

50TH LEGISLATIVE SESSION
MINUTES OF THE MEETING
LOCAL GOVERNMENT COMMITTEE
MONTANA STATE SENATE

January 8, 1987

The first meeting of the Local Government Committee was called to order at 1:00 p.m. on January 8, 1987 by Chairman Bruce Crippen in Room 405 of the Capitol.

ROLL CALL: All members were present.

Senator Crippen introduced new members of the committee, Senators Tom Beck, Eleanor Vaughn and Mike Walker. He announced that Senator Hammond had returned to Local Government Committee this session. Senator Crippen also announced that there would be no smoking in committee meetings.

Senator Crippen asked for the consensus of the committee regarding absences. It was felt by all that even absent member should be allowed to vote and that he or she should be able to leave their vote with the secretary.

Traditional procedure will be followed for bills. The sponsor will be asked to introduce the bill. Proponents, opponents, and questions from the Committee will follow. The sponsor will then close. Sen. Crippen announced that a person testifying must be either a proponent or an opponent or they will not be allowed to testify. All ties will stay in the committee. Adverse committee reports and tabling will be allowed. The committee will meet on Tuesdays and Thursdays but not on Saturday unless necessary. If members need to be excused, they are to let Chairman Crippen know so that the minutes reflect it.

Sandra Whitney of the Montana Taxpayers Association was asked to present "Montana State Funds" a special report by the Montana Tax Foundation dated September, 1986. See Exhibits 1 and 2.

CONSIDERATION OF SENATE BILL 35.

Senator Ed Smith, sponsor of the bill said what it really does is to permit someone employed previously who is related to a newly-elected school board member or county commissioner to retain his position. The problem exists all over the state, he said, but especially in the rural, sparsely-populated areas. He also mentioned that school trustee Robert Henry of Billings, was considering resigning from the Billings school board because of the nepotism law. He distributed copies of a letter from Charles R. Trinder of Poplar, MT which told of 5 school employees who will have to

Local Government Committee
January 8, 1987
Page 2.

resign and reported that it was a considerable problem in the small town of Poplar. See Exhibit 3.

PROPONENTS:

Representative Dorothy Cody, Poplar, representing District 20, strongly supports Sen. Smith's bill, and said she plans to propose one of her own along the same lines. In small communities, she said, even finding candidates for school trustees and county commissioners can be a problem and that very many people are related. All 5 trustees in Poplar were affected by the law.

Betty Hollum of Poplar, one of the school employees affected, read the Trinder letter written by her son-in-law.

Eric Feaver, President of the Montana Education Association, said there is a clear and obvious problem and felt that Sen. Smith had proposed a reasonable solution to the problem. He felt that no employee should be terminated and that no citizen should be denied the opportunity to serve simply because they are related in one way or another to a current employee. He said the MEA phone rang "off the hook" regarding this situation and recommended that this bill be passed with dispatch, or by the end of March, or a significant non-renewal of teachers will occur.

Terry Minnow, of the Montana Federation of Teachers, asked that the bill be passed.

Chris Maddox, Superintendent of Schools in Cut Bank, said that prior to 1980 the nepotism law was fairly well enforced. At that time, the Hall case occurred in Bozeman and the Montana Human Rights Commission became involved. The Attorney General issued an opinion that said, in effect, that an in-law relative of a school board member was not ineligible for hire. After that opinion two school districts hired in-law relatives and it was legal because of the opinion, he said. Then in 1985, the Tveit bill was passed, making Cut Bank in violation of the law. In Cut Bank the county attorney chose not to press charges and the condition continues to exist, Maddox said.

Robert Richards, Superintendent of Schools in Plentywood, stated that there will be 3 trustees who will be forced to resign and whose resignations will become effective before the new teacher contracts will be considered on the first of April. He did ask that Sen. Smith look into the possibility of extending the provision to include 2nd class districts as well as 3rd class districts and felt that 1st class districts might also like to be included. In his district tenured and

non-tenured teachers, bus drivers, custodians, cooks and a 30-year music teacher could be affected. On a positive note, he praised the open-meeting law as another way to control nepotism.

Bob Stockton, from the office of the Superintendent of Public Instruction, said his office probably received 1000 calls per year regarding the nepotism law. He said a few years ago there was a Supreme Court decision from the state of Montana that ruled that tenure did not protect the teacher from the nepotism law. He felt that the Attorney General's opinion previously referred to was misunderstood as it spoke only to the spouse of the board member. Senate Bill 35 responded to the problem well, he said, and the Office of Public Instruction supports the bill.

OPPONENTS: None

DISCUSSION:

Senator Pinsoneault told Senator Smith he agreed with the principle of the bill but said the real problem arises later on when decisions are made regarding salary raises and promotions. He asked Sen. Smith if he felt it would be appropriate to include a provision so that a board member would disqualify him or herself if a relative was being considered in their areas. Sen. Smith felt that this matter was already "built in" and not necessary to include.

Senator Beck asked, in the extreme, if there could be any 5-member school board members whose 5 wives were teachers and affected by the nepotism law. Senator Smith said he didn't think so. He said this bill was prompted by a school board member in Plentywood whose wife had been in the school system for 30 years. The people persuaded him to run and now he has had to write a letter of resignation. But it will be very unfortunate if he does resign, because he is a very knowledgeable individual, said Sen. Smith.

Sen. Beck then asked about the "2nd class districts" and Karen Renne, the staff researcher, replied that was being addressed by Senator Yellowtail's bill which was yet to be introduced.

Sen. Crippen asked what was the significance of the October, 1985 retroactive date. Sen. Smith said that was when the Tveit bill took effect. This problem was overlooked when the Tveit bill was passed. He said that SB 35 would be effective immediately when it passes.

Sen. Story asked why SB 35 was assigned to Local Government

Local Government Committee
January 8, 1987
Page 4.

Committee rather than Education. Karen said that it doesn't apply only to school boards, but to all agencies. She said that the Tveit bill was simply a method of ensuring that the Human Rights Act would not conflict with the nepotism law. The nepotism law prevents an administrator in any agency from hiring or promising to hire a member who is related in the 4th degree by consanguinity or in the 2nd degree by affinity. That covers out to first cousins and brothers-in-law and sisters-in-law. All Tveit's bill did, said Karen, was to define nepotism so it would not be discriminatory. Sen. Smith's bill only refers to renewals of contract, not to initial hirings. Rep. Cody's bill allows a relative of a school board member to be hired initially by a 2/3 vote of the school board.

Sen. Hammond asked if we needed both bills. Karen stated that this bill, Sen. Yellowtail's bill and Rep. Cody's bill did different things.

Sen. Vaughn asked if there would be any problem with retro-active pay. Sen. Smith said no.

Sen. Crippen asked Karen to clarify the Attorney General's opinion. She said that, in the most recent opinion, he stated that tenured teachers were not protected.

EXECUTIVE SESSION:

Sen. Hammond moved that Senate Bill 35 DO PASS. The motion was seconded and passed by the committee unanimously.

The meeting was adjourned at 1:35 p.m.


SEN. BRUCE D. CRIPPEN, Chairman

ROLL CALL

SENATE LOCAL GOVERNMENT COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 1-8-87

NAME	PRESENT	ABSENT	EXCUSED
BRUCE CRIPPEN	X		
R. J. PINSONEAULT	X		
TOM BECK	X		
DOROTHY ECK	X		
H. "SWEDE" HAMMOND	X		
ETHEL HARDING	X		
LES HIRSCH	X		
PETER STORY	X		
ELEANOR VAUGHN	X		
MIKE WALKER	X		

Each day attach to minutes.

(This sheet to be used by those testifying on a bill.)

NAME: Sen Ed Smith DATE: Oct 8, 1987

ADDRESS: Daguerre MT

PHONE: 409 - 5484

REPRESENTING WHOM? _____

APPEARING ON WHICH PROPOSAL: SB 35

DO YOU: SUPPORT? AMEND? _____ OPPOSE? _____

COMMENT: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

Montana State Funds

available to

Local Governments

Fiscal Year 1985



STATE LOCAL GOVERNMENT

EXHIBIT NO. #1

DATE 1-8-87

BILL NO. _____

A special report by the
Montana Tax Foundation
September, 1986

MONTANA TAXPAYERS Association



P O BOX 4909

1706 NINTH AVENUE

HELENA, MONTANA 59604

406-442-2130

January 8, 1987

Mr. Chairman and Members of the Committee:

For the record, I'm Sandra Whitney from the Montana Taxpayers Association. I'm here to present to you a study done in 1986 that documents the state funds for FY 1985, by program, that went to counties, cities, and schools. This study was undertaken because no one at the state level had an over-view of the state funds which were being sent to local governments, and because nobody else had the inclination to attempt such a lengthy project.

Requests for information on distribution of state funds were sent to all county treasurers. All but one were very helpful. Requests were sent to all city clerks in cities and towns that did not have an annual report on file at Local Government Services. I received information from about half of those entities. The other information came from various state agencies, and all agencies were extremely helpful.

I'd like to go through the report first, and show you what is there.

1. Introduction and explanation
2. State funds to local governments and code references
3. County section
 - a. State funds going to the counties - pp 7-12
 - b. Other state aid to counties - p 13
 - c. Mill value of state funds - p 14
 - d. Total county revenues - p 15
 - e. State \$ & Property Taxes as % of Revenue
4. City Section
 - a. State funds going to cities A through H - pp 17-19
 - b. Mill value of state funds - p 20
 - c. State \$ & Property Taxes as % of Revenue - p 21
 - d. As above for cities H through W. Yellowstone - pp 22-26
 - e. As above for cities Whitefish-Wolf Point - pp 27-31
5. School Section
 - a. State funds going to schools - pp 32-34
 - b. Mill value of state funds - p 34

In doing this study, it became obvious that there was not total uniformity in reporting. Neither was there a lot of desire on the part of local officials to have this information made public. At the city and county level I relied quite heavily on annual reports for total revenues and total taxes for each jurisdiction. Unfortunately, reports were not available for all cities and towns. It may be that when the last session exempted the smallest towns from mandatory audits, some of those towns also felt they were exempt from annual reports. Therefore, some data is missing, and some is obviously not accurate. An example of inaccuracy is in Walkerville on pages 24, 25 and 26. The state contribution shown on page 24 is higher than the total intergovernmental revenue shown on page 25. As a result, the percentages on page 26 total more than 100%.

SENATE LOCAL GOVERNMENT

EXHIBIT NO. 2-181

DATE 1-8-87

BILL NO. _____

*Presented by
Sandra Whitney*

A few other points should be emphasized.

1. pp. 14-16 - State funds account for 10% of county revenue or an equivalent of about 14 mills - property taxes are nearly 50%. The remaining 40% of the revenue comes from fees, charges, Federal funds, etc.
2. pp. 29-31 - State funds account for 14% of city and town revenue or an equivalent of over 40 mills - property taxes are over 45%. The remaining 40% of the revenue comes from fees, charges, Federal funds, etc.
3. Equalization for schools is quite effective as seen by the mill equivalent differences on page 34. The wealthier counties are receiving very few mills worth of state aid. Poorer counties receive well over two hundred mills worth of state aid.
4. No state agency knows where all state funds go. Some funds such as block grant are distributed at the county level, and no state agency has any record of that distribution.
5. Some distributions from the state are so small that they are not worth the bookkeeping time in the Treasurer's office.
6. Confidentiality requirements make it difficult to get information on the corporate license distributions to counties, ie the 80% of the bank tax that is allocated to counties. That allocation amounted to 8.6% of the total corporate license tax in FY 85.
7. If a bank in a county applies to the Dept. of Revenue for a refund of a portion of its taxes, DOR is requiring the counties to repay that distribution to the department. Unfortunately, that money has already been distributed by fund and spent when the repayment is required.

SENATE LOCAL GOVERNMENT

EXHIBIT NO. 2

DATE 1-8-87

BILL NO. _____

Poplar, Montana
December 11, 1986

Senator Ed Smith
Dagmar, MT. 59219

SENATE LOCAL GOVERNMENT

EMENDIT NO. 3

DATE 1-8-87

BILL NO. SB 35

Dear Senator Smith,

I am writing to you in regards to the nepotism laws and how they have effected our small community of poplar, Montana.

If you recall the first time I spoke to you was during the governors visit to A&S Tribal Industries in June. At that particular time I was the only one on the School Board that was effected by the law. Since that time, the Attorney General has come out with an interpretation that had sweeping effects on our board.

First, my mother-in-law, Betty Holum was not given her contract as a cooks helper after working for the school in that position for nine years. The second person to feel the effects of the law was Mr. George Budak. Since his wife was working as a teachers-aide, he did not run for reelection last April.

The next individual to be effected was our newly elected Trustee, Mr. Arlie Lauridsen. He had an Uncle who could no longer drive the school bus on the far north Mineral Bench route. This is a difficult route to find a driver for because it is so far out in the country.

Next came out Chairperson for the Board of Trustees. Mrs. Donna Snodgrass has a Daughter that just completed her college degree in Education and she was unable to have a contract to work within the school system at Poplar. Then there is the Son-In-Law of Mrs. Snodgrass, who is a tenured teacher in the Poplar Schools. Either He or She will have to go before the end of the current school year.

Just recently, we had to notify Mrs. Betty Reid that she could no longer work as a substitute teacher because her Brother-In-Law, Mr. Rick Reid, was a member of the Board of Trustees.

Just recently, the only member of the School Board who did not have a relative working for the school, resigned. We are now faced with the task of finding a replacement to finish out that term.

Poplar is located on the Fort Peck Indian Reservation and because of the close family structure of our Indian people and the small community that we live in, it makes the task of finding qualified individuals to serve on our Board an almost impossible task.

It seems that most everyone who is interested and qualified to serve on the Board has a relative working for the school in some capacity. This means that we either eliminate them as possible candidates or it means that it will cost someone a job.

Providing a quality education for our children is our number one priority here in our school. I have told you how the current law has effected our community. If you take Poplar as an example of how schools can be effected and multiply that by the number of other small communities and towns that have the same problem of complying with the current nepotism law, you can see how unfair the current law is and that we need a change in the law. We need a law that would have the best interest of our students in mind.

There is one other item that I need to mention here also. I talked primarily about small towns and communities, but I was also told about an Individual in Helena who had to resign their position on the Board, so the current law is not only unfair to small rural areas, but to the larger cities also.

I am currently writing letters to other states to get information on how they deal with the nepotism law in their States. I hope to have some responses before the next legislature meets. I will forward copies of that information to you as soon as I receive it.

In closing, I would like to express my appreciation for your time and interest in this most important issue. My suggestion would be that whenever a contract for a relative comes before the Board of Trustees for review, that the Board member, who is related to that individual, leave the meeting room during the discussion and that they not be allowed to vote on hiring or renewing that contract.

If you need any further information or if I can be of any assistance, please feel free to call me during the day at 768-5151 EXT 19, or at home in the evenings at 768-3715.

Sincerely,

Charles R. Trinder

Charles R. Trinder
S.R. Box 2082
Poplar, Montana 59255

SENATE LOCAL GOVERNMENT

ENRIT NO. 4
DATE 1-8-87
BILL NO. SB-35

ROLL CALL VOTE

SENATE COMMITTEE LOCAL GOVERNMENT

Date January 8, 1987 Senate Bill No. 35 Time 2 p.m.

NAME	YES	NO
BRUCE CRIPPEN	X	
R. J. PINSONEAULT	X	
TOM BECK	X	
DOROTHY ECK	X	
H. "SWEDE" HAMMOND	X	
ETHEL HARDING	X	
LES HIRSCH	X	
PETER STORY	X	
ELEANOR VAUGHN	X	
MIKE WALKER	X	

Rosemary Jacoby
Secretary

Bruce Crippen
Chairman

Motion: DO PASS

STANDING COMMITTEE REPORT

January 8

1937

MR. PRESIDENT

Local Government

We, your committee on.....

Senate Bill

35

having had under consideration.....

No.....

first reading copy (**white**)
color

Respectfully report as follows: That.....

Senate Bill

35

No.....

DO PASS

DO NOT PASS

.....
Senator Crippen

Chairman.

led
8-81
1-3-40