

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON LOCAL GOVERNMENT

Call to Order: By DIANA WYATT CHAIR, on February 12, 1991, at 3:00 p.m.

ROLL CALL

Members Present:

Diana Wyatt, Chair (D)
Jessica Stickney, Vice-Chair (D)
Joe Barnett (R)
Arlene Becker (D)
Vivian Brooke (D)
Dave Brown (D)
Brent Cromley (D)
Paula Darko (D)
Tim Dowell (D)
Budd Gould (R)
Stella Jean Hansen (D)
Harriet Hayne (R)
Ed McCaffree (D)
Tom Nelson (R)
Jim Rice (R)
Sheila Rice (D)
Richard Simpkins (R)
Norm Wallin (R)

Staff Present: Bart Campbell, Legislative Council
Lois O'Connor, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Announcements:

CHAIR WYATT stated the subcommittee on HB 497 will be **REPS. DARKO, D. BROWN, and SIMPKINS.**

HEARING ON HB 328

Presentation and Opening Statement by Sponsor:

REP. COBB, House District 42, Augusta, stated HB 328 is an act adopting the single audit act for local governments. There are 1,107 local government entities who have to do a financial report stating how they have spent federal or state monies. Over 459 of the 1,107 require certain types of audits to be done over a yearly or two year basis. HB 328 would make uniform how the

audits are done. The counties and cities may have two or three auditors to audit the same thing. This costs the agencies money and time when they have the audits. The Department of Commerce will be reviewing all the audits. The biggest objection to HB 328 is the fee concept. If the committee chooses, they can put the words General Fund and send it on to Appropriations. REP. COBB presented written testimony. EXHIBITS 1, 2

Proponents' Testimony:

Carolyn Hartsog, Gallatin County Auditor, stated Gallatin County has 17 elementary school districts and 6 high school districts. The budgets for the schools are from \$26,000 to \$310,000. With an office budget of \$52,000 and no secretarial help, it is impossible for her to do a complete and professional audit and have them back to the school district by August 15 which is required by statute. Ms. Hartsog's audits are monitored by OPI and feels that she cannot perform her duties as a CPA in a manner that will not jeopardize her CPA certificate. These audits should be given to independent auditors. HB 328 will give consistency to the state audits.

Kathy Fabiano, Office of Public Instruction, stated the OPI has been working with the districts and writing an accounting manual for legislation passed requiring school districts to adopt generally accepted accounting principles. They will be able to rely on school district audit reports to determine how OPI has done.

Lyle Nagel, Montana Volunteer Firefighters Association, stated HB 328 would raise their budget monies and exempt more of their associations from audit.

Peggy Parmelee, Montana Association of Conservation Districts, provided written testimony. EXHIBIT 3

Susan Reed, Missoula County Auditor, said money that the local governments receive passes through the state and every state agency sends an auditor to audit the same financial data that external auditors are auditing. HB 328 would take the audit responsibility away from the Department of Commerce and include it in the external audit. This would save the counties \$7,000 to \$10,000 yearly.

Opponents' Testimony:

Bruce Moerer, Montana School Boards Association, stated school boards supported the concept of HB 328 but opposed the filing fee and additional cost it would incur on small counties. The district pays for the audit; and if the state has this type of requirement, they should pay for it.

Alec Hansen, Montana League of Cities and Towns, said the League supports the concept of HB 328 but strongly opposes the fee

system. Montana ranks at the very bottom of the list of state money that goes back to local government. The penalty section of the bill is too severe. The committee should consider funding this bill through the General Fund Appropriation.

Alyce Kuehn, Carter County Conservation District, Ekalaka, said the penalties for withholding money if the audits are not done on time are too harsh. Small towns have small staffs and the annual reports are due October 31. HB 328 pits agency against agency. Ms. Kuehn strongly opposed the filing fee.

Questions From Committee Members:

REP. SIMPKINS asked if local governments can accept a federal audit in place of the state audit. Mary Bryson, Legislative Auditor, answered that the bill does allow one audit for those entities that receive federal funds. REP. SIMPKINS asked Peggy Parmelee if that would take care of her concerns. Ms. Parmelee said her district did not receive state funds and didn't know how that would affect her district.

REP. McCAFFREE asked Mary Bryson why on Page 5, Section 3, Line 23, 2-7-503, there is the word "temporary"; and on Page 11 you pick up the same language. She said the existing law has a temporary section that terminates July 1, 1991, but it depends on the effective date of HB 328. We didn't want two different versions.

REP. WALLIN asked Carolyn Hartsog if true audits were a burden. Ms. Hartsog stated the word "audit" is confusing. As a CPA, the word "audit" means work according to professional standards. If she cannot do the work according to those standards, she cannot sign her name as a CPA. REP. WALLIN asked if she would prefer a form of accounting that wouldn't require as accurate figures. Ms. Hartsog said she did not have the staff to perform the functions that the statutes mandate. The statutes say "audit". According to professional standards, she does not have the budget or staff to perform what she considers an "audit". REP. WALLIN asked if her argument was with the County Commissioners or the statute. Ms. Hartsog said the statutes tell her to do one thing and her professional conscience tells her she can't do it and would like the school district audits contracted out. REP. SIMPKINS asked if there were another term besides "audit" that can be used. Ms. Hartsog said the profession has a "review" but it doesn't provide an audit.

REP. McCAFFREE asked Mary Bryson the definition of noncash assistance on Page 2. She said noncash assistance was food stamps or food commodities as used by the federal government. The bill is patterned to include all of what the federal government defines as financial assistance.

Closing by Sponsor:

REP. COBB said HB 328 would provide a uniform audit system; and if the committee wanted to add the words "General Fund", they could.

HEARING ON HB 367

Presentation and Opening Statement by Sponsor:

REP. J. BROWN, House District 46, Helena, stated HB 367 provides a means to expand the business improvement districts.

Proponents' Testimony:

Mike Casey, Executive Director, Helena Business Improvement District, provided written testimony. EXHIBIT 4

Elinor Luse, Business Improvement District, Great Falls, stated their constituents and businesses in the downtown areas want to expand. HB 367 is a housekeeping bill that would allow business improvement districts to expand and it doesn't cost any money.

James Tutwiler, Montana Chamber of Commerce, went on record in support of HB 367. Business improvement districts can help their environments to promote business which helps the community.

Opponents' Testimony: None

Closing by Sponsor:

REP. J. BROWN asked for favorable consideration on HB 367.

EXECUTIVE ACTION ON 367

Motion/Vote: REP. SIMPKINS MOVED HB 367 DO PASS AND BE PLACED ON CONSENT CALENDAR. Motion carried unanimously.

HEARING ON HB 354

Presentation and Opening Statement by Sponsor:

REP. SCHYE, House District 18, Glasgow, stated HB 354 would allow County Commissioners to levy 1 mill for fire control activities. It would change the funding for acquiring the monies needed.

Proponents' Testimony:

Gorden Morris, Montana Association of Counties, said the bill would levy 1 mill against all property in the county. Mr. Morris offered amendments accepted by REP. SCHYE. EXHIBIT 5

Henry Lohr, Montana Volunteer Firefighters Association, stated HB 354 would ease the burden on smaller counties and give them necessary revenue to fight fires.

Lyle Nagel, Montana Fire Chiefs Association, said this bill would benefit the majority of counties and urged committee support.

Opponents' Testimony: None

Questions From Committee Members:

REP. NELSON asked Gorden Morris how HB 354 would be affected by I-105. Mr. Morris said the bill is not outside the scope of I-105. Currently the rural fire areas are funded through the county General Fund. HB 354 would give counties the option of levying the two mills or \$15,000, whichever is higher. Under the provisions of I-105, that could only be levied by virtue of getting an off-setting two mill reduction elsewhere.

REP. BARNETT asked Gorden Morris if the two mills raised more than the \$15,000, could the fire areas use the extra money. Mr. Morris said yes but it would be subject to the authority of the County Commissioners. County Commissioners are frugal and will not increase from \$15,000 currently out of the General Fund to \$50,000 or \$60,000. REP. BARNETT asked where the money in the General Fund comes from. Mr. Morris replied property taxes. REP. BARNETT asked if two mills will increase the property taxes. Mr. Morris said yes as long as I-105 is current and not repealed. The two mills will have to come from a reduction in another fund.

REP. SIMPKINS asked Mr. Morris why increase the budget to two mills. He said the bill is designed for the small rural counties whose taxable value is in the range of \$6,000 to \$7,000. REP. SIMPKINS asked REP. SCHYE if he would object to putting in the county class. REP. SCHYE said the \$15,000 is not enough money in his county. They need to get two mills to raise more money.

REP. DARKO asked REP. SCHYE if he realistically thought that County Commissioners, who wanted to stay in office, would levy two mill and collect \$74,000 for their fire districts. REP. SCHYE replied no.

REP. WALLIN asked REP. SCHYE if his bill mandated fire districts to take money from the General Fund. REP. SCHYE said no. Counties have a cap that they cannot go above.

CHAIR WYATT asked REP. SCHYE if he would mind the amendment to read "up to two mills". REP. SCHYE replied no.

Closing by Sponsor:

REP. SCHYE urged committee support of HB 354.

HEARING ON HJR 11

Presentation and Opening Statement by Sponsor:

REP. KNOX, House District 29, Winifred, said HJR 11 will urge the United States Government, Bureau of Land Management, to provide accurate and complete receipt information to ensure accountability over distribution of Taylor Grazing Act receipts. HJR 11 is a joint effort between himself, Fergus County Commissioners, and Office of the Legislative Auditor (LAO). Basic receipt information has been requested from the BLM, and it has not been provided. REP. KNOX provided written testimony. EXHIBIT 6

Proponents' Testimony:

Gorden Morris, Montana Association of Counties, provided written testimony. EXHIBIT 7

Kay McKenna, Montana County Superintendents, said HJR 11 puts the BLM on notice. The counties have been concerned about the fluctuating amount of revenues from Taylor Grazing money which goes directly into the county elementary general funds. There are no reasons for the revenues to have dropped so severely. Some type of accountability from the BLM is needed.

Donna Heggem, Fergus County Commissioner, said county government has the responsibility of insuring that all monies due from the BLM is collected and properly distributed. All counties with federal land receive money from grazing land. The problem is knowing whether we are receiving money due the counties.

Kim Enkerud, Montana Stockgrowers and Woolgrowers Associations, provided written testimony. EXHIBIT 8

Carol Mosier, Montana Cattlemen's Association, said HJR 11 is a means by which Montana and its counties are properly paid in lieu of taxes for the receipts of Taylor Grazing lands. This resolution will notify the BLM that the State and its counties are not satisfied with the poor accountability for funds due them.

Wayne Kedish, LAO, stated he was available to answer questions.

Opponents' Testimony: None

Questions From Committee Members:

REP. McCAFFREE suggested the committee draft a resolution and direct it to Montana Association of Counties and Region of Counties to present to the National Association of Counties in July. That will do more good than HJR 11. All the tools available need to be used to insure the BLM is providing the proper receipts to the counties.

REP. SIMPKINS asked Wayne Kedish if he had received a reply from his letter to the BLM. Mr. Kedish said he received one telephone call to clarify his questions but has received no answer to the requested information. REP. SIMPKINS asked if he had looked into the legal aspects of suing the federal government. Mr. Kedish replied no.

REP. BARNETT stated SEN. BAUCUS asked for this same accountability six months ago. Has anyone been informed on the follow-up? Wayne Kedish replied the GAO sent two auditors to meet with the Legislative Auditors to discuss this issue. They should begin the audit next month.

Closing by Sponsor:

REP. KNOX stated the BLM has chosen to not divulge the most basic information they collect. Everyone from SEN. BAUCUS to GOVERNOR STEPHENS has been involved. Obtaining this information, would allow counties to calculate monies and make certain it is properly allocated. REP. KNOX urged the adoption of HJR 11.

EXECUTIVE ACTION ON HJR 11

Motion: REP. CROMLEY MOVED HJR 11 DO PASS.

Discussion:

REP. DARKO asked if the bill could be amended per REP. McCAFFREE'S suggestion; that the Western Interstate Region of the National Association of Counties be added. REP. WALLIN stated Western Office of the Council of State Governments should also be included. REP. BROOKE said it would be more appropriate to be put into the resolution. REP. DOWELL suggested that MACo take a similar stand on its own. REP. SIMPKINS asked Bart Campbell if it can be attached to the bill. Mr. Campbell said it would be no problem.

Motion: REP. CROMLEY withdrew his motion.

Motion/Vote: REP. CROMLEY moved to amend HJR 11. EXHIBIT 9
Motion carried unanimously.

Motion/Vote: REP. DARKO MOVED HJR 11 DO PASS AS AMENDED. Motion carried unanimously.

EXECUTIVE ACTION ON HB 354

Motion: REP. CROMLEY MOVED HB 354 DO PASS.

Motion: REP. S. RICE moved to amend HB 354. EXHIBIT 10 Motion carried unanimously.

Discussion:

REP. McCAFFREE asked if the amendments will exclude cities. Bart Campbell replied yes.

REP. SIMPKINS said it will allow class one counties to levy a tax up to \$58,000. A cap should be placed on the class 1 counties.

REP. DOWELL stated they are not talking about a levy, but taking the two mills from somewhere else. REP. DARKO stated the counties are trying to separate this fund from the general fund to cover fire costs.

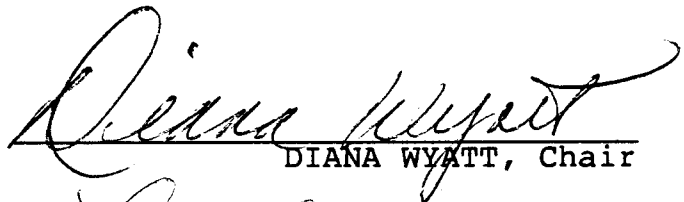
Motion/Vote: REP. DOWELL MADE A SUBSTITUTE MOTION THAT HB 354 DO PASS AS AMENDED. Motion carried unanimously.

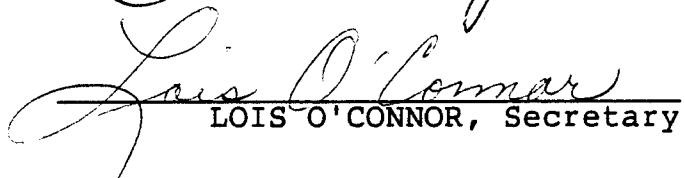
EXECUTIVE ACTION ON HB 230

Motion/Vote: REP. STICKNEY MOVED HB 230 DO PASS. Motion carried unanimously.

ADJOURNMENT

Adjournment: 5:00 p.m.


DIANA WYATT, Chair


LOIS O'CONNOR, Secretary

DW/lo

HOUSE OF REPRESENTATIVES
LOCAL GOVERNMENT COMMITTEE

ROLL CALL

DATE 2-12-91

NAME	PRESENT	ABSENT	EXCUSED
Rep. Paula Darko	X		
Rep. Jessica Stickney, Vice-Chair	X		
Rep. Joe Barnett	X		
Rep. Arlene Becker	X		
Rep. Vivian Brooke	X		
Rep. Dave Brown	X		
Rep. Brent Cromley	X		
Rep. Tim Dowell	X		
Rep. Budd Gould	X		
Rep. Stella Jean Hansen	X		
Rep. Harriet Hayne	X		
Rep. Ed McCaffree	X		
Rep. Tom Nelson	X		
Rep. Jim Rice	X		
Rep. Sheila Rice	X		
Rep. Richard Simpkins	X		
Rep. Norm Wallin	X		
Rep. Diana Wyatt, Chair	X		

5:20
2-12-91
JDB

HOUSE STANDING COMMITTEE REPORT

February 12, 1991

Page 1 of 1

Mr. Speaker: We, the committee on Local Government report that House Bill 367 (first reading copy -- white) do pass and be placed on consent calendar.

Signed: _____

Diana Wyatt
Diana Wyatt, Chairman

5:20

2-12-91

70B

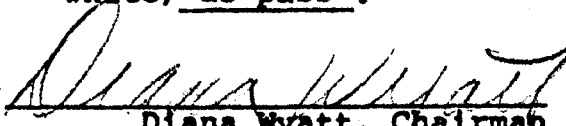
HOUSE STANDING COMMITTEE REPORT

February 12, 1991

Page 1 of 1

Mr. Speaker: We, the committee on Local Government report that
House Bill 230 (first reading copy -- white) do pass .

Signed:


Diana Wyatt, Chairman

HOUSE STANDING COMMITTEE REPORT

February 13, 1991

Page 1 of 1

Mr. Speaker: We, the committee on Local Government report that House Bill 354 (first reading copy -- white) do pass as amended.

Signed: *Diana Wyatt*

Diana Wyatt, Chairman

And, that such amendments read:

1. Title, line 5.
Following: "LEVY"
Strike: "1 MILL"
Insert: "UP TO 2 MILLS"

2. Page 1, line 20.
Following: "of"
Strike: "1 mill"
Insert: "up to 2 mills"

2:33

2-13-91

JDB

HOUSE STANDING COMMITTEE REPORT

February 13, 1991

Page 1 of 1

Mr. Speaker: We, the committee on Local Government report that House Joint Resolution 11 (first reading copy -- white) do pass as amended .

Signed: 

Diana Wyatt, Chairman

And, that such amendments read:

1. Page 2, line 12.

Following: "Interior"

Insert: ", "

2. Page 2, line 13.

Strike: "and"

Following: "Management"

Insert: ", the Western Interstate Region of the National Association of Counties, and the Western Office of the Council of State Governments"

EXPLANATION OF HOUSE BILL 328
State Single Audit Act
February 1991

- Section 1: Amends 2-7-501, the definition section, to include: audit, board (Board of Public Accountants), financial assistance, financial report, independent auditor (includes department personnel and licensed accountants), local government entity (now includes specific criteria) and revenues (receipts of a local government entity).
- Section 2: Amends 2-7-502 to include the short title as the "State of Montana Single Audit Act," and states the purposes of the act.
- ★ Section 3: Amends 2-7-503 to require annual financial reports from all local government entities and at least a biennial audit of local government entities which satisfy specific criteria. This section establishes responsibility for financial reporting, the uniform reporting requirements, state agency reliance on audits conducted under this part and special audits.
- Section 4: Amends 2-7-504 to provide the department of commerce with rule making authority to establish the general methods and details of accounting of moneys belonging to the local government entity.
- Section 5: Amends 2-7-505 to set the audit scope and standards to be used by the independent auditor. Requires the department of commerce to prepare a local government compliance supplement.
- ★ Section 6: Amends 2-7-506, expands the department of commerce's rule making authority to establish and maintain a roster of independent auditors authorized to conduct audits of local government entities. Sets up the contracting process used by the department and local government entity to obtain an audit.
- Section 7: Amends 2-7-507 to require local government officers and employees provide assistance to the independent auditor.
- Section 8: Amends 2-7-508 to give the independent auditor power to examine the books and papers of the local government entity.
- Section 9: Amends 2-7-511, replaces department with independent auditor and governmental entity with local government entity.
- Section 10: Amends 2-7-512, see comments on section 9.
- ★ Section 11: Amends 2-7-513 to establish government auditing standards issued by the U.S. comptroller general as the reporting requirements for the audit reports. Refers to federal regulations for reporting purposes, as adopted by the department. Also establishes the rule making authority for the department regarding the form of the financial report to be submitted annually by the local government entity.

★ Section 12: Amends 2-7-514 to include the filing of an annual financial report with the department as well as the audit report . In addition, this section establishes the rule making authority for the department to charge a filing fee to the local government entity to cover the costs incurred by the department in the administration of this act. Requires the superintendent of public instruction to submit a list of school districts meeting the criteria in 2-7-503 to the department.

Section 13: Amends 2-7-515 to require the local government entity to adopt measures to correct the report findings and submit a copy of the corrective action plan to the department. Sets up a resolution process when a disagreement between the department and the local government entity occurs.

★ Section 14: Amends 2-7-516 to provide for compensation to the independent auditor and for the deposit of compensation paid to the department for audit work.

★ Section 15: Amends 2-7-517 to establish a penalty for failure to file a report as required by 2-7-503 to make payment as required by 2-7-514.

Section 16: Amends 2-7-518, deletes reference to audit fees and replaces governmental with local government.

Section 17: Amends 2-7-521 to conform with the audit requirements detailed in 2-7-503 for local government entities. Includes the publication requirements for counties and incorporated cities and towns and other local government entities.

★ Section 18: Establishes a new section in law which requires the department to conduct report reviews. Establishes the department responsibilities under this part to review the financial and audit reports submitted in accordance with 2-7-514.

★ Section 19: Amends 3-5-902 to require the department to develop a uniform accounting system for district courts in accordance with 2-7-504 and deletes the separate annual audit requirement for district courts.

Section 20: Amends 7-6-2352 to remove the audit requirement relating to state grants to district courts. This section now states that an audit conducted in compliance with 2-7-503 satisfies the requirement.

Section 21: Amends 7-6-4113 to refer to the amended sections of 2-7-503.

★ Section 22: Amends 19-11-204 to require the board of trustees to review the accounts of the association rather than audit the accounts of the association. (Relates to rural fire associations).

★ Section 23: Amends 19-11-205 to cause rural fire associations to prepare a report in accordance with 2-7-503. Requires the associations to file the report with the department of commerce as well as the state auditor.

★ Section 24: Amends 20-9-203 to require all school districts to have an audit in accordance with 2-7-503. Requires that the audit report be filed with the department of commerce and the superintendent of public instruction. Eliminates the provision requiring the county auditor to conduct audits of third class school districts with out a high school.

Section 25: Amends 20-9-213 to remove the biennial audit requirement and reference to the audit requirements of 2-7-503.

★ Section 26: Amends 20-10-202 to remove the audit requirement associated with the school food services operated by a school district. This section requires the superintendent of public instruction to conduct inspections and administrative reviews of the school food services.

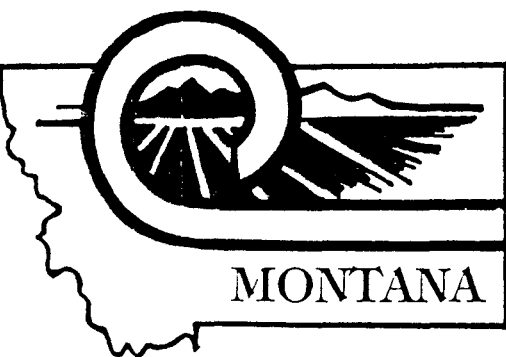
Section 27: New section which sets the codification instructions.

Section 28: New section which sets the effective date, rule making authority and applicability of this act.

Attachment B

LOCAL GOVERNMENT ENTITIES SUBJECT TO AUDIT
(Estimated)

<u>Type of Local Government</u>	<u>Number</u>	<u>Under Under Current Law</u>	<u>Proposed Legislation</u>
Counties & Consolidated City/County Govts	56	56	56
Incorporated Cities	49	49	48
Incorporated Towns	78	51	46
School Districts	391	188	252
Airport Authorities	8	0	3
Cemetery Districts	81	18	1
Conservation Districts	36	0	2
Drainage Districts	23	0	0
Flood Control Districts	1	0	1
Hospital Districts	17	0	6
Irrigation Districts	71	35	17
Port Authorities	2	0	0
Refuse Districts	18	0	3
Rural Fire Districts	179	62	9
Television Districts	65	0	0
Urban Transportation Districts	1	0	1
County Sewer Districts	14	0	1
County Water Districts	15	0	1
County Water & Sewer Districts	<u>2</u>	<u>0</u>	<u>0</u>
Total	<u>1,107</u>	<u>459</u>	<u>447</u>



EX-87 3
DATE 2-12-91
HS 328

MONTANA

Association of Conservation Districts

501 North Sanders
Helena, MT 59601

(406) 443-5711

House Bill No. 328
February 12, 1991

My name is Peggy Parmelee and I am the executive vice president of the Montana Association of Conservation Districts and MACD represents the 59 Montana Conservation Districts. Conservation Districts are local government.

We believe that all government entities must financial account for all of the funds they receive. Most of Montana's conservation districts at this time do not receive \$100,000 from the 1.5 mills they levy on real property, but they do receive various grants, administrative funds, river restoration, special project money, and so on, that could and would total the higher amount.

I 105 has froze conservation districts at the 1986 dollar amount they received and they do not have the option to raise more funds to pay for an "audit."

An example of what it could cost, MACD works on a budget of approximately \$80,000 per year, but because of federal funds that pass through our office to conservation districts, we are required to have a yearly audit that meets federal standards. This costs us a little over \$3,000 a year.

The people who perform the audit have worked with us for many years and are located in Sidney, Montana. Two years ago, we decided that it would probably be easier for us to have a CPA in Helena do the work. We sent out for bids and only received one inquiry, and that business decided did not want to do the work.

I also visited with my own private CPA about audits and asked him if he did this type of work. He said no because he was required to carry liability insurance which cost him \$10,000 per year and he would have to do a lot of audits to make it pay.

We also have concern about the "Fee" part of this bill and what that fee could amount to. It is often easy to put in a word at a time like this, but when it comes time to write the rules the real story comes out. That fee could be \$10 or it could be \$200 or more.

The cost of "publication" is another expense that would be incurred.

MACD would recommend that this bill be amended in some way that an accounting of the money be acceptable other than an "audit."

Business Improvement District Expansion
HB # 367

EXHIBIT 4
DATE 2-12-91
PG 367

Efforts to rebuild America's Downtown's have taken many forms over the years. A popular means of managing downtown in today's marketplace is through the creation of Business Improvement Districts. These districts are public - private entities administered by a mayoral appointed board of main street property and business owners.

BID's are a management tool for the continuing rehabilitation of America's Downtown's. First developed in California as a means to finance downtown management entities, BID's were modeled after variations on tax increment and special assessment financing formulas. Montana can be proud that while not the first, it was one of the early states to pass BID legislation.

Today, Helena and Great Falls BID's are making real progress in keeping their downtown's healthy.

- Vacancy rates are coming down.
- Beautification projects are underway.
- Retail operations report steady or improving receipts.
- Special events and people orientated promotions are opening the eyes of both consumers and business to the potential and possibilities downtown.

Since 1985 a few modifications to the original bill have been needed. Last session you acted favorably to expand the method of assessing each property in order to provide a greater degree of fairness to the owners.

Today, property owners who are on the outskirts of the districts are asking if they can get involved in the positive changes taking place; Can I apply for the store front grant monies or will I get new street lights or sidewalks too? Do you know someone who will to rent my space? Where can I get help dealing with City Hall?

It is reasonable to suggest that if the majority want to join an existing Business Improvement District they should be able to join. Under similar terms and conditions as the prior and existing members, those joining could add to the districts strength and effectiveness.

The local governing body retains its ability to review these districts and provide ample opportunity to address local concerns. This is a modest housekeeping type of bill that provides for the flexibility and responsiveness important to downtown vitality in our state.

Thank you for supporting House Bill 367.

**MONTANA
ASSOCIATION OF
COUNTIES**

DATE 2-12-91
HB 354

2711 Airport Road
Helena, Montana 59601
(406) 442-5209
FAX (406) 442-5238

House Bill 354 Amendments

Introduced by Representative Schye

1. Title, line 5
Strike: "1"
Insert: "2"
2. Title, line 5
Following: "MILL"
Insert "S"
3. Page 1, line 20
Following: "of"
Strike: " 1 mill"
Insert: "2 mills on the taxable property in the county,
except within corporate limits of cities and towns"

EXHIBIT 6
DATE 2-12-91
HJR-11

December 11, 1990

William P. Volk
U.S. Department of the Interior
Bureau of Land Management
Montana State Office
P.O. Box 36800
Billings, MT 59107

Dear Mr. Volk:

I am writing this letter to follow up on our October 17, 1990 discussion of BLM grazing and leasing information. I have made numerous attempts to contact you by telephone without success. During our meeting on October 17, I requested the official grazing district descriptions and the map designating section 3 and section 15 grazing and L.U. allotments for the state of Montana. I understood you to say this information was available and you would send me copies. Because I have not received this information I again request your assistance in this matter.

Montana state and local government units need detailed information regarding BLM collection and distribution of Grazing and other lease revenues which are distributed to Montana under the various entitlement programs. Without this information, state and local governmental units cannot adequately monitor or distribute these funds. Montana counties receive payments under various programs with no support documentation concerning how the payment was computed. This situation makes it impossible for the county governments to determine if the payment is in fact correct. The state of Montana receives the Taylor Grazing payments without the county receipt information necessary to distribute these moneys in accordance with state law. To address this problem I request the following information in addition to my request in paragraph one:

1. Montana grazing and lease revenues and AUM information by county and program.
2. Montana grazing revenues by grazing district.
3. Montana grazing and lease revenues by county and lease holder including AUM by program.

12-11-90
JH

4. Payments to counties including calculation period and payment date.
5. County payment allocation by grazing district and outside grazing district.
6. County payment allocation by program and source of funds.

Your cooperation and assistance in providing this information will enable Montana state and local governmental units, as well as the BLM, to insure public accountability for these moneys.

Thank you in advance for your help. Please do not hesitate to call me if you have questions regarding this request. I would welcome your response to individual portions of this request as the information is available.

Sincerely,

Wayne Kedish
Audit Manager

WK/v/q8.1tr

cc: Sue Naiberk, GAO
Fergus County Commissioners
Senator Bob Williams
Representative Larry Grinde
Dick Knox
Shirley Barrick
Bob Marks
Joe Trow

MONTANA
ASSOCIATION OF
COUNTIES

7
DATE 2-12-91
HJR-11

2711 Airport Road
Helena, Montana 59601
(406) 442-5209
FAX (406) 442-5238

TO: WIR President Betty Glick
WIR Board of Directors
FROM: Montana Association of Counties
Executive Director, Gordon Morris
RE: BLM Grazing Fees
DATE: September 24, 1990

I want to alert the Western States and Counties thereof, of a controversy arising in Montana that may very well be duplicated elsewhere. There is reason to believe that errors may exist in the BLM procedures used in calculating the distribution to states and hence to counties for grazing fees derived from organized Grazing Districts and leases to individual local ranchers. (See Attachment A).

As you will see from Attachments B & C, an effort is being mounted to seek clarification of the distribution of these as well as other revenues. As an example, in 1983 BLM reported that Section 15 Grazing fees generated \$816,983 while payments to Montana for Section 15 Grazing fees came to only \$109,228.94. 50% of Section 15 revenues are to be sent to the county-of-origin, by law. (See Attachment D).

I would recommend that a review be conducted in each state and county to verify the accuracy of BLM payments in all cases. As you will note in the attachments, Senator Max Baucus, Montana, has asked for a full G.A.O. audit in reference to Montana. Perhaps the scope should be broadened. (See Attachment E).

In closing, I would urge the Western Interstate Region Board of Directors, aware of the questions, to consider a request to expand the scope of the GAO audit and direct staff to provide any and all assistance in this effort.

Attachments

MACo

United States Senate

WASHINGTON, DC 20510

August 13, 1990

Mr. Charles A. Bowsher
Comptroller General of the United States
General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Bowsher:

I am writing to request a full GAO audit of payments made to local governments in Montana by the Bureau of Land Management (BLM) and the Army Corps of Engineers.

As you can tell by the enclosed information, the payment practices of these two federal agencies have been the subject of growing controversy and confusion in Montana. Specifically, I ask that your audit address the following questions:

1. Over the past ten years, has BLM made adequate payment to Montana counties for the lands it administers under the Bankhead-Jones Act?;
2. For those Bankhead-Jones lands covered under the Mineral Leasing Act, has BLM made adequate payment to the State of Montana over the past ten years?;
3. Are Montana counties receiving all payments from BLM's grazing fee receipts to which they are legally entitled over the last ten years? What is the actual correlation between payments to counties and Animal Unit Months?;
4. Is BLM administering its Montana lands in compliance with the Taylor Grazing Act's requirement that a specified portion of grazing fee receipts are dedicated for range improvement?;
5. Is BLM using proper and accepted accounting for determining and reporting these payments? If not, what steps should be taken to improve accounting procedures?; and,
6. Are Montana counties receiving all legally required payments from "entitlement acres" administered by the U.S. Army Corps of Engineers?;

Thank you for your consideration in this matter. With so

TESTIMONY

LOCAL GOVERNMENT

HOUSE JOINT RESOLUTION 11

DISTRIBUTION OF TAYLOR GRAZING ACT RECEIPTS AND OTHER LEASE

RECEIPTS

TUESDAY, FEBRUARY 12, 1991

MADAM CHAIRPERSON, MEMBERS OF THE COMMITTEE. MY NAME IS KIM ENKERUD. I AM REPRESENTING THE MONTANA ASSOCIATION OF STATE GRAZING DISTRICTS, MONTANA STOCKGROWERS, AND MONTANA WOOL GROWERS.

MANY OF OUR MEMBERS UTILIZE THE SECTION 3 GRAZING PERMITS WHICH ARE TALKED ABOUT IN THIS RESOLUTION. THEY PAY GRAZING FEES ON THESE LANDS, A PORTION OF WHICH ARE TO BE RETURNED TO THE COUNTY. I HAVE INCLUDED THE BREAKDOWN OF THE FEE DISTRIBUTION AS AN ATTACHMENT TO THIS TESTIMONY.

MONTANA'S COUNTIES NEED TO BE ASSURED THAT DOLLARS TO BE ALLOTTED TO THEM ARE ACTUALLY BEING RECEIVED IN ACCORDANCE TO STATE LAW.

WE ASK FOR A DO PASS ON HOUSE JOINT RESOLUTION 11.

THANK YOU.

DESCRIPTION AND DISTINCTION OF SECTION 3 AND SECTION 15 GRAZING
AUTHORIZATIONS OF THE BLM

The Taylor Grazing Act of June 26, 1934 provided for Section 3 and Section 15 grazing opportunities.

Section 3 grazing permits are named after the Section of the law describing them. In the same sense, Section 15 grazing leases are described in Section 15 of the Taylor Grazing Act.

Section 3 set up BLM grazing districts where up to ten (10) year permits or one (1) year grazing licenses are issued.

Section 15 provided for up to ten (10) year grazing leases not included in BLM grazing districts as described in Section 3.

When the Taylor Grazing Act was implemented, separate rules and regulations governed each. Now the regulations have merged, but Section 3 still has grazing permits while Section 15 uses grazing leases.

The distribution of the funds received from these two sections of the Taylor Grazing Act is the major difference. It is as follows:

Section 3		Section 15
25%	Portion of grazing fee directly returning to the BLM District of origin	25%
25%	Portion of the grazing fee going to the Secretary of Interior. The Secretary may then distribute back to BLM district of origin or any district where he feels the need is greater.	25%
12 1/2%	Portion of fee distributed to State Treasurer for county of origin. Counties use for range improvement and predator control on federal lands.	50%
37 1/2%	Portion of fee going to U.S. Treasury.	

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Amendments to House Joint Resolution No. 11
First Reading Copy

For the Committee on Local Government

Prepared by Bart Campbell
February 13, 1991

1. Page 2, line 12.

Following: "Interior"

Insert: ", "

2. Page 2, line 13.

Strike: "and"

Following: "Management"

Insert: ", the Western Interstate Region of the National
Association of Counties, and the Western Office of the
Council of State Governments"

Amendments to House Bill No. 354
First Reading Copy

For the Committee on Local Government

Prepared by Bart Campbell
February 13, 1991

1. Title, line 5.
Following: "LEVY"
Strike: "1 MILL"
Insert: "UP TO 2 MILLS"

2. Page 1, line 20.
Following: "of"
Strike: "1 mill"
Insert: "up to 2 mills"

HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

Local Govn.

COMMITTEE

BILL NO. HB 328

DATE 2-12-91

SPONSOR(S) Cobb.

PLEASE PRINT

PLEASE PRINT

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
CAROLYN HARTSOG	GALLATIN COUNTY	✓	
Henry E Lohr	MT State Vol Firefighters Assn	X	
Peggy Parmelee	MT Assoc. of Conservation ^{Pisti}	X	X
Newell Anderson	Dept of Commerce		
Mike Duncan	DEPT OF COMMERCE		
Kathy Fabiano	OPI	X	
Gordon Mmsi	MACo		
Cheryl Kuehn	Sec of Enalaha		X
	Center of Conservation D.		X
SUSAN FARR	MSLA Co tre -or	✓	
SCOTT SEARAT	Legislative Auditor		
Alec Hansen	MLCT		✓
Bruce W. Moer	^{office only filing fee and} MSBA add'l cost to small districts		✓
Mary Bryson	leg. Auditor		

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

Local Gov.

COMMITTEE

BILL NO.

367

DATE 2-12-91

SPONSOR(S)

J. Brown

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Elinor Luse	Bus. Improvement Dist. Great Falls	✓	
Gordon Retzky	BID - Great Falls	✓	
Mike Casey	Helena Downtown BID	✓	
James Tuwiler	MT Chamber Commerce	✓	
Ken McConna	Helena City Comm	✓	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS
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HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

Local Govt

COMMITTEE

BILL NO. HB 354

DATE 2-12-91

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Schuy

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Henry E. Lohr	Mt. State Vol Firefighters Assn	X	
Graden Morris	MA CO	X	
Lyle Nagel	Mt. St. Vol. Firefighters Assn	X	

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HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

Local Govn.

COMMITTEE

BILL NO. HJR-11

DATE 2-12-91

SPONSOR(S) Knoy

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
LORNA FRANK	FARM BUREAU	X	
Ray McKenna	MACSS	X	
DONNA HEGGEN	Fergus County	X	
JOE TROW	RESIDENTS OF FERGUS Co.	X	
Gordon J. J. J.	MA Co	X	
Kim Enkerud	MT Assn. of State Grazing Districts MT Stockgrowers, MT Wool Growers	X	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS
ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.