

MINUTES

**MONTANA SENATE
52nd LEGISLATURE - REGULAR SESSION**

COMMITTEE ON LOCAL GOVERNMENT

Call to Order: By
Senator Esther Bengtson, on January 8, 1991, at 1:04 p.m. in Room
405 of the State Capitol.

ROLL CALL

Members Present:

Esther Bengtson, Chairman (D)
Eleanor Vaughn, Vice Chairman (D)
Thomas Beck (R)
Dorothy Eck (D)
H.W. Hammond (R)
Ethel Harding (R)
John Jr. Kennedy (D)
Gene Thayer (R)
Mignon Waterman (D)

Members Excused: none

Staff Present: Connie Erickson (Legislative Council).

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

Announcements/Discussion: Chairman Bengtson reviewed the
procedures used at committee hearings. Proxy voting will be
discussed at a further date. Anyone needing to be excused
from a meeting should contact either Senator Bengtson or
Joyce Inchauspe-Corson, Senate Local Government Secretary,
Room 442, Phone 4891.

All guests need to sign the Visitors' Sign-In Sheet. If you
will be giving testimony about any bills, please provide a copy
of your written testimony or fill out a Witness Form.

HEARING ON SB-25

Presentation and Opening Statement by Sponsor: Senator Bob
Williams, Senate District 15, sponsor of the bill, stated that
the purpose of this bill was to allowing County Treasurers to
deposit non-tax funds of \$25.00 or less to the general fund. This
bill would cut the time consuming, manual process of distribution
by County Treasurers of non-tax monies, not earmarked for certain
funds, under \$25.00 that have already had the 6% mill levy
deducted at the state level to simply be put in the general fund.
This bill originated in Fergus County through a resolution by the

County Commissioners, adopted by Montana Association of Counties' (MACo) Convention. MACo gave this resolution a high priority rating. Senator Williams presented an example of these numerous steps required for a \$2.34 check to be correctly distributed to funds (Exhibit 1).

Proponents Testimony: Donna Heggem, County Commissioner from Fergus County, explained that some counties' computer system are programmed to deduct the 6 mill levy, and so if this amount has already been deducted at the state then the county's computer system can not properly process the rest of the funds automatically. The manual process of distributing the remainder of funds takes about one half hour. Other examples of fees that would be involved: Custom Combine Permit Fees, Corporate License Tax.

Cort Harrington, Montana County Treasurers Association, (MCTA) would like to give 100% support to this MACo bill that would save time and money at the county level.

Gordon Morris, Executive Director of MACo, supports this bill and would be available to answer any questions about the bill. He urged the committee for unanimous support of this bill.

Opponents Testimony: none

Questions From Committee Members:

Senator Harding asked Mr. Morris what other monies than the two examples given would be treated this way? Mr. Morris stated that the funds were primarily state-shared revenues, that are not earmarked, i.e. Coal Tax Apportionments, Local Government Severance taxes, Card Table Permits, Gambling Machine Permits, Reimbursement for Personal Property Taxes. Reference a page out Budget Guide(Exhibit #2). Amount less \$25.00 would be not be distributed, but put into the General Fund.

Senator Harding requested the Budget Guide page be submitted.

Senator Waterman asked if the committee could assume that this bill would not involve a great deal of money, or if Mr. Morris could provide a ball park figure of total funds involved in these transactions State wide? Mr. Morris did not have any figures, but agreed with Senator Waterman's assumption that funds would be small amounts. His guess from all 56 county budgets would be less than \$256,000.00 compared to the \$140,000,000.00. No significant revenue would be taken away.

Senator Thayer asked if passage of this bill still allow those counties that are able to use their computer system to distribute this funds automatically to still do so? Mr Morris said that those county computers that could automatically distribute those funds that are absent of the 6 mill levy, and less than \$25.00

would do so.

Senator Eck wanted to know if the State system of subtracting the mill levy and then sending on remainder could be changed instead? Mr. Morris said the Montana State Law requires the State to deduct the mill levy and then send on the balance. Most are collected at the County level and are small amounts.

Senator Eck followed by asking if most transactions of this type can be computerized, then they should be. Most of the revenue involved seems to be funds that would go to the schools. Cort Harrington, CTA, stated that routinely treasurers have multiple checks that are for small amounts. Tax bills that are less than \$1.00, and the time spent distributing the monies far exceeds the funds to be dispersed.

Senator Hammond stated that he understood that the wording of the bill stated County Treasurers MAY, but do have to put the monies into the General Fund.

Senator Vaughn asked if this only State shared non-tax revenues? Mr. Morris stated that this is not limited to State funds, but would encompass any non-tax revenues not statutorily supported. Senator Vaughn asked if amounts would vary county to county? Yes.

Senator Beck used the example of the General Fund share of only 13 cents, but after the bill the General Fund would receive the entire amount. What's the possibility of accumulating all these revenues in a fund and then distribute them once. Cort Harrington, CTA, said this is a possibility, but the variety of taxing jurisdictions would cause more bookkeeping than the current system.

Senator Beck suggested giving all the revenue to the school district?

Closing by Sponsor: Senator Williams closed by reiterating Senator Hammond's statement that this would allow, not mandate, County Treasurers to use this method. I would hope SB-25 would come out of committee with a DO PASS.

Chairman Bengtson requested that Mr Harrington supply figures regarding the amount of revenue affected by this bill before the committee takes Executive Action.

Vice-Chairman Vaughn took over the meeting, so Senator Bengtson could introduce the next bill.

Presentation and Opening Statement by Sponsor: Senator Esther Bengtson, District #49, stated that the purpose of SB-10 was brought about through the Lockwood Fire District, but that there was interest throughout the state for this bill. She apologized to Rural Fire Departments for the lack of time to confer about this bill before introducing it. Fire Districts can not do any long range planning to replace equipment or train employees in various new areas of concern--Emergency Medical Treatment. This bill would provide the ability to Fire Districts and Fire Service Areas to sell bonds to provide funding for this maintenance and replacement of equipment. Bond sales would allow for major purchases or costs to be amortized allowing for long term planning. The bill would use the same Rules and Laws governing school bond issues, that state a levy not greater than 18% of the district's taxable value can be levied. There are other bills concerning this same matter, and will probably be considered. The Auditor will be asked to substantiate the 18% figure, so as not to conflict or compete with other entities, i.e. schools, hospitals, or the County. Fire Service Areas by law can only have an indebtedness less than or equal to 7%. This applies to the fees on structures in Fire Service Areas, not on taxable valuation. Annexation does not nullify responsibility to pay bond.

Proponents Testimony: Alan Riley, Fire Chief of Lockwood Fire District #8. As a founding member of the Yellowstone County Fire Chief Council, we investigated the fire districts problems. It was found that several districts were operating at or below funding required to support the needs of the public. Structure fires, emergency service calls, and road accidents are all addressed by the Fire District with little or no support from the public they serve. Now, the Federal Government wants Fire Districts like Lockwood's to be the first response to any of the five chemical plants in the area. So to address the ever expanding need for funding this bill was drafted.

Chief Riley summarized Lockwood Fire District's territory, various property classes, and growing number of calls to service. The current equipment does not address the special requirements like those in chemical accidents. Lockwood has received a Community Block Grant to buy new equipment, the first ever awarded to a Fire District. But Chief Riley does not feel that funds should have to be raised by knocking on doors to serve the public.

Bruce Suenram, Missoula Rural Fire Department. (MRFD). Testimony (Exhibit #3)

James Lofftus, Montana Fire Districts Associations (MFDA) representing the 49 of the total 173 Fire Districts. They had a bill to introduced that is similar to this bill, and possibly to the best of both bills can be combined to accomplish the task.

Vern Erickson, Montana State Fireman's Association (MSFA) want the record to show that they support this bill. This is a hazardous job, and good equipment is mandatory to handle the job. Now is the time to modernize before the bill gets higher.

Lyle Nagel, Montana State Volunteer Firefighters Association (MSVFA). For years we have been trying to figure out a funding solution. In regards to the 7% and 18% in this bill. County Commissioners or Board of Trustees, without voter approval, can tax up to the 7%, and any tax higher needs voter approval.

Lyle Nagel was telephoned by the lobbyist for the Montana Firechiefs Association requesting that he convey their support for this bill.

Tom Leonard, Fire Chief West Helena Valley Volunteer Fire Department (WHVVFD) With a 40 square mile district, serving 12-15,000 people, these two all volunteer fire stations responded to approximately 92 fire calls last year. The major problem is old equipment. The fire engine is a 1968, the two tenders are 1962 and 1969. Majority of the \$60,000 budget goes to maintaining the vehicles. This bill could provide the option to go to the people to ask for much needed funding.

Opponents Testimony: none

Questions From Committee Members:

Senator Eck if Legislative Staff member Connie Erickson could answer whether the people will vote on this or does this reference some general rule to bonding? C. Erickson referenced page 2, line 9-13, School District Statutes are cited.

Senator Hammond asked if there is monetary limit totaling all bonding in the area including fire, school, cemetery? C. Erickson had no knowledge of such a limit. Senator Hammond was concerned that "the big dog can't get you, but a lot of little ones can".

Senator Beck understood that the 18% was only for Fire Districts, while the 7% was for Fire Service Areas. Is the 18% option available to the Fire Service Areas. C. Erickson stated that the 7% is current law without bonding for Fire Service Areas. But Fire District Statutes has no such wording in it.

Senator Hammond understood that the 7% used in Fire Service Areas is based on structures not property. C. Erickson agreed that the 7% indebtedness is based on fee on structures.

Senator Hammond followed with whether the 18% applies to the total bonding indebtedness of the property and C. Erickson agreed. Senator Eck questioned why School District Statutes are used instead of Special District Statutes that apply to who decides

upon bonding based on use. Otherwise the bonding is based on taxable value of the property, not the structure or usage. C. Erickson said other like the cemetery district references School District Statutes, but she did not draft this legislation so she was no certain as to why it was done this way.

Senator Bengtson asked how many special districts have bonding authority? C. Erickson said Improvement Districts have authority to bond, Rural, Special Improvement, Hospital, and School District.

Senator Eck asked Gordon Morris which Title should be used? Mr. Morris stated the bill sets forth that it should be conducted under Title 20, but he felt it should be changed to Title 7, and cited Title 7, 7-7-2201, governing counties and other special districts.

Senator Waterman was confused as the difference between the 7% and 18% indebtedness? Is the 7% not bonded, and the 18% is for bonding above and beyond 7%? C. Erickson stated current law allows a Fire Service Area to incur indebtedness at 7%, not a bonding indebtedness. No similar provision for a Fire District. The 18% is bonded indebtedness, new language being considered, and is above and beyond the 7%.

Senator Harding felt that Senator Eck's point of which Title should be used in addressing this issue. She would like to look into amending this bill to be governed under Title 7 provisions.

Senator Beck felt that the difference between Title 20 and Title 7 was that counties are usually governed by Title 7. Senator Beck wanted to know fire chiefs are limited on the amount of mills they can levy in the district, and if they are under the I-105 cap.

Mr. Suenram (MRFD) said Fire Districts are not limited by the number of mills that they can levy. But under I-105 they are frozen at the amount of revenue raised in 1986. Unless the city annexes or you lose 5% then you can raise more according I-105.

Senator Beck wanted to know how you can exceed I-105 to pay off those extra mills? Mr Suenram (MRFD) understands that this bill would ask the voters to increase the levy to pay off this bond. This would be over the frozen amount. Mr. Morris (MACo) stated that debt service is a different levy and so it is exempt from I-105 provisions subject to voter approval.

Senator Thayer wanted to know if the same 18% figure would apply if the bill was amended to be governed under Title 7? Mr. Morris stated that there are a variety of percentages for local governments. County Government limit is 22% for indebtedness. Other codes list 18% as the limit for aggregate bonding indebtedness for Fire Districts greater 18% of the total taxable

value of the district. There is no aggregate limitation for all bonds i.e. hospital + county + school. This could be a hefty debt obligation. But the voters must approve each levy.

Senator Eck was concerned that the abstract idea of taxable valuation is continually be adjusted. Is it possible not to have enough taxable value to pay off the debt? Mr. Morris agreed that the idea is abstract, but the MACo is involved in trying to balance against roll back of taxable value by introducing bills that trigger an increment adjustment like HB-20 that gave 35 pages that moved up those percentages to offset the drop in taxable value associated with the drop in personal property taxes. This is an attempt to keep a balance of percentage of total indebtedness and total dollars to pay the debt constant.

Senator Beck wanted to know who collects fees on Fire Service Areas? Counties collect the fees.

Senator Vaughn said that the 7% can not exceed on structures, and then the 18% would be on the entire area? C. Erickson said the 7% does not apply to the structure, but to the taxable value. She interpreted it to mean that a Fire Service Area can pledge the income of the Fire Service Area to secure financing necessary to procure equipment, and this may not exceed 7% of the taxable valuation of the area. They can not issue bonds under this, and it is unclear if they can secure financing or pay installment contracts. This amount up to 7% is not bonded or voted on.

Senator Vaughn reiterated that the 7% is assessed against structures in the Fire Service Area, but the 18% is the limitation on bonds. C. Erickson said the 18% would be paid by an assessment on the property.

Mr. Suenram (MRFD) felt the cross over between Fire Districts and Fire Service Areas needed to be explained. Districts tax everything in the district by mill levy. The Fire Service Area collects fees constructed only structures.

Senator Harding wanted to distinguish if a Fire Service Area can also be in a Fire District. C. Erickson stated that they are different.

Senator Harding stated that Fire Service Areas were for people that numerous acres with no buildings were not assessed, but the people receiving the fire service for buildings were taxed. They do not cross lines. C. Erickson did not feel they could because the assessment was different.

Mr. Suenram (MRFD) stated that Fire Service Area Boundaries are determined by petition and can not include municipalities or come into a Fire District. The fee or tax is on different structures of property.

Senator Hammond felt that the demand in rural areas help create Fire Service Areas. Fires in those areas encompass structure as well as land fires.

Senator Beck wanted to know if there are fees being set on structures is there a need to have a taxable valuation on that particular Fire Service Area? Mr. Henry Lohr, Montana State Volunteer Firefighters Association (MSVFA) cited the example of Lakeside residents wanting fire protection for their summer cabins, but the beet farmers did not want to be assessed on the fields. With the Fire Service Area, all structure owners pay the same, so farm land does not incur a higher rate.

Senator Beck was in Powell County were they set up a Fire District were there was a specific exclusion of things from the taxable valuation, i.e. cattle. If indebtedness can not be over the taxable valuation it does necessarily mean everyone pays.

Senator Harding stated that we can not mix apples and oranges. The Fire Service Bill is strictly for the Fire Service Area at 7% on structures. But the 18% would be in a Fire District assessed against all property. The bill lists that this 18% would be in both Fire Districts and Fire Service Areas. C. Erickson said the bill page 3, line 17-21 states that the property is to be assessed. Senator Harding is unclear if it applies to both Districts and Areas. This needs to be clarified. C. Erickson interpreted the bill to amend Fire Districts and Fire Service Areas. It would allow each one to issue bonds with indebtedness not to exceed 18% of the taxable value of the property in the district of 18% of the taxable value in a service area. The bonding applies to both.

Senator Eck asked if the bill were written that the taxable value of the whole area is to repay the bond instead of just the structures in a Fire Service Area would this work? Mr. Suenram (MRFD) answered that most of the visitors present represent Fire Districts not Fire Service Areas. It did not seem to be a problem.

Senator Waterman wanted to know if all people paying fees in a Fire District would be there to vote, as in the Lakeside example some summer residents do not live there so they would not be voters on that bond issue? Senator Vaughn also wanted to clarification that only owners of the structures included in the Fire Service District would be allowed to vote in a Fire Service Area? Senator Bengtson noted the confusion of the bonding ability of Districts v.s. Areas, and conceded that Fire Service Areas could be removed by amendment from the bill. Fire Service Area legislation is very new.

Senator Hammond would like Bruce Seunram to clarify the Fire Service Area legislation. Mr Suenram was co-author of the bill, and it was written to be flexible and work all over the state.

The purpose was to provide funding for structure fires in rural areas that could not form Fire Districts. Mill levy was tried for funding, and after four sessions the fee on structure was accepted. The fee is not based on the value of the structure, but on the cost of fighting the fire. The same equipment is taken to an expensive home or a barn fire. In this new bill, SB-10, the fee system would have to be used to pay back the bond by pledging the income which is based on the fee.

Senator Vaughn questioned if bonded indebtedness can be legally assessed from income from fees? C. Erickson was not sure that bonds could be issued based on fees instead of taxes.

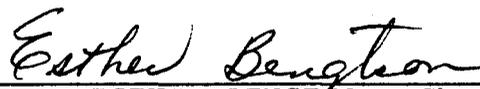
Senator Thayer wondered if in Fire Service Areas fires on land with no structures would be answered by the Fire Service Area? Mr. Suernam said there are fees made available through other statutes that provide funding for wildfire or agriculture fires that are in the Fire Area, and outside the Fire District. The maximum is \$15,000 per county.

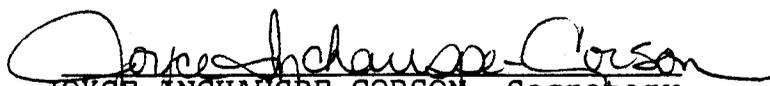
Senator Vaughn felt Senator Harding suggestion that this bill may need to be amended be referred to legal counsel. C. Erickson stated that two other bills are being drafted, and suggested no Executive Action take place on this bill until the others are introduced. Mr Lofftus was aware of Representative Bud Gould's bill referring to Fire Districts and was unsure whether this bill should be held or pulled. This bill is being drafted by C. Erickson, uses Title 7, and only deals with Fire Districts.

Closing by Sponsor: Senator Bengtson closed by saying that all the questions brought forth give the committee the ability to produce the best bill. Amendments should be addressed and possibly consideration of the other bills being introduced about this same need for bonding in Fire Districts, and possibly the addition of Emergency Vehicles.

ADJOURNMENT

Adjournment At: 2:35 p.m.


ESTHER BENGTSON, Chairman


JOYCE INCHAUSPE-CORSON, Secretary

Treasurer's Receipt

Original

OFFICE OF

The Treasurer of the County of Fergus

State of Montana

Form A-101

LEWISTOWN, MONTANA

3-21 19 90

SENATE LOCAL GOVT. COMM
EXHIBIT NO. 1-8-91
DATE 9/25/90
BILL NO. 90
SB 25

RECEIVED OF MT NOR

34110

DOLLARS

on account of Corp See Tax Western Federal S&L 6-30-89

To the credit of Western Fund

Western Treasurer

Deputy

ISSUED 03/20/1990 NUMBER 000651375 AMOUNT \$\$\$\$\$\$\$\$\$2.34

DISTRIBUTION PROVIDED IN ACCORDANCE WITH HOUSE BILL 150 (1979) SECTION 5 AND 6.

REFERENCE: WESTERN FEDERAL SAVINGS BANK P. O. BOX 8169; MISSOULA, MT 59807

TAX PERIOD: JUNE 30, 1989
80% OF \$54.00 (TAX PAID) X 5.42% (RATIO OF DEPOSITS) = \$2.34

AGENCY 5801
DEPARTMENT OF REVENUE
406-444-3447

CLAIM 9026729
PAYEE 810207590

ALL PURPOSE

A-101#19407 Corp. License Tax
Western Federal Savings & Loan
SD#1C 89 Levy

1000	Co Gen	3340-55	\$.13
2120	Poor	"	.04
2130	Bridge	"	.02
2160	Fair	"	.01
2370	PERS	"	.02
2140	Nox Weed	"	.01
2290	Co Ext.	"	.01
2180	Dist Court	"	.03
2375	Group Ins.	"	.01
2260	Comp Ins.	"	.01
7810	HS General	2123	.09
7830	HS Transp.	"	.02
7820	HS Retire.	"	.05
7760	Gen Schools	"	.14
7840	Elem. Retire."	"	.11
7850	Lewistown	2124	.73
7770	Dist. Schl	2123	.91
			<hr/>
			2.34
SD#1	Elem.	General	.37
		Transp.	.02
		Bus Depc.	.02
		Comp Ins.	.04
	H.S.	General	.21
		Bus Depc.	.01
		Comp Ins.	.01
		D/S	.23
			<hr/>
			.91

Sample of Non tax revenues

GENERAL FUND SUMMARY OF REVENUES BY SOURCE

SENATE LOCAL GOVT. COMM. EXHIBIT NO. 2 Final Budget #8-91

SOURCE NO.	SOURCE DESCRIPTION	Previous Year Actual	Current Year Budget
310000	<u>TAX REVENUES</u> (Non-levied Ad Valorem Tax)		
312000	Penalty and Interest on Delinquent Taxes		
314100	Light Vehicle Taxes		
314200	Flat Tax - Coal		
SUBTOTAL			
320000	<u>Licenses and Permits</u>		
1000	<u>Motor Vehicle Licenses</u>		
10	Motor Vehicle Plate Fees		
30	Title Registration Fees		
40	Other		
70	Recreation Vehicle Fees		
322000	<u>Business Licenses</u>		
10	Alcohol Beverage (Liquor/Beer/Wine)		
20	General/Professional and Occupational		
323000	<u>Non-Business Licenses</u>		
10	Building Permits		
30	Animal		
40	Other Miscellaneous		
SUBTOTAL			
330000	<u>INTERGOVERNMENTAL REVENUES</u>		
331000	<u>Federal Grants (List and Describe)</u>		
332000	<u>Federal Shared Revenue</u>		
333000	<u>Federal Payments in Lieu of Taxes</u>		
20	Taylor Grazing		
40	Payments in Lieu (P.I.L.T.)		
334000	<u>State Grants (List and Describe)</u>		
335000	<u>State Shared Revenues</u>		
10	Liquor Tax Apportionment		
15	Wine Tax Apportionment		
20	Beer Tax Apportionment		
30	Motor Vehicle Tax - Ad Valorem		
35	Aircraft Registration		
55	Corporation License Tax		
60	Coal Tax Apportionment		
✓ 65	Local Government Severence Tax		
✓ 75	Video Machine Apportionment		
80	911 Emergency Number		
95	District Court Reimbursement		
110	Live Card Game Table Permits		
120	Gambling Machine Permits		
✓ 210	Reimbursement for Lost Pers.Prop.Taxes		

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 1st day of Jan, 1991.

Name: Bruce SUEWRAM

Address: 2521 S. Ave West
Missoula

Telephone Number: 549-6172

Representing whom?
Missoula Rural Fire Dist.

Appearing on which proposal?
SB10

Do you: Support? Amend? Oppose?

Comments:

This bill would allow Rural Fire Districts
and Fire Service Areas to purchase
much needed equipment and facilities through
the issuance of bonds. Most districts and
fire service areas are spending to their limits
under 1-105 and simply cannot purchase
new equipment, apparatus and facilities out
of their operating budgets.

Recommend - Do pass.

ROLL CALL

SENATE LOCAL GOVERNMENT COMMITTEE

DATE 1-8-91

52 LEGISLATIVE SESSION _____

NAME	PRESENT	ABSENT	EXCUSED
Senator Beck	X		
Senator Bengtson	X		
Senator Eck	X		
Senator Hammond	X		
Senator Harding	X		
Senator Kennedy	X		
Senator Thayer	X		
Senator Vaughn	X		
Senator Waterman	X		

Each day attach to minutes.

