

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

March 21, 1985

The meeting of the Local Government Committee was called to order by Chairman Paula Darko on March 21, 1985 at 4:00 p.m. in Room 312-2 of the State Capitol.

ROLL CALL: All members were present. Rep. Brown arrived late.

CONSIDERATION OF SENATE BILL NO. 291: Sen. Hammond of District 9, Malta, appeared before the committee as sponsor of the bill. This is a bill to limit the state mandated audits of municipalities to towns and cities above a population of 300. He explained that this bill has been amended in the Senate committee, that cities and towns under 300 would be exempt. Prior to that, he had suggested it be the 4th class cities and towns. In his area, seven towns were incorporated years ago and they have water and sewer systems that they need to maintain. The audits will cost a lot, and they are allowed to levy 65 mills. They have no way of keeping money from one year to the next. One year it took 33 of the 65 mills. It has gotten beyond what the people can bear.

PROPOSERS: Alec Hansen, representing the League of Cities and Towns, stated they support SB 291. This bill will cover approximately 27 of the small towns of Montana. These towns spend an extraordinary amount of their budget to comply with the audit. This is a reasonable amendment because it deals with the problem where it is most serious. The little towns don't have the money to comply with these problems. He hoped the committee would agree to pass this bill.

Bill Verwolf, representing the city of Helena, and the Montana Municipal Clerks, Treasurers and Finance Officers, said for the reasons stated, they support this bill.

OPPOSERS: Sandra Whitney, representing the Montana Taxpayers Association, presented written testimony (exhibit 1) which she read to the committee. She requested this bill be killed, or amended as suggested in exhibit 1, so that accountability for all public funds is guaranteed.

Don Dooley, representing the Department of Commerce, Helena, also presented written testimony (exhibit 2) in opposition to this bill. He said he concurs with the statement from the Montana Taxpayers Association. The purpose of the hearing today is that the money set aside to pay for the audit is used for other purposes. He asked the committee to not pass HB 291.

DISCUSSION OF SENATE BILL NO. 291: Rep. Pistoria told Sen. Hammond that in this bill, if the state would cost too much money, he knows it is in the law that they can go to a CPA for an audit. Sen. Hammond said he has never seen this. Rep. Pistoria said there are many cities in the state that do have private CPAs at their choice to do this.

Rep. Switzer commented on Rep. Pistoria's questions. There are a number of towns marked with an asterisk on the Summary of Town Audit Costs presented by the Department of Commerce (exhibit 2), which say they were CPA audits. He asked Sen. Hammond if he had any objections to the suggested amendments of the Montana Taxpayers Association. Sen. Hammond replied that those who have federal funds should be audited. Dodson does have the Community Assistant Federal Block Grant. There are many that don't have this. Rep. Switzer asked if that large amount of grant money that Dodson got has anything to do with the indian reservation. Rep. Hansen said the Community Block Grant is awarded by the federal government, and they are awarded on a competitive basis. That money is either on a one or two year basis and they will not have it next year.

Rep. Pistoria then asked Mr. Dooley of the Department of Commerce if it isn't true that they do have a choice of either going to the Department of Commerce or to hiring a CPA. All they would have to do to go to this department is to sign a report. Mr. Dooley replied yes, they do provide the entity. They have a standard contract between themselves and a private CPA, and they have eight certified public accountants.

In closing, Sen. Hammond told the committee that in one of the towns, it took 175 hours to locate \$3,000 that the auditor said was owed to the FHA, which had been paid. Many of the little towns are a long ways from where certified public accountants are available and they are not very handy to bring in. That may have something to do with why certified public accountants have not been used in these areas. In the Dodson area there is an indian reservation close by, and probably some of this money was spent in this way, but he didn't know for sure. The price of an audit has grown from \$820 in 1977 to \$4,250 at present. It has been suggested that money should be saved from one year to another, but that is a pretty expensive thing they are trying to do. He ended by saying he hopes the committee would concur and pass this bill as these towns really need it.

Sen. Hammond said Wayne Compton would carry the bill; however, Rep. Switzer volunteered to carry it.

CONSIDERATION OF SENATE BILL NO. 278: Sen. Boylan of District 39, appeared as chief sponsor of this bill. He said this is a pretty simple little bill, an act authorizing the city police to dispose of abandoned vehicles seized on city streets. He

stated the bill was given to him by request of the Montana Sheriffs and Peace Officers Association, and that Sheriff O'Reilly is here to explain the bill a little more fully.

PROPOSERS: Chuck O'Reilly, Montana Sheriffs and Peace Officers Association, stated this bill authorizes the city police to sell their own abandoned vehicles if they so desire. Currently they come to the sheriffs and it is a waste of time and paperwork. It is not a mandatory thing as it still allows the highway patrol to come to the sheriffs. He urged the committee's support of the bill.

OPPOSERS: There were no opponents present.

DISCUSSION OF SENATE BILL NO. 278: Rep. Fritz asked Sen. Boylan who gets the money, and Sen. Boylan replied he did not know. Sheriff O'Reilly said there generally is no money, that they don't even meet costs. It would go to the general fund of the county or city that sold the vehicle.

Rep. Poff asked how long Sheriff O'Reilly felt is adequate time to find the titled and registered owner, to which he answered that Section 3, page 2 is sufficient time and he assumed they would be covered if they follow that procedure.

Being no further discussion, Sen. Boylan closed.

Rep. Sales would carry the bill.

Since Sen. Towe had not arrived, the committee went into executive session for action on SB 278.

DISPOSITION OF SENATE BILL NO. 278: Rep. Sales made the motion of BE CONCURRED IN, seconded by Rep. Fritz.

Rep. Brandewie stated he is not sure he likes this bill.

Question was called for, then Rep. Pistoria asked if an abandoned vehicle means that the engine is out. Chairman Darko explained it has to be stripped and have no value.

Rep. Sales' motion PASSED UNANIMOUSLY.

CONSIDERATION OF SENATE BILL NO. 187: Sen. Towe of District 46, sponsor of this bill, presented it to the committee. This bill clarifies the amount and payment of retirement benefits to a law enforcement officer who has service credits in both the sheriffs' and municipal police officers' retirement systems. He said there are two bill that do the same thing, this one and SB 188, and if the committee remembers everything he said the last time, he has nothing more to say.

PROPOSERS: Larry Nachtsheim, Administrator of the Public Employees' Retirement Division, said they had a gentleman in

the Butte-Silver Bow consolidated law enforcement. This gentleman didn't have 25 years in the sheriffs department or 20 years in the police department. By reason of age he did not have enough time to accrue this. In 1979 it was created that a sheriff or peace officer pay a portion of the share. In this case it wasn't good enough and the gentleman sued them. He asked for the same death benefits after five years that the police officer would have gotten for 20 years. What his department is saying is that a death benefit doesn't occur until after retirement. If they want to name someone, you take a reduction and that is why they put these two bills together.

OPPONENTS: There were no opponents present.

DISCUSSION OF SENATE BILL NO. 187: There was no discussion by the members of the committee.

In closing, Sen. Towe said he had nothing further to add.

Rep. Fritz would carry the bill.

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

DISPOSITION OF SENATE BILL NO. 187: Rep. Brandewie moved that SB 187 BE CONCURRED IN, seconded by Rep. Hansen. Question being called for, motion PASSED UNANIMOUSLY.

Executive session was adjourned again as Sen. Halligan arrived.

CONSIDERATION OF SENATE BILL NO. 76: Sen. Halligan of District 29, Missoula, appeared as sponsor of this bill, which allows counties the option of using a 15-mill consolidated services levy. Sen. Halligan said the purpose of this bill is to provide flexibility to local officials, especially county commissioners. It is important to remember that this is optional, and does not have a mandate. For years the counties have been treated as administrative arms and they have never been given any disgression. Now they are no longer those administrative arms that we have created. In this bill it is recognized they have tremendous responsibilities put on them by their constituents. There are 38 levies that county commissioners could opt to levy in each particular county. He went on to list the amount of levies for each of the twelve levies listed on page 2, section 3. By adding them up, they would come to about 19.75 mills. The bill authorizes for only 15 mills. By looking at the actual counties in those areas, the average actual levy comes to between 12 and 15, so they are increasing the authority in a minor way if they abolish those levies. It is just a flexibility for local options. One of the problems is these entities will have to compete for the mills that are available in that 15-mill consolidated service. If the county commis-

sioners had a tremendous problem with floods, or if the weed problem got bad, they could rob other levies to take care of the problem.

PROPONENTS: Gordon Morris, representing the Montana Association of Counties, thanked Sen. Halligan for the fine remarks of the bill. A survey was conducted and most counties that responded indicated they levy 10 to 11 mills now. The total of 19.75 mills would be eliminated and replaced by 15 mills, and would be consistent with giving county commissioners the authority for spending and giving priorities for these spendings. He hoped that the House Local Government Committee would be able to concur in this bill.

OPPONENTS: Dennis Burr, representing Montana Taxpayers Association, said he regards this as somewhat of an increase in levy authority. Most counties are levying less than what is given in this bill: Dawson, 10.2; Custer, 8.3; Lake, 8.95; Butte-Silver Bow, 10.57; and Yellowstone, 8.08. By using the group of levies on page 2, you would be approving more than what has been approved in the past in separate levies. The levy for public ferries is a levy that is not used as there are no counties that have a ferry. In most local governments you need more than you can get for mosquito control, weed control, etc., and the ability to move from where the Legislature has given in the past to other areas is another thing he does not like. He further stated he is not sure why libraries were taken out. The bridge levy gets 4 mills. Money that was used for bridges can be used for libraries. This bill authorizes that money earmarked for one thing can be collected and used for other purposes.

Brenda Schye, representing the Montana Arts Advocacy, presented written testimony which she read. This is attached as exhibit 1.

John Whittenberg of Missoula, said this bill is just a way of increasing taxes. It is dodging the issue in their budget formation. If they have the money, they will spend it. If these things should happen to come to more than 15 mills, they will switch over and go back to the old system again. For these reasons, he opposes this bill.

DISCUSSION OF SENATE BILL NO. 76: Rep. Sales asked why libraries were taken out, and why aren't senior citizens in? Sen. Halligan replied he wants the bill to go back to the way it was. The senior citizens are in. He doesn't agree with libraries being taken out.

Rep. Fritz felt some of these levies cannot be pushed to the wall and they can be expanded up to the 15-mill limit. With this bill they can levy for those purposes even though they don't provide those services.

Rep. Hansen asked if there aren't some services that they need to supply that aren't included in this list, and Mr. Burr replied that is true, that this is kind of a scaled down version.

Rep. Sands asked about the general government issue, that we elect local governments to decide, and Mr. Burr replied that local governments don't provide all the services that people want. They provide only those services that the Legislature approves. It is not correct that they fill all the functions that people want them to provide.

Rep. Brown asked Sen. Halligan what this bill does to the airport levy, and wondered if it doesn't create the potential for having much less for an airport levy. It could be in danger depending on where it appeared on the list of priorities. Sen. Halligan replied that it would depend on where it appears.

Mike Young, representing the city of Missoula, presented written testimony in opposition to SB 76. This is attached as exhibit 2.

In closing, Sen. Halligan said there is no discretion of earmarking. They don't provide any discretion at all and it is about time that they did. Cities have had all the authority for many years and he doesn't see any problems with letting the county commissioners have this authority. He urged the committee's concurrence on the bill.

Sen. Halligan did not have anyone to carry the bill.

CONSIDERATION OF SENATE BILL NO. 126: Sen. McCallum of District 26, sponsor of the bill, said he is introducing this bill at the request of the Rocky Mountain Fair Board Association. It pertains more for the county commissioners, and he said he can't find where it pertains to the fair boards. The bill gives county commissioners the authority to transfer money from one board to another. In Great Falls the county auditor wanted to buy something that was going to help the county, and they didn't have enough money and they had to wait for the next year. This will change for one board to fund to another.

PROPOSERS: Gordon Morris, representing the Montana Association of Counties, thanked Sen. McCallum for presenting the bill. The bill provides commissioners the discretionary authority to make transfers between classes within funds, but you cannot transfer from capital to operation. You cannot transfer funds from the general fund to the district court fund, or vice versa. The state has the authority to make transfers within and between, and that is what we are looking for here.

Greg Jackson, Urban Coalition, testified that for the reason

of management flexibility, the Urban Coalition supports this bill.

Al Johnson, City Manager of Great Falls, said that on behalf of Cascade county, he supports this bill.

OPPONENTS: Sen. Ethel Harding, District 25, stated she would like to testify in opposition to this bill. County commissioners budget fully a year ahead of time. The way that it is set up now is they have personnel maintenance and this is the way commissioners control. If you take over this provision then the commissioners do not have control over the other departments through the budget. When an emergency comes up, they do not have an emergency budget for something very unforeseen that comes up. The departments can't purchase any equipment over and above \$150 without the permission of the commissioners. If you take out the lined items that reduces the control of the departments, at least take over the capital outlay.

Julie Hacker, representing the Missoula County Freeholders, said the county budgeting is a planning procedure used by county commissioners to assure they are doing their duties in expending the money. She presented written testimony asking the committee to kill the bill. This is attached as exhibit 1.

DISCUSSION OF SENATE BILL NO. 126: Rep. Hansen asked Sen. McCallum if he would object to an immediate effective date. Sen. McCallum replied he had no objection.

Rep. Gilbert asked Mr. Morris, in talking about the transfers of funds, if those types of transfers (bridge, ferry, etc.) would be allowed in this bill. Mr. Morris replied absolutely not.

In closing, Sen. McCallum stated the bill gives county commissioners flexibility in the different budget areas and he hoped the committee would concur and pass it.

He asked the committee to choose someone to carry the bill.

CONSIDERATION OF SENATE BILL NO. 244: Sen. McCallum of District 26, appeared as sponsor of the bill, which deletes some accounting requirements of a county treasurer relating to school district budgeted funds. All it does, on page 2, lines 22, 23, and 24, is keep a separate accounting of the expenditures for each budgeted fund included in the final budget of each district. The clerk and recorder keeps a record of this, and the clerk of the school board also keeps a record of his funds. The treasurer still keeps a separate accounting of the receipts. He said he could see why they have only one person, as all they do is work the school budget. It saves one step.

PROPOSERS: Gloria Paladichuk, representing the County Treas-

urer's Association, said SB 244 would remove the requirement of county treasurers to keep school budget balances. The majority of the treasurers feel it is a duplication of records.

OPPONENTS: John Shontz, representing Richland county, said the question raised is one of accountability. The clerk and recorder keeps an annual tally of the school budget, but not a daily tally. Whenever it appears to the county treasurer that the budget fund is really exhausted, the county treasurer should contact the district. He presented written testimony which is attached as exhibit 1. He read part of this testimony, which was an article from the Billings Gazette where three trustees of the Wyola school district face misdemeanor conduct charges for misuse of school funds. He asked the committee to not pass SB 244, or at least give it a nice, long nap on the table.

DISCUSSION OF SENATE BILL NO. 244: Rep. Sales asked if this same bill was presented at the last session. Gloria Paladichuk answered she didn't believe it was. It was brought up at the convention of the county treasurers association.

Rep. Gilbert asked Gloria Paladichuk if as a county treasurer from Richland county, she thinks it is important for them to keep track of this. She answered that they do keep a running balance.

In closing, Sen. McCallum said he doesn't see the problems that Mr. Shontz brought up. There are still many safeguards in the bill in the law, and there is only some slight duplicating. He hoped the committee would vote for it.

He said he had no one to carry the bill.

The committee then went into executive session for action on bills as Sen. Fuller had not arrived to present his bill.

DISPOSITION OF SENATE BILL NO. 126: Rep. Kitselman moved that SB 126 BE CONCURRED IN, seconded by Rep. Brown.

Rep. Hansen moved to amend by adding immediate effective date, and this was seconded by Rep. Brown. Question was called for.

Rep. Sales felt it should go with the regular time. Rep. Hansen then moved to amend to say July 1, 1985. Question being called for, motion PASSED, with Rep. Brandewie voting against it.

Rep. Kitselman made the motion of BE CONCURRED IN AS AMENDED, and this was seconded by Rep. Brown.

Rep. Pistoria was concerned that it would apply to the transfer of water and sewer funds, and Rep. Brown replied it would

not. Gordon Morris said the bill does not provide authority to make any transfers between funds.

Sen. Harding arrived; therefore, the committee adjourned from executive session.

CONSIDERATION OF SENATE BILL NO. 130: Sen. Harding of District 25, sponsored this bill, which is an act to generally standardize notice requirements relating to the conduct of business of local government units other than municipalities. She said this is a very good housekeeping bill, endorsed by the county commissioners because it affects their notices. It makes publication of notices uniform, and brings all notices into focus. She urged the committee to pass this bill.

Sue Bartlett, Lewis and Clark Clerk and Recorder, speaking in behalf of the Legislative Committee and the Clerk and Recorder's Association, stated they support SB 130. It is designed so that it only affects the notices that are in respect only to the counties, and it will give them a chance to do a better job. The requirement that notices be made to property owners is not deleted for potential county actions.

Mike Stephen, Montana Association of Clerks and Recorders, said these announcements are in Title #7, and are a select grouping of announcements. This will standardize to give adequate notice to the public and it will help the clerk and recorder to keep track of it.

Gordon Morris, Montana Association of Counties, stated they supported this bill in the Senate Local Government, and asked for a Do Concur vote from the House Local Government Committee.

OPPONENTS: There were no opponents present.

DISCUSSION OF SENATE BILL NO. 130: Rep. Sales commented to Gordon Morris that he sees rural improvement districts are covered in this bill, but that we changed the timing on his fat bill. Mr. Morris answered that he doesn't think they took into consideration the uniform bill.

Rep. Sales then said it requires mailing instead of posting. Sen. Harding said that is covered. Rep. Sales stated because of the mailing, the time was extended to allow for the mail to get to the people, and for the people to react.

In closing, Sen. Harding said she is sure they can take care of this, as it is really to enhance local government issues.

The committee then went back into executive session for action on bills.

DISPOSITION OF SENATE BILL NO. 126: Rep. Brandewie requested

the committee's permission to ask Gordon Morris in what funds can all this transferring be done in this bill. He felt it isn't clear where all that money can be moved around. Mr. Morris said there are about 38 different levies and funds. This bill does not give any authority for transferring of funds from capital to operation. It is the same authority that currently exists for bridge funds, road funds, and transportation funds.

Question being called for on Rep. Kitselman's motion of BE CONCURRED IN AS AMENDED, and motion CARRIED, with Rep. Brandewie and Rep. Fritz voting "no".

DISPOSITION OF SENATE BILL NO. 244: Rep. Sales made the motion of BE CONCURRED IN, seconded by Rep. Gilbert. Question being called for, motion PASSED UNANIMOUSLY.

Sen. Fuller arrived so the committee adjourned again from executive session.

CONSIDERATION OF SENATE BILL NO. 160: Sen. Fuller of District 22, Helena, sponsored this bill, which allows transfer or revision of appropriations within or among municipal budgets for certain budget classes. This was brought to him by the League of Cities and Towns in Helena. It gives the power to transfer within a budget. Sometimes there is excess money and under the current law, that money can't be moved. It allows cities to increase their budget, and once it is adopted, it can't be changed.

PROPOSERS: Bill Verwolf, representing the city of Helena, and the Montana Municipal Treasurers and Finance Directors Association, said this bill is the same concept as SB 126. It allows the flexibility to take care of needs, and gives money from salaries to operations. They have the flexibility in the general fund, but not the authority to move from salaries to repairs. He urged the committee to pass this bill.

Mike Young, Finance Director for the city of Missoula, urged the committee's support, as it ends up costing money under the current law.

Al Johnson, City Manager of Great Falls, stated that in SB 126, the point was made that the current legislation allows for emergency appropriations. It really allows to levy and ask for more money. This bill gives the flexibility to deal with the budget the way it is without asking for more money. He also urged the committee's support of SB 160.

Greg Jackson, Urban Coalition, stated for the same reasons, they support this bill.

Alec Hansen, League of Cities and Towns, stated their organization of 127 cities and towns in the state support this bill.

Ardi Aiken, Great Falls, stated they would like more flexibility in moving dollars within funds within classifications.

Jim Van Arsdale, Mayor of Billings, stated this would help streamline their city government.

Gordon Morris, Montana Association of Counties, stated they would like to go on record in support of this bill and asked for a Do Concur.

OPPONENTS: There were no opponents present.

DISCUSSION OF SENATE BILL NO. 160: There was no discussion by the committee members.

Sen. Fuller closed SB 160 and said Rep. Jan Brown would carry the bill.

The committee then took a five minute break before going back into executive session for action on bills.

DISPOSITION OF SENATE BILL NO. 130: Rep. Gilbert made the motion of BE CONCURRED IN, seconded by Rep. Hansen. Question being called for, motion PASSED UNANIMOUSLY.

Rep. Hansen would carry this bill.

DISPOSITION OF SENATE BILL NO. 160: Rep. Switzer made the motion of BE CONCURRED IN, seconded by Rep. Poff.

Rep. Kadas moved the amendment, putting in the effective date of July 1, 1985. This was seconded by Rep. Hansen. Motion PASSED UNANIMOUSLY.

Rep. Hansen then moved that SB 160 BE CONCURRED IN AS AMENDED, and this was seconded by Rep. Kadas. Question being called for, motion PASSED, with Rep. Fritz voting "no".

DISPOSITION OF SENATE BILL NO. 76: Rep. Fritz made the motion of BE CONCURRED IN, seconded by Rep. Hansen.

Rep. Fritz then moved to amend by striking the Senate amendments and putting libraries back in, and also the 24 mills. Rep. Kadas seconded that motion. Rep. Kadas questioned if the 24 mills shouldn't be 21 mills.

Rep. Sales said there are some other special service levies that are not included, such as city-county health board, cemetery, economic development, extension service, etc., and if we are going to develop a special fund for these add-on services, then they should all be in there and all have to compete with each other within their limit as to who gets what.

Rep. Darko asked what the total levies are for those items which he mentioned. Rep. Sales listed the various services and their levies, and Rep. Darko said she came up with 56 mills for all of them. Rep. Sales said he likes the idea of this but if they don't talk about all of them, he felt this was a bad bill.

Rep. Brandewie made a substitute motion TO TABLE the bill, seconded by Rep. Sales. Question being called for, motion PASSED, with Rep. Fritz, Rep. Hansen, Rep. Kadas and Chairman Darko voting "no".

Chairman Darko suggested to those who have further interest in this bill to bring back amendments and the committee would try to take it off the table.

DISPOSITION OF SENATE BILL NO. 291: Rep. Sales made the motion of BE CONCURRED IN, seconded by Rep. Fritz.

Rep. Pistoria felt it would be going against the Constitution to pass this bill, and said he was not going to vote for it.

Rep. Sales said most of the big money that shows up in the small towns aren't from special grants. The audit requirements would take precedence over this section. If those grant monies have to be audited, he would just as soon let the rest of the day to day problems go.

Rep. Switzer felt that a lot of these little towns are being audited by certified public accountants now and the prices don't look too much out of line.

Rep. Kadas said that in looking over the Department of Commerce testimony and percentage of cost of audits to total receipts, no one is over 5%. He wondered if amendment #2 wouldn't do the trick. Therefore, Rep. Kadas moved amendment #2, seconded by Rep. Sales. Rep. Fritz proposed to combine those two Montax amendments. Rep. Kadas then moved to amend the amendments.

Rep. Wallin asked if there was any time when they get money from the DNRC, to which he was answered "yes".

Rep. Pistoria said it does cost a lot more for the state to do this than to have an independent CPA do the audits; therefore, he felt this was not needed.

Rep. Sands wondered if Sections 4 and 5 on page 2 of the bill, which deal with special audits and is part of the Montax amendment, is a necessary part of this amendment. Rep. Fritz felt it was not. Rep. Sands suggested asking the sponsor to delete the amendment.

Rep. Brandewie then made a substitute motion TO TABLE SB 291,

and this was seconded by Rep. Pistoria, who wanted to have the constitutionality of it checked out.

Question being called for, motion CARRIED, with Rep. Sands, Rep. Fritz and Rep. Wallin voting "no".

Rep. Brandewie stated he would like to have Lee Heiman check this and he would like to see amendments on Saturday.

Rep. Fritz then presented the two local option tax bills, which a Subcommittee had been charged to work on. These were HB 804 and HB 393. Rep. Fritz explained that they have brought to the committee an amended local option hotel-motel tax bill, which they have worked out with some of the imkeepers in Yellowstone county, with the concurrence of the sponsor, Rep. Waldron. They have a gray bill, and one of the new points of the bill is 15% of the tax collected is to be given back to the community. HB 804 provides an enabling act and lists the different kinds of local option taxes that can be levied, which he named. He said there are two broad based local option taxes, income tax and sales tax. Rep. Fritz told the committee they have two all-inclusive bills before them and they should be the basis of their discussion.

Written testimony was submitted by Kay Foster, city council-member from Billings, in support of legislative authorization of local option taxing authority with local voter approval. This is attached as exhibit 1.

Chairman Darko thanked the Subcommittee for all the work they had done on the bills.

DISPOSITION OF HOUSE BILL NO. 804: Rep. Hansen made the motion of DO PASS, seconded by Rep. Kitselman.

Rep. Switzer asked Rep. Fritz if all of those amendments weren't a complete bill itself. Lee Heiman explained that HB 393 has a gray bill attached, and he just changed the language on HB 804.

Rep. Sales moved the amendments, and Rep. Kadas seconded the motion. Rep. Fritz stated Lee Heiman has provided a list of amendments, which is attached as exhibit 2.

Rep. Gilbert asked what is the difference between payroll tax and income tax. Chairman Darko told him this was explained on page 2 of the amendments. Lee Heiman explained that a payroll tax is \$2.50 which is deducted from an employee's payroll check every time a check is issued. It is a schedule of flat fees, as opposed to the income tax. Rep. Gilbert said they did not want both of these in the bill.

Rep. Gilbert then asked if the taxes listed in the amendment

are only an option and not a part of what must be done, and Rep. Fritz replied that the difference is when Rep. Addy introduced the bill, it didn't have this long list of possibilities. They have set forth these eight possible tax sources, and they all have to have voter approval. Rep. Gilbert said he would support a local option tax of a broad base.

Rep. Sales said he did not see anything wrong with having both a payroll tax and an income tax. It is a way of getting money from those people who come into town and work.

Rep. Brandewie said he would like to see all of the amendments voted on separately as he can't support a tax that would put a hotel out of business because it is the easiest to tax. He also suggested making it a broad base tax.

Rep. Kitselman commented that Philadelphia has a wage tax. A lot of people commute from New York and work in the city but pay nothing. In Billings, they have a lot of people who commute from the smaller towns and come to work there and take the money out of the city, but do not pay for anything. The city of Billings did vote in a hotel-motel tax and it was challenged and defeated. If you travel to any other state you are assessed a rather sizeable fee to stay in their hotels. In promoting travel, this is one way to pay for the impact. People who travel don't pay for the care of the roads.

Rep. Hansen said she objects to taking out the hotel-motel tax. This is local option. West Yellowstone should have the option for charging the tourists, as they have so many tourists.

Rep. Fritz agreed with Rep. Brandewie, that the amendments should be voted on separately.

Rep. Sands said local government should be permitted to have a local option tax, but the tax should be a broad base tax, not a broad variety tax. Rep. Sales suggested a sales tax and an income tax. The taxing authority is something that has been jealously guarded by state governments. It is time to give local governments authority, but Rep. Sands felt that if each and every town in the state is given that authority, it will be a mess. By limiting it to a broad base tax, it prohibits singling out a particular industry that is not well represented in the community. That each one of these taxes requires voter approval is not the way he reads the bill. The way he reads it is that the electorate, once this general enabling bill is passed, it is fully up to the local government to say what they want to select.

Rep. Kadas made a substitute motion to adopt everything except Subsections 1 - 8 and amendment #7, and including 1 through 6 and 8 to 10, and the enabling language of the first three lines of amendment #7. This was seconded by Rep. Gilbert. Question was called for.

Lee Heiman explained the bill was written to authorize any tax, and he has broken the bill into three sections so that each tax can be addressed separately. He has changed the provision from any tax to one of the taxes.

Rep. Kadas' motion CARRIED, with Rep. Pistoria voting no. Rep. Switzer said he did not vote, but wanted it recorded that he also voted no.

Rep. Kadas then moved amendment #7, subsection 1, to include the hotel-motel tax. This was seconded by Rep. Kitselman. Rep. Fritz felt if the other bill passes, it is a better provision than this. Question being called for, motion FAILED, with four members voting yes, and all the rest voting no.

Rep. Kadas moved to amend subsection 2 to include restaurant tax, seconded by Rep. Kitselman. Question being called for, motion FAILED, with Rep. Kadas and Rep. Hansen voting yes, and all other members voting no.

Rep. Kadas moved to amend subsection 3, to include the luxury tax, seconded by Rep. Kitselman.

Rep. Poff asked if someone would explain that to him. Rep. Kitselman said it is a tax on those things you can live without, such as a fur coat, cigarettes, alcohol, etc. It is for people who can afford those things. Rep. Sands said he has a problem understanding what a luxury tax is even after reading the section.

Question being called for, motion FAILED, with Rep. Kadas, Rep. Fritz and Rep. Darko voting yes, and all other members voting no.

Rep. Kadas moved to amend subsection 4, to include local payroll taxes, and this was seconded by Rep. Kitselman.

Rep. Brandewie asked if this was going to be once a month, and Lee explained it does require specific time periods. Rep. Brandewie said some people are paid weekly and some monthly.

Question being called for, motion CARRIED, with five members voting no and all other voting yes.

Rep. Kadas moved to amend subsection 5, to include the motor vehicle fee. This was seconded by Rep. Kitselman. Rep. Brandewie stated we are going to have to reserve something to the state. How many fees can we put on motor vehicles?

Rep. Kitselman said that earlier they had a bill to deal with air pollution. This bill allows Missoula county to take care of this. Rep. Poff wanted to know if this could be kept locally, to which he was answered yes.

Question being called for, motion PASSED, with Rep. Wallin and

Rep. Pistoria voting no.

Rep. Kadas moved to amend subsection 6, to include the sales tax. This was seconded by Rep. Kitselman.

Rep. Gilbert asked Lee Heiman if they would be advised to put a limit on the amount of the sales tax, and Lee Heiman answered he would have the option if he wished to have the limit.

Rep. Gilbert made a substitute motion to include limit on subsection 6 "not to exceed 1% sales tax".

Rep. Wallin said most sales taxes exclude food, drugs, farm implements, etc., and he wondered if they would be included. He was told it would be put before the local options.

Rep. Sands asked if it would be important to put in a provision as to what kinds of goods are subject to a sales tax. Rep. Wallin said this is a problem that is very real to him as he is in the business of selling cars. He said he is against this bill, but he is for a state sales tax.

Rep. Gilbert said he has a little problem excluding farm machinery. Rep. Switzer said if they are going to allow the local option of imposing a sales tax, why not allow local option to say what should be taxed.

Rep. Sales made a substitute motion to add the sale of retail goods and services. It should be a broad base sales tax, and he felt motels should not be left clear out.

Rep. Kadas asked if they were still on the 1% tax, and the answer was yes.

Question being called for to amend by including 1% as well as Rep. Sales' motion. Motion PREVAILED, with four members voting no.

Rep. Sands then made a substitute motion to increase the 1% to 2%, and this was seconded by Rep. Fritz. Rep. Sands explained the people who have the big problem with the local option taxes are the people in West Yellowstone, and 1% would not do it for them, and he felt the 2% would provide some necessary level of flexibility. Rep. Gilbert said he would have to protest, as 1% is a lot of money.

Rep. Brandewie said that going from 1% to 2% on a \$3.00 meal or a \$50 room is not very much, but if this is for trucks, farm equipment, etc., you are looking at a pretty high price.

Motion FAILED, with four members voting yes, and the rest no.

Rep. Kadas moved to amend subsection 7, to include entertainment. This was seconded by Rep. Kitselman. Question being

called for, motion FAILED, with four members voting yes, and all the rest no.

Rep. Kadas moved to amend subsection 8, to include income taxes, and this was seconded by Rep. Kitselman. Question being called for, motion PASSED, with Rep. Pistoria and Rep. Wallin opposed.

Rep. Sales moved the bill as DO PASS AS AMENDED, seconded by Rep. Kadas.

Rep. Pistoria stated he wanted an amendment that there has to be a 40% voter turnout, which he presented as an amendment. This was seconded by Rep. Brandewie.

Rep. Kadas spoke against the amendment because he felt it would make people not come out to vote. Rep. Hansen said they will put in on a presidential election to assure 40% voter turnout. Rep. Brandewie said he has never felt comfortable staying at home and not voting.

Question being called for, motion PASSED, with Rep. Kadas, Rep. Gilbert and Rep. Fritz voting no.

Rep. Sales moved DO PASS AS AMENDED, seconded by Rep. Sands.

Rep. Sands said if the city wants to raise all the different taxes they could vote on it, and he felt it might be appropriate to have a vote in each instance when a new tax or new tax level is imposed. Rep. Fritz replied that the proposal must state the specific type or types of taxes the local government wants to impose, and if you want to change that it will be different.

Rep. Kadas told Rep. Sands it all depends on how it is worded, that we don't even have a vote on the taxes we level.

Rep. Fritz moved to change line 2, page 2, from "may" to "must", and this was seconded by Rep. Sands. Question being called for, motion PASSED, with Rep. Kadas opposed.

Rep. Sales made the motion of DO PASS AS AMENDED, and this was seconded by Rep. Sands.

Rep. Gilbert asked if they were going to make this a county wide option or a city-county wide option? For a community that has a lot of businesses just outside the city limits, this local option should be made on a county-wide basis.

Rep. Wallin stated a county line can be 10 miles away from his dealership in two different counties, and to sell that car he has to meet the competition's price, so he is the one who is paying the sales tax.

Rep. Fritz stated he didn't think they can stipulate in this bill that it can be city or county wide, and suggested some of the language in the other bill can be adopted into this bill.

Rep. Kitselman moved to amend to come up with that language that if the tax is levied county wide, like in the case of Yellowstone county, subsection 7, page 3, line 10, by putting a similar language into that, it could be county wide. This was seconded by Rep. Gilbert.

Rep. Kadas asked if Billings adopts a sales tax, would it preclude a county to adopt a sales tax, and he felt it is better to leave it as is. Rep. Brandewie stated the tax should have to go on from a county basis. If a city tries to adopt a tax and the county tries to adopt, there is no incentive for the city. The cities are the only ones to benefit from this and the county will be aced out.

Rep. Kadas felt if the county is well off and the cities are hurting and needs the money, then if this is done county wide, the county can preclude the city.

Lee Heiman read the amendment, which states a local option tax may not be levied on the same persons or transactions by more than one local government. If a county imposes a local option tax, the tax must be levied county wide, and unless otherwise provided by agreement with municipalities within the county, the proceeds of the tax will be distributed by the county based upon the point of origin of the revenue of the tax.

Rep. Fritz asked if this gives the cities the right of levying the tax. Rep. Kadas said it precludes the right to the extent if the city wanted to do a sales tax it could do it as long as the county has not done it already.

Rep. Switzer asked if a county wide type is presumed to include a city, and the answer was yes.

Rep. Sands asked if this provision includes any local option tax; therefore, isn't that going to be difficult to administer? Chairman Darko answered that probably any local option tax is.

Rep. Sales stated that he thinks what is being said is if West Yellowstone puts it on, Bozeman can't, and he felt new language was needed.

Rep. Fritz said this isn't Rep. Waldron's language, and Lee Heiman explained it should be that the tax may not be imposed by more than one local government for the same tax.

Question being called for, motion PASSED, with Rep. Kadas

voting no.

Rep. Wallin then made a substitute motion of DO NOT PASS AS AMENDED, seconded by Rep. Pistoria. Motion FAILED on a Roll Call Vote of 11 to 3. Rep. Wallin said this is not only his problem, but it is an unfair bill.

Rep. Fritz stated this is one of the more important measures that might come out of the Legislature, about the financial difficulties of local governments and puts the solution in their hands where it belongs. Rep. Hansen told Rep. Wallin he will have to take his battle to the county.

Chairman Darko said these questions are local issues. If the people think it fair, they will vote for it; if not, they will not vote for it.

Rep. Brandewie said this sales tax should be to a broad base and not on equipment.

DISPOSITION OF HOUSE BILL NO. 393: Rep. Sales moved that HB 393 DO NOT PASS, seconded by Rep. Switzer.

Rep. Fritz made a substitute motion of DO PASS, seconded by Rep. Kadas.

Rep. Brandewie then made a substitute motion TO TABLE HB 393, seconded by Rep. Kitselman. The non-debatable motion PASSED on a Roll Call Vote of 9 to 5.

DISPOSITION OF SENATE BILL NO. 25: Rep. Switzer moved that SB 25 BE CONCURRED IN, seconded by Rep. Sales. Rep. Kadas felt this is an important bill as it deals with a problem that keeps coming back.

Chairman Darko stated this was the first bill that the clerk of court has not come in and opposed. This must be a better bill than the one previously discussed.

Rep. Pistoria asked if this was just \$5, and Chairman Darko said there is no money attached to this one. If SB 140 does not pass, this is invalid.

Lee Heiman explained there are technical amendments that need to be added before it goes on the floor.

Rep. Sands moved the technical amendments, seconded by Rep. Kitselman. Motion PASSED.

Rep. Switzer then made the motion of DO NOT PASS AS AMENDED, seconded by Rep. Wallin. Question being called for, motion FAILED on a Roll Call Vote of 9 to 5.

Local Government Committee
March 21, 1985
Page 20

There being no further business before the committee, the meeting was adjourned at 7:37 p.m.

Paula Darko

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 Mar. 21, 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>	✓		
<u>Mike Kadas</u>	✓		
<u>Les Kitselman</u>	✓		
<u>Paul Pistoria</u>	✓		
<u>Bing Poff</u>	✓		
<u>Walter Sales</u>	✓		
<u>Jack Sands</u>	✓		
<u>Dean Switzer</u>	✓		

STANDING COMMITTEE REPORT

March 21, 19 85

MR. SPEAKER:

We, your committee on LOCAL GOVERNMENT

having had under consideration SENATE Bill No. 273

THIRD reading copy (BLUE color)

CITY POLICE TO DISPOSE OF ABANDONED VEHICLES SEIZED
FROM CITY STREETS.

Respectfully report as follows: That SENATE Bill No. 273

BE CONCURRED IN

XXXXXX
DO PASS

STANDING COMMITTEE REPORT

March 21, 1935

MR. SPEAKER:

We, your committee on LOCAL GOVERNMENT

having had under consideration SENATE Bill No. 187

THIRD reading copy (BLUE)
color

REVISING LAWS RELATING TO LAW ENFORCEMENT OFFICERS'
RETIREMENT SYSTEMS.

Respectfully report as follows: That SENATE Bill No. 187

BE CONCURRED IN
~~DO PASS~~

STANDING COMMITTEE REPORT

March 21, 19 85

MR. **SPEAKER:**

We, your committee on **LOCAL GOVERNMENT**

having had under consideration **SENATE** Bill No. **126**

THIRD reading copy (**BLUE**)
color

COUNTY BUDGET REVISION; BUDGET CLASSES.

Respectfully report as follows: That **SENATE** Bill No. **126**

BE AMENDED AS FOLLOWS:

1. Title, line 7.

Following: "MCA"

Insert: " AND PROVIDING AN EFFECTIVE DATE"

2. Page 2.

Following: line 4

Insert: "NEW SECTION. Section 2. Effective date. This act is effective July 1, 1985."

**AND, AS SO AMENDED,
BE CONCURRED IN**

**XXXXXX
DO PASS**

STANDING COMMITTEE REPORT

March 21, 19 85

MR. **SPEAKER:**

We, your committee on **LOCAL GOVERNMENT**

having had under consideration **SENATE** Bill No. **244**

THIRD reading copy (**BLUE**)
color

**SCHOOL DISTRICT FUNDS - DELETING SOME COUNTY TREASURER
ACCOUNTING DUTIES.**

Respectfully report as follows: That **SENATE** Bill No. **244**

BE NOT CONCURRED IN
DO PASS

STANDING COMMITTEE REPORT

.....March 21,..... 19 85.....

MR. SPEAKER:.....

We, your committee on.....LOCAL GOVERNMENT.....

having had under consideration.....SENATE..... Bill No. 160.....

THIRD reading copy (BLUE)
color

MUNICIPAL BUDGET REVISION; BUDGET CLASSES.

Respectfully report as follows: That.....SENATE..... Bill No. 160.....

BE AMENDED AS FOLLOWS:

1. Title, line 6.

Following: "MCA"

Insert: "; AND PROVIDING AN EFFECTIVE DATE"

2. Page 2.

Following: line 1.

Insert: "NEW SECTION. Section 2. Effective date. This act
is effective on passage and approval."

**AND, AS SO AMENDED,
BE CONCURRED IN**

~~DO PASS~~

STANDING COMMITTEE REPORT

..... March 21..... 19 85.....

MR. **SPEAKER:**

We, your committee on **LOCAL GOVERNMENT**

having had under consideration **SENATE** Bill No. **130**

THIRD reading copy (**BLUE**)
color

**PROVIDING STANDARD NOTICE PROVISIONS FOR LOCAL GOVERNMENT
EXCEPT CITIES AND TOWNS.**

Respectfully report as follows: That **SENATE** Bill No. **130**

BE CONCURRED IN

~~DO PASS~~

ROLL CALL VOTE

DATE Mar. 21, 1985 Senate Bill No. 804 Time

[illegible]

Marianne Bagley
Secretary

Paula Darko
Chairman

Motion: Do Not Pass As Amended -
Reversed votes

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

STANDING COMMITTEE REPORT

Page 1 of 2

March 21, 1985

MR. SPEAKER:

We, your committee on LOCAL GOVERNMENT

having had under consideration SENATE Bill No. 25

THIRD reading copy (BLUE)
color

STATE FUNDING FOR CERTAIN DISTRICT COURT EXPENSES.

Respectfully report as follows: That SENATE Bill No. 25

BE AMENDED AS FOLLOWS:

1. Page 3, line 3.
Strike: "general" through "the"

2. Page 3, line 4.
Following: "."
Insert: "The county shall deposit the amount reimbursed in its general fund unless the county has a district court fund. If the county has a district court fund, the amount reimbursed must be deposited in such fund."

3. Page 11, line 1.
Following: "{1}"
Insert: "(1)"

4. Page 12, line 15.
Strike: "general fund"

XXXX
DO PASS

CONTINUED

March 21, 1935

5. Page 12, line 17.

Following: ". "

Insert: "The county shall deposit the amount reimbursed in its general fund unless the county has a district court fund. If the county has a district court fund, the amount reimbursed must be deposited in such fund."

6. Page 15, line 15.

Strike: "as provided in"

Insert: "according to procedures established under"

Following: "2"

Insert: "(1)"

7. Page 16, line 7.

Strike: "he" through "of"

8. Page 16, line 8.

Following: ". "

Insert: "The county shall deposit the amount reimbursed in its general fund unless the county has a district court fund. If the county has a district court fund, the amount reimbursed must be deposited in such fund."

AND, AS SO AMENDED,
BE CONCURRED IN

(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 Mar. 21, 1985 Senate Bill No. 25 Time _____

NAME	YES	NO
Darko, Paula - Chairman		✓
Wallin, Norm - Vice Chairman	✓	
Brandewie, Ray		✓
Brown, Dave		✓
Fritz, Harry		✓
Hansen, Stella Jean		✓
Gilbert, Bob		✓
Kadas, Mike		✓
Kitselman, Les	✓	
Pistoria, Paul		✓
Poff, Bing		✓
Sales, Walter	✓	
Sands, Jack	✓	
Switzer, Dean	✓	
	5	9

Marianne Bagley
Secretary

Paula Darko
Chairman

Motion: Do Not Pass As Amended

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

MONTANA TAXPAYERS Association

P O BOX 4909

1706 NINTH AVENUE

HELENA, MONTANA 59604



406 442-2

March 21, 1985

To: House Local Government Committee

Re: Senate Bill 291 - An act to limit state-mandated audits of municipalities to cities & towns having a population of more than 300.

Mr. Chairman & Members of the Committee:

For the record, I am Sandra Whitney from the Montana Taxpayers Association.

Senate Bill 291, as it has been amended, now refers to only the smallest incorporated towns in the state. We are talking about 26 towns, each levying less than \$20,000, but, combined, levying taxes this year exceeding \$213,000. We are talking about towns from Rexford, levying 16.5 mills for municipal purposes, to Westby, levying 125 mills, to Dodson levying 65 mills or \$6,955.

Since Dodson has been used as an example of why this bill is needed, I would like to present some pertinent data. For fiscal 1985, Dodson's general fund budget is \$14,803. This includes not only money raised by taxes, but it includes \$3992 in re-appropriated cash, and \$3857 in non-property tax revenue. Dodson has also budgeted over \$23,000 for water & sewer, \$915 for police training, and has available to it \$379,097 in Federal Community Development Block Grant money and Federal Revenue Sharing. The amount Dodson raises in property taxes is less than 2% of the money available to the town.

The Montana Constitution, Article VIII, Sec. 1.2 states, "The legislature shall by law insure strict accountability of all revenue received and money spent by the state and counties, cities, towns, and all other local government entities." Montana law, section 7-1-4111 defines a town as a municipal corporation having between 300 and 1000 people.

The Montana Taxpayers Association wishes to point out that Dodson and these other small towns do fall under this section of the Constitution, even though they are not strictly towns as defined in Montana Code Annotated. They are certainly local government entities receiving and spending public money, and all are listed in the Directory of Municipal Officials published by the Montana League of Cities & Towns. Therefore, simply removing these "towns" from state mandated audits is clearly unconstitutional.

Dodson's last audit, which was for three years, cost them \$4250. That amounts to \$1417 per year, or 3 tenths of one percent of the \$443,216 expected as current-year revenue. We maintain that, in Dodson's case, that is not an exorbitant charge to ensure accountability of public funds as demanded by the Montana Constitution - and incidentally, by the Federal government, as the Feds require an annual audit when a government entity receives more than \$100,000 in combined Federal funds.

We do recognize that, for whatever reason, a small town audit can consume a disproportionate share of its budget. We suggest that this bill could be amended by phrasing sub-section 1(b) to read:

1. "incorporated cities and towns, except that towns having a population under 300 may request an audit by an independent accountant or auditor pursuant to section 2-7-506 MCA. The department shall grant that request;

OR

2. "incorporated cities and towns, except as provided in subsection (7)";

(7) Except as herein provided, the department may not audit a town having a population less than 300 if that town has annual revenue from all sources less than \$100,000, and if it receives Federal Funds in an amount less than that amount for which the Federal government requires an audit. The governing body of such a town shall annually file a financial statement pursuant to section 7-6-4111, MCA

The department may conduct a special audit as provided by subsections (4) and (5) of this act.

You have the Constitutional responsibility to guarantee that all public money is accounted for. If there is a problem with small towns with small amounts of funds, then it seems logical to guarantee accountability some other way. Wording like either amendment suggested could do that and still reduce the cost to the town.

We respectfully request that you kill Senate Bill 291 as unconstitutional, or amend it so that accountability for all public funds is guaranteed.

Thank you.

Exhibit 2
SB 291
3-21-85
Sen. Hammond

TESTIMONY PRESENTED TO THE HOUSE COMMITTEE ON LOCAL GOVERNMENT

BY THE DEPARTMENT OF COMMERCE ON SENATE BILL NO. 291

Mr. Chairman and members of the Committee:

I represent the Department of Commerce, and appear today to provide the Committee with the Department's perspective as to the audit of Montana town governments, primarily the State's interest in such audits and their cost.

Montana's Constitution, Article VIII, Section 12, requires that "(T)he legislature shall by law insure strict accountability of all revenue received and money spent by the state and counties, cities, towns, and all other local governmental entities." The audits performed by the Department of Commerce, or by certified public accountants under contracts with the Department, fulfill this requirement for local governments by reporting on the accuracy of towns financial statements and by testing for compliance with a multitude of state laws and regulations.

In addition to the constitutional requirement for strict accountability, current federal law requires comprehensive financial/compliance audits to be conducted of certain entities which receive federal funds, including revenue sharing, community development block grants and environmental protection agency grant funds. At the local level, towns which issue revenue bonds to fund water or sewer projects are required by their bond underwriters to have regular audits of their enterprise fund operations.

The audit costs for towns, as well as for other local governments, have increased in recent years, due in part to the elimination of State general fund support for the municipal audit program. Even with these increases, the cost of audits for towns does not appear unreasonable when compared to the total cash receipts for the various towns. As detailed on the attached schedule, the cost of town audits has averaged 0.65% of the towns' total cash receipts for the periods being audited.

The audit costs for towns are often increased due to improperly maintained records; erroneous, incomplete or missing financial statements; investigations into possible misuse of funds; the provision of technical assistance; and training of town financial personnel. Whatever the ultimate cost of the audit, some towns pay the entire fee out of the town all-purpose general fund. This unfairly burdens that fund, which in most towns is at the maximum allowable tax levy. The audit costs should properly be allocated to not just the general fund, but also to the enterprise funds (water and sewer operations) and to revenue sharing and federal grant funds, where applicable.

The Department has attempted to conduct audits in as cost-efficient a manner as possible, while meeting generally accepted auditing standards and dealing with the proliferation of federal, state and local programs. The Department of Commerce stands ready to discuss its audit program with the Senate Local Government Committee at any time.

SUMMARY OF TOWN AUDIT COSTS

Name of Town	Audit Fee Last Audit	Fiscal Yrs. Covered	Audit Cost Per Year	Total Cash Receipts for Period	Audit Cost as a Percentage of Total Receipts for Period
Alberton*	\$ 2,790	3	\$ 930	\$ 192,829	1.4%
Bainville	1,810	2	905	148,114	1.2%
Bearcreek	550	2	275	25,096	2.2%
Belt*	2,125	1	2,125	246,166	.9%
Big Sandy*	2,060	2	1,030	319,762	.6%
Boulder	3,139	2	3,139	298,253	1.1%
Bridger	2,694	2	1,347	373,032	.7%
Broadus	3,734	2	1,867	956,271	.4%
Broadview	1,134	2	567	127,659	.9%
Brockton*	1,800	2	900	108,225	1.7%
Browning	3,760	2	1,880	630,727	.6%
Cascade*	1,195	1	1,195	178,270	.7%
Chester	4,202	2	2,101	899,267	.5%
Circle	2,850	2	1,425	463,145	.6%
Clyde Park*	1,800	2	900	97,259	1.9%
Columbus*	3,600	1	3,600	548,593	.7%
Culbertson	2,697	1	2,697	610,557	.4%
Darby	2,350	2	1,175	399,049	.6%
Denton	2,018	2	1,009	168,352	1.2%
Dodson	4,251	3	1,417	145,984	2.9%
Drummond	1,966	2	983	92,156	2.1%
Dutton	2,590	2	1,295	238,343	1.1%
Ekalaka	3,000	3	1,000	321,910	.9%
Ennis*	1,750	1	1,750	226,113	.8%
Eureka	3,006	2	1,503	477,700	.6%
Fairfield	2954	2	1,477	1,111,676	.3%
Fairview	4,471	3	1,490	1,429,423	.3%
Flaxville	3,375	4	844	139,528	2.4%
Froid	3,523	3	1,174	320,101	1.1%
Fromberg	2,122	2	1,061	179,127	1.2%
Geraldine* - Last State audit through FY79, contract audit information not available					
Grass Range	2,460	2	1,230	123,693	2.0%
Hingham	2,405	3	802	143,161	1.7%
Hobson	1,524	3	508	67,020	2.3%
Hot Springs	1,275	1	1,275	184,897	.7%
Hysham*	2,000	2	1,000	180,917	1.1%
Ismay	375	5	75	17,514	2.1%
Joliet	2,876	2	1,438	241,844	1.2%
Jordan	1,825	2	913	150,123	1.2%
Judith Gap*	625	1	625	50,901	1.2%
Kevin	4,888	3	1,629	290,912	1.7%
Lavina	1,650	3	550	36,002	4.6%
Lima	2,122	2	1,061	84,265	2.5%
Lodge Grass*	1,250	1	1,250	242,581	.5%
Manhattan*	1,800	1	1,800	250,524	.7%
Medicine Lake	2,668	2	1,334	313,469	.9%
Melstone	1,950	3	650	186,805	1.0%
Moore	1,700	2	850	61,232	2.8%
Nashua*	6,200	2	3,100	249,546	2.5%

SUMMARY OF TOWN AUDIT COSTS - cont.

Name of Town	Audit Fee Last Audit	Fiscal Yrs. Covered	Audit Cost Per Year	Total Cash Receipts for Period	Audit Cost as a Percentage of Total Receipts for Period
Neihart	\$ 810	1	\$ 810	\$ 43,193	1.9%
Opheim*	1,825	2	913	93,787	1.9%
Outlook	1,810	2	905	52,539	3.4%
Philipsburg	4,043	3	1,348	580,966	.7%
Plains	4,982	2	2,491	3,747,019	.1%
Plevna	3,185	3	1,062	130,538	2.4%
Rexford	1,602	2	801	53,127	3.0%
Richey*	1,350	1	1,350	34,324	3.9%
Ryegate*	1,325	1	1,325	67,075	2.0%
Saco	4,306	2	2,153	166,046	2.6%
St. Ignatius	3,032	2	1,516	1,600,782	.2%
Sheridan*	1,460	1	1,460	131,782	1.1%
Stanford	3,344	2	1,672	236,406	1.4%
Stevensville	2,700	2	1,350	965,415	.3%
Sunburst	2,408	5	482	1,956,052	.1%
Superior*	2,100	1	2,100	229,874	.9%
Terry	3,445	2	1,723	551,751	.6%
Thompson Falls*	3,000	1	3,000	723,951	.4%
Twin Bridges*	1,350	1	1,350	94,427	1.4%
Valier*	1,495	1	1,495	210,570	.7%
Virginia City	2,538	2	1,269	110,738	2.3%
Westby*	2,600	2	1,300	354,054	.7%
West Yellowstone*	1,550	1	1,550	410,789	.4%
Whitehall	2,850	2	1,425	514,545	.6%
Wibaux	3,942	2	1,971	762,482	.5%
Winifred	1,850	2	925	52,319	3.5%
Winnett	<u>2,700</u>	3	900	<u>331,128</u>	<u>.8%</u>
	\$ <u>186,511</u>			\$ <u>28,553,772</u>	<u>.65%</u>

*CPA conducted audits

Average Audit Cost - .65% of Cash Receipts for Period
Median Audit Cost - 1.1% of Cash Receipts for Period
High Audit Cost - 4.6% of Cash Receipts for Period
Low Audit Cost - .1% of Cash Receipts for Period

WITNESS STATEMENT

NAME Mike Young BILL NO. SB 76
ADDRESS _____ DATE 3-21-85
WHOM DO YOU REPRESENT? CITY OF MISSOULA
SUPPORT _____ OPPOSE ☒ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

This all-purpose levy bill has a fatal flaw.
It permits the county to increase its levy
on city property with no guarantee that
any services will be provided city residents.

Example: Missoula County levies ^{\$}OVER 100,000 per year
in taxes on city property for
bridges yet spends \$70,000
in city bridges.

This inequity can become worse
with this bill.

Exhibit 1
SIB 126
3-21-85
Senator McCallum

WITNESS STATEMENT

Bill BILL NO. SB 126
H. Donner DATE 3/21
T. Mula Co. Taxholders
OPPOSE X AMEND _____

D STATEMENT WITH SECRETARY.

I will destroy the Co.
process and make the
money by the citizen

not require careful &
responsible budgeting.

I will not have
and that budget ^{as} set
be followed.

I will. I see no grayman driving
bunds.

WITNESS STATEMENT

NAME John Shontz BILL NO. 244
ADDRESS Box 2342 Sidney MT DATE 3/21
WHOM DO YOU REPRESENT? Richland County
SUPPORT _____ OPPOSE X AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

The question and concern we raise regarding
SB 244 is one of accountability.
- Clerk/Recorder keeps accounting of county budget but not schools - running tally
Under current law requires the county treasurer
Notify, "QUOTE 20-9-222". If the treasurer
no longer ~~tracks~~ school budgets, how can they
~~not~~ comply with 20-9-222?

Checks and balances in government ^{are unfortunate} are critical.
I refer the committee to a situation in Big Horn
County and the Wyo. MONTANA school district this
week. (NOTE ATTACHED)

The independent check in place under our
current Law is appropriate. In addition, we wonder
how the County Treasurer can fulfill the provisions of
20-9-222 if SB 244 passes.

We urge a do not pass or long ~~table~~ table
neg for S.B. 244.

Wyola officials suspended

By LORNA THACKERAY
Of The Gazette Staff

HARDIN — Big Horn County Commissioners temporarily suspended all three Wyola School trustees Wednesday night, and a state district judge suspended the district superintendent of schools.

The suspensions came in the wake of civil and criminal charges filed Wednesday against trustees Ed Gaines, Garland Howe and Levi Yellowmule and Superintendent Jerry Woodring.

In addition, the district was served with a temporary restraining order preventing it from implementing a \$209,752 emergency budget approved

by the school board March 12.

School officials said they needed the emergency budget because of unexpected increases in school enrollment. County Attorney Clarence Belue had advised against the emergency budget, saying it was illegal. In a civil complaint filed Wednesday, he questioned the enrollment figures presented by the district.

District Judge Todd Baugh signed an order suspending Woodring without pay late Tuesday afternoon. Woodring is charged with official misconduct, a misdemeanor; he is accused of using

(More on Suspend, Page 12A)

Suspend

From Page One

\$540 in school funds to pay for concrete delivered to his private residence on Sept. 20.

According to information filed by Belue, Woodring ordered 7½ cubic yards of concrete from a Hardin company and had it delivered to his house. The company billed Woodring twice, but received no payment, the information said.

The court file said that, on Dec. 12, after the company had mailed a third bill, Woodring presented a voucher for the concrete to the school board. According to court documents, the bill had been altered with the addition of the words "Wyola Elementary School" and following Woodring's name, the word "superintendent." The trustees paid the bill.

According to Belue, after the district's books were seized under an investigative subpoena Feb. 19, Paula Woodring, the superintendent's wife, obtained money orders from a Hardin bank made out to the concrete company for \$540. Court papers say she delivered the money orders to the company explaining that the debt was personal and that the school district payment was an inadvertent error.

Big Horn County Commissioners Ed Miller, Alvin Torske and Jim Ruegamer voted unanimously to suspend the three trustees after Baugh signed an order saying, "There appears to be good cause for the Board of County Commissioners

of Big Horn County to suspend the Board of Trustees of Wyola School District 29 during the pendency of this action before this Court."

Howe, Gaines and Yellowmule face misdemeanor misconduct charges for illegal use of school money. According to the complaint, they approved a general fund budget of \$643,121 for fiscal 1985 "and then allowed their books to be altered so that an amount in excess of \$100,000 was added over and above the legally budgeted \$643,121." Despite the additional money, the school was running out of money three months before the end of the school year, the complaint said.

The trustees are accused of failing to require that the budget balances be justified with the county treasurer's. The complaint also charged that "on numerous occasions" trustees approved expenditures without proper documentation.

"These violations are substantial and together, have placed the financial condition of the Wyola School District No. 29 in jeopardy," the complaints says. "Out of an original budget of \$643,121 in their general fund, said trustees have expended over \$623,000 leaving less than \$20,000 of spending authority in their general fund."

The complaint notes the payroll alone is more than \$10,000 each two-week period.

The complaint also notes that, if the \$209,121 emergency budget had been accepted, the total budget would have been \$852,873 — "a 121 percent increase over the amount for 1983-84 of \$385,272, and a 250 percent increase over the amount for 1982-83 of \$243,360."

In his civil complaint asking for a restraining order against the emergency budget, Belue challenges the attendance figures that trustees used as justification for approving the emergency budget. Trustees claimed that enrollment jumped from about 65 students last year to more than 100 this year. Belue said he has reason to believe that 10 to 20 of those students reside in the neighboring Lodge Grass School District.

Baugh will hear arguments March 26 on whether the temporary restraining order against the emergency budget should be made permanent. He will also hear motions in the criminal complaints.

In the meantime, county Superintendent of Schools Roberta Snively will appoint temporary trustees. Part of the new trustees' responsibility will be to pass a new emergency budget so the school will not have to shut down, Belue said.

Most of the approximately 50 Wyola residents who packed the commissioners' room for the special suspension meeting Wednesday were angry that their school officials were being removed.

One woman accused county officials and the judge of "railroading" the school district. On the advice of their attorney, the trustees and Woodring did not speak on their behalf at the 25 minute meeting.

But, at its conclusion, Crow Tribal Secretary Truman Jefferson told the group that it should recommend Snively appoint Eddy Roundface, Plus Real Bird and Billy Backbone as temporary trustees. Most in the audience agreed to sign a petition to that affect.

he device must have a nonresettable metering control that can provide a positive reconciliation between the number of warrants issued and the number of signatures applied. Either split signature plates or a double signature plate may be used according to the requirements of the district. The signature plates and the device keys must be kept secure by the district clerk under the supervision of the board of trustees of the district.

(3) The trustees shall issue warrants in single copy or in triplicate copy. When the warrants are issued in single copy, the trustees shall immediately provide a listing of the issued warrants on a fund-by-fund basis to the county treasurer and retain a copy of the listing in the district accounting records. When the warrants are issued in triplicate, the original copy of the warrant shall be delivered to the payee, the duplicate shall be sent immediately to the county treasurer, and the triplicate shall be retained by the district for accounting record purposes. The duplicate and triplicate copies shall be identified on the face of the warrant as "Not Negotiable—Copy of Original".

(4) However, the trustees may elect to issue warrants in payment of wages and salaries on a direct deposit basis to the employee's account in a local bank, provided the consent of the employee has been obtained and the employee is given an itemized statement of payroll deductions for each pay period.

History: En. 75-6810 by Sec. 246, Ch. 5, L. 1971; amd. Sec. 1, Ch. 341, L. 1971; amd. Sec. 2, Ch. 241, L. 1973; R.C.M. 1947, 75-6810; amd. Sec. 1, Ch. 279, L. 1979.

Cross-References

County warrants, Title 7, ch. 6, part 26.

20-9-222. Recording and payment of warrants by county treasurer. (1) Immediately after receiving a duplicate warrant or a warrant listing from a district, the county treasurer shall enter the amount and number of such warrant on his accounting records under the fund identified on such warrant or listing. The recording of the warrants shall allow for the computation of the unexpended amount of a budgeted fund from the accounting records.

(2) Whenever it appears to the county treasurer that a budgeted fund is nearly exhausted that the issuance of another warrant will cause the overexpenditure of such budget, the county treasurer shall immediately notify the appropriate district of the expended condition of the budget and the district shall not issue another warrant against such fund that would overexpend the budget.

(3) After receiving a duplicate warrant or warrant listing that contains a warrant which will exceed the unexpended balance of a budgeted fund, the county treasurer shall immediately notify the district of such overdraft. If the district has not corrected the overdraft before the presentation of the warrant for payment, the county treasurer shall refuse to pay or register such warrant and shall endorse across the face of such warrant "Payment and Registration Refused, Insufficient Budget" and return the warrant to the person presenting it for payment.

(4) Whenever a warrant will overexpend the cash balance of a nonbudgeted fund, the county treasurer shall refuse to pay or register such

Registration Refused, Insufficient Funds" and return the warrant to the person presenting it for payment. The county treasurer shall immediately notify the district of such refusal to pay or register the warrant drawn on a nonbudgeted fund.

History: En. 75-6811 by Sec. 247, Ch. 5, L. 1971; amd. Sec. 3, Ch. 241, L. 1973; R.C.M. 1947, 75-6811.

Cross-References

Duties of County Treasurer, 7-6-2111.

County warrants, Title 7, ch. 6, part 26.
Management of school funds, 7-6-2801.

20-9-223. Cancellation of outstanding warrants — duplication. The trustees of any school district shall be authorized to cancel any warrant that has been issued for at least 1 year. However, the contractual obligation of the district that has been satisfied by the issuance of the warrant shall not be terminated until the time specified by 27-2-202(1) has elapsed. When a warrant has been cancelled and the obligation has not terminated under 27-2-202(1), the district may issue a duplicate warrant without the completion of an indemnity bond by the payee.

History: En. Sec. 1, Ch. 365, L. 1973; R.C.M. 1947, 75-6811.1.

20-9-224. Credit of refund — refund of revenue not charged against spending authority. (1) Whenever a school district deposits with the county treasurer a refund or rebate, the county treasurer shall credit the budgeted fund to which it is deposited and restore the school district's spending authority in that fund in the amount of the refund or rebate.

(2) A refund of revenue previously received by a school district shall not be charged against a school district's spending authority.

History: En. 75-6811.2 by Sec. 1, Ch. 329, L. 1977; R.C.M. 1947, 75-6811.2; amd. Sec. 1, Ch. 83, L. 1979.

Cross-References

Duties of County Treasurer, 7-6-2111.

Part 3

Equalization Aid

Part Cross-References

ANB defined, 20-1-101.

School fiscal year, 20-1-301.

Definition of various schools, 20-6-501.

20-9-301. Purpose and definition of foundation program and general fund. (1) A uniform system of free public schools sufficient for the education of and open to all school age children of the state shall be established and maintained throughout the state of Montana. The state shall aid in the support of its several school districts on the basis of their financial need as measured by the foundation program and in the manner established in this title.

(2) The principal budgetary vehicle for achieving the minimum financing as established by the foundation program shall be the general fund of the district. The purpose of the general fund shall be to finance those general maintenance and operational costs of a district not financed by other funds established for special purposes in this title.

(3) The amount of the general fund budget for each school fiscal year

Exhibit 1
SB 76
3-21-85
Senator Halliger

Montana Arts Advocacy

committee of the Montana Institute of the Arts Foundation

TESTIMONY OF BRENDA SCHYE ON SB 76
March 21, 1985
HOUSE LOCAL GOVERNMENT COMMITTEE

I am Brenda Schye, and I represent the Montana Arts Advocacy, a broad cross-section of Montanans who are committed to the development of Montana's cultural resources.

Museums play a central role in preserving the rich cultural heritage of our state. Currently, county commissions have the option of imposing a levy for the support of museums and galleries. Under this bill, that decision would not be based solely on the issue of whether the county wanted to provide that support, but would force these programs into direct competition with such things as mosquito control, airport maintenance, and programs for the handicapped.

Therefore, the commissioners' decision changes from "Do we want to support museums?" to "Do we want to support museums more than we want to fund these other programs?" It seems more appropriate for each program to pass or fail the county funding test based on its own merits rather than pitting one program against another in competition for the same pot of limited funds. We therefore oppose the inclusion of museums and galleries in a consolidated services levy, particularly when it is as low as 15 mills.

K. Paul Stahl—Helena
James Poor—Great Falls
Mary Hudspeth—Glendive
Charles Tooley—Billings
Eric Myhre—Helena

Donna Gray—Pray
B.J. Hawkins—White Sulphur Springs
Claudette Morton—Helena
Reed Robinson—Missoula
Deborah Schlesinger—Helena

Sydney Sonneborn—Miles City
C. Karen Stanton—Hardin
J.D. Holmes—Helena
John Koch—Miles City
Joan Hendricks—Executive Secretary-Billings

Amend House Bill 804

AMENDING TO INCLUDE THE FOLLOWING:

1. Hotel-Motel
2. Resturant
3. Luxury
4. Payroll
5. Motor Vehicle Fee
6. Sales
7. Entertainment
8. Income

✓1. Title, lines 5 and 6.

Strike: "ANY TYPE OF TAX NOT OTHERWISE AUTHORIZED OR PROHIBITED"

Insert: "CERTAIN LOCAL OPTION TAXES"

✓2. Title, line 6.

Strike: "SUCH TAX IS"

✓3. Page 1, line 13.

Strike: "(1)"

✓4. Page 1, line 14.

Following: "impose"

Insert: "one or more of the"

✓5. Page 1, lines 14 through 16.

Strike: "on" on line 14 through "law" on line 16

Insert: "set forth in [section 2]."

✓6. Page 1, line 20.

Strike: "this section"

Insert: "[section 3]"

7. Page 1.

Following: line 20

Insert: "Section 2. Types of taxes that may be imposed. As provided in [this act], a local government may impose one or more of the following taxes:

(1) A hotel-motel tax, which is imposed on the user of a hotel, motel, or tourist campground at a rate equal to 5% of the accommodation charge to be collected by the hotel, motel, or tourist campground. For the purposes of this subsection, the following definitions apply:

(a) "Hotel" or "motel" means a building containing individual sleeping rooms or suites, providing overnight lodging facilities to the general public for compensation. The term includes a facility represented to the public as a hotel, motel, resort, inn, guest ranch, or public lodginghouse. The term does not include a roominghouse, retirement home,

or other multi-unit structure that is rented on other than a daily or weekly basis.

(b) "Tourist campground" means a place used for public camping, primarily by automobile tourists, where persons may camp, secure tents, or park individual trailers or truck trailers for camping and sleeping purposes. The term does not include a trailer court, trailer park, or mobile home park intended for occupancy by trailers or mobile homes for nonrecreational dwelling purposes.

(2) A local restaurant tax, which may be a percentage of the charges paid by a consumer for ready-to-eat food and accompanying beverages sold by a retail establishment licensed as a restaurant or bar or other facility where food is prepared for immediate consumption by members of the general public. A restaurant may not be defined to include governmentally operated or owned food service establishments, meals provided primarily for senior citizens, school or educational institution food service facilities, meals served as an integral part of an accommodation, such as in boarding homes and medical facilities, or other food services not primarily servicing the public at large.

(3) A luxury tax, to be a percentage of the retail sales price of luxury items. A luxury item may not be defined to include foodstuffs; nonalcoholic beverages; over-the-counter or prescription drugs or health supplies; used automobiles; farm, construction, or other machinery or lubricants or supplies necessary for the operation of such machinery or other motor vehicles; tools or items generally required for a person's trade or occupation; individual items of clothing, including footwear, with a retail price of less than \$100; real property and structures attached thereto; or mobile or manufactured homes. Luxury items must be specifically identified either in the enabling authorization of the tax or in the implementing enactment, and exceptions may be set forth for defined luxury items used, although not required, in the course of a person's business or occupation.

✓(4) A local payroll tax, which may be a flat rate or a schedule of flat rates levied for specific time periods on employees of licensed businesses or public employers operating within the jurisdiction who are covered under the workers' compensation laws of the state or for whom there must be withholdings for state or federal taxes;

✓(5) A fee on light motor vehicles which is in addition to the fees required under Title 61, chapter 3, part 5. A local government may impose a fee on light vehicles, as defined in 61-3-531, in an amount not to exceed \$10 per vehicle. Such fees are payable at the

same time on the same vehicles as the fees provided for in 61-3-532 and 61-3-533. For the purposes of [this act], the fee provided in this subsection is considered a tax. The distribution of such fees, if not provided for by agreement, will be based upon the registration address of the owner of the motor vehicle.

✓(6) A tax on the retail sale of goods within the jurisdiction, to be a percentage of the retail sales price of items sold within the jurisdiction. The rate of such a sales tax may not exceed ____% of the sales price. In enacting the authorization for the imposition of a sales tax, the electorate may establish categories of goods that are not subject to a sales tax.

✓(7) A local entertainment tax, which may be a flat rate on or a percentage of proceeds derived from an entertainment enterprise or device operated for profit.

✓(8) A local income tax as a percentage of the state income tax liability on its residents and all other persons earning or receiving income from activities carried out in the municipality or county. The rate of the tax may not exceed 20% of the person's state income tax liability. In addition to other provisions relating to the imposition of a local option tax pursuant to [this act], the following provisions apply to the imposition of a local income tax:

✓(a) The governing body of a municipality or county imposing an income tax may suspend the collection of the tax for any calendar year only after giving 150 days' notice to the department of revenue. The suspension takes effect the first day of the next calendar year. Suspension of the tax does not impair the authority of the governing body to impose the tax in subsequent calendar years without elector approval.

✓(b) The local option income tax must be administered by the department of revenue. The department shall adopt rules for the administration of the tax.

✓(c) Money collected by the department must be accounted for separately and must be credited to a local income tax account in the fiduciary fund of the state treasury.

✓(d) For the purpose of administration, the department may deduct an amount not to exceed 1% of the amount collected in each jurisdiction.

✓(e) The department must return the proceeds from the tax to the jurisdiction in which they were collected, except:

- ✓(i) the amount for refunds;
- ✓(ii) a reserve for anticipated refunds; and
- ✓(iii) the costs of administering the tax.

(f) If a county levies a local income tax, the distribution of the proceeds must be made on the

basis of income tax collections in each jurisdiction. For this purpose, the county jurisdiction does not include taxpayers residing in municipalities.

✓(g) Only municipalities in counties that do not impose an income tax may impose a local option income tax. The tax is applicable to residents and other people earning an income within the municipal boundaries.

✓(h) A taxpayer whose principal place of business or employment is in a jurisdiction with an income tax but who lives outside the boundaries of that jurisdiction is liable for one-half the rate of the income tax."

✓8. Page 1, line 21.

Following: line 20

Insert: "Section 3. Enabling authority for imposition of tax"

Strike: "(2)"

Insert: "(1)"

Renumber: subsequent subsections

✓9. Page 1, line 22.

Strike: "such"

Following: "taxes"

Insert: "authorized by [this act]"

✗10. Page 2, line 20.

Following: line 19

Insert: "Section 4. Administration of tax -- penalty"

Strike: "(5)"

Insert: "(1)"

Renumber: subsequent subsections

49th Legislature

STATEMENT OF INTENT

HOUSE BILL NO. 804

A statement of intent is required on this bill because rulemaking authority is granted the department of revenue in section 2.

It is intended that the rules promulgated by the department of revenue would provide maximum compatibility with rules adopted by the department for administering state income taxes. In achieving this goal the department should strive for simplicity for taxpayers, and if burdens are necessary, the department should bear them. In administering the program, the primary objective should be efficiency for both the state and the concerned local governments. It is contemplated that the rules will address reporting forms, payments to local governments, and other procedures necessary for the proper administration of the local income tax.

TESTIMONY IN SUPPORT OF LOCAL OPTION TAXING AUTHORITY SUBMITTED BY KAY FOSTER, CITY COUNCILMEMBER, BILLINGS, MT, PRESIDENT OF THE MONTANA LEAGUE OF CITIES & TOWNS, AND MEMBER OF THE GOVERNOR'S COUNCIL ON ECONOMIC DEVELOPMENT.

Exhibit 1
HB 804
HB 393
3-21-85

ALTHOUGH I AM UNABLE TO APPEAR BEFORE THIS COMMITTEE, I WISH TO EXPRESS MY SUPPORT FOR LEGISLATIVE AUTHORIZATION OF LOCAL OPTION TAXING AUTHORITY WITH LOCAL VOTER APPROVAL. THIS IS A MOST IMPORTANT STEP IN ALLOWING CITY AND COUNTY GOVERNMENT OFFICIALS THE OPPORTUNITY TO SOLVE SOME OF THEIR OWN FINANCIAL PROBLEMS.

MONTANA'S LOCAL GOVERNMENTS ARE EXTREMELY DIVERSE, AND THE SOLUTIONS TO OUR FINANCIAL PROBLEMS MUST ALSO BE DIVERSE. AN ACCEPTABLE TAX IN BILLINGS MIGHT BE QUITE UNACCEPTABLE IN TROY. WEST YELLOWSTONE'S TAX PROBLEMS CANNOT BE SOLVED IN THE SAME MANNER AS BOULDER'S. STATEWIDE SOLUTIONS TO LOCAL FINANCE PROBLEMS HAVE TO TREAT ALL CITIES AND TOWNS AS IF THEY WERE THE SAME AND, THEREFORE, MOST OFTEN THIS TREATMENT IS AVOIDED ALTOGETHER.

THAT LEVEL OF GOVERNMENT CLOSEST TO THE PEOPLE IS BEST ABLE TO DETERMINE THE SOLUTIONS WHICH WILL LEAD TO THE IMPROVED FINANCIAL HEALTH OF A COMMUNITY. IF A SOURCE OF REVENUE IS CHOSEN WHICH DOES NOT MEET WITH CONTINUED VOTER APPROVAL, THEY HAVE IMMEDIATE ACCESS TO LOCAL OFFICIALS WHO CAN ACT AT THEIR NEXT MEETING RATHER THAN WAIT FOR THE NEXT SESSION OF THE LEGISLATURE. IT REMAINS DIFFICULT FOR ME TO UNDERSTAND WHY STATE OFFICIALS WANT THE RESPONSIBILITY FOR FINANCING LOCAL GOVERNMENT SERVICES WHEN THEY COULD SHIFT THIS RESPONSIBILITY TO THE LOCAL LEVEL WITH ADEQUATE AUTHORITY TO DO THE JOB.

THE FISCAL NEEDS OF LOCAL GOVERNMENT ARE BEING RECOGNIZED BY THE MONTANA LEGISLATURE, BUT THE MEANS TO IMPROVE THE QUALITY OF LOCAL SERVICES CONTINUES TO BE DENIED. STATE GOVERNMENT CANNOT CONTINUE TO DENY THE AUTHORITY TO FINANCE THE NECESSARY LEVEL OF SERVICE AND ALSO REFUSE TO PROVIDE STATE FUNDS TO REACH THIS LEVEL. I URGE YOU TO LET LOCAL VOTERS DECIDE HOW TO FINANCE THE LEVEL OF MUNICIPAL SERVICE IN THEIR COMMUNITIES BY ALLOWING THIS LOCAL OPTION TAXING AUTHORITY.

THANK YOU.

Local Hotel-Motel

AMEND HOUSE BILL 393

1. Title, line 6.

Following: "FACILITIES"

Insert: "AND OTHER OVERNIGHT ACCOMODATIONS"

2. Page 1, line 9

Following "(1)"

Insert: "(a)"

3. Page 1, line 11.

Strike: "10%"

Insert: "5%"

4. Page 1, line 12.

Following: "of"

Insert: "overnight"

Strike: "in"

Insert: "at a"

Strike: "and"

Insert: ", "

Strike: "facilities"

Insert: "resort, inn, campground, or other accomodations
for transient persons rented a daily or weekly basis"

5. Page 1, line 13.

Strike: "as defined in 50-51-102"

6. Page 1.

Following: line 13

Insert: "(b) The tax authorized by this section may not be
levied against charges for accomdations paid for by the
state of Montana under the provisions of 2-18-501.

(c) A local option hotel-motel tax may not be
levied against any accomdation by more than one local
government. If a county imposes a local option
hotel-motel tax the tax must be levied county-wide and,
unless otherwise provided by agreement with
municipalities within the county, the proceeds of the
tax will be distributed by the county based upon the
point of origin of the revenue of the tax. After a
prorata deduction for its administrative expenses, a
county shall distribute taxes collected on charges from
accomodations within each municipality to the
municipality and shall retain collections from
accomodations not within any municipality."

7. Page 1, line 18.

Following: "question."

Insert: "The local government may stop imposing local option
hotel-motel tax at any time. The electors of the local
government may, under the procedures set forth in
7-5-131 though 7-5-135, repeal the local government's
authority to impose the tax."

8. Page 1, line 21.

Following: "tax."

Insert: "The local government must provide that 5% of the local option hotel-motel taxes collected by each accomodation may be retained by it as reimbursement for administering the collection of the tax."

9. Page 1, line 22.

Following: "(4)"

Insert: "(a)"

Strike: "The"

Insert: Except as provided in subsection (b), the"

10. Page 1, line 24.

Following: "government."

Insert: "(b)"

11. Page 1, line 25.

Strike: "may"

Insert: "must"

Strike: "an amount"

Following: "not"

Strike: "to exceed 20%"

Insert: "less than 15%"

12. Page 2, line 1.

Following: "for"

Insert: "local"

Following: "travel"

Insert: "and convention"

HB393.61

PC5

BILL NO. _____
INTRODUCED BY _____

A BILL FOR AN ACT ENTITLED: "AN ACT TO AUTHORIZE LOCAL GOVERNMENTS TO IMPOSE A TAX ON CHARGES FOR THE USE OF HOTEL AND MOTEL FACILITIES AND OTHER OVERNIGHT ACCOMODATIONS; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Local option hotel-motel tax. (1)(a) The governing body of a county or municipality may impose a local option hotel-motel tax not to exceed ~~10%~~ 5% of the charge for the use of overnight accommodations in at a hotel and , motel, facilities resort, inn, campground, or other accomodations for transient persons rented on a daily or weekly basis as-defined-in-50-51-102, within the county or municipality.

(b) The tax authorized by this section may not be levied against charges for accomdations paid for by the state of Montana under the provisions of 2-18-501.

(c) A local option hotel-motel tax may not be levied against any accomdation by more than one local government. If a county imposes a local option hotel-motel tax the tax must be levied county-wide and, unless otherwise provided by agreement with municipalities within the county, the proceeds of the tax will be distributed by the county based upon the point of origin of the revenue of the tax. After a prorata deduction for its administrative expenses, a county shall distribute taxes collected on charges from accomodations within each municipality to the municipality and shall retain collections from accomodations not within any municipality.

(2) A local government may not impose a local option hotel-motel tax unless the question of whether to impose the tax has been referred to the electorate and approved for imposition by a simple majority of those voting on the question. The local government may stop imposing local option hotel-motel tax at any time. The electors of the local government may, under the procedures set forth in 7-5-131 through 7-5-135, repeal the local government's authority to impose the tax.

(3) The governing body of a local government imposing the tax shall provide for the administration and collection of the tax. The local government must provide that 5% of the local option hotel-motel taxes collected by each accomodation may be retained by it as reimbursement for administering the collection of the tax.

(4)(a) Except as provided in subsection (b), the proceeds of the local option hotel-motel tax may be used for any public purpose designated by the governing body of the local government.

(b) The governing body ~~may~~ must appropriate ~~an-amount~~ not ~~to-exceed-20%~~ less than 15% of the proceeds of the tax to local public or private agencies for local travel promotion and convention purposes.

Section 2. Effective date. This act is effective July 1, 1985.

-END-

MONTANA ASSOCIATION OF COUNTIES

1802 11th Avenue
Helena, Montana 59601
(406) 442-5209

TO: Representative Les Kitselman
Representative Jack Sands

FROM: *Gordon Morris*
Gordon Morris
Executive Director

RE: Yellowstone Co. District Court Budget/SB 25 and SB 142

DATE: March 21, 1985

Listed below is the budget for the Yellowstone County District Court Fund for the last fiscal year.

Jury and Witness Fees		\$128,291.00
Prosecutors		71,500.00
Transcripts		15,000.00
Court Reporters Salary		145,934.00
Indigent Defense		210,000.00
Psychiatric Exams		-0-
TOTAL COST		\$570,725.00
Certified Number of Vehicles		101,788
at	\$5.00	= \$508,940.00
at	\$3.00	= \$305,364.00

340	Parking Lots			
350	Fields			
360	Fire Protection			
	Others (List)			
TOTAL EXPENDITURES				
Fund:				
Title: <u>DISTRICT COURT</u>		County of: <u>YELLOWSTONE</u>		
Number: <u>2180</u>		Fiscal Year: <u>1984-85</u>		
Account No.	Account	Previous Year Budget	Previous Year Actual	Final Budget
<u>NON-TAX REVENUES</u>				
320000	<u>LICENSES AND PERMITS</u>			
321000	<u>MV Licenses and Permits</u>			
005	Light Vehicle License Fee	15,707	87,233	90,620
070	Recreation Vehicle Fees			
330000	<u>INTERGOVERNMENTAL REVENUE</u>			
333000	<u>State Grants</u>			
095	General Purpose Block Grant	104,878	66,938	66,519
096	General Service Block Grant			
341050	District Court Clerk Fees	15,000	29,862	30,000
TOTAL NON-TAX REVENUES		135,585	184,033	187,139
<u>EXPENDITURES</u>				
	0338 Salary Contingency	0	0	6,400
410300	<u>JUDICIAL SERVICES</u> Employer Contrib.	157,000	143,967	0
030	District Courts	319,322	318,335	397,874
01	Administration	23,000	15,285	15,000
42034002	Jury Services Probation Crt Serv.	354,038	324,516	406,222
03	Judicial Services	95,245	84,481	123,291
04	Prosecution Services	67,260	54,979	71,500
05	Court Reporting Services	148,055	146,767	224,515
06	Indigent Defense	204,816	170,368	210,000
07	Law Library Service	10,000	10,000	42,000
TOTAL EXPENDITURES		1,378,736	1,268,698	1,501,802

LOCAL GOVERNMENT

BILL NO. SB 291

DATE March 21, 1985

SPONSOR SENATOR HAMMOND

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

CS-33

LOCAL GOVERNMENT

BILL NO. SB 278

DATE March 21, 1985

SPONSOR SENATOR BOYLAN

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

CS-33

LOCAL GOVERNMENT

BILL NO. SB 187

SPONSOR SENATOR TOWE

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FOR
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

LOCAL GOVERNMENT

BILL NO. SB 76

DATE March 21, 1985

SPONSOR SENATOR HALLIGAN

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

LOCAL GOVERNMENTCOMMITTEEBILL NO. SB 126DATE March 21, 1985SPONSOR SENATOR MC CALLUM

NAME (please print)	RESIDENCE <u>REPRESENTING</u>	SUPPORT	OPPOSE
<i>Julie Hacker</i>	<i>Msle Co-Toolers</i>		X
<i>Bill Verwolf</i>	<i>City of Helena</i>	✓	
<i>Greg Jackson</i>	<i>Urban Coalition</i>	✓	
<i>Hedi Fiken</i>	<i>City of Great Falls</i>	✓	
<i>S. Morris</i>	<i>MRCO</i>	✓	
<i>Al Thomas</i>	<i>City of Great Falls</i>	✓	
<i>Mike Young</i>	<i>City of Missoula</i>	✓	
<i>Jim Van Arsdale</i>	<i>City of Billings</i>	✓	
<i>Carol McQuade</i>	<i>Senate Dist 28</i>		✓
<i>Sara Larkner</i>	<i>State Librarian</i>	✓	

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 130

DATE March 21, 1985

SPONSOR SENATOR HARDING

[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 160DATE March 21, 1985SPONSOR SENATOR FULLER

NAME (please print)	RESIDENCE REPRESENTING	SUPPORT	OPPOSE
Bill Verwolf	City of Helena	✓	
Greg Jackson	Urban Coalition	✓	
Ardis Olsen	City of Great Falls	✓	
John Johnson	City of Great Falls	✓	
Mike Young	City of Missoula	-	
Alec Hansen	MT. LEAGUE OF CITIES	✓	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.