	9675	-0-	-0-
Roosevelt	6563	59,536.03	9.07
Rosebud	8317	-0-	-0-
Sanders	7056	132,815.36	18.85
Sheridan	6355	-0-	-0-
Silver Bow	25336	1,197,364.38	47.26
Stillwater	5434	63,078.02	11.61
Sweet Grass	3147	56,296.07	17.89
Teton	6509	116,766.25	17.94



Toole	6405	50,004.10	7.81
Treasure	1041	7,950.98	7.64
Valley	7996	267,062.21	33.40
Wheatland	1970	45,499.14	23.10
Wibaux	1671	7,783.08	4.66
Yellowstone	<u>77393</u>	<u>2,745,835.51</u>	<u>35.48</u>
	602,663	\$15,048,616.48	24.97

## OVERVIEW OF HB418 \*

### DESCRIPTION OF THE BILL

HB418 will earmark 33 1/3% of the oil severance tax for the local government block grant program.

It will not affect that portion of the oil severance tax that is distributed to counties with increased production. It will not change the rate of oil severance taxes.

### CURRENT LAW

#### Rate

The oil severance tax is currently 5% of gross value. It will become 6% of gross value on April 1, 1983 in accordance with SB356 enacted by the 1981 Legislature.

#### Current Distribution

Currently, any increase in the amount of the oil severance tax collected within a county between fiscal years, by reason of increased production, is returned to that county's general fund.

That amount distributed to these counties has been:

FY81 - \$992,487  
FY82 - 1,644,112  
FY83 - 4,353,485

The remaining oil severance taxes are deposited in the state general fund (approximately \$45,473,425 in FY82).

#### Proposed Distribution

Under HB418 1/3 of the oil severance taxes would be deposited in a Local Government Block Grant Account.

This amount is estimated at:

FY84 - \$18.189 million  
FY85 - 19.233 million

The increased production refund to producing counties would be paid from the remaining 2/3. Funds remaining after this distribution would be deposited in the state general fund.

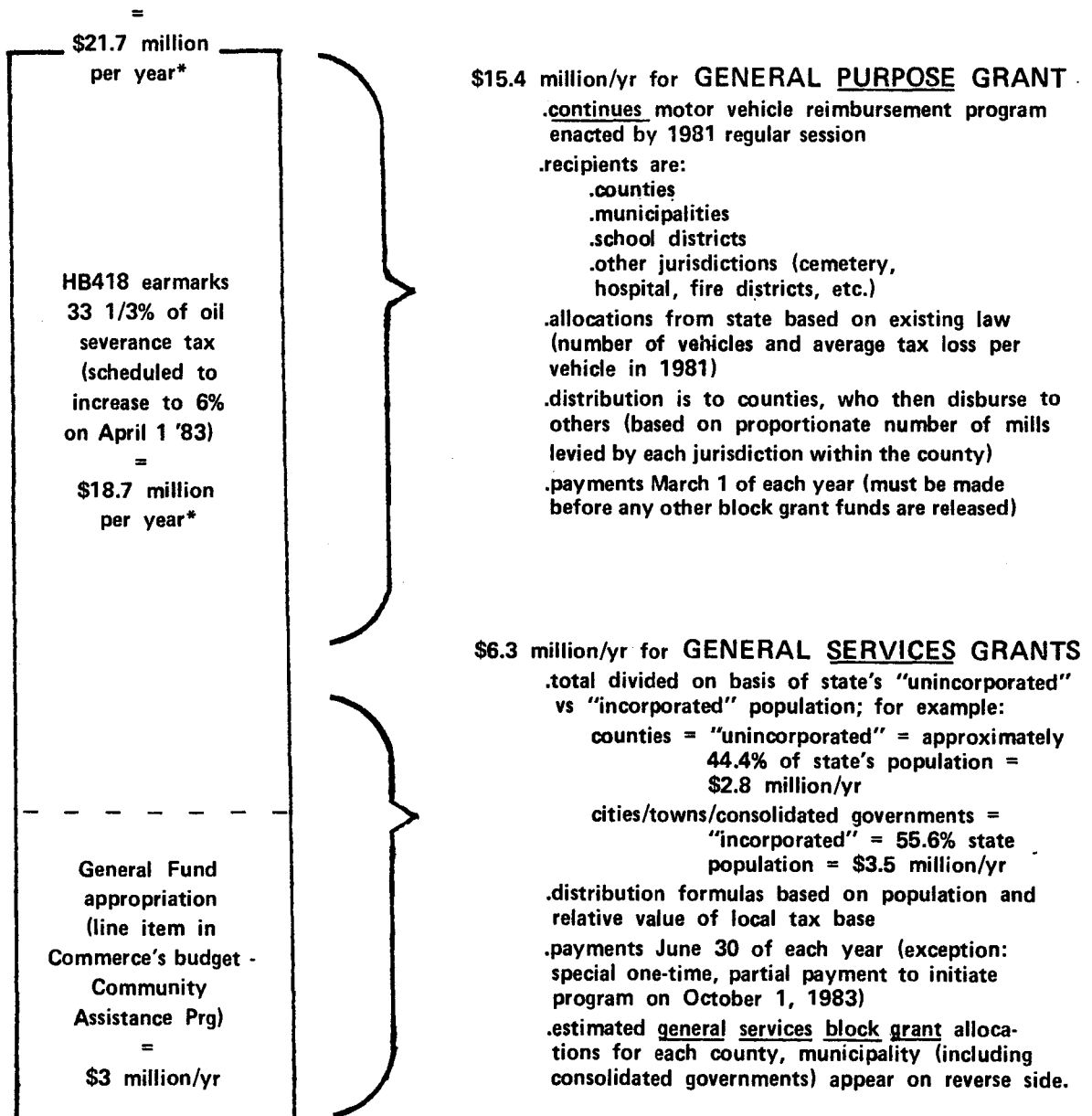
\*HB418 as introduced needs to be amended to delete any reference to gas severance taxes; only oil severance taxes are intended for earmarking.

## LOCAL GOVERNMENT BLOCK GRANT (HB 600, HB 418)

### MAJOR FEATURES OF ADMINISTRATION'S PROPOSAL:

- .builds on 1981 Legislature's precedent of replacing property taxes with oil severance taxes to support local governments (natural resources helping human services)
- .helps mitigate erosion of tax base available to local governments
- .provides alternative, long-range revenue source to alleviate heavy dependence on property taxpayers
- .injects modest amount of state dollars to allow flexibility to local governments to meet local priorities
- .includes equalization factor to assure fair distribution to all local government units while targeting those most in need of assistance
- .based on cooperative planning and compromise among Montana Association of Counties, League of Cities and Towns, Urban Coalition, and the Administration.

#### LOCAL GOVERNMENT BLOCK GRANT ACCOUNT



**PROPOSED GENERAL SERVICES BLOCK GRANT  
ESTIMATED DISTRIBUTION AMOUNTS**

COUNTIES  
REVISED: 2/4/83

MUNICIPALITIES. . .CONTINUED

COUNTY	BY POPULATION	BY VALUATION	TOTAL
BEAVERHEAD	15583.89	14530.03	30113.92
BIG HORN	21123.72	3305.65	24429.38
BLAINE	13324.16	4849.89	18174.06
BROADWATER	6219.46	4980.09	11199.56
CARBON	15418.26	7988.33	23406.60
CARTER	3424.80	1652.10	5076.90
CASCADE	153622.96	242143.59	395766.55
CHOUTEAU	11597.49	4305.12	15902.61
CUSTER	24955.92	31209.01	56164.93
DANIELS	5397.05	3328.20	8725.26
DAWSON	22473.46	15432.98	37906.45
FALLON	7163.71	398.18	7561.89
FERGUS	24893.10	25604.44	50497.55
FLATHEAD	98928.95	112173.61	211102.57
GALLATIN	81603.15	107361.30	188964.46
GARFIELD	3152.56	1399.25	4551.82
GLACIER	20232.78	8359.05	28591.84
GOLDEN VALLEY	1953.22	825.10	2778.32
GRANITE	5140.05	4569.68	9709.74
HILL	34238.48	24054.45	58292.94
JEFFERSON	13381.28	15113.60	28494.88
JUDITH BASIN	5037.25	2384.86	7422.12
LAKE	36277.37	45989.68	82267.06
LEWIS & CLARK	81934.40	112629.58	194563.98
LIBERTY	4433.77	838.66	5272.43
LINCOLN	33794.92	32169.69	65964.61
MCCONE	5143.86	2109.40	7253.26
MADISON	10371.49	6950.74	17322.23
MEAGHER	4100.62	2693.24	6793.86
MINERAL	6996.18	9678.45	16674.64
MISSOULA	144713.53	154609.74	299323.27
MUSSELSHELL	8429.69	2226.27	10655.96
PARK	24499.03	30910.17	55409.20
PETROLEUM	1246.93	495.31	1742.25
PHILLIPS	10217.29	2913.46	13130.75
PONDERA	12813.97	6361.17	19175.14
POWDER RIVER	4797.38	289.11	5086.50
POWELL	13246.11	14038.03	27284.14
PRAIRIE	3495.23	1800.88	5296.12
RAVALLI	42820.47	77216.20	120036.68
RICHLAND	23107.30	3447.46	26754.76
ROOSEVELT	19926.28	5399.02	25325.30
ROSEBUD	18844.97	1992.44	20837.41
SANDERS	16514.81	12935.73	29450.54
SHERIDAN	10306.76	1055.57	11362.33
STILLWATER	10657.05	7465.39	18122.44
SWEET GRASS	6122.37	4708.94	10831.32
TETON	12357.07	7837.90	20194.98
TOOLE	10582.80	2271.89	12854.69
TREASURE	1867.55	727.40	2594.96
VALLEY	19513.17	11894.68	31407.86
WHEATLAND	4490.88	3252.97	7743.86
WIBAUX	2809.89	250.26	3060.16
YELLOWSTONE	205668.89	198039.81	403708.71
<b>TOTAL COUNTIES</b>	<b>1401167.99</b>	<b>1401168.00</b>	<b>2802336.00</b>

MUNICIPALITIES  
REVISED: 2/4/83

CITIES/TOWNS	BY POPULATION	BY VALUATION	TOTAL
BILLON	15039.91	18164.82	33204.74
LIMA	1026.96	1789.71	2816.68
HARDIN	12487.21	13498.93	25986.15
LODGE GRASS	2905.07	12031.42	14936.49
CHINOOK	6280.92	8268.28	14549.21
HARLEM	3858.83	5781.05	9639.89
TOWNSEND	6001.75	6837.37	12839.13
BEARCREAK	220.32	425.54	645.86
BRIDGER	2729.24	3418.68	6147.93
FROMBERG	1761.12	2993.14	4754.27
JOLIET	2186.69	2934.30	5120.99
RED LODGE	7175.12	6764.17	13939.30
EKALAKA	2333.09	3932.49	6265.59
BELT	3111.03	6118.33	9229.37
CASCADE	2920.14	4915.61	7835.76
GREAT FALLS	214716.23	209009.26	423725.49
NEIHART	337.29	278.43	615.73
BIG SANDY	3154.81	4064.53	7219.35
FORT BENTON	6397.90	6823.02	13220.92
GERALDINE	1144.66	1452.43	2597.10
ISMAY	102.62	190.88	293.50
MILES CITY	36346.40	37957.90	74304.31
FLAXVILLE	529.19	703.97	1232.16
SCOBEE	5223.81	7219.14	12442.96
GLENDIVE	22626.26	19176.65	41802.91
RICHEY	1570.23	2362.36	3932.59
BAKER	8906.82	10285.48	19192.31
PLEVNA	719.09	1158.93	1878.02
DENTON	1335.55	1613.90	2949.45
GRASS RANGE	513.94	983.12	1496.96
LEWISTOWN	26881.96	38148.77	65030.03
MOORE	865.49	1467.50	2333.00
WINIFRED	571.97	983.12	1555.09
COLUMBIA FALLS	11768.12	10695.35	22464.08
KALISPELL	40293.51	27965.92	68259.44
WHITEFISH	14012.95	12706.69	26719.64

CITIES/TOWNS	BY POPULATION	BY VALUATION	TOTAL
BELGRADE	8833.62	8979.43	17813.06
BOZEMAN	81921.87	83926.48	165848.36
MANHATTAN	3726.78	4959.39	8686.18
THREE FORKS	4709.97	6147.75	10857.73
W. YELLOWSTONE	2773.02	1408.66	4181.68
JORDAN	1834.32	2376.71	4211.04
BROWNING	4636.77	14041.44	18678.22
CUT BANK	13954.10	15200.38	29154.49
LAVINA	616.46	924.27	1540.74
RYEGATE	1026.96	1393.59	2420.56
DRUMMOND	1555.16	2112.63	3667.80
PHILLIPSBURG	4299.47	8920.59	13220.07
HAVRP	41217.85	46159.45	87377.31
MINGHAM	689.66	689.62	1379.28
BOULDER	5444.13	11591.53	17035.67
WHITEHALL	3888.26	5076.36	8964.62
HOHSON	983.18	1599.54	2582.73
STANFORD	2244.82	2758.48	5003.31
POLSON	10579.68	10754.80	21334.48
RONAN	5781.43	5971.93	11753.37
ST. IGNATIUS	3316.28	8304.88	11621.17
EAST HELENA	6221.36	4210.92	10432.28
HELENA	90608.38	76619.79	167228.17
CHESTER	3643.53	3330.42	6973.96
EUREKA	4226.27	5913.09	10139.37
LIBBY	10388.78	7483.22	17872.01
REXFORD	484.41	205.23	689.65
TROY	4108.58	6236.01	10344.60
CIRCLE	3521.53	4254.70	7776.24
ENNIS	2494.57	2538.18	5032.75
SHERIDAN	2435.72	2890.52	5326.25
TWIN BRIDGES	1643.43	1584.47	3227.91
VIRGINIA CITY	719.09	807.30	1526.40
WHITE SULPHUR S	4915.94	8216.61	13132.56
ALBERTON	1379.33	2890.52	4269.86
SUPERIOR	3976.53	5267.24	9243.77
MISSOULA	126382.10	88577.30	214959.41
MELSTONE	894.91	1349.82	2244.73
ROUNDUP	8011.91	10681.60	18693.51
CLYDE PARK	1071.46	1863.62	2935.09
LIVINGSTON	26470.74	26043.45	52514.19
WINNETT	777.93	1525.63	2303.57
DODSON	587.04	836.01	1423.05
MALTA	8950.60	8421.85	17372.46
SACO	953.76	1217.78	2171.54
CONRAD	11621.00	11767.34	23388.35
VALIER	2421.07	2787.90	5209.28
BROADUS	2685.46	2963.72	5649.19
DEER LODGE	15216.46	21113.48	36329.94
TERRY	3507.18	5062.91	8569.19
DARBY	2186.69	3550.72	5737.42
HAMILTON	10065.84	8671.58	18737.42
STEVENSVILLE	4563.57	6177.17	10740.75
FAIRVIEW	5164.97	9698.48	14863.45
SIDNEY	21672.49	19939.47	41611.96
BAINVILLE	924.34	3022.56	3946.90
BROCKTON	1408.75	11781.69	13190.45
CULBERTSON	3345.71	6470.67	9816.38
FROID	1217.86	2230.32	3448.19
POPLAR	3756.21	7365.53	11121.74
WOLF POINT	11621.00	17709.86	29330.86
PORSYTH	9655.34	12207.24	21862.58
HOT SPRINGS	2274.25	4167.15	6441.40
PLAINS	4211.20	5076.36	9287.56
THOMPSON FALLS	5590.54	7702.81	13293.35
MEDICINE LAKE	1540.80	2551.81	4092.62
OUTLOOK	454.99	601.35	1056.35
PLENTYWOOD	9361.82	8847.39	18209.22
WESTBY	1100.16	2303.52	3403.69
COLUMBUS	5444.13	5428.70	10872.84
BIG TIMBER	6382.83	7570.77	13953.60
CHOTEAU	6794.05	8685.93	15479.98
DUTTON	1349.91	1951.17	3301.08
FAIRFIELD	2450.79	2626.44	5077.24
KEVIN	777.93	1496.93	2274.87
SHELBY	11885.81	15127.19	27013.01
SUNBURST	1789.83	3168.95	4958.79
GLYSAM	1687.20	2435.56	4122.77
GLASGOW	16859.89	17371.87	34231.76
NASHUA	1863.75	3066.34	4930.09
OPHEM	792.29	1115.16	1907.45
HARLOWTON	4460.95	7351.18	11812.13
JUDITH GAP	792.29	2171.48	2963.77
WIBAUX	2949.56	3946.84	6896.41
BILLINGS	253013.95	158726.42	411740.37
BROADVIEW	439.92	337.27	777.19
LAUREL	20733.80	21759.32	42493.13
WALKERVILLE	3345.71	8847.39	12193.10
<b>TOTAL CITIES/TOWNS</b>	<b>1466340.00</b>	<b>1466339.99</b>	<b>2932680.00</b>

**CONSOLIDATED GOVERNMENTS**

BUTTE-SILVER BOW	215488.00	202125.00	417613.00
ANACONDA-DEER LODGE	72503.00	85866.00	158369.00
<b>TOTAL CONSOLIDATED</b>	<b>287991.00</b>	<b>287991.00</b>	<b>575982.00</b>

EX 2  
HB 418

OVERVIEW OF HB418 \*

DESCRIPTION OF THE BILL

HB418 will earmark 33 1/3% of the oil severance tax for the local government block grant program.

It will not affect that portion of the oil severance tax that is distributed to counties with increased production. It will not change the rate of oil severance taxes.

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Rate

The oil severance tax is currently 5% of gross value. It will become 6% of gross value on April 1, 1983 in accordance with SB356 enacted by the 1981 Legislature.

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Currently, any increase in the amount of the oil severance tax collected within a county between fiscal years, by reason of increased production, is returned to that county's general fund.

That amount distributed to these counties has been:

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The remaining oil severance taxes are deposited in the state general fund (approximately \$45,473,425 in FY82).

Proposed Distribution

Under HB418 1/3 of the oil severance taxes would be deposited in a Local Government Block Grant Account.

This amount is estimated at:

FY84 - \$18.189 million  
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The increased production refund to producing counties would be paid from the remaining 2/3. Funds remaining after this distribution would be deposited in the state general fund.

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## STATE OF MONTANA

REQUEST NO. 215-83

## FISCAL NOTE

Form BD

In compliance with a written request received January 24, 19 83, there is hereby submitted a Fiscal Note for House Bill 418 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 418 earmarks a portion of the oil and gas severance tax for the local government block grant account and provides an effective date.

ASSUMPTION:

- 1) The projections of oil and natural gas severance tax receipts and distribution prepared by the Office of Budget and Program Planning are the basis for comparison.
- 2) The bill does not increase or decrease tax collections. It only changes the distribution of the collections.

FISCAL IMPACT:

	<u>FY 84</u>	<u>FY 85</u>
Oil Severance Tax Collections		
Under Current Law	\$59,377,000	\$65,462,000
Under Proposed Law	<u>59,377,000</u>	<u>65,462,000</u>
Estimated Increase	<u>\$ -0-</u>	<u>\$ -0-</u>
Natural Gas Severance Tax Collections		
Under Current Law	\$ 3,426,000	\$ 3,825,000
Under Proposed Law	<u>3,426,000</u>	<u>3,825,000</u>
Estimated Increase	<u>\$ -0-</u>	<u>\$ -0-</u>
TOTAL REVENUE		
Under Current Law	\$62,803,000	\$69,287,000
Under Proposed Law	<u>62,803,000</u>	<u>69,287,000</u>
Estimated Increase	<u>\$ -0-</u>	<u>\$ -0-</u>
General Fund		
Under Current Law	\$59,457,000	\$65,621,000
Under Proposed Law	<u>38,522,667</u>	<u>42,525,333</u>
Estimated Decrease	<u>\$(20,934,333)</u>	<u>\$(23,095,667)</u>
Distribution to Producing Counties		
Under Current Law	\$ 3,346,000	\$ 3,666,000
Under Proposed Law	<u>3,346,000</u>	<u>3,666,000</u>
Estimated Increase	<u>\$ -0-</u>	<u>\$ -0-</u>

Continued

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-27-83

Local Government Block Grant Account

Under Current Law	\$ -0-	\$ -0-
Under Proposed Law	<u>20,934,333</u>	<u>23,095,667</u>
Estimated Increase	<u>\$20,934,333</u>	<u>\$23,095,667</u>

TECHNICAL NOTE:

The bill was intended to earmark a portion of the oil severance tax only. The Legislative Council erroneously drafted the bill to earmark a portion of the natural gas severance tax. An amendment will be offered to correct this error.

FISCAL NOTE 8:Q/2

HB 418

AMENDMENTS TO HOUSE BILL 418

1. Page 1, line 6  
Following: "OIL"  
Strike: "AND GAS"
2. Page 1, Line 22  
Following: "(d)"  
Strike: "oil and"
3. Page 2, line 21  
Following: "oil"  
Strike: "and gas taxes"  
Insert: "tax"
4. Page 2, line 25  
Following: "oil"  
Strike: "and gas"
5. Page 3, line 9  
Following: "oil"  
Strike: "and gas"
6. Page 3, line 24  
Following: "under"  
Strike: "this section"  
Insert: "subsection (2)(b) of this section"

COHEA4:O/3



Remarks of Lt. Gov. Turman

The Administration has been keenly aware of the problems for local entities associated with the erosion of the property tax base. Rep. McBride has given you some details. Our determination was to address the funding problems for school districts through the foundation program and to address the problems for local governments through a separate process which has evolved into the block grant program. We have then addressed the problems of school districts and local governments separately.

In addressing the problems of local governments, we determined that we would work within existing revenue sources. Incidentally since the Legislature had repealed the business inventory tax, it was not considered.

Our objectives for local government assistance are simply (1) to offset within the limits of state revenue resources the losses which local governments experienced; (2) to provide assistance without further burdening property taxpayers on a basis which from the perspective of local governments best address their needs; and (3) to establish an assistance program which has a basis for continuity.

In September of last year, Governor Schwinden made his announcement of the estimated revenues available (8.8) and he invited local governments to formulate their proposals for the distribution of those funds. Essentially the block grant program as it is presented here is the product of that cooperative effort. It reflects the consensus of local governments with respect to its formulation.

I mentioned that continuity was an element in our objective for assistance. To achieve this, we built upon the actions of the Legislature in 1981 which were a response to the Governor's proposal for replacement of motor vehicle taxes. Essentially the Legislature then increased the oil severance tax and with the proceeds of that tax replaced revenues lost to local governments as a result of the motor vehicle tax repeal.

To assure continued reimbursement for those former tax revenues, we have proposed that the motor vehicle reimbursement account be incorporated in a block grant. Disbursements from that account would follow existing law. The other revenues identified for local government assistance comprise the second block grant.

To achieve continuity, the earmarking of a revenue source was appropriate. As I said, we built logically upon the legislative action of 1981 and earmarked 1/3 of the total oil severance tax as the major revenue source. No tax increase is involved.

From the outset, we also have proposed that general funds be appropriated for local government assistance. As Rep. Yardley stated, the amount contemplated in the executive budget is 3 million per year. The package then with revised oil revenue estimates now totals \$21.7 million per year. Since there is interest, Terry Cohea of the Office of Budget and Program Planning will comment on the estimates themselves.



JAMES W. MURRY  
EXECUTIVE SECRETARY

Box 1176, Helena, Montana

ZIP CODE 59624  
406/442-1708

Ex 5  
HB 600  
and 418

TESTIMONY OF JIM MURRY ON HOUSE BILLS 418 AND 600, BEFORE THE HOUSE COMMITTEE ON  
LOCAL GOVERNMENT, FEBRUARY 10, 1983

-----

I am Jim Murry, executive secretary of the Montana State AFL-CIO. I am here to speak in support of House Bills 418 and 600. Both bills provide much needed funding for local governments through a block grant program.

House Bill 418 would continue the program enacted in 1981 which provides for reimbursement in the amount of approximately \$30 million over the next biennium, to local governments for revenue taxes lost when the property tax for motor vehicles was changed to a fee system. This funding comes from a portion of the oil severance tax. House Bill 600 would provide for funds to local governments from the general fund in the amount of an estimated \$15 million.

Funding for local governments has been reduced over the last ten years by actions of the legislature as well as recent cutbacks in state and local government aid by the federal government.

Federal assistance to state and local governments -- aid that supports vital social programs -- has already been slashed to the bone. As a result of congressional action over the last two years, states and localities have suffered a real reduction of \$57 billion in federal aid between Fiscal Year 1982 and 1984.

The states of the Pacific Northwest, including Montana, ranked second overall in cuts per capita due to the administration's reductions. Montana ranked fifth in per capita cuts; our state was second in federal aid to highways cuts and fifth in social services cuts.

In the coming weeks, Congress will begin the task of preparing a federal budget for Fiscal Year 1984. The present administration's tax-giveaway program to the wealthy and his unprecedented military spending requests have produced deficits that put great pressure on Congress to cut back further on domestic spending -- particularly on aid to state and local governments. At the same time, the economy continues to falter under misguided economic policies and needs immediate stimulus for its revival. We believe that state and local government spending is critical for the stimulus of our economy.

Local governments are experiencing severe budget constraints. These bills provide for essential funding to local governments, whose only other recourse is to raise property taxes.

In order to continue essential services and stimulate the economies of local communities, we urge you to vote for House Bills 418 and 600.

Thank you.

Ex 6

H/B 600

AND 418

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

Automobiles and light trucks

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 average wholesale value)

Aircraft	"	"	"	"	"	"	"
----------	---	---	---	---	---	---	---

Trucks over 3/4 ton	"	"	"	"	"	"	"
---------------------	---	---	---	---	---	---	---

Construction equipment	"	"	"	"	"	"	"
------------------------	---	---	---	---	---	---	---

Motor boats	"	"	"	"	"	"	"
-------------	---	---	---	---	---	---	---

Boat trailers	"	"	"	"	"	"	"
---------------	---	---	---	---	---	---	---

Motorcycles	"	"	"	"	"	"	"
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Comments of Bob Marlinee, Plentywood

Mr. Chairman:

I have a recently published pamphlet to enter into documentation pertaining to the plight that Montana cities and towns are presently in.

I think we have a unique situation in the backing of today's House bills in that all cities and towns, regardless of size, are in total agreement with their passage. We have worked closely with MACO, the Urban Coalition, and others in the setting up of a unified group in favor of this program of state assistance.

Mayors, councilpeople, clerks, treasurers, and other responsible managers in our city governments across the state certainly do not need a crystal ball to show that the basic problem of operating our cities and towns is the excessive reliance on a static tax base--the property tax.

Our local governments are dependent on assessments against property for 89% of their tax revenues. This is basically our only source of income--others have foundation programs.

From 1977 to 1982 - a five-year period, city property taxes were up 50.3%. In this same period, property valuations, statewide, declined 3% when adjusted for inflation.

When the value of a mill decreases in our communities, you all know, we must raise the levies, cut budgets and personnel, just to stay even each year.

Management ability has forced our local leaders to:

1. reduce personnel by 14% statewide--police and fire
2. drastically cut operational and maintenance budgets
3. completely drop many city programs
4. freeze and hold back salary increases
5. raise mill levies providing taxpayers with less service each year.

All of these things have been done simply because of decreasing property valuations coupled with racing inflation.

This is what I call zero growth. It is not just standing still; it is going backwards. It is the deterioration of our Montana cities and towns comprising 55% of our population.

The fat and some of the muscle has been cut out of our municipalities. We desperately need help. We need a reasonable program of state assistance to partially relieve the fantastic burden that is being placed on our homeowners.

Bob Marlinee, Plentywood

Page 2

We ask for your support in the passage of today's proposals that were in part developed by an extremely diversified group of people--all, I might add, in harmony and agreement.

STATEMENT FOR HOUSE COMMITTEE ON LOCAL GOVERNMENT  
REGARDING HOUSE BILL 600 AND HOUSE BILL 418 RELATING TO THE BLOCK GRANT PROGRAM  
FOR CITIES & COUNTIES

Ex 8  
HB 600  
HB 418

STATEMENT PRESENTED BY JIM VANARSDALE, CITY COUNCILMEMBER FROM BILLINGS, MONTANA  
ON BEHALF OF THE CITY OF BILLINGS

February 10, 1983

MY NAME IS JIM VANARSDALE. I AM A CITY COUNCILMAN FROM BILLINGS, MONTANA. I APPEAR HERE TODAY ON BEHALF OF THE BILLINGS CITY COUNCIL. I WANT TO URGE YOU TO PASS HOUSE BILL 600 AND HOUSE BILL 418. THESE TWO BILLS ARE ESSENTIAL FOR THE CONTINUED VIABILITY OF CITY AND COUNTY GOVERNMENTS THROUGHOUT MONTANA. THESE BILLS OFFER THE STATE LEGISLATURE AN OPPORTUNITY TO RECOGNIZE THE IMPORTANCE OF CITIES AND COUNTIES TO THE STATE. MUCH HAS BEEN SAID ABOUT THE NEEDS OF CITIES BY PREVIOUS SPEAKERS AND HOW OTHER STATES HAVE PROVIDED ASSISTANCE TO THEIR CITIES AND I WILL NOT BE REDUNDANT ON THAT SUBJECT. I WOULD, HOWEVER, LIKE TO TELL YOU HOW THESE BILLS WILL EFFECT BILLINGS, MONTANA, THE LARGEST CITY IN THE STATE AND PERHAPS ONE OF THE FASTEST GROWING AREAS OF THE STATE. THE SECTION OF THE BILL THAT WILL CONTINUE THE REIMBURSEMENT TO LOCAL GOVERNMENTS FOR THE MONIES WE LOST IN 1981 AS A RESULT OF THE CHANGE IN THE PROPERTY TAX TO A FEE SYSTEM FOR MOTOR VEHICLES REPRESENTS APPROXIMATELY \$570,000 TO THE CITY OF BILLINGS AND SHOULD THIS LEGISLATION NOT BE ENACTED, WE WOULD LOSE THAT MUCH REVENUE! THE SECOND PART OF THE BLOCK GRANT PROGRAM WOULD MAKE AVAILABLE APPROXIMATELY \$17.6 MILLION ADDITIONAL DOLLARS STATEWIDE AND WILL PROVIDE THE CITY OF BILLINGS WITH AN ANNUAL APPROPRIATION OF APPROXIMATELY \$595,000. WE WOULD LIKE TO THINK THAT THESE FUNDS WOULD BE NEW MONIES THAT WOULD BE AVAILABLE TO US MEET SOME OF THE SERVICE NEEDS THAT WE HAVE HAD TO POSTPONE OR DEFER DURING THE PAST SEVERAL YEARS. ON THE OTHER HAND, UNLESS OTHER LEGISLATION IS ENACTED, THE CITY OF BILLINGS WILL LOSE \$505,000 ANNUALLY BECAUSE OF THE ELIMINATION OF THE BUSINESS INVENTORY TAX. IN ADDITION, THE CITY OF BILLINGS LOST TAX RECEIPTS IN THE AMOUNT OF \$120,000, AS A RESULT OF THE 12% ROLL BACK IN COMMERCIAL VALUES LAST YEAR. FURTHER, THE CITY OF BILLINGS STANDS TO LOSE A COMBINED TOTAL OF \$210,000 AS A RESULT OF THE SETTLEMENT WITH THE BURLINGTON NORTHERN AND THE COURT ACTION AS IT RELATES TO THE CORPORATE TAX ON BANKS.



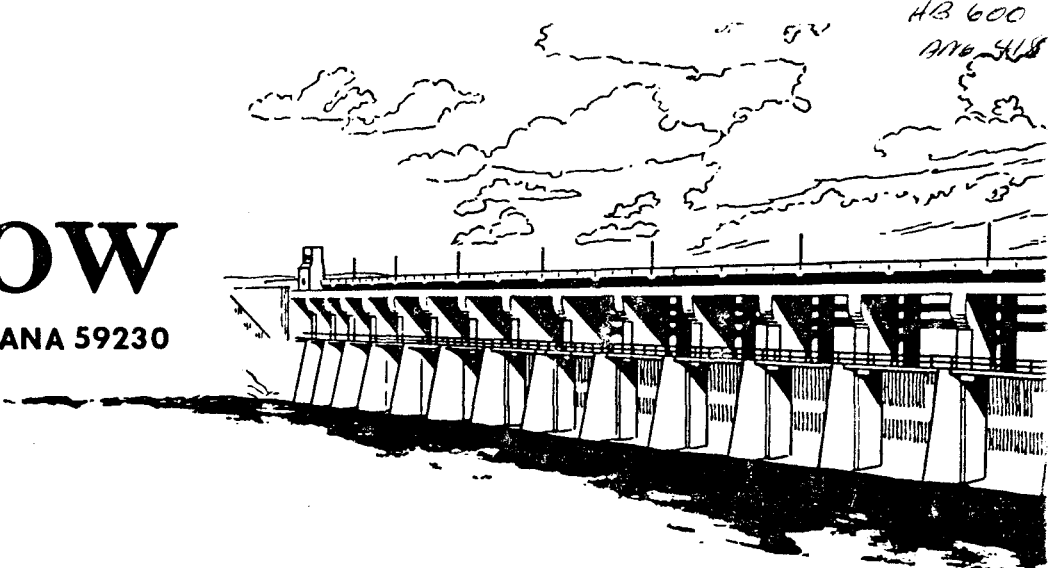
THE PRESSURE ON LOCAL GOVERNMENT TO HOLD DOWN PROPERTY TAXES FROM THE CITIZENS AS WELL AS ACTION TAKEN BY THE LEGISLATURE AND THE COURTS HAVE RESULTED IN A CUTBACK IN SERVICES AS WELL AS EMPLOYEES IN BILLINGS. FOR EXAMPLE, THE CITY OF BILLINGS HAS CUT 99 EMPLOYEES IN THE PAST FOUR YEARS AND REDUCED SERVICES IN A NUMBER OF AREAS. TO BE SURE, WE NEED TO CONTINUE TO LOOK AT AREAS IN WHICH WE CAN CUT BACK IN SERVICES AND BE MORE EFFICIENT IN PROVIDING SERVICE LIKE ANY OTHER BUSINESS, AND FOR THAT MATTER, LIKE STATE GOVERNMENT DOES, I'M SURE, ON A CONTINUING BASIS. ON THE OTHER HAND, MANY LOCAL GOVERNMENTS, INCLUDING BILLINGS, HAVE GOTTEN TO A POINT WHERE RATHER THAN CUT BACK FURTHER, WE WILL NEED TO GO TO OUR VOTERS AND ASK THEM TO INCREASE THEIR PROPERTY TAXES IF WE ARE NOT ABLE TO FIND SOME OTHER WAY TO MEET OUR FISCAL NEEDS. I THINK IT IS IMPORTANT FOR YOU TO KNOW THAT WE HAVE NOT SAT BACK AND WAITED FOR THE STATE LEGISLATURE TO SOLVE ALL OF OUR FISCAL PROBLEMS. IN BILLINGS AND YELLOWSTONE COUNTY, WE SPENT A GREAT DEAL OF TIME AND EFFORT IN PLACING ON THE BALLOT THE ISSUE OF THE 2¢ GAS TAX WHICH WE LOST. WE ALSO HAD A VERY NARROW VOTE ON THE CONSOLIDATION OF OUR LAW ENFORCEMENT AGENCIES IN THE COUNTY LOSING BY LESS THAN 1%, OR 400 VOTES. WE WERE SUCCESSFUL IN GETTING THE VOTERS TO APPROVE A TRANSIENT OCCUPANCY LICENSE THAT WENT INTO EFFECT IN JANUARY OF THIS YEAR WHICH WILL PROVIDE SOME OF OUR NEEDED REVENUES. THE POINT I MAKE HERE IS WE ARE TRYING TO HELP OURSELVES AND, IN FACT, HAVE BEEN ABLE TO DO THAT IN SOME SELECTED AREAS. IT HAS BEEN MY PERSONAL PLEASURE TO SERVE ON THE BOARD OF DIRECTORS OF THE LEAGUE OF CITIES & TOWNS AS WELL AS A MEMBER OF THE URBAN COALITION AS CITIES AND COUNTIES WORKED OUT THEIR DIFFERENCES ON THIS BLOCK GRANT PROGRAM. IT IS IMPORTANT THAT CITIES, LARGE AND SMALL, AS WELL AS CITIES AND COUNTIES SUPPORT THIS PROGRAM AS BEING A FAIR AND EQUITABLE APPROACH FOR THE STATE TO PROVIDE ASSISTANCE TO LOCAL GOVERNMENTS. I URGE YOUR SUPPORT OF HOUSE BILL 600 AND HOUSE BILL 418. THANK YOU.

HB 600  
AM 418

# CITY OF Glasgow

GLASGOW, MONTANA 59230

February 10, 1983



My name is Ramona Tow, and I am currently employed by the City of Glasgow. My position is City-Clerk Treasurer. I also am an officer of the Montana League of Cities and Towns, having recently been elected to the position of Secretary-Treasurer.

I am here to present documentation in support of the proposal to provide financial assistance to local governments under the Block Grant Program.

On behalf of the City of Glasgow, I would like to present the financial position of our city. I have compiled an analysis from the budget documents which reflects the history of our tax base for the preceeding eight years. The taxable valuation of our city has decreased \$837,331 which has resulted in a dollar loss of nearly \$84,000 in revenues generated from the mill levy. During this time, our city budgets have been prepared to provide for the maintenance of existing services; there has been very little replacement of equipment and furnishings. Since 1975 our mill levy has increase 26.05 mills; however, this millage now produces only \$52,923 more in revenue. We have reduced our personnel by four employees in the past three years because we elected to not fill the positions when they were vacated through retirement and termination. If we had continued to fund the positions, we would have to levy for approximately \$70,000 in taxes and would be levying 113.28 mills to operate this fiscal year in comparison to the 97.07 mills which we are currently levying.

Gateway To Fort Peck Recreation Area

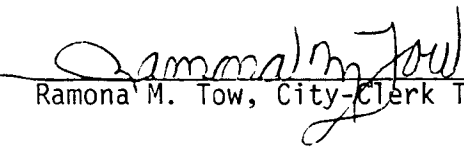
WE

have a serious need for capital improvements and replacement of major equipment, but we simply do not have the resources for funding them.

Glasgow would receive approximately <sup>34,000</sup>~~\$47,000~~ under the distribution formula for the Block Grant Program. However, this amount would not begin to replace our revenue losses on the tax base nor fund the personnel positions which have been vacated.

I am here today because I am deeply concerned about the financial conditions in our local communities, "the cities and the towns in the State of Montana", which comprise 55% of the state's population. In my opinion a financial crisis exists; the administration has recognized this fact in its proposal for the Block Grant Program; and I respectfully request your utmost consideration and support on this proposal so that your communities, "our cities and towns", the place we all call "home", can continue to exist in the future.

Submitted this 10th day of February, 1983

  
\_\_\_\_\_  
Ramona M. Tow, City-Clerk Treasurer

CITY OF GLASGOW  
MILL LEVY ANALYSIS

FISCAL YEAR	ASSESSED VALUATION	TAXABLE VALUATION	VALUE OF A MILL	MILL LEVY	AMOUNT RAISED BY TAXATION
1975-76	19,652,925	5,154,132	5,154	71.02	366,028.47
1976-77	21,273,958	5,132,007	5,132	73.93	379,449.46
1977-78	20,950,572	4,901,714	4,901	73.38	359,627.30
1978-79	52,090,453	4,754,733	4,754	76.45	363,449.55
1979-80	49,907,671	4,429,509	4,429	91.40	404,808.95
1980-81	50,911,978	4,501,313	4,501	99.87	449,505.78
1981-82	53,955,144	4,753,145	4,753	107.85	512,618.12
1982-83	50,291,945	4,316,801	4,316	97.07	418,951.60

RECAP FOR PAST 8 YEARS

ASSESSED VALUE  
INCREASED BY...30,639,020

TAXABLE VALUE DECREASED.....(837,331)

THE VALUE OF A MILL DECREASED.....(838)

THE MILL LEVY INCREASED.....26.05

THE AMOUNT RAISED BY TAXATION INCREASED.....52,923.13

WITNESS STATEMENT

Name KEITH L. BRYAN Committee On Local Gov't  
Address 229 Indian ST Date 2-10-83  
Representing City of Wolf Point <sup>LEAGUE OF</sup> <sub>CITIES</sub> Support X  
Bill No. 418 + 600 Oppose \_\_\_\_\_  
Amend \_\_\_\_\_

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

- 1.
2. 

THESE BILLS ARE THE LOGICAL SOLUTION  
TO THE PROBLEM OF BOTH LARGE AND  
SMALL CITIES AT THIS TIME IT IS NOT
3. 

A COMPLETE ANSWER TO THE PROBLEM OF  
CITY FINANCING BUT IS A GREAT STEP IN  
THE RIGHT DIRECTION.
- 4.

AS A SMALL COMMUNITY WE HAVE  
THE SAME PROBLEMS AS THE LARGE  
CITIES AND AS SUCH NEED THIS HELP.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name Ann Mulhoney Committee On Local Gov't.  
Address 700 Power, Helena Date 2/10  
Representing League of Women Voters Support ✓  
Bill No. 600 and 418 Oppose \_\_\_\_\_  
Amend ✓

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. The League is pleased to support the block grant concept. We recognize the financial strain placed on local gov't. as a result of federal policies and economic conditions.
2. The League's recent study of state government financing made us deal with the issue of earmarking. We are concerned about the provisions for earmarking in the bill and offer for consideration some of the reasons why we concluded that earmarking should not continue to grow.
1. Earmarking reduces the ability of the general fund to respond to rapidly changing needs and priorities.
2. For the most part earmarking does not relate money to need promoting an entitlement philosophy.
3. Earmarking sets up unrelated constituencies which can contribute to strong pressure groups for earmarking.
4. Earmarking can contribute to a reluctance to explore other alternatives.

Offer these suggestions

1. Sullipfund the program through a general fund appropriation to enable evaluation in 85
2. Include reporting requirements so that expenditures and local taxing programs can be evaluated

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

The League reaffirms its commitment to work to resolve local government funding problems and increase their revenue raising authority.

The current local financial crisis warrants consideration of this program.

WITNESS STATEMENT

Name DENNIS BURR Committee On LOCAL GOVT  
Address \_\_\_\_\_ Date 2/10/83  
Representing MONTAX. Support X  
Bill No. HB 600 Oppose \_\_\_\_\_  
Amend \_\_\_\_\_

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. MONTAX SUPPORTS THE BLOCK GRANT PROGRAM.  
CONDITIONED ON PREMISE THAT THE INVENTORY  
TAX IS NOT REINSTATED

2.

3.

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name Dan Meyer Committee On Local Govt  
 Address 514 Hill Date 2/10/83  
 Representing Cascade County Support X  
 Bill No. HB 600 HB 418 Oppose \_\_\_\_\_  
 Amend \_\_\_\_\_

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. Cascade County would like to go on record  
in support of HB 600 with our county tax base
2. going in a downward trend in the past few years.
3. We need HB 600 <sup>and 418</sup> to replace the dollars we  
have lost. do to the ~~low~~ license fee system
- 4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.



HOUSE LOCAL GOVT

BILL *Aug 2 Bill 418*

DATE 2-10-83

SPONSOR YAROLEY

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

FORM CS-33

## VISITOR'S REGISTER

HOUSE \_\_\_\_\_ LOCAL GOVERNMENT \_\_\_\_\_ COMMITTEE \_\_\_\_\_

BILL \_\_\_\_\_ HOUSE BILL 418 \_\_\_\_\_

DATE \_\_\_\_\_

SPONSOR REP. YARDLEY \_\_\_\_\_

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP- POSE
Aodi Tikan	Great Falls	City Commission	X	
Don Brunell	Walkerville	Town	X	
Ray Brunell	Walkerville	Town	X	
Mary Vant Hull	Bozeman	City Commission	X	
Mike Young	Missoula	CITY OF MISSOULA	✓	
Leon Stakup	Missoula	City Council	X	
Bill Legg	Missoula	Mayor	X	
Robert Salter	DENTON	MAYOR	X	
Sammy Jow	GLASGOW	CITY OF GLASGOW	X	
Keith L. Bryan	Wolf Point	Mayor	X	
Don J. Allen	Helena	NOT REPRESENTING		(Sponsor)
T. Cohen	Helena	Office of Budget + Program Mng.	X	
J. S. Crawford	Sweet Grass	Mayor	X	
Tom Beck	Pomell	Mayor	X	
Jim Murray	Helena	Mont. AFL-CIO	X	
John W. Kinn	Helena	Lewis & Clark Co.	X	
Jim Van Orsdale	Billings	City of Billings	X	
Ray Foster	Billings	City of Billings	X	
Darryl Meyer	Great Falls	Cascade County	X	
Al Johnson	Great Falls	City of Great Falls	X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

HOUSE LOCAL GOV'T

COMMITTEE

BILL House Bill 600

DATE 2-10-83

SPONSOR *Rep. McBride*

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

## VISITOR'S REGISTER

HOUSE \_\_\_\_\_ LOCAL GOVERNMENT \_\_\_\_\_ COMMITTEE \_\_\_\_\_

BILL \_\_\_\_\_ HOUSE BILL 600 \_\_\_\_\_

DATE 2-10-83 \_\_\_\_\_

SPONSOR \_\_\_\_\_ REP. McBRIDE \_\_\_\_\_

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP- POSE
Vern Erickson	Missoula	Mont State <sup>Assoc.</sup> Teachers	X	
Jodi Aiken	Great Falls	City Commission	X	
Don Brunell	Walkerville	Town	X	
Ray Brunell	Walkerville	Town	X	
Mary Vart Hull	Bozeman	City Commission	X	
Mike Young	Missoula	CITY OF MISSOULA	✓	
Leon Stalcup	Missoula	City Council	✓	
Bill Gregg	Missoula	Mayor	X	
<del>Don Walker</del>	Denton	Mayor	X	
Samana JMW	GLASGOW	CITY OF GLASGOW	X	
Kurt L. Bryan	Wolf Point	Mayor		
Don Allen	Helena	MT. Petroleum Assoc		(X)
J. Berfield	Sweet Home	INACO	X	
Don Besh	Powell	Mr Co	X	
George Allen	Helena	Mont. Petrol Assn	X	
Dorothy Meyer	St. Falls	Cascade County	X	
Jim Kullback	Billings	City of Billings	X	
Ray Foster	"	" "	X	
Don Samson	Great Falls	City of Great Falls	X	
Milo Moore	Helena	MTCT	X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

# Montana Cities and Towns 1983



Prepared by  
MONTANA LEAGUE OF  
CITIES AND TOWNS  
P.O. Box 1704  
Helena, MT 59624

## INTRODUCTION

Montana's cities and towns are operating under an accumulation of financial problems that threaten the most basic and essential local government services.

The fundamental problem of local government finance is the excessive reliance of cities and counties on a single source of revenue — the property tax. This revenue base is historically static, and in recent years, property valuations — the engine that drives the entire system — have declined when adjusted for inflation.

With a declining tax base, local governments have been required to apply two management options: 1) they have cut budgets, programs, services, and employees, and 2) they have been forced to raise mill levies. As a result, municipal residents and businesses are being forced to pay higher taxes for less service. This pattern will not be broken until the local government tax base is diversified or supplemented by a reasonable program of state assistance.

The issue of municipal finance has been exhaustively researched and endlessly discussed, but a method has not been developed to make it possible for cities to provide necessary services without continually increasing taxes.

## PROPERTY VALUATIONS

From 1972 through 1982, property valuations in Montana declined three percent when adjusted for inflation. With property values losing the race with inflation, cities and towns had to implement stringent cost control programs and increase taxes to stay in business. (Table 1)

The value of a mill is the critical factor in the local government financial equation. When values decline, as they have in most Montana communities in recent years, cities are required to increase levies just to stay even.

Property taxation is an appropriate method of financing municipal governments. Basic city services, like police and fire protection, and street construction and maintenance, are related to property. In Montana, however, the property tax base has been diminished to the point where it will no longer do the job for competing interests — cities, counties, schools, special districts, and the state.

There are many reasons the property tax base has been eroded:

1. The economy of the state has been devastated in recent years and many major property taxpayers, including the Anaconda Company, the Milwaukee Railroad, Van Evans Plywood, lumber mills, meat packing plants, and other businesses, have closed or drastically curtailed operations.
2. Tax protests on industrial property are becoming common in Montana. The Department of Revenue recently recovered \$9.8 million of \$23 million in property taxes protested over a three-year period by the Burlington Northern Railroad.
3. A recent Montana Supreme Court decision on the legality of the state's method of taxing banks could force local governments to refund \$7.2 million and reduce revenue from this source by approximately 50% in future years.
4. Valuations on commercial property in Montana have been rolled back 12 percent and this change in assessment

practices will cost local governments an estimated \$5 million per year.

5. The 1981 legislature passed a series of bills that eliminated, reduced, or adjusted local government tax revenues. The business inventory tax was eliminated effective January 1, 1983 which will cost cities and towns approximately \$2 million annually in tax revenues. Livestock, farm machinery, and heavy equipment taxes were substantially reduced. In addition, the ad valorem tax on motor vehicles was replaced by a fee system that essentially freezes a portion of the revenues at 1980 levels.

The combination of a static property base, rollbacks, protests, court decisions, and legislative reductions has radically diminished the local government tax base. These losses are being subsidized by higher mill levies on other classifications, principally residential property.

MONTANA TAXABLE VALUATION

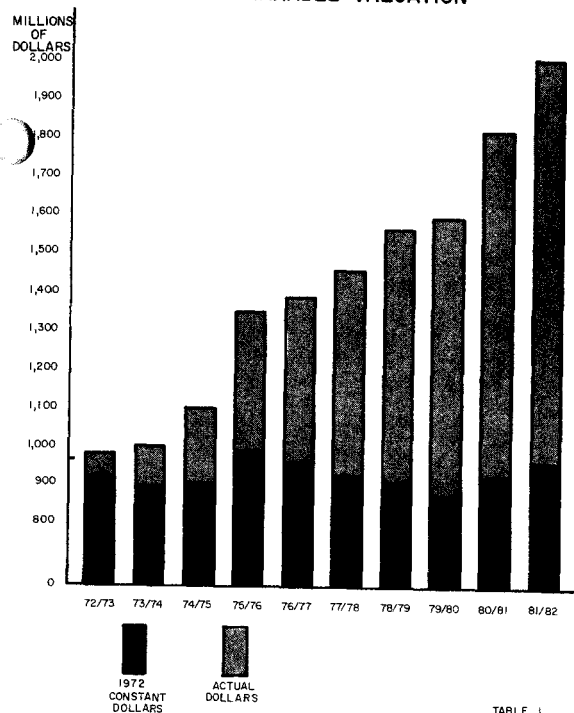


TABLE 1

## COST CONTROL

Stringent cost control programs are one of the options that cities and towns have applied to compensate for a declining revenue base. In the five years from 1977 through 1982 the rate of growth in property assessments for municipal governments was the lowest among all local taxing jurisdictions.

City property taxes were up 50.3 percent in the five-year period compared with increases of 54.9 percent for counties and 68.6 percent for schools. During the same period, state general fund expenditures increased 54.8 percent. (Table 2)

The increase for municipal general fund expenditures, excluding voter-approved special improvement districts, was only 40.3 percent, while the concurrent rate of inflation on state and local government purchases of goods and services was 40.29 percent.

The increase in general property tax-financed spending by cities and towns was identical to the rate of inflation for the five-year period. This means that municipal government spending has remained absolutely even in constant dollars, while the levels for the state, counties and schools have increased.

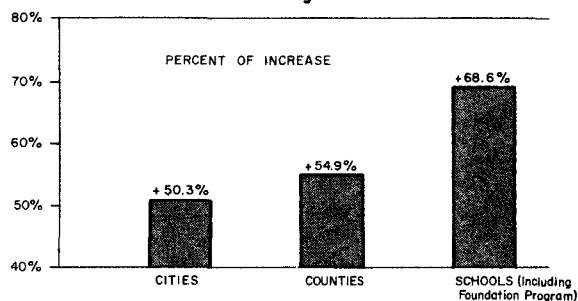
Property taxes in the current fiscal year will increase \$24.1 million. The increases will be \$11.4 million for schools, \$8.6 million for counties, \$2.1 million for miscellaneous taxes, \$1.4 million for the university system and only \$600,000 for cities and towns.

Personnel levels are an indication of the effectiveness of government cost control programs. City and town payrolls have been substantially reduced in recent years. From 1979 through 1981, Montana's large cities cut the number of personnel by nine percent. Smaller cities reduced the number of workers by 14 percent. In addition to reducing personnel, cities generally held wage increases below the levels approved by the state and school districts.

Municipal government has operated under severe financial pressures in recent years. Cities and towns have cut budgets, knocked down programs, laid off employees, held back salary increases and effectively controlled costs. The

result has been zero growth in actual tax dollar expenditures. These stringent management practices have reached the point of diminishing returns and further reductions will threaten essential services, such as police and fire protection.

TREND OF MONTANA PROPERTY TAXES  
FIVE YEARS  
1977 - 78 through 1981 - 82



TREND OF STATE GENERAL FUND EXPENDITURES  
FIVE YEARS  
1977 - 78 through 1981 - 82

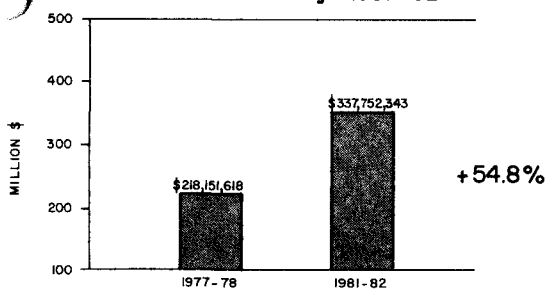


TABLE 2



## MILL LEVIES

The management programs applied in recent years by municipal governments have worked to control costs, but they cannot totally compensate for the negative effects of a diminishing tax base.

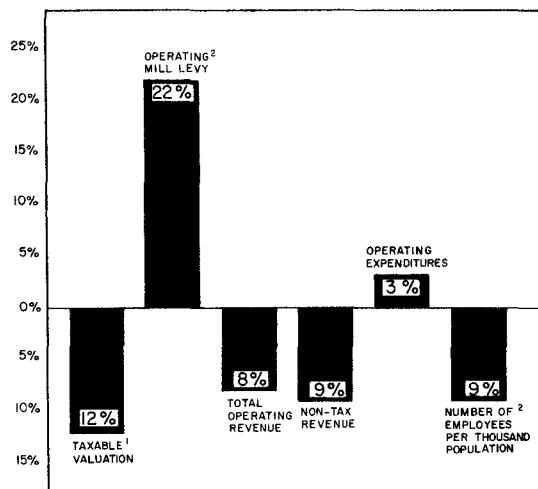
As an example, property valuations in 25 randomly selected cities and towns declined by a numerical average of 13 percent from 1979 through 1981. At the same time, the cost of local government goods and services was inflated by 20 percent. This means that these cities and towns would have been forced to cut budgets 33 percent to hold mill levies at 1979 rates. A spending reduction this radical is beyond legitimate expectations, and these communities were required to increase mill levies an average of 19 percent to compensate for the inflated cost of necessary services. (Tables 3, 4, and 5)

City councils and executives answer to the public in the same way as the legislature and the governor. Holding down taxes generally is a condition of political survival, but under the system of financing local government in Montana, these officials had no workable alternative to the adoption of higher mill levies. Municipal property taxes for the last five years have increased 20.9 percent, which boosted the rate on a \$50,000 house by \$58.87. (Tables 6, 7)

Cities and towns are subject to a legislatively imposed limitation of 65 mills in the all-purpose levy. This ceiling would work to restrain levy increases under normal circumstances, but cities have taken advantage of a law that allows a 5% budget increase when valuations decline. As a result, the average municipal levy is 79.47 mills, and further cuts in essential services are the only method of controlling increases as long as valuations continue to decline.

Cities and towns have effectively limited expenditures. The rate of budget increases for local governments over the past five years is lower than for any other jurisdiction, but higher mill levies are inevitable because of a static or declining tax base and the certainty that further spending reductions will cut into vital programs, specifically police and fire protection.

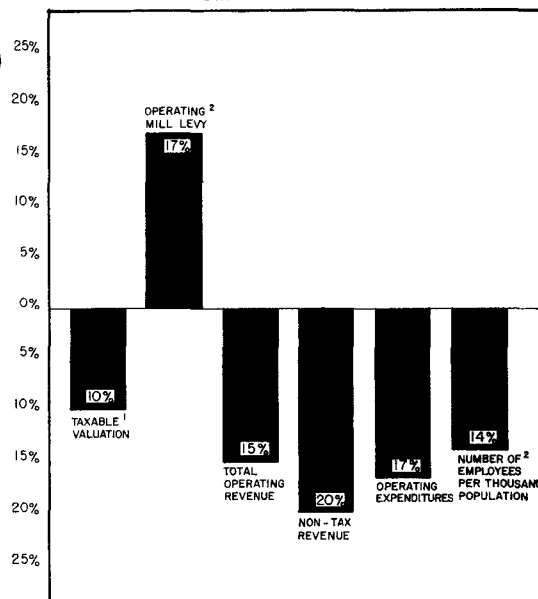
Percent Change in  
Financial Condition Indicators  
1979 - 1981  
LARGE CITIES



1 - Compiled Jan. 81 for FY81-82 Budget  
2 - As reported in FY81-82 Annual Budgets

TABLE 3

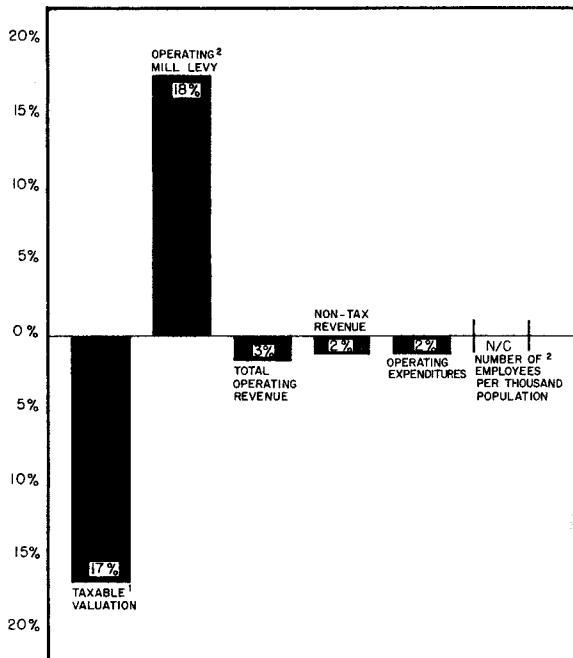
Percent Change in  
Financial Condition Indicators  
1979 - 1981  
SMALL CITIES



1 - Compiled Jan. 81 for FY81-82 Budget  
2 - As reported in FY81-82 Annual Budgets

TABLE 4

**Percent Change in  
Financial Condition Indicators  
1979 - 1981  
TOWNS**



1 - Compiled Jan. 81 for FY81-82 Budget  
2 - As reported in FY81-82 Annual Budgets  
N/C - No Change

TABLE 5

**MUNICIPAL MILL LEVIES  
AVERAGE (All Cities)**

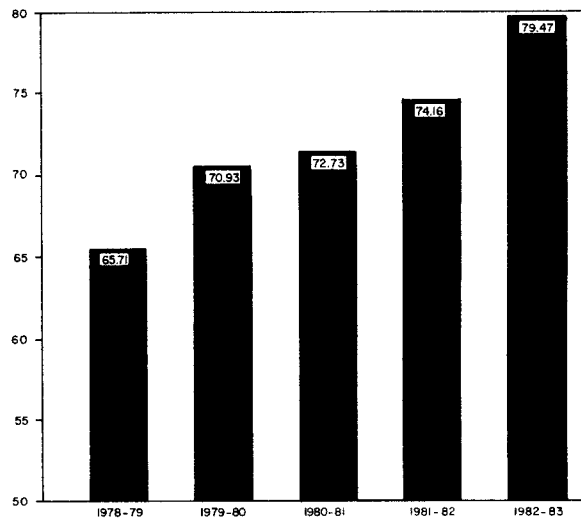
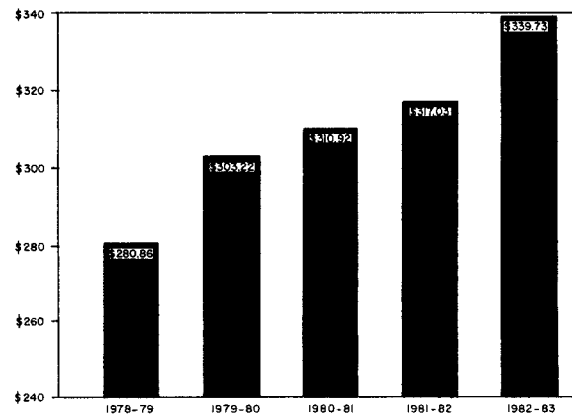


TABLE 6

**MUNICIPAL TAXES ON A  
\$50,000 HOUSE**



Source: Montana Taxpayers Association

TABLE 7

## LEGISLATIVE PROGRAM

The Montana League of Cities and Towns is advocating a reasonable and affordable program of state assistance to allow municipalities to maintain services without increasing property taxes.

The primary component of this package is the block grant program developed in conjunction with the Montana Association of Counties and the Schwinden Administration. This program will provide \$17.6 million in state financing to local governments during the biennium. The first cut will allocate 55 percent of the money to cities and 45 percent to counties. Allocations to individual cities and counties will be based on a formula that accounts for population and relative property values.

The block grant program will partially compensate cities and counties for the elimination of the business inventory tax, reductions in the rates on livestock, heavy equipment and farm machinery, and the administrative and legal decisions that have reduced local revenues. The additional funds will work against erosion of the tax base, promote stability, and lead to mill levy reductions in many cities. The formula targets declining mill values and will direct additional help to those cities, towns, and counties where the financial problems are most severe.

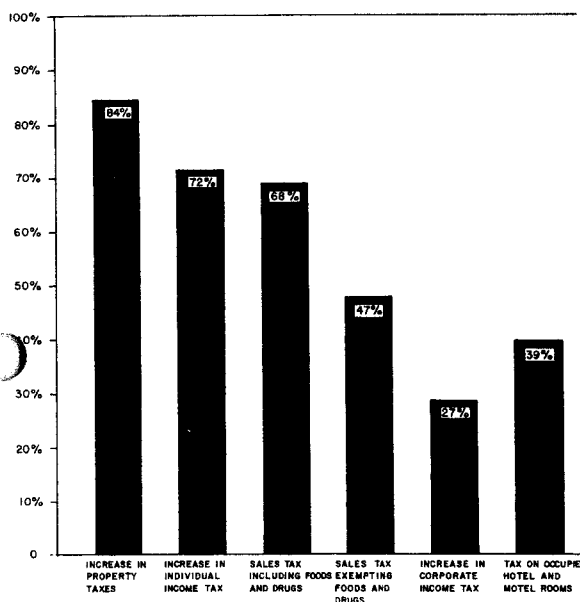
Most importantly, this program will reduce local government dependence on property assessments and free homeowners and community businesses from the responsibility of subsidizing a tax system that is being destroyed by inflation, declining valuation, and administrative, legal, and legislative actions.

In a poll conducted last year by the Bureau of Business and Economic Research at the University of Montana, the people surveyed indicated that an increase in property taxes was the least acceptable method of generating additional government revenues. (Table 8)

Under the present system of local government finance, property tax increases are inevitable because of the destructive combination of inflation and static valuation. Local governments are proposing a practical and affordable method

of reducing the pressure on property taxes and to finally recognize the interests of the homeowners that are being victimized by this system.

% OF RESPONDENTS OPPOSED TO VARIOUS METHODS  
OF INCREASING GOVERNMENT REVENUES  
IN MONTANA

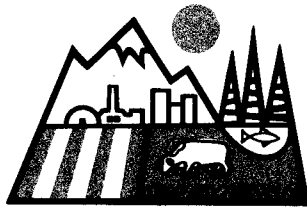


Source: Montana Poll - Bureau of Business & Economic Research  
University of Montana

TABLE 8

The League will also support the following measures:

1. *Utility Deregulation.* Support reauthorization of the bill exempting municipal utilities from the jurisdiction of the Public Service Commission on rate increases of 12% or less or adjustments required to cover the costs of state and federal mandates.
2. *Public Safety Pension Programs.* Support a bill requiring the state to assume the municipal share of the police and firemen's pension programs, including the unfunded liability. The first year cost to the state would be about \$3.3 million.
3. *Annexation Powers.* Support a bill to extend the authority to annex wholly surrounded land to cities of all classes. Under current law, smaller cities do not have this authority.
4. *Tax Revenue Replacement.* Support a bill requiring the state to replace all revenues removed from the local tax base by legislative action after January 1, 1983.
5. *Local Government Referendum.* To support a bill that would allow cities and towns to place local option tax measures on the ballot without meeting the present petition requirement.
6. *Hotel-Motel Tax.* Support a bill establishing a statewide hotel-motel tax of five percent on occupied rooms, to be collected by the local government. Ten percent of the proceeds of the tax would be distributed to local organizations for tourist promotion.



## MONTANA CHAMBER OF COMMERCE

P. O. BOX 1730

• HELENA, MONTANA 59624

• PHONE 442-2405

Testimony  
before the  
House Highways and Transportation Committee  
Hubert Abrams, Chairman  
in opposition to segments of  
HB 600  
by  
Montana Chamber of Commerce  
February 10, 1983

Although the Montana Chamber of Commerce neither opposes nor supports the block grant concept, the serious question of dependence on severance taxes should be addressed by members of this committee.

Severance taxes in Montana are already among the highest in the nation. Broadening the demand for the revenue from these sources could tend to drive the rate higher to meet these demands.

Higher severance taxes may not only reduce demand for Montana resources but may force a slow-down in exploration for new sources. Jobs for Montanans are at stake under these adverse conditions; also, economic development for affected cities, counties and the state.

Fluctuation in oil production due to outside economic forces would indicate an unpredictable and unreliable fund for the block grant concept.

We oppose the reliance upon oil severance taxes as the financial foundation of HB 600.

# STANDING COMMITTEE REPORT

HOUSE BILL 418

Page 2 of 3

FEBRUARY 15,

19 83

**SPEAKER**

MR. ....

**LOCAL GOVERNMENT**

We, your committee on .....

having had under consideration ..... **HOUSE** Bill No. **418**

**First** reading copy ( **white** )  
color

**A BILL FOR AN ACT ENTITLED: "AN ACT TO EARMARK A PORTION OF THE OIL AND GAS SEVERANCE TAX FOR THE LOCAL GOVERNMENT BLOCK GRANT ACCOUNT; AMENDING SECTIONS 15-1-501 AND 15-36-112, MCA; AND PROVIDING AN EFFECTIVE DATE."**

Respectfully report as follows: That ..... **HOUSE** Bill No. **418**

**BE AMENDED AS FOLLOWS:**

1. Title, line 6.  
Strike: "AND GAS"
2. Page 1, line 22.  
Following: "(d)"  
Strike: "oil and gas"
3. Page 2, line 21.  
Following: "of"  
Insert: "the"  
Following: "oil"  
Strike: "and gas"  
Following: "severance"  
Strike: "taxes"  
Insert: "tax"

~~DOCKET~~

February 15, ..... 19 83.....

4. Page 2, line 25.

Following: "oil"

Strike: "and gas"

5. Page 3, line 9

Following: "oil"

Strike: "and gas"

6. Page 3, line 24.

Following: "under"

Insert: "subsection (2) (b) of"

AND AS AMENDED  
DO PASS

# STANDING COMMITTEE REPORT

FEBRUARY 15. 19 83

MR. SPEAKER

We, your committee on LOCAL GOVERNMENT

having had under consideration HOUSE Bill No. 600

First reading copy ( White )  
color

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING A LOCAL GOVERNMENT  
BLOCK GRANT PROGRAM PROVIDING FINANCIAL ASSISTANCE TO MUNICIPALITIES  
AND COUNTIES IN MONTANA; PROVIDING A METHOD FOR DISTRIBUTION OF THE  
FUNDS; DESIGNATING THE DEPARTMENT OF COMMERCE AS THE ADMINISTERING  
AGENCY; AMENDING SECTION 61-3-536, MCA; AND PROVIDING AN EFFECTIVE  
DATE."

Respectfully report as follows: That HOUSE Bill No. 600

DO PASS