

MINUTES

MONTANA SENATE
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Senator Bob Brown, Chairman, on February 8, 1989, at 8:00 a.m.

ROLL CALL

Members Present: Senator Brown, Senator Bishop, Senator Eck, Senator Norman, Senator Hager, Senator Halligan, Senator Walker, Senator Harp, Senator Gage, Senator Severson, Senator Mazurek, Senator Crippen

Members Excused: None

Members Absent: None

Staff Present: Jill Rohyans, Committee Secretary
Jeff Martin, Legislative Council

Announcements/Discussion: Vice Chairman Hager presided during the first 45 minutes of the meeting as Senator Brown was presenting a bill in another committee.

HEARING ON SENATE BILL 290

Presentation and Opening Statement by Sponsor:

Senator Harding, District 25, sponsor, said she presents the bill as a consumer bill in that it revises the regulation of utility rates. She presented a proposed amendment (Exhibit #1).

List of Testifying Proponents and What Group they Represent:

Don Chance, Montana Building Industries Association
James F. Lechner, Executive Director, Home Builders
Keith Albright, Flathead Homebuilders
Jim Schultz, Helena Homebuilders Association
Mark Johnson, Billings Homebuilders Association
Bob Nelson, Montana Consumer Counsel

List of Testifying Opponents and What Group They Represent:

Alec Hanson, Montana League of Cities and Towns

Tim McGee, Finance Director, City of Great Falls
Earl Tufty, Director of Public Works, Great Falls
Jim Van Arsdale, Mayor, City of Billings
Gerald Smith, Montana Rural Water Systems
Dick Nisbet, City Manager, Helena
Bob Lovegrove, Mayor, Missoula

Testimony:

Don Chance, Montana Building Industries Association,
presented his testimony in support of the bill (Exhibit
#2).

James F. Lechner, Montana Building Industries Association,
presented his testimony in support of the bill (Exhibit
#3).

Keith Albright, Flathead Homebuilders, presented his
testimony in support of the bill (Exhibit #4).

Jim Schultz, Helena Homebuilders, said two years ago it was
determined by the city officials that a system
development fee would be assessed against new home
builders for reservoir expansion even though the
expansion would benefit everyone. The fee was
implemented and became just one more burden. He said
this is a hidden tax and makes people build outside the
city limits.

Mark Johnson, Billings Homebuilders Association, said he
served on the committee in Billings that initiated the
systems development fee. He supports the bill in that
it ties rate increases to inflation and it adds an
element of fairness to the consideration of fees such
as the systems development fee. The cost of this fee
is approaching \$2000 in Billings, no matter the value
of your home. He said there is no cap on systems
development fees and no other fee or tax of this
magnitude which affects the public is exempt from
review by the PSC.

Bob Nelson, Montana Consumer Counsel, said he supports the
bill for two reasons. First, the bill more accurately
represents the original intent of the law which was
enacted during a double digit inflationary period.
Inflation now is running about one third that amount.
Second, it corrects an inequity and oversight in the
law by providing Commission oversight for increases
above 12%. It also withholds Commission regulation for
individual rate classes that exceed 12%. He felt this
is a situation which needs to be addressed. For those

reasons, he urged the committee to support the bill.

OPPONENTS:

Alec Hanson, Montana League of Cities and Towns, said if a bill was needed to end the systems development fee, it should have been written. This bill destroys a law that has been effective and workable since 1981. This bill was passed in 1989 and gave cities the authority to regulate their own utilities up to 12% a year. It was one of the most important pieces of legislation ever passed and should be left alone. If the builders want to address systems development fees they should address that issue. Mr. Hanson said he is not willing to sacrifice the present law for that issue.

Tim McGee, Finance Director, City of Great Falls, said the cities have a 12% rate increase capability now which keeps them from having to appear before the PSC for enormous increases. He said he is a neutral party and has no interest in raising rates and as an employee of local government he and the local government are directly accountable to the people. This is a local control issue and the law should stand as it currently is written.

Earl Tufty, Director of Public Works, Great Falls, said the City Great Falls delayed improvements to their city and water systems for 13 years and now have embarked upon a five year improvement plan which will take the 12% rate increase each year to accomplish the renovation.

Jim Van Arsdale, Mayor of the City of Billings, said he is a strong proponent of fixed system development fees. The current law works very well and he doesn't see any need to change it.

Gerald Smith, Montana Rural Water Systems, said they deal with a lot of small towns in Montana and they like to maintain their own rates and control their own systems. He said he opposes the bill as the current law works very well.

Dick Nisbet, City Manager, Helena, said the city has had to make use of the 12% rate several times in the recent past due to the rebuilding of the water delivery system. The City implemented the systems development fee under the 12% provision to implement a system to provide funds for expansion of the system at no additional cost to the existing user. Every time a new user ties into the system some of the surplus is used. The fee kicks in and the surplus is maintained. It

puts a little equity into the system for the existing rate user. The fee does not apply to waste water, however. The cost of appearing before the PSC and the time lag can result in delays of up to a year and costs of \$10,000 to \$12,000. When there is an emergency in the system, a city cannot wait that long. He strongly urged the committee to reject the bill.

Bob Lovegrove, Mayor, City of Missoula, presented his testimony in opposition to the bill (Exhibits #5 and #6).

Questions From Committee Members:

Senator Mazurek asked if rate payers have nay way to appeal when their rates are raised under the 12% provision.

Mr. Nelson replied there is a provision for appeal. The consumer counsel also represents the public in rate increase hearings.

Senator Crippen said he did not want to touch the local control issue but felt the fees are unconscionable. He asked Senator Harding if that problem can be addressed.

Senator Harding said she felt it could be worked out. She said there are two different problems that need to be addressed and she felt her amendment took care of that situation.

Closing by Sponsor:

Senator Harding said the homebuilders do have a problem, however the cities also have a problem. She didn't feel the balance needed to be made on the backs of the cities. She felt there is a middle ground that will make the bill palatable to both the cities and the homebuilders.

HEARING ON SENATE BILL 253

Presentation and Opening Statement by Sponsor:

Senator Hofman, District 38, sponsor, said the bill is quite simple and the only change on page 6, line 2, which takes away the tax on diesel fuel for school buses owned by private schools.

List of Testifying Proponents and What Group they Represent:

Gary DenBesten, Manhattan Christian School

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Gary DenBesten, Manhattan Christian School, said the school is a private, non-profit Christian school. Public schools do not have to pay tax on the diesel fuel for their buses and it would be helpful if they could also be exempt. Currently, the Manhattan school is the only private school with diesel buses. They do not have to pay taxes on their other fuels and would hope the committee would see fit to expand the exemption to diesel fuel as well.

There were NO OPPONENTS.

Questions From Committee Members:

Senator Mazurek asked if this would apply only to buses or to any diesel use.

Mr. DenBesten replied it applies to all their diesel fuel, however, they only use diesel fuel for their fleet of seven buses.

In reply to a question by Senator Gage, Mr. DenBesten said they spent about \$1000 on diesel fuel tax the last school year.

Closing by Sponsor:

Senator Hofman closed by pointing out the bill does state "fuel that is put into motor vehicles". He said although this is a small matter it is a fairness issue and needs to be addressed.

HEARING ON SENATE BILL 308

Presentation and Opening Statement by Sponsor:

Senator Van Valkenburg, District 30, sponsor, said the bill has been introduced at the request of the Attorney General. It would allocate part of the coal severance tax proceeds for criminal investigations and prosecutions in the Department of Justice. In the past the Department of Justice has obtained a grant from the Coal Board to fund the drug prosecution unit in the eastern counties coal task force area. In the last

session of the legislature, the state expanded to the western part of the state, but primarily with federal money which has just been granted on a 25% match basis. With efforts afoot to "de-earmark" the Coal Board funds it is necessary to make a solid strong commitment to prosecution of drug offenses and the accompanying funding. He said there are some very slight amendments to be proposed due to recalculations in the funding.

List of Testifying Proponents and What Group they Represent:

Judy Browning, Chief Assistant Attorney General
Gary Carrell, Acting Administrator, Law Enforcement
Services Division
John Connor, County Prosecutors Services Bureau,
Department of Commerce, on behalf of the County
Attorneys Association
Senator Del Gage, District 5

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Judy Browning, Chief Assistant Attorney General, said she was testifying on behalf of Attorney General Mark Racicot who unavoidably had to be out of town and regretted not being able to testify on behalf of the bill. She said this is a very crucial and a most effective drug enforcement program. In 1982 the eastern section was established and has since been funded by coal funds. Over 570 drug cases have been investigated and prosecuted during that time. It is very necessary to have a stable base of funding for this critical program.

Gary Carrell, Acting Administrator, Law Enforcement Services Division, submitted proposed amendments to the bill (Exhibit #7). The eastern section operates in the nine coal counties and is comprised of five investigators and one secretary. They have investigated 574 cases, seized over \$153,000 in stolen property and over \$5.5 million in drugs since they began operation in 1982. The western section operates all over the state with six investigators, one attorney, two secretaries, and one chemist. It has been in operation since October of 1987 and in calendar year 1988 it investigated 89 cases, \$50,000 in stolen property recovered and over \$2.25 million in drugs was recovered, primarily

cocaine. They have conducted a training course at the law enforcement academy and done training for over 300 officers across the state in the drug enforcement area. He presented a fact sheet on coal severance tax projected income to the committee members (Exhibit #8).

John Connor, County Prosecutors Services Bureau, Department of Commerce, said the County Attorneys Association is very much concerned about the future of the Criminal Investigation Bureau. There is no better way to preserve the lifestyle that is so important to everyone here in Montana than to continue the successful drug enforcement program that is performing such incredibly important services for the counties.

Senator Del Gage, District 5, said he has worked with the Department of Justice in the drug area for three sessions and said there is a real need to give the funding for this program a permanent base. He said the protection of the people is the first responsibility of government and what greater need is there than to protect our state from the onslaught of drug traffic that is proliferating in this country.

There were NO OPPONENTS.

Questions From Committee Members: None

Closing by Sponsor:

Senator VanValkenburg closed said he sincerely wants to shower Attorney General Racicot with praise and give solid bipartisan support to his programs. Providing a stable base of funding is essential to keeping a competent criminal investigation section working to protect the people of the state. He said this is not an inappropriate decision for the Taxation Committee to make when tax dollars are being spent on important and essential programs such as this.

HEARING ON SENATE BILL 326

Presentation and Opening Statement by Sponsor:

Senator Yellowtail, District 50, sponsor, said the bill refers to the section of the law that permits a gas tax

refund for off road use. He said the bill arose from the frustration of a farmer who can use the cardtrol service in town more conveniently and less expensively than bulk delivery to his farm as he lives only a mile and half from town. Because he doesn't have it delivered bulk, he can't get the lower rate even though he is a bona fide farmer and off road user.

List of Testifying Proponents and What Group they Represent:

Harold Utey, Cenex
Ron DeYoung, Montana Farmers Union
Steve Viscon, Montana Petroleum Dealers Association
Ted Neuman, Montana Council of Cooperatives

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Harold Utey, Cenex, expressed support for the bill and in the interest of time said his sentiments were the same as expressed by Senator Yellowtail.

Ron DeYoung, Montana Farmers Union, said bulk fuel is cheaper and if farmers can pick it up in their own tanks in their pickups it is a fair and reasonable approach to the situation. He urged the committee to support the bill.

Steve Viscon, Montana Petroleum Dealers Association, expressed support for the bill.

Ted Neuman, Montana Council of Cooperatives, said the bill is an appropriate piece of legislation. If it is cheaper for some farmers to buy their fuel in town it extends the courtesy to those who do not buy bulk but still use the fuel for off road agricultural purposes.

There were NO OPPONENTS.

Questions From Committee Members:

Senator Gage wondered how often this would be used.

Senator Yellowtail felt there would be limited usage limited to those who live close to town.

Senator Mazurek wondered about the control factor.

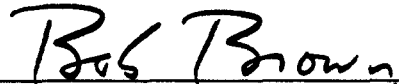
Senator Yellowtail said the 60% provision should cover that portion of fuel that is consumed by on road use. Also, there is form that must be signed for off road use and the refund is applied for at a date following the purchase. Gasoline is sold with tax, diesel without. However, if you pull into a station and fill your vehicle with diesel, the tax is assessed,

Closing by Sponsor:

Senator Yellowtail closed by saying he wants he bill to apply to fuel that goes directly into the vehicle as well as to storage tanks carried in the truck.

ADJOURNMENT

Adjournment At: 10:00 a.m.



SENATOR BOB BROWN, Chairman

BB/jdr

MIN208.jdr

ROLL CALL

TAXATION

COMMITTEE

50~~st~~ LEGISLATIVE SESSION -- 1989

Date 2/8/89

NAME	PRESENT	ABSENT	EXCUSED
SENATOR BROWN	X		
SENATOR BISHOP	X		
SENATOR CRIPPEN	X		
SENATOR ECK	X		
SENATOR GAGE	X		
SENATOR HAGER	X		
SENATOR HALLIGAN	X		
SENATOR HARP	X		
SENATOR MAZUREK	X		
SENATOR NORMAN	X		
SENATOR SEVERSON	X		
SENATOR WALKER	X		

Each day attach to minutes.

SENATE TAXATION

EXHIBIT NO. 1

DATE 2-8-89

BILL NO. SB 290

PAGE 2, LINE 7 AFTER "RAISED", INSERT "BY CITIES OF THE
FIRST OR SECOND CLASS"

PAGE 3. AFTER LINE 12, INSERT:

"(3) SYSTEM DEVELOPMENT FEES OR EXACTIONS
PREVIOUSLY ESTABLISHED MUST BE REVIEWED
BY THE PUBLIC SERVICE COMMISSION AS TO
THEIR PROPRIETY. IN THE EVENT THE PUBLIC
SERVICE COMMISSION SHOULD RULE AGAINST ANY
SUCH FEES OR EXACTIONS, ANY PREVIOUS SAID
FEES OR EXACTIONS SHALL BE RETAINED BY THE
MUNICIPALITY."

REVISION OF THE MUNICIPAL UTILITY RATE STATUES
TESTIMONY BY THE MONTANA BUILDING INDUSTRY ASSOCIATION

Under the current provisions of 69-7-101 and 69-7-102, municipal utilities are allowed to increase rates, charges and classifications by a rate of 12% annually without approval by the Public Service Commission (PSC). The 12% cap without PSC approval, is based on total annual revenues, not individual rate increases (i.e. as currently interpreted the utility may now substantially exceed the 12% cap on any individual rate increase as long as it does not increase it's total annual revenues beyond 12%. The 12% cap without PSC approval was established in the early 1980's during a period of very high inflation as a mechanism to help the utilities keep pace.

In recent years a number of Montana cities have instituted what is generally referred to as system development charge or development fee systems for new home construction. Fees as high as several thousand dollars per home are being charged to hook-up to existing water and sewer lines. These fees are in addition to traditional tap or connection fees and building permit and plan check fees which routinely range from \$300 to \$500 per house. A table of some of these system development charges is presented below:

	Water	Sewer	Bldg.
Billings	\$1,075 to \$69,000	\$850 to \$55,000	(proposed)
Great Falls	\$321	\$120	\$511
Helena	\$476.85	\$484.00	\$476
Kalispell	\$100.00	\$500.00	\$337
Missoula		\$350.00	\$423

None of the fees listed above which were charged by water and sewer utilities were submitted to the PSC for rate approval, despite the fact that many of the fee increases constituted several hundred percent, or more, rate increases. This occurred because of the current loop-hole in state statue, which this bill is designed to close.

These so called system development charges were put in place be city councils and utility boards which were hardly neutral third party deliberative bodies. They directly benefited from the rate increases, and are not held accountable by an immediate constituency since the rate increase applies to individuals who may be building or buying new homes in the future. Due to the current statutory loop-hole which has already been referenced, it is virtually impossible to receive a fair and impartial

SENATE TAXATION

EXHIBIT NO. 2 pg 2

DATE 2-8-89

BILL NO. SB 290

hearing on these major rate increases. The PSC process is being usurped, and needs to be corrected.

Keep in mind that these system development fees do not relate to the expense of installing water and sewer lines in new housing projects or to individual new homes. Those improvements and associated expenses are currently paid for directly by the developer or builder, and ultimately by the buyer of the home. Further, the new home buyer inherits all the bond indebtedness which the utility is currently under for previous improvements, and contributes substantially to the local property tax base under the appraised value of a new home. Arguments over the equity of system development charges and their appropriateness or inappropriateness should be held in a neutral and deliberative third party arena - the PSC. That right is now being denied due to loop-hole in question.

The proposed amendments would replace the current 12% cap without PSC approval with an indexing system tied to the annual consumer price index. This amendment would create a more flexible system and a more equitable system. Rate increases above the consumer price index would continue to be allowed with PSC approval, and the statute would continue to allow higher increases without PSC approval in the instance of government mandated improvements. The proposed amendments would also tie the rate increase cap to individual rate or charge increases, rather than the current system of "total annual revenues". This second amendment would insure that the PSC could fulfill it's role as an impartial forum in the consideration of significant rate increases.

#3

SENATE TAXATION

EXHIBIT NO. 3 pg. 1

DATE 2-8-89

BILL NO. SB 290



Helena Chapter of NAHB
442-1886

Flathead HBA
(Kalispell)
755-1014

Missoula Chapter of NAHB
543-6623

Yellowstone Contractors
Association
259-1703

S. W. Montana HBA
(Bozeman)
587-5423

Great Falls HBA
727-8555

P.O. BOX 875 • BILLINGS, MONTANA 59103 • (406) 259-1346

Testimony submitted 2-8-89

February 8, 1989

To: MEMBERS OF THE MONTANA SENATE TAXATION COMMITTEE

SUBJECT: S.B. 290. to change the allowable municipal utility increases from 12% without PSC approval to the COL percentage and to include so-called System Development Fees and other exactions to require PSC approval... increases to be for each exaction as a percentage increase of that charge and not a "total revenue" increase, percentage.

Dear Senators:

The purpose of this proposed legislation is to stop municipal and other governments from using a type of fee to escape PSC approval now required under Montana statutes for "rate" increases. Under the interpretation of the current statute, no control is available to stop municipalities and or other local governments from increasing individual fees or imposing other "exactions" way beyond any allowable percentage contained in statutes for "rate increases".

While there are numerous examples of this through-out the State of Montana, Billings, Montana has enacted the highest dollar amount for "System Development Fees". These currently range from \$1,075.00 for a 3/4 inch meter or smaller to \$69,000.00 for an 8 inch meter. In addition there is a resolution which has been adopted...but has been held in abeyance for several years, which would add an additional \$850.00 in sewer fees for a 3/4 inch meter or smaller or total charges of \$1,925.00. This fee has to be paid by the builder or the owner prior to receiving a building permit. The fee is assessed on any new meter and is not assessed just to any new sub-division. The \$1,075.00 water system fee has been increased in the following increments: 7-1-85 \$350.00; 7-1-86 \$700.00; 7-1-87 \$1,075.00. This amounts to a 100% increase in 1986 and 53% in 1987. In addition the Sewer charge was programed to increase at a percentage rate of 112.5% in 1988; 47% in 1989; and 36% in 1990. If a business in its operation should require; an 8 inch meter the charge to that business, if both the water SDF and the sewer SDF were in effect, would be a staggering \$124,000; a 6 inch meter \$77,000 and a 4 inch meter \$38,500.

These type of charges are not compatible with economic expansion of existing businesses; not attractive to potential business which may want to move to the area; and decreases the affordability of housing to Montana Citizens.

I urge adoption of this proposed legislation S.B. 290

TESTIMONY BY:

James F. Lechner

JAMES F. LECHNER, EXECUTIVE DIRECTOR

Affiliated With



SENATE TAXATION

EXHIBIT NO. 3 pg 2DATE 2-8-89BILL NO. SB 290Revised 1-12-89

	<u>Bldg Permit & Plan check</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
BILLINGS	276.00	1075.00		1351.00
BOZEMAN	491.70	n/a	n/a	491.70
BUTTE-SB	389.12	n/a	n/a	389.12
GREAT FALLS	511.00	321.00	120.00	952.00
HELENA	476.85	484.00		960.85
KALISPELL	337.00	100.00	500.00	937.00
MISSOULA	423.50		350.00*	773.50

There are other minor charges listed such as: water tap fee; sewer connection fee etc.

I am going on the assumption that the System Development Fees for sewer or water or both are collected at the time builder gets his building permit.

* Missoula's \$350.00 Sewer fee is collected by the City Engineer.

NOTE: THE ABOVE SEWER AND WATER FEES ARE FOR THE SMALLEST METER USUALLY USED IN A SINGLE FAMILY RESIDENCE.. THAT WOULD BE A 3/4 INCH METER FOR METERS ABOVE THAT SIZE THE FEE IS CONSIDERABLY HIGHER.

James F. Lechner
 James F. "Jim" Lechner
 Executive-Director
 MONTANA BUILDING INDUSTRY ASSOCIATION, INC.

Senate Bill 290:

- System Development Fees (anti-new housing)
 - hurts low income people more than high income, -
 - HAS BEEN used in CALIFORNIA as a form of economic discrimination.
 - S.D.F. are easily raised without public outcry - They affect only a small pop segment. That is not always able to fight back.

Flight from the urban structure

- High S.D.F. Fees cause people to leave the city limits for their property choices - cheaper in the long run
 - A. Cause Problems - not city dwellers but consumers of city services. - free riders.
 - B. Causes poorly planned subdivisions, ground water & sewer problems
 - C. Expensive for city utilities to reach out to these people after the fact
 - D. Evergreen example.

Conclusion

- NOT AGAINST paying fair share
- Realize cities & counties need too money to support these programs.
- Shouldn't penalize Building interests over Progress.

Keith Albright



OFFICE OF THE MAYOR

201 W. SPRUCE • MISSOULA, MT 59802-4291 • (406) 721-4700

*CITY OF MISSOULA***MAYOR BOB LOVEGROVE TESTIMONY ON SENATE BILL #290**

The issue presented in Senate Bill #290 is intended to be one to save sewer and water consumers money by holding down rate increases. However, this bill may do just the opposite and is also an issue of local control.

I do not feel that the Missoula consumers are better served by the five elected officials of the Public Service Commission than they are by the twelve City Council Members and an elected Mayor. We meet every Monday night and can take action if action needs to be taken on a much quicker basis than can be done through the PSC. If the citizens do not like the actions of the Council, they have elections every two years which can change half of the City Council. The Mayor and City Council members live among and are customers of the utility service and we are easily accessible everyday.

The current law requiring PSC review of increases higher than 12% ensures that there is a review of large rate increases while preserving the local control of smaller increases. Current law requires that a public hearing on the rate increase be held before the City Council and that each customer get a personal notice of the hearing with details on the proposed rate increase (see handout of postcard). Current PSC law requires only that a legal ad be placed in the newspaper, so our notice is superior.

Section Three of the proposed law is flawed as it maintains the exclusion for mandated federal and state capital improvements, but with increases limited to inflationary increases, operational increases above the inflation factor may be necessary to operate those mandated capital improvements.

Rate case hearings before the PSC are very expensive procedures and cities would likely have to hire consultants to prepare the rate cases. This cost can easily be in the \$10,000 - \$25,000 range which is often a tremendous burden to impose on smaller utility systems.

This bill would probably force all jurisdictions to increase rates by the CPI every year just to be safe. Our latest rate increase was 8.5% (see handout), while the inflation rate during that period was 14.15%. This situation is not always the case or this bill would not have been proposed, but we feel that using the CPI as a "ceiling" will have the opposite effect and the CPI increase will become a "floor" for an annual increase.

Finally, this bill is an issue of local autonomy and local control. PSC regulation is appropriate for regulating private, monopolistic practices, but it would force unnecessary expenditures of local and state funds to have the PSC review municipal rate cases when the local elected officials do a thorough and more representative review of the rate increases than can be done by the PSC.

SENATE TAXATION

DATE 2-8-89

CITY OF

BILL NO. SB 290

Glasgow

GLASGOW, MONTANA 59230

February 3, 1989

Dear Senators of Taxation Committee:

I would like to take this time to express my total and complete dissatisfaction to proposed SENATE BILL 290. The proposed bill, if passed, would eliminate a workable statute under which municipal utilities can operate, and reduce the system to a total nightmare.

Until operating costs such as energy, materials, parts and labor are stabilized, it would be totally impossible for a municipal utility to function in compliance with the proposed bill. The costs incurred by having to hire professional consultants, prepare rate studies, develop expert witness testimony and legal fees to appear before the Public Service Commission to recover minor operating costs is absurd. The result of passage of SENATE BILL 290 would result in an adverse effect of costing the consumer more in the long run.

The present law under which municipal utilities now operate is workable and offers enough flexibility to adjust rates for the changing economical environment. The cost of a rate adjustment is minimized and the consumer's interest is protected.

I respectfully request that you do NOT recommend SENATE BILL 290 for passage.

Sincerely,



Wilmer F. Zeller, Mayor
CITY OF GLASGOW

SENATE TAXATION
NOTICE OF PUBLIC HEARINGS TO INCREASE SEWER RATES AND
TO ELIMINATE SCHEDULED INCREASES IN SEWER DEVELOPMENT FEES

The City of Missoula is proposing to increase Sewer Use Fees by 8.5%, approximately \$0.46 per month for a single family house, effective July 1, 1988 and to eliminate scheduled increases in the Sewer Development Fee, thus leaving the Development Fee at \$350 per new connection.

The increase is necessary to offset operating losses of \$78,051 in FY87 and increases in operating expenses caused by a 70.5% expansion of the Sewage Treatment Plant's value, electrical cost increases, and general inflationary increases. This increase will be the first one in 3 1/2 years and will still leave Missoula with the lowest sewage rates of the major cities in Montana. The 8.5% will be applied across-the-board to all classifications as follows:

BILL NO. SB 290

CLASS	ANNUAL CHARGE	
	OLD RATE	NEW RATE 7/1/88
101 Single Family	\$65.00	\$70.50
102 Multiple Family	\$44.80/unit, plus \$10.80 account charge	\$48.60/unit, plus \$11.72 account charge
200 Office, Retail, Churches, Rooming Houses	\$55.60 + \$.322 per HCF*	\$60.32 + \$.349 per HCF*
300 Restaurants, Markets, Bakeries, Mortuaries	\$55.60 + \$.93 per HCF*	\$60.32 + \$1.009 per HCF*
400 Hospitals	\$55.60 + \$.33 per HCF*	\$60.32 + \$.358 per HCF*
500 Schools	Elementary High School	\$1.33 per student \$2.50 per student
600 Industrial/Large Volumes	By Formula	By Formula + 8.5%

* HCF — excess water charge per hundred cubic feet consumption.

The City of Missoula is also proposing to eliminate the next two scheduled increases in the Sewer Development Fee, a 30% increase on January 1, 1988 and a 20% increase on January 1, 1989, and to amend the Development Fee assessment method.

Public hearings to hear ratepayer testimony will be held on November 23, 1987 at 7:30 p.m. in the City Council Chambers, 201 West Spruce Street, Missoula, Montana. Questions and pre-filed testimony should be directed to Finance Officer Chuck Stearns and Public Works Director Joe Aldegarie at the above address or 721-4700.

IMPORTANT MESSAGE

TO Taxation Committee
 DATE 2/7 TIME 3:00 ^{AM} ~~P.M.~~

WHILE YOU WERE OUT

M Ken Brady
 OF Great Falls
 Area Code _____
 & Exchange _____

TELEPHONED	<input checked="" type="checkbox"/>	PLEASE CALL	<input type="checkbox"/>
CALLED TO SEE YOU	<input type="checkbox"/>	WILL CALL AGAIN	<input type="checkbox"/>
WANTS TO SEE YOU	<input type="checkbox"/>	URGENT	<input type="checkbox"/>
RETURNED YOUR CALL		<input type="checkbox"/>	<input type="checkbox"/>

Message Supports SB 290
Businessman in
Great Falls, 3 construc-
tion based business
would like to see it
 Operator pass

AMENDMENTS TO SENATE BILL 308

INTRODUCED BILL

PREPARED BY GARY CARRELL
ACTING ADMINISTRATOR
LAW ENFORCEMENT SERVICES DIVISION
DEPARTMENT OF JUSTICE
FEBRUARY 7, 1989

1. Page 3, line 19:

Following:	"(K)"
Strike:	"2 1/4%"
Insert:	"2 1/2%"
Following:	"thereafter"
Strike:	"4 1/2%"
Insert:	"4%"

78

EXHIBIT NO. 8
DATE 2-8-89
BILL NO. SB 308

COAL SEVERANCE TAX PROJECTED INCOME

FY89

58,236,000 x 38% = \$22,129,680

FY90

52,884,000 x 38% = \$20,095,920

FY91

45,683,000 x 38% = \$17,359,540

Allocation of coal tax proceeds and interest not dedicated to the permanent trust (15-35-108, MCA).

FY90

2 1/4% = \$452,158 (As currently introduced)
2 1/2% = \$502,398 (As amended)

FY91

4 1/2% = \$781,179 (As currently introduced)
4% = \$694,382 (As amended)

DATE 2/8/89

COMMITTEE ON Taxation

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppo
Shelly Lane	City of Helena	290		✓
Richard Nesbitt	" "	290		✓
ERLING TUFTS	CITY OF GREAT FALLS	290		✓
Jim Van Arsdale	City of Billings	290		✓
John Babinski Pres	President Lockwood water users association	290		✓
Garry McNeal	Lockwood Water Users Assoc	290		✓
Meredith M. Smith	Montana Rural Water Systems	290		✓
GARY DENBESTEN	Manhattan Christian Sch.	253	✓	
Ron de Young	Mt. Farmers Union	326	✓	
Tim Magee	City of Great Falls	290		✓
Mich V. Clark	EASTGATE WYS ASSC.	290		✓
Alec Kenyon	MLCT	290		✓
Steve Visocan	Montana Petroleum Matters	376	✓	
Jim Baker	PSC	290		
Bob Nelson	Consumer Counsel	290	✓	

(Please leave prepared statement with Secretary)