

MINUTES OF THE MEETING
LOCAL GOVERNMENT COMMITTEE
MONTANA STATE SENATE

MARCH 25, 1986

The first meeting of the Local Government Committee of the 49th Legislature, Second Special Session, was called to order by Chairman Dave Fuller on Tuesday, March 25, 1986 in Room 405 of the State Capitol.

ROLL CALL: All members were present. However, Senators Pinsoneault and Hirsch arrived late. Karen Renne, staff researcher, was also present.

There were many visitors in attendance. See attachments.

CONSIDERATION OF SENATE BILL 2: Senator Bruce Crippen of Senate District 45, the chief sponsor of Senate Bill 2, gave a brief summary of the bill. This bill is an act authorizing political subdivisions to issue bonds or notes, individually or jointly, to establish self-insurance reserve funds; and providing an immediate effective date.

Senator Crippen stated that this problem arose from the recent Supreme Court ruling regarding liability and the lifting of the liability limits. Senator Crippen stated that this bill merely expands current law to allow governments to act collectively and sell bonds to finance such a pooled fund. Senator Crippen stated that the present "insurance crisis" has made liability insurance policies either unavailable or unaffordable for many municipalities.

Alec Hansen, executive director of the Montana League of Cities and Towns, spoke in support of the bill. He stated that there are 7 or 8 cities in Montana that do not have any liability protection at the present time and many more may be in the same situation shortly. This bill could also help school districts and counties.

John Lawton, Finance Director of the City of Billings, spoke in support of the bill. Mr. Lawton had several charts and graphs for the committee to view. He stated that SB 2 is not only the best solution to the insurance problem, it is the only solution. At least seven cities in Montana, including Billings, are presently without liability insurance, putting local taxpayers directly at

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risk. Any large claim against the uninsured cities would have to be paid by a special direct tax, spread out over three years. In response to the crisis, The Montana League of Cities and Towns proposes a self-insurance program that would sell liability insurance to municipalities at rates 20 to 50 percent lower than current private sector rates. There is a two part solution to the existing problem.-----

1) Place limits on the government liability or --- 2) the proposed insurance solution. This bill is a mere financial mechanism. The program is designed to handle "big hits". This would guarantee long term coverage and can be used by various government units. Besides providing needed insurance at a lower cost, the fund also will keep more premium dollars in Montana rather than paying them to out-of-state companies, and rates will be based on actual losses in Montana rather than the nation. It provides a self-sustaining source of capital. This proposal was the direct result of cities, towns and also insurance experts working together on the problem. Mr. Lawton stated that the self-insurance plan could be set up by next week, if approved, and bonds to finance the plan could be sold within three or four months. California hopes to adopt this program within the next few weeks.

Don Peoples, Executive Director of Butte-Silver Bow, spoke in support of the bill. He stated that this is a good way for cities to handle their own problem.

Gordon Morris, representing the Montana Association of Counties, spoke in support of the bill. He then introduced a number of county commissioners from across the state, and indicated that they all are in support of this bill.

Jim Van Arsdale, mayor of Billings, spoke in support of the bill. He stated that there are 40 to 50 suits pending at the present time in his city. The cities need this program to be able to protect the taxpayers.

Nathan Tuborgren, representing the city of Great Falls, spoke in support of the bill. He stated that this is a nationwide problem that needs to be addressed.

Chip Erdman, representing the Montana School Board Association, commented that they are experiencing the same problem as the cities and that this bill would be a practical and workable answer to the problem.

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Mae Nan Ellingson, representing Dorsey and Whitney, stood in support of the bill. Ms. Ellingson helped to draft this proposal.

With no further proponents, the chairman called for opponents to SB2. Hearing none, the meeting was opened to a question and answer period from the committee.

Senator Fuller asked how many mills would have to be levied against the taxpayers of Billings if that city were to lose a one million dollar liability suit. Mr. Lawton replied that 10 mills for the next three years would have to be levied.

Senator McCallum asked about coverage. All cities and towns would receive the same coverage.

Senator Dorothy Eck asked if there are standards for the management of this program. This program would be organized under the Interlocal Government Statutes.

Senator Fuller stated that the government does not want to compete with the private sector, however, they do not have a choice about getting into the insurance business. Coverage is not always available. The cities and towns cannot be left without insurance.

Deer Lodge was used as an example of a smaller town to point out what would result if they would lose a one half million dollar suit. They would have to double property taxes for three years.

Senator Pinsoneault asked if anyone present had been contacted by someone from the insurance sector lobbying against this bill. No one had been contacted.

Roger McGlenn, representing the Independent Insurance Agents of Montana, stated that his company had not been contacted by the large companies and he felt he would be one of the first ones contacted if there was any opposition to the bill.

Senator Crippen closed. He stated that the cities and towns do not have any choice in the matter, something must be done. The law is already in existence and Senate Bill 2 only provides a financial mechanism for self-insurance. This bill also has a provision allowing that if private insurance becomes available and affordable

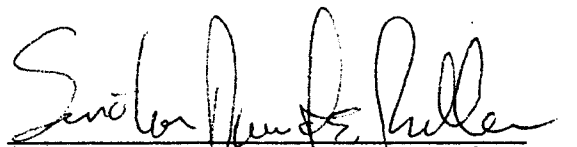
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in the future, the self-insurance fund can buy private insurance or dissolve itself.

ACTION ON SENATE BILL 2:

A motion was made by Senator Crippen that SB 2 receive a DO PASS recommendation from the Committee. Motion carried unanimously.

ADJOURN: With no further business the meeting was adjourned at 1:55.


Senator Dave Fuller, Chairman

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ROLL CALL

LOCAL GOVERNMENT

COMMITTEE

49 th LEGISLATIVE SESSION -- 1986

Date March 25 '86

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NAME	PRESENT	ABSENT	EXCUSED
DAVE FULLER	✓		
JOHN MOHAR	✓		
BRUCE CRIPPEN	✓		
DOROTHY ECK	✓		
ETHEL HARDING	✓		
LES HIRSCH	<i>late</i>		
GEORGE MC CALLUM	✓		
DICK PINSONEAULT	<i>late</i>		
PAT REGAN	✓		
PETE STORY	✓		

Each day attach to minutes.

DATE

Nov. 25, 1966

COMMITTEE ON

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Levi Brammer	MACD	SB 2		
R. Hagen	MACD	SB 2	✓	
W. Jensen	M.A.C.O.	SB 2	✓	
W. J. Subergen	City of Great Falls	SB 2	✓	
W. J. Subergen	Great Falls	SB 2	✓	
W. J. Subergen	City of Billings	SB 2	✓	
W. J. Subergen	Whitney	SB 2	✓	
W. J. Subergen	City of Helena	SB 2	✓	
W. J. Subergen	"	"	✓	
W. J. Subergen	ITIA of Montana			
W. J. Subergen	MLCT		✓	
W. J. Subergen	MHCo.	SB 2	✓	
W. J. Subergen	MACo - Rickland Co.	"	✓	
W. J. Subergen	STATE AUDITOR / INS DEPT	SB 2		
W. J. Subergen	City of Billings	SB 2	✓	
W. J. Subergen	M SBA	SB 2	✓	
W. J. Subergen	MONT STATE FIREMAN'S ASSOC	SB 2	✓	
W. J. Subergen	PIA & NFIB	SB 2		
W. J. Subergen	B. H. S. 1000 Du Lac Court	SB 2	✓	

(Please leave prepared statement with Secretary)

MONTANA MUNICIPAL

Clerks—Treasurers—Finance Officers

ASSOCIATION

March 21, 1986

Rep. Paula Darko, Chairman
House Local Government Committee
and
Sen. Dave Fuller, Chairman
Senate Local Government Committee
State Capitol
Helena, Montana 59620

Dear Rep. Darko and Sen. Fuller:

The Executive Board of the Montana Municipal Clerks, Treasurers and Finance Officers Association passed the following resolution during the Montana Institute of Municipal Clerks held the week of March 17-21, 1986 in Bozeman.

Sincerely,



DONALD L. HACKMANN
President

DLH:rs

cc: Alec Hansen, Executive Director
Montana League of Cities and Towns

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EXHIBIT 1
3-25-86
B.B. 2

R E S O L U T I O N

WHEREAS, cities and towns in Montana are experiencing a liability insurance crisis; many communities have not been able to obtain necessary coverage while the cost of policies has increased anywhere from 150 percent to 800 percent; and

WHEREAS, liability insurance is absolutely essential to protect the taxpayers of our cities and towns from damage claims; and

WHEREAS, the cost of insurance also has important consequences on the budgets of the municipal governments of the State of Montana.

NOW, THEREFORE, BE IT RESOLVED that the Montana Municipal Clerks, Treasurers and Finance Officers Association urges the legislature in special session to adopt a referendum that would give the people of this state an opportunity to vote on the question of whether or not governmental units should have protection as has been provided by Montana law in the past; and

BE IT FURTHER RESOLVED that this Association supports the efforts of the Montana League of Cities and Towns to have legislation adopted that will allow local governments to issue revenue bonds for the purpose of funding reserve accounts for self-insurance pools.

Exhibit 1
3-25-86
S.B.J

Adopted by the Executive Board of the Montana Municipal Clerks, Treasurers and Finance Officers on the 21st day of March 1986 and supported by we, the following clerks, treasurers and finance officers:

Name	Position	City/Town
Lelly A. Remick	Clerk/Treas	Belgrade
Juanita F. Fisher	Deputy Clerk	Belgrade
Ellen A. Jensen	Clerk-Treas	Bozeman
Kicki L. Manning	Clerk-Treas	Ennis
Sue E. Brown	Clerk	Levittown
Dale C. Reigertum	Clerk	Meramec
Norothy Kovacich	Clerk-Treasurer	Grass Range
Mina Williams	Clerk-Treasurer	Brookhaven
Linda Buttner	Clerk-Treasurer	Plains
Clare Baldry	Clerk-Treasurer	Hot Springs
Tom Holden	Clerk-Treasurer	Kalispell
Patty Pauchon	Deputy Clerk	Fort Benton
Erin Vardon	Clerk	Fort Benton
Carrie Riley	Treasurer	Bozeman
Wanda Porter	Clerk	Hamilton
Lucy J. Elkins	Admin. Asst.	Hamilton
Ann Smalia	Clerk/Treasurer	Hysham
Doreen Dahlman	Cty. Clerk	Wolf Point
Doris Nordhagen	Clerk/Treasurer	Wolfing
Eadie Huber	Clerk/Treasurer	Tracy

Adopted by the Executive Board of the Montana Municipal Clerks, Treasurers and Finance Officers on the 21st day of March 1986 and supported by we, the following clerks, treasurers and finance officers:

Name	Position	City/Town
Richard M. Miller	Vice President - 3rd Class Cities, Clerk-Treasurer	Scobey
Elise Dean	City Clerk	Plentywood
Jeffrey Keren	Town Clerk/Treasurer	Medicine Lake
Kathlyn Hunka	Town Clerk/Treasurer	Thompson Falls
Gee Ann Hoffmeyer	Clerk-Treasurer	St. Ignace
Sharon A. Smith	Clerk/Treasurer	Three Forks
Vicki Ellison	Clerk/Treasurer	Manhattan
Daniel D. Watson	CITY CLERK	FORSYTH
Charlotte Devalley	Town Clerk/Treasurer	Brookton
Sammy Brown	CITY CLERK	GLASGOW
Don McGowan	city clerk	Laurel

Adopted by the Executive Board of the Montana Municipal Clerks, Treasurers and Finance Officers on the 21st day of March 1986 and supported by we, the following clerks, treasurers and finance officers:

Name	Position	City/Town
Lorraine Mulpet	Deputy Clerk	Chenook
Gayle E. Leekley	Deputy Clerk	Dillon
Joan Morris	City Clerk	Koundou
Jean E. Spence	City Clerk	Dutton
Jean Fortuna	Town Clerk	Butte
Sharon Herman	Deputy City Clerk	Laurel
Ann Horton	City Clerk	Billings
Levinj Bullock	Town Clerk	Wistaway
Kori Esdes	Deputy Clerk	Blondine
Muel & Barnett	Finance Director	Bozeman MT
Mari B. Mitch	Asst Clerk	Cent Branch
Marlene L. Elman	City Treasurer	Columbia Falls
Pat Furberich	City Clerk	Red Lodge

1. The first part of the document is a header section containing the title "THE EFFECTS OF THE 2008 FINANCIAL CRISIS ON THE UK ECONOMY" and the author's name "JAMES H. M. SMITH".

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Exhibit 1
3-25-86
S. B. 2

STANDING COMMITTEE REPORT

March 25, 1966

MR. PRESIDENT

We, your committee on Local Government

having had under consideration Senate Bill No. 2

First reading copy (white)
color

Respectfully report as follows: That Senate Bill No. 2

DO PASS

~~THROUGHTLESS~~

Senator Dave Fuller

Chairman.