

MINUTES

MONTANA SENATE 55th LEGISLATURE - REGULAR SESSION

FREE CONFERENCE COMMITTEE ON SENATE BILL 195

Call to Order: By **CHAIRMAN JOHN HARP**, on April 16, 1997, at 6:30 a.m., in Room 325.

ROLL CALL

Members Present:

Sen. John G. Harp (R)
Sen. Bruce D. Crippen (R)
Sen. Mike Halligan (D)
Rep. Chase Hibbard (R)
Rep. Dan W. Harrington (D)
Rep. Robert R. Story, Jr. (R)

Members Excused: None

Members Absent: None

Staff Present: Greg Petesch, Legislative Services Division
Jodi Jones, Committee Secretary

HEARING ON SB 195

Greg Petesch, Legislative Services Division, explained amendment #1 with revised temporary language (EXHIBIT 1).

Dave Woodgerd, MT Department of Revenue, said this language is now clear that the department would begin the reappraisal in 2001 and be done by 2004.

SENATOR MIKE HALLIGAN asked what this language meant and are they revaluing or is it going to be implemented. **Dave Woodgerd** said the two percent phase-in only applies to the 1996 values. In sub-section (3) the new values would be put on the properties in 2004.

REP. BOB STORY asked since all they are changing in sub-section (3) is the dates and the two percent phase-in will stay in the language, anything that is above \$40,000 would be phased-in also. **Greg Petesch** said any change from the base year is subject to the phase-in, however the Legislature will meet at least three times and will be able to address that.

CHAIRMAN JOHN HARP said he would like to change the dates on the amendment. The window would be 10 years instead of four. This would make the starting date at 2007 and the finishing date at 2010. This will expand the time to look at reappraisal.

{Tape: 1; Side: A; Approx. Time Count: ; Comments: Tape is blank from this point on, minutes are taken from the secretary's notes.}

REP. DAN HARRINGTON said if they take out cyclical reappraisal they are moving away from the basis of the system and this could create a problem.

SENATOR HALLIGAN said there is some disparity between market value as it fluctuates. If this reappraisal doesn't happen until 2007, the court could step in and say they have abandoned the process. Dave Woodgerd said he had some of the same concerns. He said if the legislature is looking at this as being a temporary solution and not permanent, then it needs to be clarified.

SENATOR BRUCE CRIPPEN said he would support extending it out to ten years. Another Legislature can come in and change the cap, the percentage increases, or change everything they have worked on. Four years is not long enough and ten years would give them more time.

REP. CHASE HIBBARD asked if the department started their reappraisal in 2007 would it be finished in 2010. CHAIRMAN HARP stated that was correct.

Motion/Vote:

CHAIRMAN HARP MOVED TO ADOPT IN SECTION 2, SUB-SECTION (3) TO STRIKE "2001" AND INSERT "2007" AND STRIKE "2004" AND INSERT "2010." MOTION PASSED 4-2 WITH SENATOR HALLIGAN AND REP. HARRINGTON voting no.

Discussion:

REP. HIBBARD asked if in the next two years what kind of demand will there be on the property staff and would the department start reducing their staff. Mary Bryson, MT Department of Revenue, said it will take them from now until April to finish reappraisal work. She said there are other properties reappraised on an annual basis and new construction has to be dealt with also. They will start reducing their staff as a result of this legislation, but she didn't know how many they would cut.

REP. HIBBARD said this could end up being a permanent solution. But if they change it and the department has already dismantled their staff, then they would have to revalue their program.

CHAIRMAN HARP said they don't want to dismantle the Department of Revenue. He asked if they put language in addressing that the interim committee must report back to the 1999 Legislature would this help? Dave Woodgerd, Department of Revenue said it would help in court cases.

REP. STORY said they might want to extend the three years reappraisal cycle out to a longer period of years.

REP. HARRINGTON asked how the reduction of the FTE's would affect the department. Mary Bryson said that is something their department would have to look at and if they do this reduction they will probably do it over a three to four year period to make it easier.

REP. HARRINGTON asked if they reduced the staff by 40 FTE's over the next two bienniums it would more practical than reducing all of them at once. Mary Bryson said yes it would be less severe.

SENATOR HALLIGAN said they can look at this as a temporary solution, but if they don't do anything in the next two years the word temporary should be addressed, so the court will know what that language is doing.

CHAIRMAN HARP said they are dealing with the most accurate information about reappraisal that this state has had. He said they are looking at alternatives and now there is some predictability with the 1996 reappraisal values.

{Tape: 1; Side: A; Approx. Time Count: 7:08 a.m.; Comments: Tape is blank and all testimony is taken off of secretary's notes.}

Motion/Vote:

REP. HIBBARD MOVED TO ADD CONCEPTUAL LANGUAGE TO AMENDMENT #3 (EXHIBIT 2) THAT THE INTERIM COMMITTEE MUST PRESENT A MENU OF ALTERNATIVES TO THE 56TH LEGISLATURE. MOTION PASSED UNANIMOUSLY.

Discussion of Amendment #4:

CHAIRMAN HARP discussed amendment #4 (EXHIBIT 3).

Motion:

REP. STORY MOVED TO ADOPT THE MILLAGE SECTION OF AMENDMENT #4.

Discussion:

REP. HIBBARD discussed the Sweetgrass Co. handout (EXHIBIT 4).

SENATOR CRIPPEN asked if there will be any additional cost? Gordon Morris, MT Assoc. of Counties, said the department will ratchet down and limit and they will give the certified value with the reduction.

SENATOR CRIPPEN asked by using the Sweet Grass Co. example will they save more and is it worth it. Gordon Morris said that counties won't see an additional cost. Alec Hansen, MT League of Cities and Towns, said with the ratcheting, tax rate, and phase-in, it will eventually get to zero.

REP. HIBBARD said there will be some counties with increases that will have to reduce the mills of classes 3,4, and 10 to get to zero. But there will still be some classes with increases and decreases and isn't that going to be expensive and difficult to do. Alec Hansen said it is not difficult. The phase-in evaluation at Big Timber will have an increase and they could move their mills down.

SENATOR CRIPPEN asked what about taxpayers who are below average. Alec Hansen said they are dealing with extremes in that instance.

CHAIRMAN HARP discussed a handout by Mick Robinson (EXHIBIT 5). Mary Bryson said when the department certifies mills, those mills will be reduced as a result of cyclical reappraisal.

REP. HIBBARD said he would like to defer action on this motion until they have a better understanding.

{Tape: 1; Side: B; Approx. Time Count: 7:28 a.m.; Comments: Tape is blank and minutes are done from Secretary's notes.}

Discussion of Amendment #4 option 1:

CHAIRMAN HARP discussed amendment #4 option 1 from the cities and counties (EXHIBIT 6).

Alec Hansen discussed a sheet on cities and towns (EXHIBIT 7). He said to have an increase in taxes of less than 5 percent is quite small and if they have an election with the super-majority they might not get it. It would be more effective to have this voted on by a simple majority.

SENATOR CRIPPEN asked if the town of Culbertson has a vote to increase taxes and they don't get it and the town goes bankrupt, what happens then. Alec Hansen said the town would have to be dis-incorporated.

SENATOR CRIPPEN asked if a \$60,000 home is subject to the percentage or the entire amount of them bond. Alec Hansen said it would still be obligated to the bond.

SENATOR CRIPPEN said if this increase is spread out, the people with higher valued homes will get hit harder.

CHAIRMAN HARP said they are updating I-105 from 1986 to 1996. If the values drop below the 1996 values they will automatically get that back.

SENATOR CRIPPEN said the more restraints they put on, the farther this will move from being a temporary solution to one that is permanent. If the taxpayers are receiving a substantial benefit from this then it is worth it.

REP. STORY said if they start using the language of less than five percent and less than six years by a simple majority etc., then it can get complicated.

SENATOR HALLIGAN said they need to trust the voters. Local Government is made up of taxpayers and it is a win-win situation. He said he is not afraid of the simple majority vote and if it is a problem the interim committee can change it.

CHAIRMAN HARP said the county amendments are based on the number of voters from the last election (EXHIBIT 6) and the other amendment is based on the voter registration.

REP. STORY asked if the motor voter only applies to the federal and not the state. Greg Petesch said the active and inactive list applies to the federal. There are more registered voters than there was before, but there have been no increases at the poles.

SENATOR CRIPPEN said one way to solve this is to have a smaller percentage increase and they can vote by a simple majority.

CHAIRMAN HARP asked if under the I-105 emergency provision can a simple majority impose a tax. REP. STORY said that was correct.

CHAIRMAN HARP said anything they do beyond I-105 will only strengthen it.

Motion:

SENATOR HALLIGAN MOVED TO ADOPT AMENDMENT #4 OPTION 1 FROM THE CITIES AND COUNTIES. (EXHIBIT 6)

Discussion:

SENATOR HALLIGAN said he would rather have the vote be by a simple majority, but he will settle with this amendment.

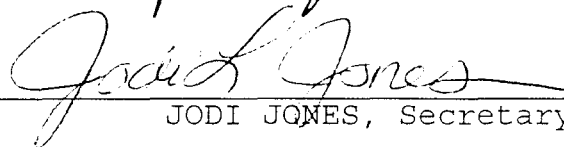
Vote:

MOTION TO ADOPT AMENDMENT #4 OPTION 1 FAILED 3-3 WITH CHAIRMAN HARP, REP. HIBBARD AND REP. STORY voting no.

ADJOURNMENT

Adjournment: 7:54 a.m.



SEN. JOHN HARP, Chairman

JODI JONES, Secretary

JH/jj