

MINUTES OF THE MEETING
LOCAL GOVERNMENT COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

March 14, 1985

The meeting of the Local Government Committee was called to order by Chairman Paula Darko on March 14, 1985, at 3:40 p.m. in Room 312-2 of the State Capitol.

ROLL CALL: All members were present; however, Rep. Brown, Rep. Gilbert, Rep. Kitselman, and Rep. Switzer were late.

Chairman Darko informed the committee members that closing comments would be given after questions.

CONSIDERATION OF SENATE BILL NO. 416: Senator Thayer of District 19, sponsor of the bill, presented it to the committee. This bill is to revise laws regulating the deposit and investment of local government funds, and it proposes to make the following changes: Section 7-6-202 eliminates the language that they could invest securities to exceed 180 days, which Senator Thayer felt is important. The next section, 7-6-207, provides for collateral as a percentage of the total net worth of the national ratio. This is void upon passage of HB 248. He told the committee they may want to consider one change. On page 1, line 22, the word "and" should be inserted in front of securities, as the sentence doesn't read very well without it.

PROPOSERS: Greg Jackson, representing the Urban Coalition, stated the Urban Coalition was the principal sponsor along with the Montana Municipal Finance Officers Association. The basic intent of this legislation is to revise and clarify for local governments to invest funds. It was unclear whether local governments could invest in daily repurchase agreements. It is important to realize that this bill clarifies that it allows public entities to invest. Whether or not this bill is amended to eliminate and/or limit banks, the Urban Coalition strongly supports SB 416.

Les Alke, representing the Montana Bankers Association, stated that in total they can support this bill. It offers more competition in the financial institutions in the state. However, they can support the bill wholeheartedly only if on line 4, page 4, the word "or" is deleted and replaced with the word "and" (exhibit 1). They don't feel our statutes should induce public treasurers to invest outside of the state. He presented written testimony, which is a news release from the Wall Street Journal, of brokerage houses. This is attached as exhibit 2. The second page explains who the investors are and who might lose. They invested in a brokerage house that did not properly handle repurchase agreements. All brokerage houses are not Merrill Lynches or D. A. Davidsons. The other

concern of the bankers is that they are usually among the largest taxpayers in the cities. If you are going after a return, you are going after more risks. Return on investment is a fundamental risk. He urged the committee to delete the "or" and put in the "and" and they would have the full support of the Montana Bankers Association.

Bill Verwolf, representing the Montana Municipal Clerks and Finance Officers, stated this bill eliminates a couple of things that have been a stumbling block. One hundred eighty days is half a year and is an awful lot of time between tax collection. It makes a lot of sense to remove it. There seems to be a lot of concern with small banks about daily purchase agreements. The and/or puts us in an interesting situation. We do have local investment firms that have as much ability to deal with this and it does improve the investment situation.

Nathen Tubergen, Finance Director of the City of Great Falls, presented written testimony on behalf of the city in support of SB 416. This is attached as Exhibit 3. They would like the ability to be able to plot out a year's wages for the payroll. Wages are 70% to 80% of the operation budget. By adopting this bill, it will clarify and give them the ability to be able to use investment firms in Great Falls. This is why they are supporting the bill.

Dick Michelotti, Cascade County Treasurer and representing the Montana Treasurers' Association, said their county is one of the counties that has been investing. At the present time their rates are 1/2% to 1% higher than from local banks. The local banks in Cascade County have been treating everyone alike. They paid \$42,000 in bank charges last year and they are treated like company accounts.

Alec Hansen, representing the Montana League of Cities and Towns, said they are very interested in the flexibility of the bill and for that reason they support it.

Gordon Morris, representing the Montana Association of Counties stated on behalf of MACO, he would like to go on record in support of SB 416.

OPPONENTS: There were no opponents present.

DISCUSSION OF SENATE BILL NO. 416: Rep. Gilbert addressed Mr. Michelotti and said this is a real similar bill to a school bill which the committee had previously. In this bill you are going to allow counties to take money generated by the people in your towns and generate it out throughout the state.

Mr. Michelotti answered that they are looking for competitive bids. They have D.A. Davidson, etc., that they could also do business with. He does not see why they should take it to a lesser interest rate and subsidize the banks. Rep. Gilbert then said if he doesn't mind taking local money and spreading it throughout the state, why not open it up nationwide, to which Mr. Michelotti replied that some states do so.

Rep. Pistoria said he would like to have the and/or cleared up. Mr. Verwolf answered that basically, as he understands the and/or, the requirement is that in order to do a repurchase agreement with the and, it is limited to a banking institution. Repurchase agreements are different from CD's. The only amount of that money that is left locally is the interest. You are paying federal securities. The "or" would allow municipalities to use investing banking firms such as D.A. Davidson, Merrill Lynch, etc. If you leave the "or" in, you are allowing investment institutions; "and", you are leaving it to the banks.

Rep. Pistoria then asked if they preferred to leave the "or" in it, and Sen. Thayer answered that he would prefer to leave it as it is. It is critical to do something to help local governments to invest funds.

Rep. Wallin asked Mr. Verwolf if, when they deal with out-of-state security firms or D.A. Davidson, did they put up securities for them? Mr. Verwolf answered that when you buy a repurchase agreement, it is automatically secured.

Rep. Sales asked Sen. Thayer to explain to him when "and" and "or" was changed. Sen. Thayer said it may have been changed in the executive session. Greg Jackson of the Urban Coalition answered that after the Senate Local Government hearing, they sat down with bankers and at that time the and/or was presented in the form of an amendment. Rep. Sales then asked if the bankers got to testify on the bill with the "or" in it. Mr. Jackson said after it was amended, it came back to the committee. Mr. Alke said no one asked him about the amendments so he could not comment on it.

In closing, Sen. Thayer said he thinks it is a good bill to broaden the ability to go beyond 180 days. He is trying to make it possible for local governments to make some money on their investments. The bill is very important to them. Mr. Alke told him before the hearings that he would support the bill with the exception of and/or.

Sen. Thayer said he did not have anyone in mind to carry the bill.

CONSIDERATION OF SENATE BILL NO. 50: Sen. Brown, District #2, sponsor of the bill, presented it to the committee. The bill

eliminates the requirements for a county clerk and recorder to submit a delinquent taxpayer report and a copy of the county budget to the department of revenue. Sen. Brown said that in the bill, the title amends section 7-6-2315. The bill simply eliminates a small amount of paperwork as there is no reason for the department of revenue to have the information.

PROPOSERS: Gregg Groepper, representing the department of revenue, said this bill was at their request, and they asked the committee's support of this landmark type legislation.

Joanne Peres, President of the Montana Association of Clerks and Recorders, from Chouteau County, said she concurs highly with this bill and thanked the committee for their initiative.

Gordon Morris, Montana Association of Counties, urged the committee's support.

OPPOSERS: There were no opponents present.

DISCUSSION OF SENATE BILL NO. 50: There was no discussion by the committee except that Rep. Brandewie asked Sen. Brown if this is one of his ten bills, to which Sen. Brown replied that it was not.

In closing, Sen. Brown told the committee if they decide to pass the bill, he hoped they would give it to Rep. Brandewie to carry on the floor.

The committee then went into executive session for action on SB 50.

DISPOSITION OF SENATE BILL NO. 50: Rep. Kitselman moved that SB 50 BE CONCURRED IN, seconded by Rep. Sands.

Rep. Sales asked where it mentions anything in the bill about a delinquent taxpayer report and wondered if that must be the repealer.

Sen. Lynch then arrived to present his bill, therefore the committee went into hearing SB 339.

CONSIDERATION OF SENATE BILL NO. 339: Sen. J.D. Lynch, District #34, Butte, appeared as sponsor of the bill. This bill allows a sheriff to charge a fee of \$1 in lieu of mileage for serving items of a civil nature. Sen. Lynch said this is a very simple bill and the whole bill is on page 3, the under-scored material. One dollar would eliminate a lot of bookkeeping and is practical.

PROPOSERS: John Scully, representing the Montana Sheriffs' and Peace Officers' Association, stated what they are asked to do at the present time is to calculate mileage even if they don't

know where they are going and collect in advance. They simply want to collect \$1 in advance.

OPPONENTS: There were no opponents present.

DISCUSSION OF SENATE BILL NO. 339: Rep. Fritz asked Mr. Scully if they are going to make or lose money. Mr. Scully replied that hopefully, they will make money but at least it will save paperwork.

Rep. Poff asked how the \$1 would be collected. Mr. Scully said the people they submit the papers to for civil service are the lawyers, JP's, and they deal directly with that individual.

Rep. Sales asked if this goes into the sheriff's "cigar box".

Rep. Brandewie asked what the normal charge is when they know the mileage - what would that normally cost. Mr. Scully replied that he thinks it is 20¢ per mile but Mr. Morris said he thinks it is 17 1/2¢ per mile. Mr. Scully said they will not charge the \$1 if they know what the mileage is.

In closing, Sen. Lynch said the bill is self-explanatory. He has no one to carry the bill.

CONSIDERATION OF SENATE BILL NO. 94: Sen. George McCallum, District #26, appeared as sponsor of the bill. This bill terminates appointment to vacant elective office as of the next general election. Sen. McCallum said the reason he introduced the bill is that one of the towns in his district had only one elected council person on the city council - all the rest were appointed - and they carried over. Some constituents wanted to know why they couldn't file for office. Section 7-3-4317 of the bill says that the justice of the peace or councilperson, if they were appointed, would serve until the next election. The League of Cities and Towns and the Montana Association of Counties support this proposition.

PROPOSERS: Joanne Peres, President of the Montana Association of Clerks and Recorders, said they concur with the bill. It will simply bring this area in line with others in the elections.

OPPONENTS: There were no opponents present.

DISCUSSION OF SENATE BILL NO. 94: Rep. Fritz asked Sen. McCallum if he could tell him why this discrepancy is in the law and Sen. McCallum replied that he could not.

Sen. McCallum then closed his presentation and said he had no one in mind to carry the bill on the floor.

The committee then resumed executive session to take action on SB 50 and the other bills.

DISPOSITION OF SENATE BILL NO. 50: The question being called on Rep. Kitselman's motion of BE CONCURRED IN, the motion CARRIED UNANIMOUSLY. Rep. Brandewie will carry the bill.

DISPOSITION OF SENATE BILL NO. 94: Rep. Gilbert made the motion that SB 94 BE CONCURRED IN, seconded by Rep. Pistoria. The motion CARRIED with Rep. Fritz voting "no". Rep. Sales was assigned to carry the bill on the floor.

DISPOSITION OF SENATE BILL NO. 339: Rep. Brandewie moved that SB 339 BE CONCURRED IN, seconded by Rep. Wallin. The motion PASSED with Rep. Fritz opposed. Rep. Brown will carry the bill on the floor.

DISPOSITION OF SENATE BILL NO. 416: Rep. Pistoria made the motion that SB 416 BE CONCURRED IN, seconded by Rep. Sales.

The committee then resumed hearing bills as Sen. Christiaens arrived to present his bills.

CONSIDERATION OF SENATE BILL NO. 92: Sen. B. F. "Chris" Christiaens, District #17, appeared as sponsor of SB 92 and said the bill is an act extending handicapped persons' parking privileges to persons who are entitled to such privileges in another state. He said this is a reciprocal type of handicap legislation. The majority of other states are introducing similar bills. This is uniform vehicle codes. Some say there is no need for this type of bill as the police officers don't ticket out-of-staters. There are many instances where people have been ticketed in parking spots. This is an area that needs to be addressed as any time tourism is involved, it is an important issue for the state.

PROPONENTS: Bob Liston, Executive Secretary of the Governor's Commission for the Handicapped, stated the Governor's Commission is in support of this bill. It is not very inviting for people to come into the state to get a ticket.

OPPONENTS: There were no opponents present to SB 92.

There was no discussion from the committee; therefore, Sen. Christiaens closed his presentation.

CONSIDERATION OF SENATE BILL NO. 93: Sen. Christiaens appeared as sponsor of this bill also. This bill concerns requirements for handicapped persons' special reserved parking spaces. He passed around a picture, which is attached as Exhibit #1. This picture is to help explain what this bill is all about and what it will accomplish. A picture is worth a thousand words. This particular bill came about because of the awareness for

handicapped parking and particularly the signs that identify handicapped parking and to clearly set out the amount of space for a handicapped parking space. The major problem with painting it on the ground is that in Montana we have to understand that 6 months out of the year the ground is covered with snow, mud or other kinds of weather. With a sign that is raised and standing in front of the parking space, it is very clear that you are parking in a handicapped spot. The second part is because of the amount of space that is needed. In the current space, which is 8 feet wide, by the time the lift comes out, 13 feet are needed. This bill addresses both of those situations and would help with making it easier for the handicapped taking part in business and going to work and taking an active part in society.

PROPONENTS: Bob Liston, representing the employment of the handicapped, said the Governor's Committee goes on record in favor of the bill. The 13 feet for the width of spaces is needed.

OPPONENTS: There were no opponents present.

DISCUSSION OF SENATE BILL NO. 93: Rep. Brandewie asked Bob Liston if handicapped people are any better at getting square into a parking lot than other people. Mr. Liston replied it looks better because of the 13 feet.

Sen. Christiaens closed his presentation. Rep. Connelly will carry the bill on the floor.

The committee then went into executive session to take action on bills.

DISPOSITION OF SENATE BILL NO. 92: Rep. Sales made the motion that SB 92 BE CONCURRED IN, seconded by Rep. Sands. The motion PASSED UNANIMOUSLY.

DISPOSITION OF SENATE BILL NO. 93: Rep. Sales moved SB 93 BE CONCURRED IN, seconded by Rep. Kitselman. The motion PASSED UNANIMOUSLY.

DISPOSITION OF SENATE BILL NO. 416: Rep. Brandewie moved the technical amendments, page 1, line 22 following "investments", insert "and", seconded by Rep. Sands. The motion PASSED UNANIMOUSLY.

Rep. Gilbert moved amendment #2, page 4, line 2, to strike "the state of Montana", seconded by Rep. Brandewie. Rep. Gilbert explained this is the same wording that was put in HB 328. The money is going out of state anyhow and they did not mention that they are keeping the profits. Rep. Gilbert felt the profits should be kept in the local communities.

The committee then went out of executive session and resumed the hearing portion of the meeting as Sen. Van Valkenburg

arrived to present his bill.

CONSIDERATION OF SENATE BILL NO. 180: Sen. Van Valkenburg appeared as sponsor of SB 180. He explained this bill is being introduced at the request of the County Clerk and Recorders' Association. It would change the time in which the budget would be submitted to the county commissioners, from the first Monday in July to the third Monday in July. It changes the name of the county preliminary budget to the county proposed budget. This is a better way of explaining to the public what this is. It would also change the notice in regard to publications, for uniformity.

PROPOSERS: Joanne Peres, President of the Clerk and Recorder Association, stated this is really a pretty simple bill. It brings things into compliance with what is really happening. Many times they are waiting on the statewide assessments as set by the department of revenue to complete their budget. Their budget is their work plan. Changing the budget just brings it into line to standardized notice requirements.

Mike Stephen, also representing the Montana Clerks and Recorders' Association, said enough has been said about the bill. It extends the proposed portion in the needed area for planning and increased the time for the budget. On page 2, lines 3-5, it deletes the requirement of a copy going to the department of revenue.

Gordon Morris, representing the Montana Association of Counties, stated he would like to go on record in support of SB 180.

OPPOSERS: There were no opposers present.

DISCUSSION OF SENATE BILL NO. 180: Rep. Brown moved that SB 180 BE CONCURRED IN, seconded by Rep. Pistoria.

Rep. Kadas asked if there was a problem in striking subsection 3 on page 2. Lee Heiman said no.

Rep. Sales asked if the department of commerce needs a copy, and if so, that section would need to be left in there. Joanne Peres responded by saying this is just talking to the proposed budget. They don't need it. Later, they send them the final budget. Senate Bill 50 sends a copy of the final budget to the department of commerce; SB 180 is deleting the proposed budget.

Rep. Sands said that in SB 50 we amended the same section and took out only the part sending a copy to the department of revenue. He felt we should be consistent. Lee Heiman said that subsection is being stricken entirely in one bill. The second bill will strike the whole subsection 3. Rep. Sands wondered if they wanted to eliminate the whole thing. Joanne Peres said this is for preliminary budget and it is not important for the

department of commerce to have a copy.

Rep. Kadas asked if, on the final budget, a copy of the billing is sent to the department of commerce, to which he received an affirmative answer.

Question being called for, Rep. Brown's motion BE CONCURRED IN PASSED UNANIMOUSLY.

DISPOSITION OF SENATE BILL NO. 416: Rep. Pistoria asked Rep. Gilbert about his amendment on page 4, line 2, striking "the state of Montana", and wondered if they would still be able to invest in all the counties in the state, or just in the neighboring counties. Rep. Gilbert replied that is the whole idea of it. Why should we take our local money and use it in other parts of the state. Rep. Pistoria said that as long as it is kept in the state it might be a good idea.

Rep. Sands said he is going to have to oppose the amendment because he thinks people should be able to get as high an interest rate as possible. It is appropriate to let local governments have the best interest rate that they can get, and one bank should not have the priority rights to it. Rep. Gilbert told Rep. Sands that in HB 328, when you are buying securities, everyone in the state is very competitive so the chances are the rates will be very similar. Most banks will strive to be very competitive. It is better for the local community to have that money invested in the local areas as the profits will be put back in the community and they will generate money.

Rep. Sands said he thinks those arguments should be made to the local bodies making those investments.

Rep. Kadas said the reason the bill came in was there wasn't any competition. The set-up they created allowed for some competition and he felt it is good enough that way.

Rep. Gilbert said he would like to make an additional point on this amendment. The county treasurers testified that they didn't want it statewide, only local towns and neighboring towns. Rep. Pistoria answered that the sentiment he got is that it is not a good amendment.

Rep. Sales suggested it be changed to neighboring counties in Montana, and Rep. Gilbert didn't see any problem with that.

Question being called for to amend page 4, as Rep. Gilbert has suggested, the motion PASSED, with four members voting "no".

Rep. Pistoria was in favor of leaving it as is, however, Rep. Sales moved to amend by striking "or" and reinstating "and" on page 4, line 4. Rep. Switzer seconded the motion. The question being called, the motion FAILED on a Roll Call Vote, 7-6. Rep. Sales said the Senate didn't get a chance to discuss

this with the people from the banking institutions.

Rep. Kadas moved that SB 416 BE CONCURRED IN AS AMENDED, seconded by Rep. Wallin. Question being called, the motion CARRIED with Reps. Sales, Brandewie, Gilbert and Kitselman voting in opposition.

DISPOSITION OF SENATE BILL NO. 38: Rep. Kitselman moved that SB 38 BE NOT CONCURRED IN, seconded by Rep. Sales. The motion CARRIED on a Roll Call Vote, 10-3.

DISPOSITION OF HOUSE BILL NO. 870: Rep. Brown made the motion DO PASS HB 870, seconded by Rep. Hansen.

Rep. Brown said he had two amendments. He moved the first amendment which is on page 6, line 4, strike "January 1, 1986" and insert "July 1, 1985". It should have been drafted originally to coincide with the fiscal year.

Rep. Kadas seconded the motion. The motion FAILED.

Rep. Brown then moved the second amendment. On page 3, line 6, strike "\$20", insert "\$25"; the other "\$20" should go to "\$30"; line 10, strike "\$12.50", insert "\$15"; strike the other "\$12.50" and insert "\$18"; line 12, strike "\$7.50", insert "\$2"; strike the other "\$7.50" and insert "\$2.50". Rep. Kadas seconded this motion.

Rep. Brown said that Rep. Brandewie had indicated concern that the percentage increases were not equal across the board. This gives a 33% increase.

Rep. Sales felt the problem is that when you add the \$5 to the \$2, you have a \$7 increase. In other areas, the increase isn't anywhere like that. Rep. Sands asked if this is supposed to be a wash, to which Rep. Brown answered that the fiscal note stays the same. The \$5 fee is not a separate category as we are looking at a staggering of the 30%-33% increases in each category. If anyone can afford Rep. Wallin's cars, they can afford \$30.

Rep. Wallin said that already the fee for a new car is \$200. This will add a larger fee on the new cars.

Rep. Brown said he is talking about the 1 1/2% sales tax. That will stay the same no matter what. This bill is not generating new taxes, but a replacement for ad valorem of 1981.

Rep. Wallin said the flat fee is now about \$100 and in view of the inflation factor, was only \$10 on new cars. Now it is being raised, in addition to the \$90, another \$30. Rep. Brown replied that you are still paying a substantial amount less than on the ad valorem system. He said he is trying to generate sufficient funds that the legislature promised the cities and

counties when they removed the ad valorem.

Rep. Switzer asked Rep. Brown what the dollar figure is if the amount is put in. Rep. Brown replied that with the amendment it is a wash. It raises 14.85 mills. With this amendment it raises 14.73 mills - \$120,000 less than under the language in the bill.

Question being called, Rep. Brown's motion FAILED on a Roll Call Vote, 7-6.

Rep. Wallin then made a substitute motion of DO NOT PASS HB 870, seconded by Rep. Kitselman.

Rep. Kitselman stated that Yellowstone County has a lot of automobiles and they are in good financial condition, but Butte-Silver Bow is not. If we are going to give local governments tools, this can be put before the people.

Rep. Brown told Rep. Kitselman that his county, like all other counties, are in need of funds and they are a wash as far as money in-coming and out-going. Rep. Kitselman's county has a \$200,000 mill levy. In a lot of counties that is a lot of money. In Butte-Silver Bow, the 12 mills are only at \$40,000. The point of fact is that the legislature has taken a position that local governments are going to have to live with the imposition of overwhelming amount of burden at the state level. This bill is intended to equitably distribute what would have been in the ad valorem. This bill is trying to upgrade for the lack of funds from the block grant program. Even in Yellowstone County you will see 1-1 1/2 mills. Rep. Brown urged the committee to consider that in voting for this legislation.

Rep. Gilbert said that Rep. Brown refers to ad valorem and compares it to the flat fee tax, and they were both bad taxes. It took money from those counties who did not have it and gave it to those who did. Now is the time to start giving local options to counties and that is the most equitable way to do it. If you want something that someone else doesn't want, you tax yourself to get it. Rep. Gilbert said he asked his people if they wanted that kind of tax and they told him they did not. The opponents represent the county commissioners and mayor but they do not represent the people. He felt the committee needs to kill this bill and support the broad base local option taxes.

Rep. Sands then moved to amend by striking \$5 fee for district court costs on page 4. This was seconded by Rep. Sales. The question being called, the motion PREVAILED on a Roll Call Vote of 8-5.

Rep. Wallin then moved that HB 870 DO NOT PASS AS AMENDED, seconded by Rep. Kitselman.

Rep. Wallin said the \$16 million is a pretty general tax increase. He mentioned this bill to a couple of farmers and they are opposed to it. They are not happy with it, and he is not happy with it either.

Rep. Brown said they did not amend the bill on the effective date so the fiscal note is correct the way it stands.

Rep. Brown then made a substitute motion DO PASS AS AMENDED, seconded by Rep. Hansen.

Rep. Darko stated she feels badly because local governments have come to the legislature and asked for help with their problems. No one wants to pay more taxes. When something needs to be fixed they come to the commissioners and they want it to be fixed now. She asked how many feel those local option taxes are going to pass the House and Senate and added she thinks we are pushing it off and just putting our heads in the sand.

Rep. Sales felt that the biggest part of the package on vehicle fees was that the oil severance tax was going to make up the difference. Never was it mentioned that if that came up short they would raise the fee.

Rep. Switzer said in defense of his constituents, they don't come and complain when the roads need to be fixed. They fix it themselves and pay their taxes too.

Rep. Gilbert stated again that this bill takes from the counties who are well to do and sends it to the counties who are not so well to do. He felt it should be put to the people if they want all of these extra things and let them vote for it. He felt this bill should be defeated and the people be given the local option tax.

Rep. Brown told Rep. Gilbert that he thinks he misrepresents the lobbyists. They are speaking for the majority of the people they represent. He said he pays the \$15 and doesn't think it is fair to the lobbyists to point them out in that way. Rep. Brown further stated that he would like to see this state developed as best it can be and he has to vote on oil severance taxes, etc., and he tries to vote in the best interest of the state, but that isn't always the way people at home want him to vote. He urged the committee to consider that.

Rep. Brown's motion of DO PASS AS AMENDED, FAILED on a Roll Call Vote of 7-6. Rep. Pistoria explained the reason he voted for it was because he wants it to go to the floor for debate. On the motion of Rep. Kitselman, the vote was reversed for a DO NOT PASS AS AMENDED.

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There being no further business before the Committee, the meeting was adjourned at 5:45 p.m.



PAULA DARKO, Chairman

(Type in committee members' names and have 50 printed to start).

DAILY ROLL CALL

LOCAL GOVERNMENT COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date March 14, 1985

NAME	PRESENT	ABSENT	EXCUSED
<u>Paula Darko, Chairman</u>	✓		
<u>Norm Wallin, Vice Chairman</u>	✓		
<u>Ray Brandewie</u>	✓		
<u>Dave Brown</u>	✓ late		
<u>Harry Fritz</u>	✓		
<u>Stella Jean Hansen</u>	✓		
<u>Bob Gilbert</u>	✓ late		
<u>Mike Kadas</u>	✓		
<u>Les Kitselman</u>	✓ late		
<u>Paul Pistoria</u>	✓		
<u>Bing Poff</u>	✓		
<u>Walter Sales</u>	✓		
<u>Jack Sands</u>	✓		
<u>Dean Switzer</u>	✓ late		

STANDING COMMITTEE REPORT

March 14, 19 35

MR. SPEAKER:

We, your committee on LOCAL GOVERNMENT

having had under consideration SENATE Bill No. 50

THIRD reading copy (BLUE color)

REMOVE REQUIREMENT THAT COUNTY BUDGET AND TAX
DELINQUENCIES BE SENT TO DEPARTMENT OF REVENUE.

Respectfully report as follows: That SENATE Bill No. 50

BE CONCURRED IN
DO PASS

STANDING COMMITTEE REPORT

March 11, 19 05

MR. **SPEAKER:**

We, your committee on **LOCAL GOVERNMENT**

having had under consideration **SENATE** Bill No. **94**

THIRD reading copy (**BLUE**)
color

**TERMINATES APPOINTMENT TO VACANT ELECTIVE OFFICE AS
OF NEXT GENERAL ELECTION.**

Respectfully report as follows: That **SENATE** Bill No. **94**

BE CONCURRED IN

DO PASS

STANDING COMMITTEE REPORT

March 14, 19 05

MR. SPEAKER:

We, your committee on LOCAL GOVERNMENT

having had under consideration SENATE Bill No. 339

THIRD reading copy (BLUE)
color

SHERIFF MAY CHARGE \$1 INSTEAD OF MILEAGE FOR SERVICE
OF CIVIL PAPERS.

Respectfully report as follows: That SENATE Bill No. 339

BE CONCURRED IN
DO PASS

STANDING COMMITTEE REPORT

March 14, 1985

MR. **SPEAKER:**

We, your committee on **LOCAL GOVERNMENT**

having had under consideration **SENATE** Bill No. **92**

THIRD reading copy (**BLUE**)
color

**HANDICAPPED PARKING PRIVILEGE FOR OUT-OF-STATE
PERMITTEES.**

Respectfully report as follows: That **SENATE** Bill No. **92**

BE CONCURRED IN
DO PASS

STANDING COMMITTEE REPORT

March 14, 19 85

MR. SPEAKER:

We, your committee on LOCAL GOVERNMENT

having had under consideration SENATE Bill No. 93

THIRD reading copy (BLUE color)

HANDICAPPED PERSONS' PARKING SPACES REQUIREMENTS.

Respectfully report as follows: That SENATE Bill No. 93

BE CONCURRED IN
XXXXXX
DO PASS

PRILLA DAKO, Chairman.

STANDING COMMITTEE REPORT

March 14, 19 85

MR. SPEAKER:

We, your committee on LOCAL GOVERNMENT

having had under consideration SENATE Bill No. 180

THIRD reading copy (BLUE)
color

COUNTY PROPOSED BUDGET - TERMINOLOGY, PUBLICATION,
AND PREPARATION DATES.

Respectfully report as follows: That SENATE Bill No. 180

BE CONCURRED IN

XXXXX
DO PASS

PAULA DAREO,
Chairman.

STANDING COMMITTEE REPORT

March 14, 19 85

MR. SPEAKER:

We, your committee on LOCAL GOVERNMENT

having had under consideration SENATE Bill No. 416

THIRD reading copy (BLUE)
color

BROADENING INVESTMENT OPTIONS FOR LOCAL GOVERNMENTS.

Respectfully report as follows: That SENATE Bill No. 416
BE AMENDED AS FOLLOWS:

1. Page 1, line 20.
Strike: ", "

2. Page 1, line 22.
Following: "investment"
Insert: "and"

3. Page 4, line 2.
Strike: "the state of Montana"
Insert: "its jurisdiction and such institutions in
neighboring counties"

AND, AS SO AMENDED,
BE CONCURRED IN

XXXXX
DO PASS

STANDING COMMITTEE REPORT

March 14, 1935

MR. SPEAKER:

We, your committee on LOCAL GOVERNMENT

having had under consideration SENATE Bill No. 33

THIRD reading copy (BLUE color)

CLARIFYING WHEN CHANGES TO THE ASSESSMENT BOOK MUST
BE MADE.

Respectfully report as follows: That SENATE Bill No. 33

BE NOT CONCURRED IN
DO PASS

STANDING COMMITTEE REPORT

March 14, 1 19 85

MR. SPEAKER:

We, your committee on LOCAL GOVERNMENT

having had under consideration HOUSE Bill No. 870

FIRST reading copy (WHITE)
color

INCREASED LIGHT VEHICLE FEE TO LOCAL GOVERNMENT FOR PUBLIC SAFETY PROGRAMS.

Respectfully report as follows: That HOUSE Bill No. 870
BE AMENDED AS FOLLOWS:

1. Title, lines 7 and 8.
Strike: "PROVIDING FOR FUNDING OF DISTRICT COURTS FROM A
SEPARATE FEE;"
2. Page 2, lines 11 through 19.
Strike: subsection (3) in its entirety
3. Page 3, lines 15 and 16.
Strike: "or district court fee"
4. Page 4, lines 3 through 5.
Strike: subsection (4) in its entirety
5. Page 4, lines 16 and 17.
Strike: "and the district court fee provided for in 61-3-533(4)"
6. Page 5, line 24 through line 2, page 6.
Strike: section 4 in its entirety

Renumber subsequent section

AND AS AMENDED,

DO NOT PASS

(Type in committee name, committee members' names, and names of secretary and chairman. Have at least 50 printed to start.)

ROLL CALL VOTE

HOUSE COMMITTEE LOCAL GOVERNMENT

DATE March 14, 1985 HB Bill No. 870 Time

[illegible]

Marianne Bagley
Secretary

Paula Darko
Chairman

Motion: Amendment - Brown's
Page 3, line 6, strike \$20, insert \$25; the other \$20 should go to \$30; line 10, strike 12.50, insert \$15, strike the other 12.50 + insert \$18⁰⁰; line 12, strike \$7⁵⁰, insert \$2⁰⁰; strike the other \$7.50 + insert \$2⁵⁰.

(Include enough information on motion -- put with yellow copy of committee report.)

ROLL CALL VOTE

[illegible]

35

Exhibit 1
SB 93
3-14-85
Senator
Christians



Exhibit 1
SB 416
3-14-85
Senator Thayer

WITNESS STATEMENT

NAME Les Alke BILL NO. SB 416
ADDRESS #1 Last Chance Gulch DATE 3/14/85
WHOM DO YOU REPRESENT? Mont. Bankers Assoc
SUPPORT X with amendment OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Suggested Amendment:

Page 4 line 4

Delete the word "OR" and
replace with "AND".

Cincinnati Thrift Is Closed After Run On Deposits Due to ESM Unit Collapse

WALL STREET JOURNAL, MONDAY, MARCH 11, 1985

1985
Exhibit 2
SB 416
3-14-85
Senator
Thayer

By MARTHA BRANNIGAN, U.S. Attorney
Special to THE WALL STREET JOURNAL

A Cincinnati thrift closed Saturday and was put up for sale after a run on deposits, spurred by its investment in E.S.M. Government Securities Inc. of Fort Lauderdale, Fla., which failed last week.

Negotiations were continuing late yesterday for the sale of Home State Savings Bank and an Ohio savings and loan association official said it wasn't certain that the thrift would reopen today. Customers last week withdrew more than \$20 million from Home State, after financial dealings between it and the failed Fort Lauderdale firm were disclosed.

Home State is owned by Cincinnati financier Marvin L. Warner, a business associate of a former E.S.M. director. As of the end of last year, Mr. Warner had lent E.S.M. securities totaling millions of dollars in exchange for a loan. He couldn't be reached for comment.

Thomas Battles, superintendent of the division of savings and loan associations for the Ohio Department of Commerce, said yesterday that "every effort is being made to protect the depositors," but he couldn't say for certain that the thrift would reopen today. "Home State is still negotiating with several thrifts," Mr. Battles said. "The regulators are allowing the institution to seek all available means at disposal to seek a purchaser." None of the thrifts has been identified. He said his options, if a sale agreement isn't reached, include seeking the appointment of a receiver or conservator to operate the thrift on an interim basis.

Separately, in Fort Lauderdale, E.S.M.'s receiver, Thomas Tew, obtained a court order Friday freezing the assets of E.S.M.'s officers, who improperly transferred millions from the securities concern to themselves, according to the court-appointed receiver and Securities and Exchange Commission officials.

Payments to Officers

In January, a month before resigning from E.S.M., Ronnie R. Ewton, a former director, took a \$700,000 bonus from E.S.M., which was more than \$200 million in the red, said Charles Harper, chief of the SEC's Miami office. On Feb. 28, four days before E.S.M. locked its doors for inability to meet its obligations, E.S.M. paid Alan Novick's widow, Sonia Novick, \$1.6 million without legitimate reason, the receiver said in court papers. Mr. Novick was a director and chief financial officer of E.S.M. until he died last November.

The court also ordered Bradford Trust Co. to turn over records of E.S.M. to the receiver and gave approval for those investors holding securities as collateral to liquidate them.

Bradford, a unit of New York-based Fidelity Corp., served as a clearing agent for E.S.M.'s securities transactions. While Mr. Tew characterized Bradford as "uncooperative" in providing records he needed to finish tracing the securities transactions,

requested.

As reported, E.S.M. was placed in receivership last Monday after the SEC filed suit, alleging a massive fraud in which about \$300 million in customer funds are missing. E.S.M. dealt in repurchase agreements in government securities, financing transactions in which owners of securities pledge them as collateral for loans and those with funds lend money in exchange for the securities. The securities are later repurchased by the original owner at a fixed price that gives the lender a profit for the use of his money.

Cities Face Losses

However, according to E.S.M.'s receiver, Mr. Tew, E.S.M. borrowed \$1.6 billion and pledged securities totaling \$1.3 billion. A number of municipalities that lent money for securities didn't take physical possession of them, and consequently, may face large losses because the securities may be pledged to more than one party, Mr. Tew said.

Home State had pledged government securities for loans totaling about \$640 million with E.S.M. Government Securities. Home State hasn't released an estimate of its loss, but Richard Schiebel, president and chairman, said last week that the thrift's exposure was "significantly less" than its total loan.

Home State is a closely held thrift that had assets of \$1.4 billion and deposits of \$668 million at the end of 1984.

According to court papers, Mr. Warner, individually and through his companies, was the largest customer of E.S.M., a unit of E.S.M. Group, at the end of 1984. His son-in-law, Stephen Arky, also had an account at E.S.M., but according to a law partner of Mr. Arky, he ordered that the account be closed in early 1985.

Mr. Warner introduced Mr. Ewton and E.S.M. to officials of American Savings & Loan Association of Florida, according to its chairman, Morris N. Broad. Miami-based American Savings said it faces a substantial loss as a result of its investment. Until Mr. Warner sold his stake in American Savings in January, Mr. Ewton served as a director at American Savings, representing Mr. Warner's shares, and as a member of its executive committee.

Los Angeles Times

3/8/85

Municipalities Affected by Collapse of Securities Firm

FORT LAUDERDALE, Fla. (AP)—The billion-dollar collapse of a Fort Lauderdale securities company may affect municipalities throughout the country that did business with the firm, a Securities and Exchange Commission official said.

"We've never seen anything like this before," Charles Harper, director of the SEC office in Miami, said of the court-ordered shutdown of ESM Government Securities Inc.

Beaumont, Tex., officials were forced to postpone a \$32-million bond sale set for next week when the city was placed on credit watch by Standard & Poor's because Beaumont had \$21 million invested with ESM.

Pompano Beach, Fla., could lose \$11 million, or one-third of its total investments, while Tamarac, Fla., has \$7 million invested, or 40% of its total.

"There are some municipalities that can't meet payroll or face other horrible situations," said ESM's court-appointed receiver, Thomas Tew. "It's a tragic situation." He did not specify the cities.

He told the Miami Herald that, while ESM ran up extensive trading losses since 1977, it was loaning \$30 million to company officers.

Officers also made more than \$250,000 a year, gave themselves a million-dollar bonus last year and leased Jaguar and Mercedes Benz automobiles, the newspaper reported Thursday.

A federal judge ordered the company closed Monday after auditors found that ESM had borrowed \$1.6 billion from its customers, loaned out \$1.3 billion and did not have the \$300-million difference.

The SEC said the company had given incorrect and incomplete information to its customers, shifting its losses around to affiliates to avoid detection.

"This could be bigger than Drysdale," said Harper, referring to the \$300-million collapse of that New York securities dealer in 1982.

Also among possible creditors of ESM were the Arizona Retirement System; the Memphis, Tenn., City School Board Retirement System; Atlanta-based Bank of the South;

Mich.; Tulsa, Okla., and Toledo, Ohio, the Herald said.

The Home State Savings Assn. of Cincinnati had borrowed \$670 million from ESM in a complicated repurchase agreement, forcing Ohio Commerce Director Kenneth Cox to reassure worried depositors Wednesday and avoid a run on the bank.

Cox said deposits are guaranteed by the Ohio Deposit Guarantee Fund.

Many agencies were caught because they had bought securities through the respected New York dealers Bradford Trust Co. and Security Pacific.

INTER-OFFICE MEMORANDUM

CITY OF GREAT FALLS, MONTANA

FILE:

Exhibit 3
SB 416
3-14-85
Senator
Thayer

TO: HOUSE-LOCAL GOVERNMENT COMMITTEE
NATHAN TUBERGEN, FINANCE DIRECTOR
FROM: CITY OF GREAT FALLS

DATE MARCH 14, 1985

REPLY REQUESTED ON OR BEFORE:

SUBJECT: SENATE BILL 416

I am writing on behalf of the City of Great Falls in soliciting your support and approval of Senate Bill 416 to upgrade the investment policies for the local municipalities.

The advantages by approving this bill would be as follows:

1. Eliminate the 180 day limitation for investments. This would give us more flexibility in plotting out our investments in regards to major construction projects. Also it would give us the ability to plot out our investments for an annual basis for meeting the payroll.
2. By being able to utilize different investment firms - for instance, D. A. Davis, Merrill Lynch, Piper Jaffray - we are able to generate additional interest to ultimately save money for the taxpayers and this will still give the local banks the opportunity to bid on our investments as they have in the past.

I urge your support in passage of Senate Bill 416.

NT:sh

LOCAL GOVERNMENT

BILL NO. SB 50

DATE March 14, 1985

SPONSOR SENATOR B. BROWN

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FOR

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

LOCAL GOVERNMENT

COMMITTEE

BILL NO. SB 339

DATE March 14, 1985

SPONSOR SENATOR LYNCH

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

LOCAL GOVERNMENTCOMMITTEEBILL NO. SB 92DATE March 14, 1985SPONSOR SENATOR CHRISTIAENS

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Bob Liston	Helena	✓	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

LOCAL GOVERNMENT

BILL NO. SB 93

DATE March 14, 1985

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

LOCAL GOVERNMENT

COMMITTEE

BILL NO. SB 180

DATE March 14, 1985

SPONSOR SENATOR VAN VALKENBURG

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

LOCAL GOVERNMENT

COMMITTEE

BILL NO. SB 416

DATE March 14, 1985

SPONSOR SENATOR THAYER

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

MEMORANDUM

MARCH 11, 1985

TO: HOUSE LOCAL GOVERNMENT COMMITTEE

FROM: URBAN COALITION
GREG JACKSON, STAFF

RE: HB870

Due to an error in the estimated amount generated for the general services block grant distribution by HB870, I was unable to submit the attached exhibit at the hearing on Thursday, March 7.

The attached table is an analysis of the fiscal impact of HB870 in the form of potential tax relief to URCO members upon passage of the bill.

HB870 provides for an increase in motor vehicle fees to fund:

- The general purpose portion of the block grant program, i.e., the motor vehicle replacement funds currently at \$4 million deficit;
- The general services block grant to be distributed by a statutory formula set by the 1981 legislature (\$7.8 million); and
- District court costs as outlined in SB25 (\$6.6 million).

The impact of funding the three areas results in tax relief to local property taxpayers in the form of reduced millages as illustrated in the attached table.

Assuming that property tax relief is a high priority, HB870 provides a realistic package to achieve that objective for the majority of taxpaying residents in the state of Montana as represented by members of the Urban Coalition.

The Urban Coalition strongly supports passage of HB870.

Thank you.

dw

FISCAL IMPACT OF HB870
Property Tax Relief for URCO Members

COALITION MEMBER	GENERAL (1) PURPOSE GRANT		GENERAL (2) SERVICES GRANT		DISTRICT (3) COURT FUNDING		TOTALS	
	\$	Mills	\$	Mills	\$	Mills	\$	Mill
Bozeman	15,309	.72	210,600	9.9	53,862	2.5	279,771	13.12
Billings	63,238	.58	507,000	4.6	128,857	1.2	699,095	6.3
Great Falls	31,764	.54	522,600	8.9	382,889	6.5	937,253	15.94
Missoula	33,786	.73	265,200	5.7	207,084	4.5	506,070	10.93
Butte-Silverbow	52,586	1.12	514,800	11.0	322,125	6.9	889,511	19.0
Cascade Co.	39,934	.45	491,400	5.5	206,171	2.3	737,505	8.25
Gallatin Co.	32,166	.54	234,006	3.9	95,756	1.6	361,922	6.0
Lewis/Clark Co.	30,000	.50	234,000	3.9	150,866	2.5	414,866	6.90
Missoula Co.	42,834	.35	374,400	3.0	337,875	2.7	755,109	6.0
Yellowstone Co.	57,728	.29	499,200	2.5	109,767	.5	666,695	3.29

ASSUMPTIONS:

- (1) General purpose block grant (motor vehicle reimbursement portion) would be made whole. The dollar figure for each member is the estimated loss in reimbursement money resulting from the current \$4 million shortfall in the budget or 12% less than previous allocations for one year.
- (2) General services block grant is the amount distributed to cities and counties by the block grant formula (55% cities, 45% counties). HB870 is estimated to raise approximately \$7.8 million. The total allocated to each member is based upon the percentage of the 1983-84 allocation for each member.
- (3) District court funding assumes funding of partial court costs as specified in SB25. This scenario includes the following costs: grant-in-aid at 100%, indigent defender costs, jury and witness fees, and psychiatric exam costs.

Tax relief is calculated for city and county taxpayers based upon the proportion of the city taxable valuation to the total countywide taxable value, e.g., Total District Court Funded Costs x Taxable Value Ratio (%) ÷ City or County Valuation = No. of Mills in Tax Relief.