

MINUTES

MONTANA SENATE
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Brown, on February 17, 1989, at
7:30 a.m.

ROLL CALL

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

Members Excused: Senator Bishop, Senator Severson

Members Absent: None

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

Announcements/Discussion: None

HEARING ON SENATE BILL 2

Presentation and Opening Statement by Sponsor:

Senator Brown asked the committee members to address both SB
2 and SB 65 because of the imminent impact on school
budgeting and financing. He asked Bruce Moerer to
speak to the committee regarding the bills.

Bruce Moerer, Montana School Boards Association, said both
bills will be very beneficial to schools. They change
the 5% exception so the comparison of taxable valuation
is the 1986 base year instead of the previous year.
Budgets need to be set within the next three weeks so
it is imperative the bills are passed quickly and are
effective upon passage and approval. The 5% exception
can then be used properly for setting budgets.

SENATOR CRIPPEN MOVED SB 2 and SB 65 DO PASS.

Senator Jenkins, sponsor of SB 65, said the main difference
between SB 2 and SB 65 is the temporary lifting of

statutory caps for taxing jurisdictions in SB 65. He urged the committee members to put both bills out as SB 2 is important for schools and SB 65 is crucial for schools and county government in rural areas of Montana.

Senator Crippen and Senator Jenkins both agreed the bills could go separately or be combined into one.

Senator Gage preferred to have them go separately in case Senator Jenkin's bill ran into trouble.

Senator Crippen felt SB 65 should go to the floor first to be followed by SB 2.

List of Testifying Proponents and What Group they Represent:

None

List of Testifying Opponents and What Group They Represent:

None

DISPOSITION OF SENATE BILL 65

Discussion: None

Amendments and Votes:

Senator Crippen moved to amend the bill as per the attached Exhibit #1 and amendments #2, 3, 4, 5, and 6 on the attached standing committee report (Exhibit #2). The motion CARRIED unanimously.

Senator Eck moved to amend the bill as per amendment #7 on the attached standing committee report (Exhibit #2). The motion CARRIED unanimously.

Senator Gage moved to amend the bill as per amendment #8 on the attached standing committee report (Exhibit #2). The motion CARRIED unanimously.

Senator Gage moved to amend the bill as per amendment #1 on the attached standing committee report (Exhibit #2). The motion CARRIED unanimously.

Recommendation and Vote:

Senator Crippen amended his original DO PASS motion on SB 65 to DO PASS AS AMENDED. The motion CARRIED unanimously.

DISPOSITION OF SENATE BILL 2

Discussion: None

Amendments and Votes:

Senator Mazurek moved to amend the bill as per amendments #1 and 3 through 8 on the attached standing committee report (Exhibit #3). The motion CARRIED unanimously.

Senator Mazurek moved to amend the bill as per amendment #2 on the attached standing committee report (Exhibit #3). The motion CARRIED unanimously.

Recommendation and Vote:

Senator Crippen amended his original DO PASS motion on SB 2 to DO PASS AS AMENDED. The motion CARRIED unanimously.

ADJOURNMENT

Adjournment At: 8:00 a.m.



SENATOR BOB BROWN, Chairman

BB/jdr

217min.jdr

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 2/17 7:30am

BILL NO. SB 65

Amendments to Senate Bill No. 65
First Reading Copy

Requested by Senator Jenkins
For the Committee on Taxation

Prepared by Jeff Martin
February 16, 1989

1. Page 7.

Following: line 10

Insert: "NEW SECTION. Section 5. Coordination instruction. If sections 15-10-401, 15-10-402, 15-10-411, and 15-10-412 are repealed, this act is void."

Renumber: subsequent section

SENATE STANDING COMMITTEE REPORT

MR. PRESIDENT:

We, your committee on Taxation, having had under consideration SB 65 (first reading copy - white), respectfully report that SB 65 be amended and as so amended do pass:

1. Title, line 5.

Following: "PROVISIONS"

Insert: ";"

Strike: "BY"

2. Title, line 6.

Strike: "TEMPORARY"

3. Title, lines 10 and 11.

Following: "AMENDING"

Strike: "SECTIONS 15-7-122 AND"

Insert: "SECTION"

4. Page 1, lines 16 through 24.

Strike: section 1 in its entirety

Renumber: subsequent sections

5. Page 2, lines 9 and 10.

Strike: "interpreted" on line 9 through "capped" on line 10

6. Page 2, lines 11 through 14.

Following: "." on line 11

Strike: remainder of line 11 through "unit." on line 14

7. Page 3, line 6.

Following: "reappraisal"

Insert: "or sales assessment ratio studies"

8. Page 5, line 23.

Strike: "electric company"

9. Page 7.

Following: line 10

Insert: "NEW SECTION. Section 4. Coordination instruction. If 15-10-401, 15-10-402, 15-10-411, and 15-10-412 are repealed, [this act] is void."

Renumber: subsequent section

AND AS AMENDED DO PASS

Signed: _____

Bob Brown, Chairman

February 17, 1989

MR. PRESIDENT:

We, your committee on Taxation, having had under consideration SB 2 (first reading copy -- white), respectfully report that SB 2 be amended and as so amended do pass:

1. Title, line 9.

Following: " ; "

Insert: "REPEALING SECTION 6, CHAPTER 654, LAWS OF 1987;"

Following: "DATE"

Insert: "AND A RETROACTIVE APPLICABILITY DATE"

2. Page 1, line 20.

Strike: "The"

Insert: "Except as provided in subsection (7), the"

3. Page 2, line 18.

Following: "reappraisal"

Insert: "or sales assessment ratio studies"

4. Page 4, line 19.

Strike: "decreases"

Insert: "has decreased"

5. Page 5, line 10.

Strike: "electric company"

6. Page 6.

Following: line 11

Insert: "NEW SECTION. Section 2. Repealer. Section 6, Chapter 654, Laws of 1987, is repealed."

Re-number subsequent sections

7. Page 6, line 15.

Following: "date"

Insert: "-- retroactive applicability"

8. Page 6, line 16.

Following: "approval"

Insert: "and applies retroactively, within the meaning of 1-2-109, to taxable years beginning after December 31, 1988"

AND AS AMENDED DO PASS

Signed: _____

Bob Brown, Chairman

y.j.c.
2/17/89
4:45
p.m.

County of Yellowstone



2/17/89

SB 2
SB 65

COMMISSIONERS

(406) 256-2701

Box 35000
Billings, MT 59107

January 19, 1989

Senator Bob Brown, Chairman
Senate Taxation Committee
51st Legislature
Capitol Station
Helena, MT 59620

Purpose: Proponent SB-2 and SB-65

Senator Brown and Honorable Members of the
Senate Taxation Committee,

We come before you as representatives of Yellowstone County supporting the concept of SB-2, SB-65 and HB-125.

The freeze from CI-105 came at a time when counties and other units of local governments were losing other sources of revenues such as Federal Revenue Share, State General Purpose and General Service Block Grants, Corporate License Tax, Liquor Tax and Ad Valorem Tax. Though the County did receive increases in some sources of revenue such as gambling and increases in fees for service there was still a net reduction in revenues other than property taxes of \$2,038,000 from 1984 to 1988. See Exhibit A.

In 1986, Yellowstone County was in the process of constructing a new jail and a new Youth Service Center, to meet the growing demands for those services. This eventually added \$1,200,000 in operational costs to the County.

Therefore, to address the freeze in property taxes, cover the additional operating costs for detention and youth services, and allow for the reductions in non-tax revenues, Yellowstone County was forced to make substantial reductions in the budget. As you can see in Exhibit B, the County

reduced the total budget \$6,185,000 from the 1986-87 fiscal year to the 1988-89 fiscal year - \$2,400,000 in operating costs and \$3,785,000 in capital outlay costs. In addition thirty-six (36) positions were eliminated.

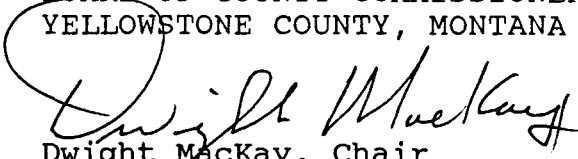
Exhibit C represents the trend in taxable value of real and personal property for the past ten years. As you can see we had a substantial reduction in valuation this year. Our Fiscal Year 89 values are \$2,000 per mill less than the values we had in Fiscal Year 82.

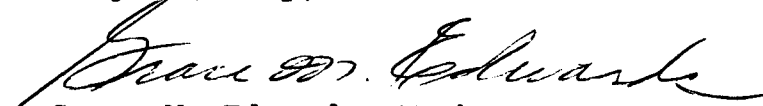
SB-71 of the 1987 legislature helped when our taxable value did drop over 5% in 1988-89. However, if values stopped decreasing 5% or more, CI-105 would be triggered meaning that local government could levy only the number of mills levied in the 1986-87 fiscal year. Thus any net decrease in valuation from the 1986-87 fiscal year would represent lost revenue. In Yellowstone County's case that would be \$883,443. (See Exhibit D).

The issues noted above affect not only Yellowstone County, but most cities, school districts and counties in the state. Yellowstone County does support amendments to SB-71 of the 1987 legislature. We are currently aware of the three bills noted above and support them in concept. However, there are some positive and negative aspects of all three bills. We would be willing to lend assistance in developing a compromise bill to address this problem facing local governments.

Sincerely,

BOARD OF COUNTY COMMISSIONERS
YELLOWSTONE COUNTY, MONTANA


Dwight MacKay, Chair


Grace M. Edwards, Member


Mike Mathew, Member

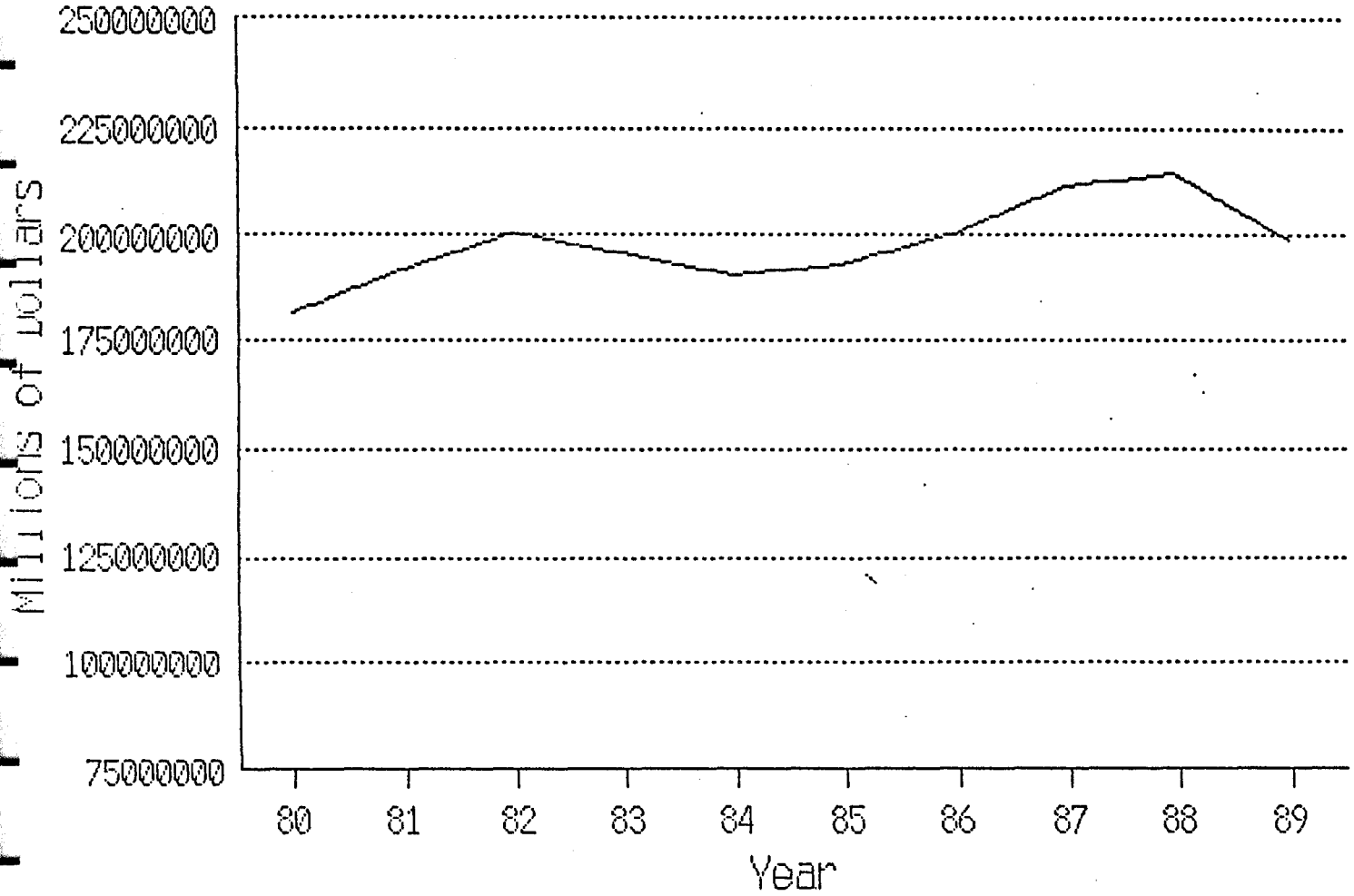
2/17/89
SB 2
SB 65

EXHIBIT B
YELLOWSTONE COUNTY
HISTORICAL BUDGET ALLOCATION

	<u>BUDGET</u> <u>1986-87</u>	<u>BUDGET</u> <u>1987-88</u>	<u>BUDGET</u> <u>1988-89</u>
<u>Total</u> <u>Requirements</u>			
Expenditure	\$ 38,050,377	\$ 31,422,054	\$ 30,557,744
Reserve	<u>5,691,073</u>	<u>6,302,967</u>	<u>6,997,974</u>
Total	\$ <u>43,741,450</u>	\$ <u>37,725,021</u>	\$ <u>37,555,718</u>
<u>Total</u> <u>Resources</u>			
Cash Available	\$ 12,402,926	\$ 9,138,603	\$ 10,721,819
Non-Tax Revenues	16,959,283	13,873,690	12,490,005
Tax Revenues*	<u>14,379,241</u>	<u>14,712,728</u>	<u>14,343,894</u>
Total	\$ <u>43,741,450</u>	\$ <u>37,725,021</u>	\$ <u>37,555,718</u>
 <u>*Tax Revenues</u>			
General Tax	\$ 13,027,861	\$ 13,486,306	\$ 13,191,647
Special Assessments	<u>1,351,380</u>	<u>1,226,422</u>	<u>1,152,247</u>
Total	\$ <u>14,379,241</u>	\$ <u>14,712,728</u>	\$ <u>14,343,894</u>

EXHIBIT C
 TAXABLE VALUE OF REAL AND PERSONAL PROPERTY
 YELLOWSTONE COUNTY 1979-1989

2/17/89
 SB 2
 SB 65



<u>YEAR</u>	<u>TAXABLE VALUE*</u>
1979-80	\$ 180,955,578
1980-81	191,762,175
1981-82	200,663,962
1982-83	195,921,723
1983-84	190,825,824
1984-85	192,832,309
1985-86	200,170,442
1986-87	211,949,864
1987-88	215,265,762
1988-89	198,881,023

The line chart reflects the change in taxable value in Yellowstone County from 1979 to 1989. As the line reflects there were two significant reductions in taxable value (1982-1984) and this year. The reductions starting in 1982 were due to the elimination of the Business Inventory Tax and due to the reappraisal of market valuations. This year's reduction is due to HB436 and the reduction in the value of railroad property per an agreement with the Department of Revenue and Burlington Northern.

*Excludes tax increment district.

EXHIBIT D

FUND GROUPS BY VALUATION

	County-wide Funds	Road	Library	City/County Planning	Laurel Planning	Emerg. Levy Grasshopper Control	Debt Service	Total
<u>1986-87 Budget</u>								
Taxable Value	211,949,000	86,056,000	86,215,000	205,343,000	6,606,000	—	211,949,000	—
Mill Value	211,949	86,056	86,215	205,343	6,606	—	211,949	—
Mills Levied	48.65	15.00	3.04	.77	2.00	—	4.72	74.18 *
Tax Dollars Assessed	10,302,751	1,290,840	262,094	158,114	13,212	—	1,000,850	13,027,861
<u>1987-88 Budget</u>								
Taxable Value	215,265,762	91,204,000	91,361,000	208,790,000	6,475,000	91,204,000	215,265,762	—
Mill Value	215,265	91,204	91,361	208,790	6,475	91,204	215,265	—
Mills Levied	48.66	15.00	3.00	.89	2.00	2.00	4.59	76.14
Tax Dollars Assessed	10,474,916	1,368,060	274,083	185,823	12,950	182,408	988,066	13,486,306
<u>1988-89 Budget</u>								
Taxable Value	198,881,023	81,893,214	82,035,178	192,701,037	6,179,986	81,893,214	198,881,023	**
Mill Value	198,881	81,893	82,035	192,701	6,179	81,893	198,881	—
Mills Levied	52.19	15.00	3.20	.82	2.00	2.00	4.97	80.18
Tax Dollars Assessed	10,378,834	1,228,395	262,094	158,114	12,358	163,786	988,066	13,191,647
<u>1989-90 Budget</u>								
Taxable Value	199,000,000	81,900,000	82,050,000	192,800,000	6,200,000	—	199,000,000	—
Mill Value	199,000	81,900	82,050	192,800	6,200	—	199,000	—
Mills Levied	48.65	15.00	3.04	.77	2.00	—	4.97	74.43
Tax Dollars Assessed	9,681,350	1,228,500	249,432	148,456	12,400	—	988,066	12,308,204 ***
Projected Tax Revenue Loss from 88-89 to 89-90 F.Y.	697,484	(105)	12,662	9,658	(42)	163,786	—	883,443

(1) Note: Mill amount is max amount allowed by law.

* I-105 froze mills to this level.

** Valuation loss 7.61% - exceeds 5% loss requirement to invoke SB71. SB71 indicates local governments may levy the number of mills necessary to raise tax dollars to the 1986-87 fiscal year level, providing the mill levy does not exceed the maximum allowed by statute.

In this case we could levy 13,191,647.

*** Since the projected mill value will not be reduced 5% in the 89-90 fiscal year, we cannot invoke SB71, therefore, I-105 becomes effective, which means we go back to the mills levied in the 1986-87 fiscal year times the current value to determine the tax dollars we can collect.

(5-10-88)
(FDVA)

SB 2
SB 65

2/17/89