

House Bill 875

In The House

April 17, 1981

Introduced and referred
to Committee on Appropriations.

April 23, 1981

Died in Committee.

1 HOUSE BILL NO. 875
2 INTRODUCED BY *George Kemmis*

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO RELIEVE LOCAL
5 GOVERNMENT FISCAL PROBLEMS BY CREATING A CITY/COUNTY SERVICE
6 EFFICIENCY INCENTIVE PROGRAM; AUTHORIZING A LOCAL OPTION
7 INCOME TAX; APPROPRIATING FUNDS FOR LOCAL GOVERNMENT FISCAL
8 RELIEF; AND PROVIDING A TERMINATION DATE AND AN EFFECTIVE
9 DATE."

10
11 WHEREAS, the Legislature recognizes the fact that
12 Montana local governments are in need of a program for
13 immediate fiscal relief and for long-term solutions to their
14 fiscal problems; and

15 WHEREAS, the Legislature recognizes its responsibility
16 to the people of Montana that local government services be
17 provided in the most fiscally responsible manner; and

18 WHEREAS, these goals can be achieved through the
19 enactment of a program designed to provide an immediate
20 transfusion of funds for short-term relief, to begin an
21 effort to provide optional revenue sources for local
22 government, and to establish other means on which long-term
23 efficiencies and relief might be founded.

24
25 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

1 Section 1. Short title. [This act] may be cited as the
2 "local government fiscal relief and efficiency program".

3 Section 2. Definitions. As used in [this act], unless
4 the context requires otherwise, the following definitions
5 apply:

6 (1) "County" means an entity recognized as such by
7 Article XI, section 2, of the Montana Constitution.

8 (2) "General tax effort factor" means the property
9 taxes imposed by the local government unit divided by the
10 aggregate income attributed to the population of the
11 municipality or county.

12 (3) "Income" means total money income received from
13 all sources, as determined by the U.S. bureau of the census
14 for general statistical purposes.

15 (4) "Local government" means a municipality or a
16 county.

17 (5) "Municipality" means an entity incorporated as a
18 city or town under the provisions of any law.

19 (6) "Population" means the number of residents of a
20 municipality or of a county, exclusive of county residents
21 residing within a municipality, as determined by the most
22 recent federal population census or the most recent estimate
23 of population produced by the U.S. bureau of the census as
24 of July 1 of each year if such estimate is made for all
25 counties and municipalities.

-2- INTRODUCED BILL
 HB 875

1 (7) "Relative income factor" means the fraction whose
2 numerator is the per capita income of the state and whose
3 denominator is the per capita income of the population.

4 (8) "Treasurer" means the ex officio state treasurer
5 as provided in 2-15-1002.

6 Section 3. Allocation of local assistance funds. (1)
7 Money appropriated for allocation to local governments shall
8 be allocated among all municipalities and counties on the
9 following basis:

10 (a) 50% of the money shall be distributed among
11 municipalities and counties in the same proportion as their
12 population bears to the total state population;

13 (b) 50% of the available money shall be distributed
14 among municipalities and counties with each local government
15 receiving an amount in the same proportion as:

16 (i) the population of the local government area,
17 multiplied by the general tax effort factor of the local
18 government, multiplied by the relative income factor of the
19 local government bears to;

20 (ii) the sum of the products determined under (1) for
21 all local governments in the state.

22 (2) The state treasurer shall calculate the amount
23 allocated to each local government under subsection (1) and
24 shall distribute the allocations on July 1, 1982.

25 Section 4. Use of local assistance funds. A local

1 government may use funds received under the provisions of
2 [sections 1 through 4] for general government purposes.

3 Section 5. Service efficiency study authorized. (1)
4 The department of commerce shall conduct a study of services
5 provided by local governments to determine those areas where
6 the manner in which the services are provided results in
7 double taxation or reduced fiscal efficiency in the
8 provision of those services. The department shall prepare a
9 report specifically designating those areas in which
10 services could be expected to be provided more efficiently
11 if provided jointly or cooperatively by participating local
12 governments, along with an estimate of the annual savings
13 that could be anticipated by so doing. The report must be
14 submitted to the oversight committee established under
15 [section 6] on or before January 1, 1983.

16 (2) The department may engage the services of any
17 research agency it considers necessary in the conduct of the
18 study authorized by this section.

19 Section 6. Local government service efficiency
20 oversight committee established. (1) There is a local
21 government service efficiency oversight committee in the
22 department of commerce. The committee is composed as
23 follows:

24 (a) four members of the house of representatives
25 appointed by the speaker, not more than two of whom are of

1 the same political party;

2 (b) four members of the senate appointed by the
3 president, not more than two of whom are of the same
4 political party;

5 (c) two mayors of Montana municipalities appointed by
6 the director of the department of commerce from a list of
7 four nominees submitted by the Montana league of cities and
8 towns; and

9 (d) two county commissioners appointed by the director
10 of the department of commerce from a list of four nominees
11 submitted by the Montana association of counties.

12 (2) The mayors and county commissioners shall serve as
13 nonvoting advisory members of the committee.

14 (3) Members of the committee are entitled to
15 compensation and expense reimbursement as provided for
16 members of advisory councils in 2-15-122(5).

17 (4) A vacancy shall be filled in the same manner as
18 the original appointment.

19 Section 7. Duties of oversight committee. (1) The
20 committee established by [section 6] shall receive and
21 evaluate the report authorized in [section 5] and review
22 agreements submitted under [section 9]. The committee shall
23 determine whether anticipated savings estimated by the local
24 governments in an application for an incentive payment are
25 reasonable and shall certify a reasonable amount to the

1 director of the department of commerce.

2 (2) The committee may conduct studies of local
3 government issues that it determines may lead to
4 recommendations for further efficiencies. The committee
5 shall submit recommendations for legislation to the 48th
6 legislature.

7 (3) The committee shall oversee the local
8 government-related functions of the department of commerce
9 including functions involving:

10 (a) proposed budgets;

11 (b) proposed legislation;

12 (c) pending litigation;

13 (d) major contracts and personnel actions of the
14 department; and

15 (e) rulemaking.

16 Section 8. Powers and duties of department of
17 commerce. (1) The department of commerce, with the advice of
18 the local government service efficiency oversight committee,
19 may adopt such rules as are required to implement [sections
20 9 and 10].

21 (2) The department shall provide technical and
22 administrative assistance as required by the committee.

23 Section 9. Local government agreements -- application
24 for incentive payment. (1) Municipal and county governments
25 may study the report provided for in [section 5] and any

1 other information available to them to develop plans for
2 joint or cooperative provision of services. A plan of
3 service may be based on an interlocal agreement or any other
4 authorized means of joint or cooperative effort between the
5 municipal and county governments involved.

6 (2) Local governments with plans for joint or
7 cooperative provision of services may apply to the local
8 government service efficiency oversight committee for an
9 incentive payment as provided in [section 10]. An
10 application must show the plan of service and a justified
11 estimate of annual savings to each local government involved
12 as well as any other information that may be required by the
13 committee.

14 Section 10. Incentive payment authorized. (1) As an
15 incentive for local governments to enter into agreements for
16 the joint or cooperative provision of services, there is
17 authorized a one-time payment to local governments whose
18 application for an incentive payment is approved by the
19 committee and which meet the conditions for approval
20 provided in this section. Entitlement to a payment under
21 this section is limited to funds appropriated for this
22 purpose and shall be paid on a first-come, first-served
23 basis. An incentive payment shall be calculated as the
24 amount equal to the amount the committee finds the local
25 government may reasonably be expected to save annually as a

1 result of the joint or cooperative provision of the service.

2 (2) As a condition of receipt of the incentive
3 payment, the local governments who are party to the
4 agreement must agree to continue to provide services as
5 proposed for a minimum of 10 years unless it can be shown to
6 the satisfaction of the director of the department of
7 commerce after a period of 5 years that a good-faith effort
8 to provide the services under the plan has failed to provide
9 the anticipated efficiencies.

10 (3) A violation of the conditions of receipt of the
11 incentive payment subjects the local government guilty of
12 the violation to a requirement to return the payment to the
13 state for deposit in the general fund.

14 Section 11. Local option income tax. In addition to
15 the tax liability computed under 15-30-103, a taxpayer
16 resident in a county where an optional local income tax is
17 imposed under [sections 11 through 15] is subject to a tax
18 equal to 10% of the liability computed under 15-30-103. For
19 the purposes of administration and collection, the optional
20 local income tax is considered to be a state tax liability
21 and the provisions of Title 15, chapter 30 apply to this
22 section.

23 Section 12. Authorization of local option income tax.
24 (1) The governing body of a county or the governing body of
25 the largest municipality in a county may by resolution

1 submit the question of an optional tax to the voters of the
2 county at a general election. To approve imposition of the
3 tax, at least 60% of the qualified voters of the county must
4 vote on the question and a majority of those voting on the
5 question must approve imposition of the tax.

6 (2) The resolution submitted to the voters must
7 specify the tax years to which the tax is intended to apply.
8 The tax may apply to any tax year beginning after the
9 election.

10 (3) If a local option income tax is approved, the
11 governing body shall certify that fact to the department of
12 revenue not later than December 1 of the tax year preceding
13 the tax year to which the tax is first to apply.

14 (4) A local government income tax may not be imposed
15 until the department of revenue determines that the taxes
16 collected will exceed the administrative costs of the
17 department as determined by rule as authorized in [section
18 13].

19 Section 13. Local government income tax account. There
20 is a local government income tax account in the agency fund
21 established in 17-2-102. Money collected under a local
22 option income tax imposed under the provisions of [sections
23 11 through 15] shall be deposited in this account to the
24 credit of the county from which the money was collected.
25 Prior to depositing money in the account, the department of

1 revenue may deduct amounts established by rule for
2 administration of the tax and for anticipated refunds.

3 Section 14. Disbursement of local income tax funds.
4 The state treasurer shall disburse the funds in the local
5 government income tax account attributable to each county on
6 July 1 of each year. The treasurer may disburse funds at
7 other times in the year.

8 Section 15. Allocation and use of local option income
9 tax. (1) Money received by the county treasurer or chief
10 county financial officer under the provisions of [section
11 14] shall be allocated to the municipalities of the county
12 in the same proportion as the population of each
13 municipality bears to the total population of the county.
14 The balance remaining after disbursement to the
15 municipalities is allocated to the county.

16 (2) Money allocated to a local government under this
17 section may be used for general government purposes.

18 Section 16. Appropriation. (1) There is appropriated
19 \$15,000,000 from the general fund to the department of
20 administration for allocation to local governments as
21 provided in [section 3].

22 (2) There is appropriated \$5,000,000 from the general
23 fund for the biennium ending June 30, 1983, to the
24 department of commerce for the purposes of [sections 5
25 through 10 of this act]. Of this amount, not more than

LC 1550/01

1 \$150,000 may be used for conducting the service efficiency
2 study authorized by [section 5] and not more than \$30,000
3 may be used for support of the costs of the oversight
4 committee created by [section 6]. The balance of the
5 appropriation may be allocated to local governments as
6 incentive payments as provided in [section 10].

7 Section 17. Severability. If a part of this act is
8 invalid, all valid parts that are severable from the invalid
9 part remain in effect. If a part of this act is invalid in
10 one or more of its applications, the part remains in effect
11 in all valid applications that are severable from the
12 invalid applications.

13 Section 18. Automatic termination. Sections 3 through
14 10 terminate June 30, 1983, except that the conditions
15 imposed on a payment in section 10 remain in effect with
16 regard to that payment.

17 Section 19. Effective date. This act is effective July
18 1, 1981.

-End-