

## **MINUTES**

### **MONTANA SENATE 53rd LEGISLATURE - REGULAR SESSION**

#### **COMMITTEE ON LOCAL GOVERNMENT**

**Call to Order:** By Senator Kennedy, on March 4, 1993, at  
3:00 p.m.

#### **ROLL CALL**

##### **Members Present:**

Sen. Ed Kennedy, Chair (D)  
Sen. Sue Bartlett, Vice Chair (D)  
Sen. Dorothy Eck (D)  
Sen. Ethel Harding (R)  
Sen. John Hertel (R)  
Sen. David Rye (R)  
Sen. Bernie Swift (R)  
Sen. Eleanor Vaughn (D)  
Sen. Mignon Waterman (D)  
Sen. Jeff Weldon (D)

**Members Excused:** Sen. Delwyn Gage

**Members Absent:** None.

**Staff Present:** Connie Erickson, Legislative Council  
Rosalyn Cooperman, Committee Secretary

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

##### **Committee Business Summary:**

Hearing: HB 186, HB 230, HB 254, HB 306  
Executive Action: HB 230, HB 306

#### **HEARING ON HB 186**

##### **Opening Statement by Sponsor:**

Representative Ed McCaffree, House District 27, stated HB 27 would create a 2% penalty on delinquent taxes and deposit the money into the county general fund. He said HB 186 would provide an incentive for counties to collect delinquent taxes. Representative McCaffree stated the fiscal note accompanying HB 186 is inaccurate because it assumes 5% of all taxes will be delinquent. He added that last year in his county, less than 1% of taxes collected were delinquent.

**Proponents' Testimony:**

Mr. Gordon Morris, Montana Association of Counties, stated HB 186 was drafted at the request of his organization. He said the 2% incentive is important to counties as it would enhance the overall collection process.

Ms. Kim Harris, Lewis and Clark County Treasurer, stated the aggressive pursuit of delinquent taxes by the county is not mandatory. She said many hidden costs are involved in collecting these taxes, including postage, printing and staff time, which are not reimbursed. Ms. Harris stated that this year Lewis and Clark County will convert to the Department of Revenue's system which will require the County to send out an additional 20,000 tax notices. She anticipated her office would incur a large expense for mailing these notices. Ms. Harris concluded the aggressive collection of delinquent taxes is not mandatory, and counties who do collect delinquent taxes should be reimbursed for the cost of doing so.

Mr. Kevan Bryan, Yellowstone County Treasurer, spoke from prepared testimony in support of HB 186. (Exhibit #1)

**Opponents' Testimony:**

Mr. Don Waldron, Montana Rural Education Association, spoke from prepared testimony in opposition to HB 186. (Exhibit #2)

Mr. Alec Hansen, Montana League of Cities and Towns, stated he was unable to appear in opposition to HB 186 during its hearing in the House. He said the majority of delinquent taxes come from Montana's cities. Mr. Hansen noted that a recent financial analysis of twenty Montana cities revealed an average tax delinquency of between 4.2%-11.8%. He said the 2% penalty would benefit counties at the expense of cities and suggested the Committee instead consider increasing the delinquent tax penalty.

Ms. Shelley Laine, City of Helena, stated all taxing jurisdictions are compensated for tax delinquencies. She said the county is obligated by statute to collect taxes and is compensated for that expense in two ways. First, counties may levy taxes for that purpose. Second, counties keep interest on any money from the time it is collected to the time it is remitted. Ms. Laine said she agreed with the suggestion to increase the delinquent tax penalty.

**Informational Testimony:**

None.

**Questions From Committee Members and Responses:**

Senator Weldon submitted to the record one letter each in support of and opposition to HB 186. (Exhibits #3 and #4)

Senator Weldon said Mr. Stearns of Missoula believes the fiscal impact of HB 186 is underestimated because Missoula had a 17% delinquency rate on taxes collected in fiscal year (FY) 1991-92. He asked Mr. Morris why Missoula had such a high tax delinquency rate. Mr. Morris replied when he worked at the county level as a budget analyst, he would always anticipate a 7% delinquency rate when budgeting. He said the delinquency percentage for counties would, in general, be lower than the average delinquency percentage for cities.

Senator Weldon asked Mr. Hansen to explain why Missoula had such a high tax delinquency rate. Mr. Hansen replied Missoula had the second highest tax delinquency rate, but added the overall rate of delinquent taxes in Montana's cities was decreasing. He said, if enacted, HB 186 would cost the City of Missoula \$26,000 and the City of Billings \$31,000.

Senator Rye asked Mr. Hansen if he believed counties should be compensated for the cost of pursuing delinquent taxes. Mr. Hansen replied counties are obligated by statute to collect taxes and added that counties hold on to the money to collect interest.

Senator Kennedy asked Representative McCaffree if the fiscal note to HB 186 had been revised. Representative McCaffree replied the fiscal note was an assumption of fiscal impact and said the fiscal note had been revised once. He noted HB 186 had passed out of the House Taxation Committee.

Senator Kennedy asked Representative McCaffree of his opinion regarding the suggestion to increase the penalty on delinquent taxes. Representative McCaffree replied this was the first time he had heard of such a suggestion.

Senator Eck stated the fiscal note indicated a \$171,000 gain to the counties with the passage of HB 186. She asked why the fiscal note to HB 186 did not mention any loss of funds to the cities as a result of its passage. Connie Erickson replied fiscal notes address the financial impact to the state only and do not address the financial impact to local governments.

Senator Eck asked Mr. Morris how much it would cost counties to send out delinquent tax notices if the Committee decided to instead increase the penalty on delinquent taxes. Mr. Morris stated the expense to the counties would be considerable. Ms. Harris replied Lewis and Clark County has a Fiscal Services Department which collects all delinquent taxes and assists with the tax deed process. She said the annual cost of operations for this department is \$80,000.

Senator Rye asked Mr. Bryan to answer the same question Senator Eck asked Mr. Morris. Mr. Bryan replied it would cost Yellowstone County over \$100,000 to collect these taxes. He added that counties will spend time and money to collect delinquent taxes but will never see some of that money.

**Closing by Sponsor:**

Representative McCaffree stated the fiscal note to HB 186 was inaccurate.

**HEARING ON HB 230**

**Opening Statement by Sponsor:**

Representative Karyl Winslow, House District 97, stated HB 230 was drafted at the request of the Montana County Treasurers Association. She said HB 230 would give local governing bodies the authority to establish a "cash over and short account" to assist in the collection of county monies. Representative Winslow stated current law is silent as to the accounting of immaterial differences between daily receipts and actual monies collected. She concluded the establishment of a "cash over and short account" by county offices would be in keeping with sound accounting practices.

**Proponents' Testimony:**

Mr. Kevan Bryan, Yellowstone County Treasurer, spoke from prepared testimony in support of HB 230. (Exhibit #5)

**Opponents' Testimony:**

None.

**Informational Testimony:**

None.

**Questions From Committee Members and Responses:**

Senator Rye asked Mr. Bryan how his office dealt with accounting shortfalls. Mr. Bryan replied his office has set up a cash over and short account at the urging of independent auditors in his county since his office takes in \$150 million annually. He said the existence of this account enables him to determine if shortages were accidental or deliberate.

Senator Weldon asked Mr. Bryan how much money would be taken from or added to a cash over and short account to balance daily receipts. Mr. Bryan replied there was no maximum or minimum amount, but added account imbalances usually do not exceed \$10.

Senator Vaughn asked Mr. Bryan where excess money would be deposited if a cash over and short account was established by a county. Mr. Bryan replied debits and credits are balanced together during the course of a year. He said most counties would deposit credits to a miscellaneous general fund account.

Senator Harding asked Mr. Bryan if his office had any kind of income which provided for petty cash. Mr. Bryan replied his office could charge for things like photocopying, however, he said he would prefer to track that money under the purpose for which it was collected. He said a cash over and short account allows the county to track incoming and outgoing monies.

Senator Eck asked Representative Winslow why HB 230 was placed on the consent calendar on the House. Representative Winslow replied HB 230 was passed out of the House committee without any opposition or discussion and placed on the consent calendar.

**Closing by Sponsor:**

Representative Winslow stated HB 230 would be discretionary for local governments. She urged the Committee to pass HB 230 and concluded she was thankful Montana taxpayers did not require their legislators to pay for shortages to the State Fund.

**EXECUTIVE ACTION ON HB 230**

**Motion/Vote:**

Senator Rye moved HB 230 BE CONCURRED IN. MOTION CARRIED UNANIMOUSLY. Senator Rye will carry HB 230 on the Senate floor.

**HEARING ON HB 254**

**Opening Statement by Sponsor:**

Representative Ed McCaffree, House District 27, stated HB 254 would increase the filing fee on motor vehicle liens from four to eight dollars. He said no compensation is given to local governments for filing these liens as all the money is given to the state. Representative McCaffree concluded it was time consuming for counties to file these liens.

**Proponents' Testimony:**

Mr. Kevan Bryan, Yellowstone County Treasurer, spoke from prepared testimony in support of HB 254. (Exhibit #6)

Ms. Kim Harris, Lewis and Clark County Treasurer, stated her office processed 6,030 liens in FY 1992 resulting in \$24,120 for Montana. She said this was a break even cost for her office.

**Opponents' Testimony:**

Mr. Steve Turkiewicz, Montana Auto Dealers Association, stated his opposition to HB 254. He said Montana motorists pay approximately \$70 million each year for the privilege of registering, titling and paying for their vehicles. Mr. Turkiewicz added this total does not include revenue generated from the gasoline tax. He said \$48 million of this total is derived from property taxes which fund county and school operations. He stated HB 254, if enacted, would cost vehicle owners another \$500,000 to pay for information readily accessible to county treasurers. Mr. Turkiewicz believed the counties should justify why they needed a 100% increase for the vehicle lien fee. He concluded that during the last legislative session, the Department of Motor Vehicles wanted to take the responsibility of registering motor vehicles away from the county treasurer's office, however, the effort was opposed by county treasurers.

Mr. Bob Pyfer, Montana Credit Unions League, stated his opposition to HB 254, and the amendment to the bill which had been added in the House. He said page 5, line 19 states, "the fee must be paid by the secured party". Mr. Pyfer said this language prohibits the lender from passing on the fee to the borrower or the purchaser of the car. He stated this requirement would be problematic for a number of Montana credit unions. According to Mr. Pyfer, there are 91 credit unions in Montana, 76 of which are federally chartered. He said Federal law would preempt any attempt by the state to prohibit credit unions from passing this fee on to their members, however, state law would not. Mr. Pyfer stated it would be unfair to discriminate against state chartered credit unions, and added that banks would probably have similar regulations. He said credit unions are cooperatives owned by its members so there would be no investor to absorb this cost. Mr. Pyfer said the passage of HB 254 would require credit unions to pass this fee on to their entire membership or to the individual borrower. He agreed with Mr. Turkiewicz's request for county treasurers to better justify the desired 100% increase in lien fees. Mr. Pyfer concluded that county treasurers have the authority to reject incorrectly documented vehicle liens and return them to Deer Lodge where all titles are processed.

**Informational Testimony:**

None.

**Questions From Committee Members and Responses:**

Senator Weldon asked Representative McCaffree when the amendment to HB 254 was added. Representative McCaffree replied the amendment was offered by Representative Driscoll who argued that since lenders were the party who had requested that liens be perfected by the county, they should have to pay for the service.

Senator Weldon asked how many times a particular car buyer would pay the vehicle lien fee. Mr. Bryan stated people who refinance car loans would be required to again pay a vehicle lien fee. He added that the majority of people do not refinance their car loans.

Senator Weldon asked Mr. Bryan how much money Yellowstone County would receive from the increase in vehicle lien fees. Mr. Bryan replied he was unsure, but added that Yellowstone County collects 13% of all lien fees in Montana.

Senator Rye asked Mr. Bryan to reply to Mr. Turkiewicz's argument that the county treasurers did not want to give up the responsibility of processing liens. Mr. Bryan replied the bill introduced in 1991 to require the Department of Motor Vehicles to process all liens was not supported by the Treasurers Association because they anticipated such services would be discontinued due to budget cuts. Mr. Bryan added that drivers services in a number of Montana counties were recently discontinued on the state level due to budget shortfalls.

**Closing by Sponsor:**

Representative McCaffree concluded county treasurers should be compensated for processing liens for the state.

**HEARING ON HB 306**

**Opening Statement by Sponsor:**

Representative McCaffree, House District 27, stated HB 306 would clarify membership in the County Treasurers Association. He said current law requires county treasurers to obtain permission from their county commissioners before they may join the Treasurers Association. Representative McCaffree added the county treasurer is the only elected local official who must have permission to join a state association. He concluded membership in the

association is important for treasurers so they may network with their peers.

**Proponents' Testimony:**

Mr. Kevan Bryan, Yellowstone County Treasurer, spoke from prepared testimony in support of HB 306. (Exhibit #7)

Mr. Cort Harrington, Montana County Treasurers Association, stated HB 306 would give county treasurers the same authority to join statewide associations which is granted to all other elected local offices. He urged the Committee to support HB 306.

**Opponents' Testimony:**

None.

**Informational Testimony:**

None.

**Questions From Committee Members and Responses:**

Senator Hertel asked Mr. Bryan how much it would cost the county to belong to the Treasurers Association. Mr. Bryan replied the dues varied according to the class of county, but stated the dues would fall between \$100-300 a year.

Senator Hertel asked if these dues paid for the Association's lobbyist. Mr. Bryan replied all other locally elected officials have the ability to join their respective statewide organizations if they so desired without first getting permission. Mr. Bryan replied the decision to join the statewide association is not mandatory and added counties may decline membership if they cannot afford the membership dues.

Senator Weldon asked if statute permits all other elected officials to join their respective statewide organizations if they so desire. Connie Erickson replied county treasurers are the only group of elected officials required to get permission from their county commissioners if they wish to join their statewide association.

Senator Harding asked Connie Erickson if the authority to join statewide associations is specifically mentioned in statute for each individual county office. Connie Erickson replied statute gives this authority to all county elected offices but requires county treasurers to first get permission from their commissioners.



Senator Weldon asked Mr. Harrington if any county commissioners had prohibited their treasurer from joining the statewide association. Mr. Harrington replied one county commission prohibited their treasurer from joining the statewide association for reasons which had nothing to do with the expense of the membership dues. Mr. Harrington replied membership in their statewide association is important for elected officials because it gives them the opportunity to interact with their peers.

**Closing by Sponsor:**

Representative McCaffree stated county treasurers should have the authority to join their statewide association without first seeking permission to do so from their county commission.

**EXECUTIVE ACTION ON HB 306**

**Motion/Vote:**

Senator Harding moved HB 306 BE CONCURRED IN. MOTION CARRIED UNANIMOUSLY. Senator Vaughn will carry HB 306 on the Senate floor.

**EXECUTIVE ACTION ON HB 186**

**Discussion:**

Senator Bartlett asked if any of the Committee members would summarize HB 186 as she was not present during its hearing. Connie Erickson stated proponents of HB 186, county representatives, argued they should receive compensation for the cost of pursuing and collecting delinquent taxes. She added that opponents, city representatives, feared the passage of HB 186 would result in a loss of revenue to cities and instead suggested an increase in the delinquent tax penalty. Ms. Erickson stated both proponents and opponents of HB 186 disputed the accuracy of the fiscal note.

Senator Weldon asked if the interest collected on delinquent taxes went to the city or county. He stated he opposed HB 186 because of the negative impact it would have on cities.

Senator Swift stated he was concerned with the inaccuracy of the fiscal note and added he preferred to leave the situation alone.

Senator Harding asked Committee members if they would be opposed to delaying executive action on HB 186 until a more accurate fiscal note could be obtained. Senator Harding stated she would prefer not to act on HB 186 until she had more information.

Senator Kennedy stated he could not support HB 186 given the inaccuracies in the fiscal note and asked Representative McCaffree to try to come up with more accurate figures.

Senator Weldon suggested the Committee consider increasing the penalty on delinquent taxes and permitting some of the penalty money to remain with the counties. Representative McCaffree said he did not object to Senator Weldon's suggestion.

Senator Hertel stated he agreed with Senator Weldon's suggestion to increase the penalty because it may offer an incentive for people to pay their taxes on time.

Senator Rye stated he opposed HB 186 because of its impact on school equalization funds. He added, however, that he would support HB 186 if the penalty was instead increased.

Senator Harding asked Connie Erickson if the title of HB 186 would have to be changed to accommodate Senator Weldon's suggestion. Ms. Erickson replied she did not believe the title would have to be changed, however, she asked the Committee to delay executive action on HB 186 until she spoke with her colleagues in the Legislative Council.

Senator Weldon requested that Connie Erickson prepare an amendment to increase the delinquent tax penalty if doing so would not necessitate a change in the bill's title.

**ADJOURNMENT**

**Adjournment:** 5:00 p.m.

  
SENATOR JOHN "ED" KENNEDY, Jr., Chair

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ROSALYN COOPERMAN, Secretary

JEK/rlc

# ROLL CALL

SENATE COMMITTEE Local Government

DATE 3-4-93

NAME	PRESENT	ABSENT	EXCUSED
Senator John "Ed" Kennedy	✓		
Senator Sue Bartlett	✓		
Senator Dorothy Eck	✓		
Senator Delwyn Gage			✓
Senator Ethel Harding	✓		
Senator John Hertel	✓		
Senator David Rye	✓		
Senator Bernie Swift	✓		
Senator Mignon Waterman	✓		
Senator Jeff Weldon	✓		
Senator Eleanor Vaughn	✓		

F08

Attach to each day's minutes

SENATE STANDING COMMITTEE REPORT

Page 1 of 1  
March 4, 1993

MR. PRESIDENT:

We, your committee on Local Government having had under consideration House Bill No. 230 (first reading copy -- blue), respectfully report that House Bill No. 230 be concurred in.

Signed: John Ed Kennedy  
Senator John "Ed" Kennedy, Jr., Chair

m- Amd. Coord.  
     Sec. of Senate

Senator Rye  
Senator Carrying Bill

491702SC.Sma

SENATE STANDING COMMITTEE REPORT

Page 1 of 1  
March 4, 1993

MR. PRESIDENT:

We, your committee on Local Government having had under consideration House Bill No. 306 (first reading copy -- blue), respectfully report that House Bill No. 306 be concurred in.

Signed: John Ed Kennedy  
Senator John "Ed" Kennedy, Jr., Chair

M- Amd. Coord.  
   Sec. of Senate

Senator Vaughn  
Senator Carrying Bill

491703SC.Sma



Montana County Treasurers' Association

SENATE LOCAL GOVERNMENT

EXHIBIT NO. 1

DATE 3-4-73

BILL NO. HB 186

Testimony on HB186  
Senate Local Government Committee

Mr. Chairman, members of the committee. My name is Kevan Bryan. I serve as the current Yellowstone County Treasurer, and also as the Legislative Committee Chairman and Vice President of the Montana County Treasurers' Association. I would like to thank Rep. McCaffree for agreeing to carry this bill for us in this session.

HB186, which passed the House by a 2 to 1 margin would provide for the 2% penalty due on late tax payments to be directed to the county. The 10% interest will continue to be distributed to various taxing jurisdictions.

Let me explain our purpose with this legislation. If a taxpayer does not make a property tax payment, all taxing jurisdictions suffer, in a sense. The State can't invest or spend their share, nor can the county. But unless the property goes to tax deed and is sold for cents on the dollar, the State will eventually get its share along with 10% interest. Not a bad return. Especially with STIP currently earning about 3.6% - 3.7%.

But at the county level, as the tax collecting entity, our work has just begun. And by the time we are finished, we have quite often spent more than our share of any interest revenues collecting everyone else's money. We track the receivables, we generate the receipts, work with individual taxpayers in what is often a very time consuming process and we unilaterally generate and pay for thousands of past due reminders, notes and letters each year. In Yellowstone County, we mailed out roughly 11,000 such notices last year. And they work to everyone's benefit. That's why almost every county does it. More and more work and expense is incurred by every county, as property approaches the tax deed process.

Our association feels strongly that interest charged at the rate of 10% on delinquencies is very adequate compensation for jurisdictions for whom we collect taxes. The purpose of the 2% penalty should be twofold. 1) To provide incentive to the taxpayer to make timely payment. 2) To compensate the counties for our collection efforts on everyone's behalf.

Before I close, I must address the fiscal note. Although it was prepared with good faith estimates, the Treasurers have done some individual analytical work. The 5% delinquency rate assumed in the fiscal note is definitely overstated. Flathead County is less than that, so is Cascade County. Yellowstone County is less than 4% and Rosebud county is around .6%! In fact, we didn't find any county that responded, with possibly one or two exceptions that equalled or exceeded 5%.

In fact, Yellowstone and Rosebud alone collect about one-fourth of the equalization, university and vo tech money for the State. Between us, we estimate with some precision that we send less than \$16,500 to the State for the State's share of penalty collections. In 1992, because Rosebud's taxes are concentrated in the hands of just a few, Sharon Lincoln, the county treasurer there informed me that she collected less than \$60 in penalty for universities and less than \$1,000 for the equalization plan.

We urge that this committee and the Senate as a whole consider these points and strong House approval, and pass HB186.

Thank you Mr. Chairman and members of the committee for your time and consideration.



SENATE LOCAL GOVERNMENT

EXHIBIT NO. 2

DATE 3-4-93

BILL NO. HB 186

WE OPPOSE HB 186 FOR THE FOLLOWING REASONS:

- 1) THE ATTACHED FISCAL NOTE DOES NOT TAKE INTO ACCOUNT ALL OF THE TAXING JURISDICTIONS WHICH THIS NOTE WOULD EFFECT: SCHOOL DISTRICTS (LOCAL LEVIES), CITIES, AND SPECIAL DISTRICTS, SUCH AS FIRE DISTRICTS.
- 2) HB 186 HAS A NEGATIVE EFFECT ON THE STATE EQUALIZATION ACCOUNT, WHICH IS ALREADY UNDERFUNDED - ADDITIONAL MILLS WOULD NEED TO BE LEVIED TO REDUCE THE SHORTFALL.
- 3) IT IS NOT GOOD POLICY TO TAKE FUNDS FROM OTHER TAXING JURISDICTIONS AND GIVE THEM TO ANOTHER TAXING JURISDICTION - THIS RESULTS IN RECIPROCAL ACTIONS AND BATTLES AMONG TAXING JURISDICTIONS.
- 4) WE WOULD SUGGEST THAT A BETTER ALTERNATIVE WOULD BE TO INCREASE THE PENALTY FROM 2% AND GIVE THE COUNTIES THE INCREASE. THIS WOULD NOT HARM OTHER TAXING JURISDICTIONS AND MAY ENCOURAGE TIMELY PAYMENT OF TAXES.

MONTANA SCHOOL BUSINESS OFFICIALS

By \_\_\_\_\_

MONTANA SCHOOL BOARDS ASSOCIATION

By \_\_\_\_\_

MONTANA RURAL EDUCATION ASSOCIATION

By Don Waldner

LAKE COUNTY

106 4TH AVE. EAST  
POLSON, MT 59860

Patricia J. Cook  
Lake County Treasurer  
March 2, 1993

SENATE LOCAL GOVERNMENT

EXHIBIT NO. 3

DATE 3-4-93

BILL NO. HB 186, 230, 254

Senator Ed Kennedy, Chairman  
Local Government Committee  
Capitol Station  
Helena, MT 59620

Dear Chairman Kennedy

I would like to submit written testimony for 3 bills which are scheduled for hearing in the Local Government Committee on March 4th.

HB-186 would allow the 2% penalty collected on delinquent taxes to be deposited in the county general fund. Presently counties are experiencing budget cuts annually. The Treasurer's Office operates from the general fund and we bear the burden of the cost of collecting delinquent taxes. Many counties send out courtesy letters as a service to taxpayers notifying them of delinquencies. At the time of payment, penalty and interest must be calculated by a clerk. When personal property taxes are being collected and are delinquent, often the county will contract with someone to help in the seizure and sale of the delinquent personal property. There are numerous expenses associated with these collections. Recently I had to lay an employee off due to budget reductions, even though our work load has increased.

HB-230 would create a cash over and short account for county treasurers. Our office works diligently to balance to the penny every day but we are human and make mistakes. We try and trace back every transaction but occasionally will be long or short. We would like to have our "petty cash" funds be legal. This money would only be used for this purpose.

HB-254 would increase lien filing fees from \$4 to \$8. Since liens are perfected in our office now, it takes 1 clerk most of the day to enter liens. Currently the \$4 goes to the state with the county retaining none of the fee. This increase would be deposited to county general funds.

Please support these 3 bills.

Sincerely,

*Patricia Cook*

Patricia Cook  
Lake County Treasurer



# FINANCE/CITY CLERK OFFICE

435 RYMAN ST. • MISSOULA, MT 59802-4297 • (406) 523-4700

March 2, 1993 FAX (406) 728-6690

Letter #93-080

FINANCE AND DEBT MANAGEMENT  
BUDGET AND ANALYSIS  
ACCOUNTING  
CITY CLERK  
UTILITY BILLING  
RISK MANAGEMENT  
GRANT ADMINISTRATION

The Honorable Jeff Weldon  
Montana State Senate  
Montana State Capitol  
Helena, Montana 59620

## SENATE LOCAL GOVERNMENT

EXHIBIT NO. 4  
DATE 3-4-93  
BILL NO. HB 186

Dear Jeff:

This letter is written to encourage you to oppose HB186 which would change the distribution of the 2% penalty on delinquent property taxes from being distributed to all taxing jurisdictions. Rather than distributing the 2% penalty to all taxing jurisdictions along with the taxes and interest, HB186 would give the respective county the entire 2% penalty as shown on page 3, lines 3-4. This bill is set for hearing in the Senate Local Government Committee on Thursday, March 4th.

In times like these, we believe that it is not good policy to try to take funds from other taxing jurisdictions as such a predatory strategy only results in reciprocal actions and battles among taxing jurisdictions. If counties do not feel they are properly compensated for processing penalties, then perhaps the Legislature should consider adding one or two percentage points to the penalty and giving the increase to counties. A higher penalty would also increase the percentage of property tax payments that are made on time, a goal which everyone should support.

HB186 in its current form would have cost the City of Missoula approximately \$25,617 in the last fiscal year and this impact is significant. I also would suggest that the revised fiscal note underestimates the financial impact by assuming that 5% of property tax collections are for delinquencies. Our actual percentages for the last four fiscal years are shown below:

Fiscal Year	% Collected During Fiscal Year
1988/89	18%
1989/90	16%
1990/91	14%
1991/92	17%

If the fiscal note significantly underestimates the impact on local governments, it would also underestimate the impacts on schools and the State of Montana levies. I would encourage you to reject this bill in its current form or modify it so that no taxing jurisdiction is harmed and the penalty is increased. However, unless modification is agreed to, the City of Missoula would ask that you vote against the bill.

Sincerely,

Chuck Stearns  
Finance Officer/City Clerk

PS - see you  
on Tues  
for SB63  
CS

cc: Senate Local Government Committee, Missoula Senate Delegation, The Honorable Ed McCaffree



Montana County Treasurers' Association

Testimony on HB230  
Senate Local Government Committee  
3/04/93

SENATE LOCAL GOVERNMENT

EXHIBIT NO. 5

DATE 3-4-93

BILL NO. HB 230

Mr. Chairman, members of the committee. My name is Kevan Bryan. I serve as the current Yellowstone County Treasurer, and also as the Legislative Committee Chairman and Vice President of the Montana County Treasurers' Association.

I would like to thank Representative Winslow for agreeing to carry this bill for us in this session.

This bill seeks to allow local governing bodies, i.e. city councils, county commissions etc. the authority to establish "cash over and short" accounts to assist in the efficient collecting and receipting of monies by local governmental units. I would like to give you some background information, then explain to you how this legislation corrects the current problem.

Currently, Montana law is silent as to how to account for immaterial differences between daily receipts and actual monies collected. Therefore, there is no uniform method of accounting for these small differences. Auditors, including those in the State Department of Commerce recognize that such an account is in keeping with sound and proper accounting practice, but since it is not expressly allowed in statute, many are split or unsure as to whether such an account can be established and used.

This has caused a wide variety of methods of dealing with this problem to develop. Some have established such an account with their auditors' blessing, while others go to great extremes to balance to the penny, even when millions of dollars are involved. This ranges from using petty cash generated by small fees such as photocopying, to actually charging employees for the shortage.

There is a small county in the Northeast that makes their employees kick in \$20.00 upon being hired to fund their shortage fund. If it runs low, everyone pays. A county with over 10,000 in population is forced to fly by the seat of its pants, so to speak. If there is a shortage of \$10.00 for the day, everyone pitches in. This is due to the fact that their Board of Commissioners does not feel comfortable establishing such an account because state law does not expressly allow it.

Let's use an example to demonstrate how this legislation will correct current practice. An employee in a county treasurer's office is balancing daily motor vehicle receipts totalling \$10,000 and is \$4.00 short. After double checking all items for accuracy, the shortage remains. Unknown to the employee, the office gave out a \$5.00 bill instead of a \$1.00 bill while making change. Currently, the office can invest much more than \$4.00 in staff time to continue to look for the error, it can cover the \$4.00 with money received for some other service, such as making photocopies, can actually make the employee personally reimburse the office, or can "plug", if you will, the difference elsewhere.

Now the office will be able to account for the shortage on the books, thus reducing wasted land and leaving a superior audit trail. This process is followed by most businesses, especially in the banking area.

This account would be established in a way agreed upon by local governing bodies and their auditors. Generally accepted accounting principles would prevent an overly lenient practice from being established. Booked detail of these overages and shortages can then prove to be a valuable piece of information for management and auditors alike.

This legislation was supported 95-2 in the House. We urge you to give it your support as well. Thank you Mr. Chairman and members of the committee for your time and consideration.



## SENATE LOCAL GOVERNMENT

Montana County Treasurers' Association EXHIBIT NO. 6

Testimony on HB254

DATE 3-4-93

Senate Local Government Committee BILL NO. HB 254

Mr. Chairman, members of the committee. My name is Kevan Bryan. I serve as the current Yellowstone County Treasurer, and also as the Legislative Committee Chairman and Vice President of the Montana Treasurer's Association. I would like to thank Rep. Grinde for agreeing to carry this bill for us in this session.

This legislation seeks to compensate the counties for work performed while perfecting liens on motor vehicles. Allow me a few moments to give you some background. Until a few years ago, there was no protection for lienholders between the time that a vehicle loan was extended and Deer Lodge entering it on the motor vehicle system. This routinely would take a couple of weeks, but could take substantially longer if the taxpayer didn't come into our office to apply for title.

Well, everyone saw this as a problem. So the Legislature allowed for a program that required the county treasurers to enter the lien on the state motor vehicle system the same day that we receive the paperwork, even if that means putting aside other work, which it often does. In addition, a \$4 lien filing fee was approved. But the entire \$4 goes to the state general fund. So the lienholders and dealers in the state have virtually immediate protection on liens, something that was to save untold thousands every year, the State Registrar's Bureau, which incurs no added workload or responsibilities gets the \$4 and the counties which provide the protection and absorbs the added workload and responsibility gets nothing! In my county, I have a full time employee dedicated to this task alone.

3-4-93  
HB-254

We ask you to provide us a level of reimbursement, already provided to the state, to be paid by those receiving the benefit of the service.



SENATE LOCAL GOVERNMENT

EXHIBIT NO. 7

DATE 3-4-93

BILL NO. HB 306

Testimony on HB306  
Senate Local Government Committee

Mr. Chairman, members of the committee. My name is Kevan Bryan. I serve as the current Yellowstone County Treasurer, and also as the Legislative Committee Chairman and Vice President of the Montana County Treasurers' Association. I would like to thank Rep. McCaffree for carrying this bill for us in this session.

HB306 is a pretty straightforward piece of legislation. It amends 7-5-2144(MCA) to require that if a treasurer chooses to participate in our Association, his or her county must pay their dues. State law already requires each participating county to reimburse for one general meeting each year. If the treasurer doesn't feel that the county can afford it, he or she doesn't have to participate.

We are not asking for any special consideration here. 7-5-2142 and 2143(MCA) give Clerk & Records and Clerks of District Courts the same provision and have done so for 30 years. This bill will simply put the Treasurers on equal footing. We were grateful to see the House approve this measure 88-9. We are here today requesting your support.

Thank you Mr. Chairman and members of the committee for your time and consideration.

DATE 4 March 1993

SENATE COMMITTEE ON Local Government

BILLS BEING HEARD TODAY: HB 186 - Mc Caffree; HB 230 - Winslow  
HB 254 - Mc Caffree; HB 306 - Mc Caffree

Name	Representing	Bill No.	Check One	
			Support	Oppose
Don Waldron	Mt Rural Ed Assn.	HB 186		✓
Kim Harris	L.C. County		✓	
Steve Turkiewicz	Mt. Auto Dealers Assn	254		✓
Gordon Morris	MACo.	HB 186	✓	
Bea Idun	MLCT	HB 186		✓
Kevan Bryan	MCTA & Yellowstone Co.	HB 186 HB 230 HB 254 HB 306	✓	
Bob Pyfer	MT Credit Unions League	HB 254		✓

## VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY