

GALLATIN COUNTY LEGISLATIVE LIAISON No. HB 369

Testimony on HB 369

March 6, 2006

Madam Chair, Distinguished Senators

On behalf of Gallatin County I want to thank you for the opportunity to testify on this important piece of legislation. I also need to note that the official position of the Gallatin County Commission was to support this legislation, however Commissioner Steve White voted in opposition.

Gallatin County brought forth the provision of HB 369 after encountering rising cost in construction while trying to complete updates to capital improvement projects. Currently the law allows a county, the size of Gallatin, to borrow fund of an amount up to \$1 million without going to a vote of the people. These loans are not authorizing any new funding or raising taxes in anyway. The amount borrowed by a county must be paid back out of existing General Fund revenue.

The authority for a county to borrow funds was last adjusted in 1997. Prior to that counties could borrow up to \$500,000 without submitting it to a vote of the people. In 1997 the law was changed to allow counties to borrow funds without submitting it to the voters based on a coded formula.

- a) up to \$500,000 if the county's taxable value is less than \$50 million
- b) up to \$750,000 if the county's taxable value is between \$50 million and \$100 million; and
- c) up to \$1,000,000 if the county's taxable valuation is greater than \$100 million.

HB 369 would double the amount counties can borrow without submitting it to the voters. It would not however allow counties to raise any new taxes without being approved by the voters.

The reason we are asking for the \$1,000,000 cap to be increased is that a million dollars just doesn't go as far as it used to. Since the last time this amount was increased in 1997 costs have risen exponentially. Based on the U.S. Bureau of Labor Statistics CPI Calculator what would cost \$1 million to build in 1997 would cost approximately \$1.3 million today.

The county has included a list of the projects that Gallatin County has funded with these types of loans. Of the twelve funded and proposed projects the total amount Gallatin County will borrow through this process is roughly \$9.5 million. Of those projects the overall projected costs of the projects is approximately \$32.3 million. This shows that the county is borrowing roughly 29% of the total cost of the projects. The remaining funds come in the form of capital reserves, grants, private funding, bonds and other funding sources. In summary the county does not use the ability to borrow money under

the provisions addressed in HB 369 to fund entire projects, rather we use the loan authority to supplement the overall funding needs.

PROJECT	LOAN AMOUNT	TOTAL PROJECT COST
Courthouse Remodel	\$ 72,381.00	\$ 3,564,000.00
Guenther Center	\$ 819,686.00	\$ 1,700,000.00
Landfill Cell Expansion	\$ 595,034.00	\$ 1,460,000.00
Re-entry Facility	\$ 800,000.00	\$ 880,000.00
Library Loan (5 libraries funded)	\$ 958,431.00	\$14,000,000.00
Fairground Improvements	\$ 500,000.00	\$ 860,000.00
Courthouse Annex	\$ 999,000.00	\$ 1,770,000.00
FY07 Approved - Court/old L&J Remodel	\$ 999,000.00	\$ 1,542,000.00
FY07 Proposed - Road/Weed facility	\$ 999,000.00	\$ 2,276,000.00
FY07 Proposed - 911 Dispatch Building	\$ 999,000.00	\$ 1,220,000.00
FY08 Proposed - Mental Health Building	\$ 999,000.00	\$ 2,000,000.00
FY08 Proposed - Remodel Courthouse Annex	\$ 800,000.00	\$ 1,120,000.00
Total	\$9,540,532.00	\$32,392,000.00
Loan % of Total Projected Cost		29%

The loans that we are authorized to use under this section are usually for a period of less than 10 years, as we primarily use the State Intercap Loan Program. Through a private lending institution a period of longer than 10 years is possible, though we have not utilized that system. We will have an approximate payment of \$100,000 principal and \$30,000 interest amounting to \$130,000 annually per project.

At the same time construction costs are rising significantly every year. Just last year the national trend and more significantly here in Montana we are seeing a 40% increase in project costs related to transportation improvements according to the MT DOT. Last year we figured it costs an average of \$1 million per land mile to pave a road. Our current forecasts show closer to \$1.5 million. With rising construction costs we anticipate that even if the cap is raised to \$2 million we would likely remain in the 29% range of percentage of total costs of capital improvements.

It is important to note that Gallatin County is not the only count that utilizes these types of loans for improvements to infrastructure. Counties from large to small, high growth to negative growth all face aging infrastructure. We believe that increasing the threshold on the ability to borrow limited amounts will serve counties across the state, without increasing taxes.

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In looking at HB 369 we have had many discussions with user groups and private citizens about the merits and needs of this program. In order to ensure that we considered the negatives that may be associated with the counties borrowing funds we felt it necessary to address some of the primary concerns.

Some may ask why the county would need to borrow funds in the first place. The answer is simple, sometimes a county is faced with needing to build or repair a capital improvement and the timing, cost and uncertainty of going before the voters for \$1 million or \$2 million increments isn't efficient.

Some others would promote asking for a vote every time a county borrows money. If a county like Gallatin were required to request a vote every time the need to borrow money for an improvement we would have to either put it on a ballot during a countywide election cycle, which tends to be every two years, or have a special election. The cost of holding a special election in our county runs roughly \$100,000. Often times the longer a county puts off making needed improvements to their infrastructure the higher the cost of completing the project.

We have heard concerns that people just don't trust government to spend money wisely. That is an understandable argument. Some would believe that the money Gallatin County could borrow for improvements for 5 libraries was not a wise use of public funds. However, the people who use libraries may see things differently.

Prioritization of funds is clearly a criticism that we hear about in Gallatin County. We have heard from several people who believe the county shouldn't have the ability to borrow funds because the prioritized two Open Space Bonds before other important items. Considering that both bonds passed by an overwhelming margin, 57% the first time and 63% the second time, we believe that the majority of the public supports the way Gallatin County is prioritizing how it spends money. I would also note, a bond to build a new Jail has failed twice, it took twice to pass a school bond, three times for a 911 levy, and two funding campaigns for rural fire departments were just defeated by the voters.

Raising taxes requires a vote of the people, which means a campaign and thus a political process. Generally there are people, organizations and user groups who will pull together to fund a campaign for a cause like libraries, parks or open space. Finding user groups or special interest groups to support a sewer treatment plant or a jail is more problematic.

We would also like to note that the county commission is not the only entity that is responsible for determining which funding proposals would find the ballot box. Voters can determine by petition to raise taxes without any consent by the county commission. In the case of the Open Space Bond, the initiatives could have been on the ballot regardless of the wishes of the county commission.

We believe this reflects a pattern that even if the county were to put all the loans to a vote of the people like we do tax increases it would actually lessen our ability to make the needed repairs to capital improvements to our existing infrastructure.

If the flexibility to borrow funds for these types of projects does not follow increasing costs of construction it is likely that infrastructure will continue to deteriorate until we have reached an emergency level.

Another concern we have heard is that the county just needs to “tighten their belts”. We whole-heartedly agree that tightening our belts is needed and this bill requires it. With no ability to increase taxes without a vote of the people any payments have to be made from the general funds. If our revenue isn’t getting any bigger then our expenses have to be cut in order to borrow the money. In our opinion using this provision of the law actually promotes fiscal responsibility.

In closing we encourage you to vote for HB 369 and help county government continue to keep up with the aging infrastructure problems they face.

Sincerely,  
Michael Harris  
Legislative Liaison