

HOUSE BILL 821

Introduced: 02/15/83

Referred to Committee on Local Government: 02/15/83

Hearing: 2/19/83

Died in Committee

1 *House* BILL NO. *821*
2 INTRODUCED BY *Frederick B. Boudreau, Jr. Bill Hammett, The Honorable*
3 *John Butcher*
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO RELIEVE LOCAL
5 GOVERNMENT FISCAL PROBLEMS; CREATING A LOCAL GOVERNMENT
6 SERVICES EFFICIENCY INCENTIVE PROGRAM; AUTHORIZING A LOCAL
7 OPTION INCOME TAX; APPROPRIATING FUNDS FOR LOCAL GOVERNMENT
8 FISCAL RELIEF; AND PROVIDING AN EFFECTIVE DATE."
9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
11 Section 1. Short title. [This act] may be cited as the
12 "Local Government Fiscal Relief and Services Efficiency
13 Program".
14 Section 2. Purpose. It is the purpose of [this act] to
15 revitalize and enhance the operation of local governments
16 through a fiscal program that will:
17 (1) provide an immediate transfusion of funds for
18 short-term relief to local governments;
19 (2) provide an alternative method for raising local
20 government revenue, independent of the property tax, that
21 will supplant a measure of current property tax revenues to
22 provide relief for local government residents and to free
23 the local government of reliance on a property tax base
24 established by the state; and
25 (3) actively encourage, with state financial rewards,

1 the examination and ultimate consolidation of redundant
2 local government services to relieve some of the local tax
3 burden over the long run.
4 Section 3. Definitions. As used in [sections 1 through
5 4 and 6 through 13], unless the context requires otherwise,
6 the following definitions apply:
7 (1) "County" means an entity recognized as such by
8 Article XI, section 2, of the Montana constitution.
9 (2) "Department" means the department of commerce as
10 provided in 2-15-1801.
11 (3) "Municipality" means an entity incorporated as a
12 city or town under any provision of law.
13 (4) "Population" means the number of residents as of
14 July 1 of each year of a municipality or of a county,
15 exclusive of county residents residing within a
16 municipality, as determined by the most recent federal
17 population census for all counties and municipalities.
18 Section 4. Use of funds -- income tax to replace
19 property taxes. (1) A local government may use funds
20 received under the provisions of [this act] for any
21 governmental purpose.
22 (2) If a local option income tax is imposed pursuant
23 to [sections 14 through 18], the local government unit must
24 use 75% of the funds received from the income tax to
25 directly reduce property taxes for general operations of the

1 local government unit. For purposes of this subsection,
2 general operations of a local government unit do not include
3 taxes or assessments for retiring bonds and property taxes
4 for funding retirement systems, judgments against the local
5 government unit, and services that are funded by a levy that
6 is not levied over the entire jurisdiction of the local
7 government unit.

8 Section 5. Allocation of local assistance funds. (1)
9 Money appropriated for local assistance under [section 19]
10 must be allocated among all municipalities and counties on
11 the following basis:

12 50% of the money must be distributed among
13 municipalities and counties in the same proportion as their
14 population bears to the total state population;

15 (b) 50% of the available money must be distributed
16 among municipalities and counties, with each local
17 government unit receiving an amount in the same proportion
18 as:

19 (i) the population of the local government area
20 multiplied by the general tax effort factor of the local
21 government multiplied by the relative income factor of the
22 local government bears to:

23 (ii) the sum of the products determined under
24 subsection (1)(b)(i) for all local governments in the state.

25 (2) The state treasurer shall calculate the amount

1 allocated to each local government under subsection (1) and
2 shall distribute the allocations on July 1, 1983.

3 (3) For purposes of this section, the following
4 definitions, in addition to the definitions set forth in
5 [section 3], apply:

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

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

13 (c) "Relative income factor" means a fraction whose
14 numerator is the per capita income of the state and whose
15 denominator is the per capita income of the local government
16 unit population.

17 Section 6. Incentive for local government services
18 efficiency. As an incentive for local governments to enter
19 into agreements for the joint or cooperative provision of
20 services, the director of the department, based upon
21 recommendations of the committee established in [section 8]
22 and subject to appropriations, may:

23 (1) make assistance payments to local governments
24 equal to 3 years' savings resulting from service
25 efficiencies as established in [section 11]; and

(2) provide for the assumption of local pension fund unfunded liabilities resulting from service consolidation as provided in [section 12].

Section 7. Service efficiency study authorized. (1) The department shall conduct a study of services provided by counties and municipalities to determine those areas where the manner in which services are provided creates a situation in which there is double taxation or reduced fiscal efficiency in the provision of the services.

(2) The study group shall prepare reports specifically designating those areas in which services could be expected to be provided more efficiently if provided jointly by a municipality and a county and estimate the annual savings that could be expected if such a consolidation were made. Copies of all reports must be distributed to the local government services efficiency oversight committee established in [section 8] and to each county and municipality in the state.

(3) The department may engage the services of any research agency it considers necessary to conduct the study required by this section.

Section 8. Local government services efficiency oversight committee established. (1) There is a local government services efficiency oversight committee in the department of commerce. The committee is composed of 12

members as follows:

(a) four members of the house of representatives appointed by the speaker, not more than two of whom are of the same political party;

(b) four members of the senate appointed by the committee on committees, not more than two of whom are of the same political party;

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

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

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

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

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

Section 9. Duties of local government services efficiency oversight committee. (1) The local government services efficiency oversight committee established in [section 8] shall receive and evaluate the reports submitted by the department under [section 7] and reports submitted by

1 local governments studying service efficiency under [section
2 10]. The committee shall evaluate the reports and, subject
3 to the provisions of [sections 11 through 13], recommend to
4 the director of the department that incentive grants be made
5 to participating local governments.

6 (2) The local government services efficiency oversight
7 committee may commission the department to undertake further
8 studies upon aspects of local government services that it
9 determines bear further study. The committee may evaluate
10 local government services and prepare suggested legislation
11 to increase the efficiency of such service delivery.

12 Section 10. Local government services efficiency
13 study. (1) A combination of local governments or a committee
14 established by one or more local government units may
15 establish a local government service efficiency plan. The
16 plan, which must be approved by the governing bodies of the
17 local government units involved, must:

18 (a) set forth the services studied and the current
19 method of service delivery;

20 (b) conclude whether the services are amenable to
21 increased efficiency through consolidation of the services
22 or by cooperation of local governments, and if so, the plan
23 may recommend service consolidation or cooperation;

24 (c) set forth the estimated financial savings
25 resulting from consolidation or cooperation, if any; and

1 (d) recommend the manner of implementing the
2 consolidation or cooperation if either is recommended.

3 (2) If service consolidation or cooperation is
4 recommended in the plan, the local governments involved may
5 jointly implement the plan and apply for a local government
6 services incentive award as provided in [section 6]. The
7 application must contain the plan of service, an estimate of
8 the annual savings for each participating local government
9 unit, and any other information required by the local
10 government services efficiency oversight committee or by the
11 director of the department.

12 Section 11. Service efficiency payment. Local
13 governments are entitled to a payment equal to the amount
14 the director of the department, upon advice of the local
15 government services efficiency oversight committee, finds
16 the local government unit may reasonably be expected to save
17 during 3 years as a result of the joint or cooperative
18 provision of a service. The efficiencies must result from a
19 study conducted under the provisions of [section 10] that
20 are implemented by an interlocal agreement or other method
21 authorized by law for the consolidation or cooperative
22 provision of services.

23 Section 12. Assumption of unfunded pension
24 liabilities. In addition to any payment authorized by
25 [section 11] for a local government that consolidates a

1 service in which the consolidation involves employees under
 2 different pension plans, the local government services
 3 efficiency oversight committee may recommend to the director
 4 of the department that he authorize the state to assume the
 5 unfunded liabilities of both pension plans as those unfunded
 6 liabilities existed on December 31, 1982. The local
 7 governments and the affected employees shall agree on a
 8 single pension plan to cover all new employees of the
 9 consolidated service. All pension responsibility, if any,
 10 accruing after December 31, 1982, and all employer
 11 contributions for all employees under all pension plans are
 12 the responsibility of the local government units involved in
 13 the consolidation.

14 Section 13. Conditions for incentive award. (1) All
 15 incentives authorized by [sections 11 and 12] are subject to
 16 availability of funds appropriated for incentives and must
 17 be awarded on a first-come first-served basis.

18 (2) As a condition of receipt of an incentive award,
 19 the local governments who are a party to the service shall:

20 (a) except as provided in subsection (3), be prepared
 21 to implement the service or must have implemented the
 22 service. "Prepared to implement the service" means that all
 23 legal requirements for providing the service have been
 24 fulfilled, except for a subsequent effective date or
 25 approval subject to receipt of a grant.

1 (b) agree to provide the services substantially as set
 2 forth in the service plan for a minimum of 10 years, unless
 3 it can be shown to the satisfaction of the director of the
 4 department, after a minimum period of 5 years from the grant
 5 award, that a good faith effort to provide the services
 6 under the agreement has failed to provide the anticipated
 7 efficiencies.

8 (3) For the purposes of demonstration of service
 9 economies, the director, upon consultation with the local
 10 government services efficiency oversight committee, may make
 11 incentive awards based on a services plan that is
 12 conditional on the adoption of the plan by the electors or
 13 local governments involved.

14 (4) A local government that does not abide by the
 15 conditions set forth in subsections (2) or (3) shall pay to
 16 the state general fund the total amount of any incentive
 17 payment it has received and shall, if an unfunded pension
 18 liability was assumed by the state as an incentive, reassume
 19 the unfunded liability and refund to the state general fund
 20 any payments that were made on such unfunded liability.

21 Section 14. Local option income tax. In addition to
 22 the tax liability computed under 15-30-103, a taxpayer
 23 resident in a county where an optional local income tax is
 24 imposed under [section 15] is subject to a tax equal to 10%
 25 of the liability computed under 15-30-103. For the purposes

1 of administration and collection, the optional local income
2 tax is considered a state tax liability.

3 Section 15. Authorization of local option income tax.

4 (1) Subject to the minimum revenues requirement of
5 subsection (4), the governing body of a county may by
6 resolution submit the question of imposing an optional tax
7 to the electors of the county at a general election. To
8 approve imposition of the tax, at least 60% of the qualified
9 electors of the county must vote on the question and a
10 majority of those voting on the question must approve
11 imposition of the tax.

12 The resolution submitted to the electors must
13 specify the tax years to which the tax is intended to apply.
14 The tax may apply to any tax year beginning after the
15 election.

16 (3) If a local option income tax is approved, the
17 governing body shall certify that fact to the department of
18 revenue.

19 (4) A local government income tax may not be imposed
20 unless the department of revenue determines that the amount
21 of taxes collected will exceed administrative costs of the
22 department.

23 Section 16. Local government income tax account. There
24 is a local government income tax account in the agency fund.
25 Money collected under a local option income tax imposed

1 under the provisions of [section 15] must be deposited in
2 this account to the credit of the county from which the
3 money was collected. Prior to depositing money in the
4 account, the department of revenue may deduct a percentage,
5 established by rule, of the amount collected as a cost of
6 administering collection of the tax.

7 Section 17. Disbursement of local income tax funds.
8 The state treasurer shall disburse the funds in the local
9 government income tax account attributable to each county on
10 July 1 of each year. The treasurer may disburse funds at
11 other times in the year as may be administratively
12 convenient.

13 Section 18. Allocation of local income tax revenue.
14 Money received by the county financial officer under the
15 provisions of [section 17] must be allocated between the
16 county and the municipalities of the county. The
17 municipalities must receive that portion of the total amount
18 of money that the proportion of the population of each
19 municipality bears to the total population of the county.
20 The balance remaining after disbursement to the
21 municipalities is allocated to the county.

22 Section 19. Appropriation. (1) There is appropriated
23 \$12,500,000 from the general fund to the department of
24 administration for allocation to local governments as
25 provided in [section 5].

1 (2) There is appropriated \$12,500,000 from the general
2 fund for the biennium ending June 30, 1985, to the
3 department of commerce for the purposes of [sections 6
4 through 13]. Of that amount, not more than \$150,000 may be
5 used for conducting the service efficiency study authorized
6 by [section 7] and not more than \$30,000 may be used for
7 support of the costs of the oversight committee created by
8 [section 8]. The balance of the appropriation may be
9 allocated to local governments as incentive payments as
10 provided in [section 6].

11 Section 20. Codification instruction. (1) Section 14
12 is intended to be codified as an integral part of Title 15,
13 chapter 30, part 1, and the provisions of Title 15, chapter
14 30, part 1, apply to section 14.

15 (2) Sections 15 through 18 are intended to be codified
16 as an integral part of Title 7, chapter 6, and the
17 provisions of Title 7, chapter 6, apply to sections 15
18 through 18.

19 Section 21. Severability. If a part of this act is
20 invalid, all valid parts that are severable from the invalid
21 part remain in effect. If a part of this act is invalid in
22 one or more of its applications, the part remains in effect
23 in all valid applications that are severable from the
24 invalid applications.

25 Section 22. Effective date. This act is effective July

1 1, 1983.

-End-