

Local Government Takeover of Solid Waste

PROBLEM

GOVERNMENT TAKING. In Montana, when local government decides it wishes to become the sole provider of solid waste collection services within its jurisdiction and take over all the customers, it simply passes an ordinance declaring it will do so and the private business is displaced. The local government need only give the private business 5 years' notice of its intention to take over the services, or compensate the private company only for its equipment. As a result, the private business is either eliminated or severely damaged, private sector jobs and benefits are lost, and the state and community loses tax revenues. This can and has been done for residential collection business, commercial collection business or both.

ANNEXATION. Similarly, when a local government annexes an area receiving private hauling services, current law provides it may provide services after 5 years if a majority of the residents in the annexed area submit a petition. Local governments generally initiate the petition and they are very aggressive in gathering signatures.

LOST TAX REVENUES, LOST JOBS, AND DIMINISHED TAX BASE. When private firms are displaced, significant business losses occur. These include loss of years of building a business, investments in trucks, equipment, and physical plant, and the Public Service Commission permit. Equipment purchased to honor contracts becomes surplus. No consideration is given for the decrease in the tax base, loss of private jobs to the public sector, and other related community business losses (such as insurance, banking, accounting, equipment purchases and maintenance, tire and other purchases, etc.).

TAXES. Private firms pay many taxes and fees not paid by the municipality that are lost when government takes their business:

<u>Private Collector</u>	<u>Municipal Collector</u>
Federal fuel tax	None
Federal income tax	None
Federal truck tax for over 33,000 lbs. (12% of cost)	None
Federal excise tax on tires	None
Federal road use tax	None
Tax assessed on truck size by # of axles	None
State income tax	None
State diesel/fuel tax	Tax on clean diesel
GVW fees	None
License fees	None
Real estate tax	None
Personal property tax	None
Consumer council tax	None
Public Service Commission regulation fee	None

RESULT OF GOVERNMENT TAKING

When a government taking occurs, good private-sector jobs are lost, the community's tax base is decreased; tax revenues are lost, and the company loses a significant, if not all, portion of their business. We know of no other business that is at this level of risk of losing its business to a takeover by local government.

PURPOSE OF BILL

This bill establishes a mechanism for fair compensation to a private business when local government exercises their powers and control to take over the private waste hauler's customers and business.

This bill will not affect any local government services that are presently provided. Please vote to keep good jobs, maintain--not erode--our tax base, and not allow government take-overs of private business.

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