

House BILL NO. 194

INTRODUCED BY

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A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING THE MONTANA HISTORIC AND CULTURAL PRESERVATION FUND; AUTHORIZING THE ISSUANCE OF REVENUE BONDS FOR THE PURCHASE OF PROPERTIES IN VIRGINIA CITY AND NEVADA CITY; APPROPRIATING PROCEEDS FROM THE SALE OF BONDS TO THE MONTANA HISTORICAL SOCIETY FOR THE PURCHASE OF PROPERTIES IN VIRGINIA CITY AND NEVADA CITY; IMPOSING A 5 PERCENT TAX ON RENTAL CARS TO SERVICE THE BONDS AND PROVIDE FOR ONGOING HISTORIC AND CULTURAL PRESERVATION ACTIVITIES; AUTHORIZING THE MONTANA HISTORICAL SOCIETY TO OVERSEE ADMINISTRATION OF VIRGINIA CITY, NEVADA CITY, AND OTHER HISTORIC AND CULTURALLY SIGNIFICANT PROPERTIES; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

NEW SECTION. **Section 1. Short title.** [Sections 1 through 4] may be known as the "Montana Historic and Cultural Preservation Fund Act".

NEW SECTION. **Section 2. Historic and cultural preservation fund.** (1) There is established a Montana historic and cultural preservation fund in the state special revenue account.

(2) Money deposited in the fund from the tax imposed by [section 5] must be used to:

(a) service revenue bonds issued for:

(i) the purchase of properties in Virginia City and Nevada City; and

(ii) restoration, maintenance, and operation of historic properties in Virginia City and Nevada City;

and

(b) purchase, restore, and maintain historic and culturally significant properties in Montana that are in need of preservation.

NEW SECTION. **Section 3. Administration of Virginia City, Nevada City, and other significant properties.** (1) The Montana historical society is authorized to take title of the Virginia City and Nevada

1 City properties purchased pursuant to [section 2]. Subject to subsection (2), the historical society shall
2 oversee the administration of the properties, including all undeveloped land, buildings, facilities, and
3 artifacts.

4 (2) The Montana historical society may not take title of Virginia City and Nevada City properties
5 under subsection (1) until it enters a contract with an appropriate and approved entity that agrees to
6 assume full responsibility for the management, maintenance, and operation of Virginia City, Nevada City,
7 and associated properties. The nonprofit corporation shall agree that major changes or modifications to the
8 property will be done only upon approval by the Montana historical society.

9 (3) The Montana historical society is authorized to evaluate other significant historic and cultural
10 properties in need of preservation and to take title to these properties as the historical society believes is
11 warranted. The historical society shall oversee the administration of any property acquired under [section
12 2(2)(b)] and this subsection.

13

14 **NEW SECTION. Section 4. Authority to issue revenue bonds.** The board of examiners may issue
15 and sell \$9.5 million in rental car tax revenue bonds to finance the purchase of properties in Virginia City
16 and Nevada City. The bonds must be issued pursuant to Title 17, chapter 5.

17

18 **NEW SECTION. Section 5. Rental car tax -- collection -- distribution of proceeds.** (1) There is
19 imposed on the user of a rental car a tax at a rate equal to 5% of the charge to rent a car.

20 (2) (a) The owner or operator of a rental car company shall collect the tax imposed by subsection
21 (1).

22 (b) At the end of each calendar quarter, the rental car company owner or operator shall report to
23 the department the gross receipts collected during that quarter attributable to rental car charges. The report
24 is due on or before the last day of the month following the end of the calendar quarter and must be
25 accompanied by a payment in an amount equal to the tax required to be collected under subsection (1).

26 (3) The rental car company is subject to the audits, recordkeeping and registration requirements,
27 penalties, and credit for overpayment described in 15-65-113 through 15-65-116.

28 (4) Proceeds from the rental car tax must be deposited in the historic and cultural preservation fund
29 provided for in [section 2]. Money collected in this account must be used to:

30 (a) service bonds issued pursuant to [section 4]; and

1 (b) finance the purchase, restoration, and maintenance of historic and culturally significant
2 properties in the state.

3

4 **NEW SECTION. Section 6. Appropriation.** There is appropriated to the Montana historical society
5 \$9.5 million in bond proceeds for the purchase of properties in Virginia City and Nevada City.

6

7 **NEW SECTION. Section 7. Codification instruction.** (1) [Sections 1 through 4] are intended to
8 be codified as an integral part of Title 22, chapter 3, part 1, and the provisions of Title 22, chapter 3, part
9 1, apply to [sections 1 through 4].

10 (2) [Section 5] is intended to be codified as an integral part of Title 15, and the provisions of Title
11 15 apply to [section 5].

12

13 **NEW SECTION. Section 8. Effective date.** [This act] is effective on passage and approval.

14

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0194, as introduced

DESCRIPTION OF PROPOSED LEGISLATION: An act establishing the Montana Historic and Cultural Preservation Fund authorizing the issuance of revenue bonds for the purchase of properties in Virginia City and Nevada City; imposing a 5 percent tax on rental cars to service the bonds and provide for ongoing historic and cultural preservation activities.

ASSUMPTIONS:

1. Revenue bonds (\$9.5 million) will be issued with the proceeds going to the Montana Historical Society for the purchase of properties in Virginia City and Nevada city. The bonds will have a term of 20 year with an bear an interest rate of 5.3%.
2. The Montana Historical Society will purchase Virginia City and Nevada City for \$6.5 million.
3. The remaining proceeds from the bond sale will be used for: Renovation and Restoration at \$2,000,000; Provide an artifact storage and a curator building at \$500,000; and an endowment fund at \$430,000 and bond issuance costs of \$70,000.
4. A 5% tax on rental cars will be imposed and allocated to service the bonds and provide ongoing historic and cultural preservation activities.
5. The first quarter the 5% rental car tax would apply is the third quarter of CY 97 (first quarter FY 98). Taxes collected for the second quarter of CY 98 (fourth quarter FY 98) would be accrued to FY 98. Therefore, the first full-year revenue impact will be FY 98.
6. Rental car industry receipts in Montana were \$14,492,000 in 1987 and \$19,030,000 in 1992 (Bureau of the Census; Standard Industrial Code 7514). The increase in receipts between 1987 and 1992 implies an annual growth rate of 5.6%. Using the 5.6% growth rate to project rental car industry receipts results in an estimate of \$25,680,000 for FY 98 and \$27,118,000 for FY 99.
7. Approximately 97% of U.S. rental car industry receipts are attributable to the rental of cars. (Other sources of receipts include non-passenger trucks, merchandise, etc.) Applying the U.S. percentage above to the Montana rental car industry gives taxable receipts of \$24,910,000 in FY 98 and \$26,304,000 in FY 99.
8. Rental car tax revenue in FY 98 would be \$1,245,500 in FY 98 (5% of \$24,910,000) and \$1,315,200 in FY 99 (5% of \$26,304,000).
9. Tax revenue from the %5 rental car tax will be deposited in the Montana historic and cultural preservation fund in the state special revenue account.
10. Department of Revenue administrative costs will include ½ Grade 9 FTE (\$13,732 per year), one-time equipment costs (\$6,419), and ongoing operating costs (\$7,250 per year). Total administrative costs are \$22,401 for FY 98 and \$15,982 for FY 99.
11. The Montana Historical Society will oversee the administration of Virginia City and Nevada City, including all undeveloped land, buildings, facilities, and artifacts.
12. The Montana Historical Society will oversee the administration of other historic and culturally significant properties.

Dave Lewis 1-15-97
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

Antonietta R (Toni) Hagener 1-16-97
TONI HAGENER, PRIMARY SPONSOR DATE
Fiscal Note for HB0194, as introduced

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(continued)

13. A Montana Historic and Cultural preservation fund will be established in the state special revenue account for the proceeds of the tax and servicing the bonds for the purchase of property and restoration, maintenance and operation of Virginia City, Nevada City, and for other historic and culturally significant properties in need of preservation.
14. The Montana Historical Society will not take title until the Society enters into a contract with an approved non profit entity who will assume management, maintenance and operations of the properties at Virginia City and Nevada City.
15. The operating expenses in FY98 include bond administration expense of \$70,000 and operational start-up costs of \$500,000.
16. The expenditures in this bill are based on the recommendations of the Virginia City/Nevada City Preservation Task Force.

FISCAL IMPACT:

<u>Expenditures</u>	<u>FY98</u>	<u>FY99</u>
<u>Historical Society</u>	<u>Difference</u>	<u>Difference</u>
Operating Expenses - Bond issuance	70,000	
Transfer to Endowment	430,000	0
Capital Outlay - Purchase Properties	6,500,000	0
Capital Outlay - Renovation	2,000,000	0
Capital Outlay - storage/curation	500,000	0
Debt Service	<u>782,825</u>	<u>786,615</u>
Total Historical Society	10,282,825	786,615

Department of Revenue

FTE	.50	.50
Personal Services	13,732	13,732
Operating Expenses	7,250	7,250
Equipment	<u>6,419</u>	<u>0</u>
Total Department of Revenue	27,401	20,982

Funding:

State Special (02)	810,226	807,597
Capital Projects (05)	9,500,000	0

Revenues:

Proceeds from Bond Sale	9,500,000	0
5% tax on rental cars	<u>1,245,500</u>	<u>1,315,200</u>
Total	10,745,500	1,315,200

Net Impact to Fund Balance (revenue minus expenditure)

Historic and Cultural- Preservation fund (02)	435,274	507,603
Capital Projects (05)	0	0

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

State purchase and ownership of Virginia City and Nevada City will remove these properties from the local property tax base and reduce revenues to the city, county, school district.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

Virginia City and Nevada City will be held by the state of Montana for future generations.

TECHNICAL NOTES:

1. This proposal is based on the recommendations of the Virginia City/Nevada City Preservation Task Force. The bill appropriates the bond proceeds only for purchase of Virginia City and Nevada City. Appropriations are not included for renovation, restoration, artifact storage, a curator building, or the endowment fund. Section 2(2)(b) allows use of Historical and Preservation Fund revenues for purchase, restoration, and maintenance of other culturally significant properties however no appropriation is provided from the fund for these purposes.

2. Section 4 indicates the bonds must be issued pursuant to title 17, chapter 5. This chapter contains a number of sections that provide for issuance of bonds under totally different terms.
3. Although this proposal is effective upon passage and approval, it will be necessary to prepare rental car establishments for taxation. This proposal does not take into account necessary preparation time between the passage and approval of this bill and the collection of taxes.
4. It might be assumed that the tax on rental cars applies to the leasing of cars as well.

DEDICATION OF REVENUE:

- a) Are there persons or entities that benefit from this dedicated revenue that do not pay? The individuals who do not rent cars and who visit Virginia City and Nevada City will benefit without paying.
- b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund? This revenue will be appropriately accounted for in the State Special Revenue account.
- c) Is the source of revenue relevant to current use of the funds and adequate to fund the program/activity that is intended? Yes No There is no current use of funds. Anticipated funds are estimated to be adequate.
- d) Does the need for this state special revenue provision still exist? Yes No (Explain)
- e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please explain)
- No, the legislature will maintain the ability to scrutinize budgets and control expenditures.
- f) Does the dedicated revenue fulfill a continuing, legislatively recognized need?
- Yes, if the legislature recognizes this as a need.
- g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)

The revenue could be accounted for adequately in any fund, however the state special revenue fund would be the appropriate funding.