PROPERTY TAX IMPLICATIONS OF INITIATIVE 145 TO

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INTRODUCTION

The purpose of this report is to assess the property tax implications on local governments and the state if Initiative Measure 145 (I-145) is submitted to and approved by the voters in November 2002. The report presents data on the market value and taxable value of the dams in each county, shows the relative importance of the dams to the property tax base of taxing jurisdictions within the county, and provides the amount of property taxes due on the dams. The data has been compiled for tax year 2001 and fiscal year 2002, which ends June 30, 2002. The total property taxes paid for the dams shown in this report may understate by a small amount the fiscal impact of the dams going public because the amounts shown do not include nonoperating property associated with the dams or assessments made against property on some basis other than mill levies.

I-145 would allow the state of Montana to acquire hydroelectric facilities in the state with an installed electrical generation capacity of greater that 5 megawatts. There are 12 privately owned hydroelectric facilities in Montana that would qualify for purchase if the initiative were approved by the voters. Those facilities are listed in Table 1.

Table 1: Electric Power Generating Capacity of Selected Montana Dams, November 2001

Dam	County	Nameplate Capacity in Megawatts
Black Eagle	Cascade	21.3
Cochrane	Cascade	48.0
Morony	Cascade	45.0
Rainbow	Cascade	35.6
Ryan	Cascade	48.0
Kerr	Lake	211.7
Hauser	Lewis and Clark	17.0
Holter	Lewis and Clark	38.4
Madison	Madison	9.0
Thompson Falls	Sanders	91.0
Noxon Rapids	Sanders	466.2
Mystic Lake	Stillwater	10.0
Total Nameplate Capacity		1,041.2

Source: *Understanding Electricity in Montana,* Draft, Department of Environmental Quality, Table E1, May 8, 2002

Pennsylvania Power and Light (PPL Montana) acquired most of the Montana Power Company's generation assets in late 1999 for $757 million, or approximately $157 million above the estimated book value of the assets. As a result, the market value for property tax purposes of most of the assets, but not all, increased in the taxing jurisdictions in which the property is located (see below for a brief discussion of the allocation of market value of the dams purchased by PPL Montana). Property taxes were first assessed to PPL Montana in tax year 2000. Avista Corp. owns the Noxon Rapids dam in Sanders County. Although Avista Corp. has a few residential and commercial customers in the state, nearly all the electrical generation from the Noxon Rapids dam is sold out of state.

In the original restructuring legislation (SB 390, Ch. 505, L. 1997), the then-Revenue Oversight Committee was directed to "analyze the amount of state and local tax revenue derived from previously regulated electricity suppliers that will enter the competitive market . . .". As part of that analysis, the Committee recommended that centrally assessed electrical generation property be reclassified and that the property tax rate (the rate applied to market value to determine taxable value) on generation property be reduced from 12% to 6%. Based on the assumption that the purchase price would be close to book value, the Committee also recommended that a kilowatt hour tax be imposed on electric utility customers to offset the anticipated loss in property tax revenue. The recommendations were presented in House Bill No. 174 (Ch. 556, L. 1999). The 1999 Legislature adopted the first recommendation, but rejected the second. Instead, the Legislature imposed a wholesale energy transaction tax. The tax is imposed at a rate of 0.015 cent for each kilowatt hour of electricity transmitted by a transmission services provider in the state (see Title 15, chapter 72, MCA).

PROPERTY TAX BASE AND PROPERTY TAXES RELATED TO THE DAMS

This section of the report presents detailed information on the market and taxable value of each dam listed in Table 1 and property taxes due. The property taxes due on the dams in Cascade County and the Noxon Rapids dam in Sanders County were calculated by multiplying the taxable value of the dams by the relevant mill levy for each taxing jurisdiction. The property taxes due for all other dams were extracted from property tax notices.

Cascade County

There are five dams in Cascade County that are owned by PPL Montana. Although the dams are all located within the Great Falls high school district, portions of Cochrane, Morony, and Ryan dams have situs in both the Great Falls elementary school district and the Belt elementary school district. Table 2 shows the market value and taxable value for each district in tax year 2001 (fiscal year 2002).

TABLE 2: Market Value and Taxable Value of Dams in Cascade County--Tax Year 2001

Hydroelectric Facility	Market Value GF Elem.	Market Value Belt Elem.	Total MV Cascade Cnty.	Taxable Value GF Elem.	Taxable Value Belt Elem.	Total TV Cascade Cnty.
Black Eagle	$12,582,163	0	$12,582,163	$754,930	0	$754,930
Cochrane	33,399,508	$11,454,341	44,853,849	2,003,971	$687,260	2,691,231
Morony	29,848,202	10,671,080	40,519,282	1,790,892	640,265	2,431,157
Rainbow	18,875,292	0	18,875,292	1,132,518	0	1,132,518
Ryan	44,011,828	16,716,140	60,727,968	2,640,710	1,002,968	3,643,678
Total	$138,716,993	$38,841,561	$177,558,554	$8,323,021	$2,330,493	$10,653,514

Source: Montana Department of Revenue spreadsheets

Table 3 shows the relative importance of the dams to the tax base for each taxing jurisdiction. The dams are relatively more important in the Great Falls high school district than in the county as a whole because the overall tax base of the high school district is smaller than the county as a whole.

TABLE 3: Relative Importance of Electrical Generation Property to Property Tax Base by Taxing Jurisdiction in Cascade County--Tax Year 2001 (FY 2002)

Taxing Jurisdiction	Total Market Value in	Electrical Generation	Total Taxable Value in	Electrical Generation
Cascade County	$2,821,973,629	6.3%	$109,391,092	9.7%
Great Falls High	2,388,909,336	7.4%	92,807,435	11.5%
Great Falls Elem.	2,330,651,947	5.9%	89,532,076	9.2%
Belt Elementary	177,589,699	21.9%	8,085,867	28.8%

Source: Montana Department of Revenue

The taxable value of the dams is relatively more important than market value in each taxing jurisdiction because generation property is subject to a higher tax rate than most other property. For example, the dams account for about 22% of the total market value in the Belt elementary school district but account for about 29% of the district's taxable value. Note that the total market value in the Belt school district is about the same as the total market value of the dams. Table 4 shows the estimated tax payments by school district, the county, and the state.

TABLE 4: Estimated Taxes From Dams by Taxing Jurisdiction in Cascade County--Tax Year 2001 (FY 2002)

Taxing Jurisdiction	Mills	Estimated Taxes	Mills	Estimated Taxes	Total Estimated
County					
County Funds	98.55	$820,234	98.55	$ 229,670	$1,049,904
Road	18.37	152,894	18.37	42,811	195,705
Library	5.42	45,111	5.42	12,631	57,742
Health	4.89	40,700	4.89	11,396	52,096
Planning	1.63	13,567	1.63	3,799	17,365
Total County	128.86	$1,072,504	128.86	$ 300,307	$1,372,812
State					
University	6.00	$49,938	6.00	$13,983	$63,921
Vo-Tech	1.50	12,485	1.50	3,496	15,980
State Equalization	40.00	332,921	40.00	93,220	426,141
County Equalization	55.00	457,766	55.00	128,177	585,943
School Retirement	37.09	308,701	37.09	86,438	395,139
School Transportation	4.23	35,206	4.23	9,858	45,064
Total State	143.82	$1,197,017	143.82	$ 335,172	$1,532,188
School District					
Elementary	123.45	$1,027,477	92.84	$ 216,363	$1,243,840
High School--GF	60.09	500,130	60.09	140,039	640,170
Total School District	183.54	$1,527,607	152.93	$ 356,402	$1,884,010
Total	456.22	$3,797,129	425.61	$ 991,881	$4,789,010

Note: The estimated taxes do not include nonoperating property.
Source: Montana Department of Revenue (Taxable Value, see Table 1) and Cascade County (Mill Levies)

The estimates are derived by multiplying taxable value figures by the appropriate mill levy. The estimates correspond to the property tax bills received by PPL Montana. Road levies are not assessed against property located within cities and towns; library, health, and planning levies are not assessed against property in Great Falls.

Total property taxes due on the dams in Cascade County are $4.79 million in the current fiscal year. Total county government property taxes from the dams amount to $1.37 million, and state taxes amount to $1.53 million. School district property taxes from the dams are: $1.03 million for the Great Falls elementary school district, $216,363 for the Belt elementary school district, and $640,170 for the Great Falls high school district.

Lake County

PPL Montana owns the Kerr dam in Lake County. There is also property associated with the dam in Flathead County, but is not included in this analysis.[1] Table 5 shows the relative importance of the Kerr dam to the tax base in Lake County and the Polson elementary and high school districts.

TABLE 5: Relative Importance of Kerr Dam to Property Tax Base by Taxing Jurisdiction in Lake County--Tax Year 2001 (FY 2002)

Taxing Jurisdiction	Total Market Value in Taxing Jurisdiction	Dams as Percentage of Total MV	Total Taxable Value in Taxing Jurisdiction	Dams as Percentage of Total TV
Lake County	$1,307,477,564	3.7%	$44,981,828	6.4 %
Kerr Dam	47,914,966		2,874,898	
Polson High School	$667,447,302	7.2%	$24,094,859	11.9%
Kerr Dam	47,914,966		2,874,898	
Polson Elementary	$540,653,803	8.9%	$20,309,990	14.2%
Kerr Dam	47,914,966		2,874,898	

Source: Montana Department of Revenue

The taxable value of the Kerr dam is relatively more important in the Polson elementary and high school districts than to Lake County as a whole because the overall tax bases of the school districts are much smaller than the county's.

Table 6 shows property taxes due by school districts, the county, and the state. The amounts are derived from property tax bills submitted to PPL Montana. Total property taxes due from the Kerr dam amount to $1.2 million in the current fiscal year. Total county government taxes are $301,166, and special district taxes are $16,674. State taxes, including the university levy and county school equalization levies and school retirement and transportation levies, amount to $418,657. School district property taxes from the dam are: $323,914 for the Polson elementary district and $145,297 for the Polson high school district.

[1]The property tax assessment on property located in Flathead County is $59,802.

TABLE 6: Taxes From Kerr Dam by Taxing Jurisdiction in Lake County--Tax Year 2001 (FY 2002)		
Taxing Jurisdiction	Mills Polson Elementary	Total Estimated Taxes
County		
County Funds	104.76	$301,166
Other	5.80	16,674
State		
University	6.00	$17,249
School Levies	139.62	401,408
Total State	145.62	$418,657
School Districts		
Elementary	112.67	$323,914
High School	50.54	145,297
Total	547.63	$1,205,708

Source: PPL Montana Property Tax Statements and Montana Tax Foundation

Lewis and Clark County

PPL Montana owns two dams in Lewis and Clark County. Although the dams are located within the Helena high school district, Hauser dam is located in the Helena Flats elementary school district and Holter dam has situs in both the Wolf Creek elementary school district and the Craig elementary school district. Table 7 shows the relative importance of the dams to the property tax base in each taxing jurisdiction.

TABLE 7: Relative Importance of Hauser and Holter Dams to Property Tax Base by Taxing Jurisdiction in Lewis and Clark County--Tax Year 2001 (FY 2002)

Taxing Jurisdiction	Total Market Value in Taxing Jurisdiction	Dams as Percentage of Total MV	Total Taxable Value in Taxing Jurisdiction	Dams as Percentage of Total TV
Lewis & Clark County	$2,186,144,761	1.9%	$83,468,754	2.9%
Hauser Dam	5,374,144	0.3%	$322,449	0.4%
Holter Dam	35,270,706	1.6%	2,116,242	2.5%
Helena High School	$2,043,293,793	2.0%	$78,589,178	3.1%
Hauser Dam	5,374,144	0.3%	322,449	0.4%
Holter Dam	35,270,706	1.7%	2,116,242	2.7%
Helena Flats Elem.	$52,063,432	10.3%	$1,843,570	17.5%
Hauser Dam	5,374,144		322,449	
Wolf Creek Elem.	$68,952,406	32.7%	$2,935,646	46.1%
Holter Dam	22,533,900		1,352,034	
Craig Elem.	$46,621,105	27.3%	$1,904,358	40.1%
Holter Dam	12,736,806		764,208	

Source: Montana Department of Revenue

The dams are relatively insignificant to the county and high school district but are significant to the tax bases of the elementary school districts. The elementary school districts would lose a significant amount of bonding capacity if the dams went public (see below for a brief discussion regarding bonding capacity). In particular, the Wolf Creek elementary school district would lose 46.1% of its bonding capacity, while the Craig elementary school district would lose 40.1% of its bonding capacity.

Property tax collections by taxing jurisdiction are shown in Table 8.[2] Total taxes due amount to just over $1 million, with each level of government getting about one-third of the total.

TABLE 8: Taxes From Dams by Taxing Jurisdiction in Lewis & Clark County--Tax Year 2001 (FY 2002)

Taxing Jurisdiction	Mills Helena Flats (Hauser)	Taxes Helena Flats Elementary	Mills Wolf Creek (Holter)	Taxes Wolf Creek Elementary	Mills Craig (Holter)	Taxes Craig Elementary	Total Taxes
County	152.27	$49,099	152.27	$205,874	152.27	$116,366	$371,339
State							
University	6.00	$1,935	6.00	$8,112	6.00	$4,585	$14,632
Vo-Tech	1.50	484	1.50	2,028	1.50	1,146	3,658
School Levies	141.61	45,662	141.61	191,461	141.61	108,219	345,342
Total State	149.11	$48,081	149.11	$201,601	149.11	$113,950	$363,632
School Districts							
Elementary	153.35	$49,448	13.45	18,185	14.45	$11,042	78,675
High School	92.90	29,955	92.90	125,604	92.90	70,995	226,554
Total	547.63	$176,583	407.73	$551,264	408.73	$312,353	$1,040,200

Source: PPL Montana Property Tax Statements and Montana Tax Foundation

Madison County

Tables 9 and 10 show the contribution of the Madison dam to the county tax base and the taxes due on the dam by taxing jurisdiction, respectively.

TABLE 9: Relative Importance of Madison Dam to Property Tax Base by Taxing Jurisdiction in Madison County--Tax Year 2001 (FY 2002)

Taxing Jurisdiction	Total Market Value in Taxing Jurisdiction	Dam as Percentage of Total MV	Total Taxable Value in Taxing Jurisdiction	Dam as Percentage of Total TV
Madison County	$672,846,257	0.9%	$26,750,880	1.4%
Madison Dam	6,176,779		370,779	
Ennis K-12	$428,320,241	1.4%	$16,910,567	2.2%
Madison Dam	6,176,779		370,779	

Source: Montana Department of Revenue

[2]There is a small amount of property located in the East Helena elementary school district. The total tax due on this property is $3,991.

TABLE 10: Taxes (FY 2002) From Madison Dam by Taxing Jurisdiction in Madison County--Tax Year 2001

Taxing Jurisdiction	Mills Ennis K-12	Total Estimated Taxes
County		
County Funds	100.41	$37,213
Other	18.62	6,901
Total County	119.03	$44,114
State		
University	6.00	$2,223
School Levies	139.62	47,423
Total State	145.62	$49,646
School District		
K-12	89.43	$33,143
Total		$126,903

Source: PPL Montana Property Tax Statements and Montana Tax Foundation

The Madison dam is relatively insignificant to the county fisc.

Sanders County

There are two dams in Sanders County. The Thompson Falls dam is owned by PPL Montana, and the Noxon Rapids dam is owned by Avista Corp. Table 11 shows the relative importance of the dams in Sanders County and the elementary and high school districts in which the dams are located.

The dams make up a significant portion of the property tax base in Sanders County. The dams account for about 30% of the taxable value in the county and much higher percentages in the various school districts. Centrally assessed property, including the dams, transmission and distribution lines, and telecommunications and natural gas property, has always been a significant component of the county's tax base. In tax year 1999, before the property tax rate changes in House Bill No. 174 (1999 legislative session) became effective, centrally assessed property in Sanders County accounted for about 60% of the tax base, while in tax year 2000, with the rate changes, the same property accounted for 50% of the tax base.

TABLE 11: Relative Importance of Thompson Fall and Noxon Dams to Property Tax Base by Taxing Jurisdiction in Sanders County--Tax Year 2001 (FY 2002)

Taxing Jurisdiction	Total Market Value in Taxing Jurisdiction	Electrical Generation as % of Total MV	Total Taxable Value in Taxing Jurisdiction	Electrical Generation as % of Total TV
Sanders County	$743,823,152	18.1%	$26,920,887	29.8%
Thompson Falls dam	69,932,522	9.4%	4,195,950	15.6%
Noxon Rapids dam	64,682,793	8.7%	3,880,967	14.2%
T-Falls Elementary	$302,781,309	23.1%	$10,688,841	39.3%
Thompson Falls dam	69,932,522		4,195,950	
T-Falls High School	$307,012,516	22.8%	$10,821,497	38.8%
Thompson Falls dam	69,932,522		4,195,950	
Noxon Elementary	$117,532,972	34.3%	$5,172,999	46.8%
Noxon Rapids dam	40,351,424		2,421,085	
Trout Creek Elem.	$91,944,561	26.5%	$3,971,441	36.8%
Noxon Rapids dam	24,331,369		1,459,882	
Noxon High School	$205,246,326	31.5%	$9,011,784	43.1%
Noxon Rapids dam	64,682,793		3,880,967	

Source: Montana Department of Revenue

Table 12 shows the taxes paid on the Thompson Falls and Noxon Rapids dams. The Noxon Rapids dam is located in the Noxon high school district and the Noxon and Trout Creek elementary school districts.

TABLE 12: Taxes From Dams by Taxing Jurisdiction in Sanders County--Tax Year 2001 (FY 2002)

Taxing Jurisdiction	Mills Noxon Elementary	Taxes Noxon Elementary	Mills T-Falls Elementary	Taxes T-Falls Elementary	Mills Trout Creek Elementary	Taxes Trout Creek Elementary	Total Taxes
County	73.48	$177,904	73.48	$308,683	73.48	$107,272	$593,859
State							
University	6.00	$14,527	6.00	$25,205	6.00	$8,759	$48,491
School Levies	109.77	265,770	109.77	461,141	109.77	160,251	887,162
Total State	115.77	$280,297	115.77	$486,346	115.77	169,010	$935,653
School Districts							
Elementary	70.55	$170,808	76.92	$323,130	51.70	$75,476	$569,414
High School	46.62	112,870	56.34	236,677	46.62	68,060	417,607
Total	306.42	$741,879	322.51	$1,354,836	287.57	$419,818	$2,516,533

Source: Avista Corp. and PPL Montana Property Tax Statements, Montana Tax Foundation, and Montana Department of Revenue

Total property taxes assessed against the dams amounts to $2.5 million, with school levies, including state and school district levies, accounting for about 75% of the total collections. Avista Corp. was

assessed a little over $1.2 million in property taxes for the Noxon Rapids dam and about $300,000 for transmission lines (not included in the table).[3]

Stillwater County

Tables 13 and 14 show the contribution of the Mystic Lake dam to the tax bases in Stillwater County and the taxes due on the dam by taxing jurisdiction, respectively.

TABLE 13: Relative Importance of Mystic Lake Dam to Property Tax Base by Taxing Jurisdiction in Stillwater County--Tax Year 2001 (FY 2002)

Taxing Jurisdiction	Total Market Value in Taxing Jurisdiction	Dam as Percentage of Total Market Value	Total Taxable Value in Taxing Jurisdiction	Dam as Percentage of Total Taxable Value
Stillwater County	$826,635,350	0.4%	$31,675,450	0.6%
Mystic Dam	3,026,143		181,568	
Fishtail Elementary	$48,633,825	6.2%	$1,960,332	9.3%
Mystic Dam	3,026,143		181,568	
Absaroke High	$329,318,738	0.9%	$11,109,543	1.6%
Mystic Dam	3,026,143		181,568	

Source: Montana Department of Revenue

TABLE 14: Taxes From Dams by Taxing Jurisdiction in Stillwater County--Tax Year 2001 (FY 2002)

Taxing Jurisdiction	Mills	Total Taxes
County		
County Funds	90.95	$16,514
Other	0.73	133
Total County	91.68	16,647
State		
University	6.00	1,089
School Levies	121.17	22,001
Total State	127.17	23,090
Elementary School	24.78	4,499
High School	41.51	7,536
Total	285.14	$51,772

Source: PPL Montana Property Tax Statements and Montana Tax Foundation

Except for the Fishtail elementary school district, the Mystic Lake dam is an insignificant contributor to the financial resources of Stillwater County.

[3]Table 12 also does not include special nontax assessments of $62,967 due on the Thompson Falls dam.

PROPERTY TAX IMPLICATIONS RELATED TO THE DAMS GOING PUBLIC

Table 15 summarizes taxes paid on hydroelectric facilities for tax year 2001 (fiscal year 2002). Based on tax year 2001 taxable valuations and mill levies, the state would lose $3.3 million and local taxing jurisdictions would lose $6.4 million in local and school district property taxes if the state were to purchase the dams.

TABLE 15: Taxes Paid on Dams by County--Tax Year 2001 (FY 2002)

Taxing Jurisdiction	Cascade County	Lake County	Lewis and Clark County	Madison County	Sanders County	Stillwater County	Total
County	$1,372,812	$301,166	$371,339	$37,213	$593,859	$16,514	2,692,903
Special Districts		16,674		6,901		133	23,708
State							
University	$63,921	$17,249	$14,632	$2,223	$48,491	$1,089	$147,605
Vo-Tech	15,980		3,658				19,638
School Levies	1,452,287	401,408	345,342	47,423	887,162	22,001	3,155,623
Total State	$1,532,188	$418,657	$363,632	$49,646	$935,653	$23,090	$3,322,866
School Districts							
Elementary	$1,243,840	$323,914	$78,675	$33,143	$569,414	$4,499	$2,253,485
High School	640,170	145,297	226,554	(K-12)	417,607	7,536	1,437,164
Total	$4,789,010	$1,205,708	$1,040,200	$126,903	$2,516,533	$51,772	$9,730,126

However, section 15-10-420(1), MCA, allows governmental entities to impose mill levies "sufficient to generate the amount of property taxes actually assessed in the prior year . . .". Technically speaking, there may not be a loss of revenue because local taxing authorities would have the option of increasing mill levies to make up the difference.[4] If mill levies were increased, that increase would shift the tax burden from the dams to other classes of property. The proposed initiative to purchase the dams would require the reimbursement of lost property tax revenue associated with the acquisition of the dams, but leaves the implementation of the reimbursement scheme to the Legislature. Any reimbursement scheme would shift the tax burden to nonlocal taxpayers. A reimbursement to a local taxing jurisdiction would create an interesting anomaly. Section 15-10-420(7), MCA, allows taxing jurisdictions to increase mill levies to account for a decrease in reimbursements. However, the taxing jurisdiction is not required to adjust mill levies because of an increase in reimbursement.

Removing the dams from the tax base would reduce the bonding capacity (i.e., the ability to issue general obligation bonds) of local taxing jurisdictions. During the 2001 legislative session, the Legislature revised the way in which bonding capacity is determined, except for schools. Previously, bonding capacity was determined as a statutory percentage of taxable value, depending on the type of taxing jurisdiction, plus "add-backs" to bonding capacity related to a variety of tax rate reductions (going back many legislative sessions) associated with business equipment and related to changes in the taxation of

[4]The Department of Revenue is authorized to calculate the number of mills associated with county and state school equalization levies, the university levy, and the vocational-technical levies to raise the same amount of revenue as the previous year. However, those levies may not exceed the limits established for those levies.

other types of property (e.g., oil and gas production). House Bill No. 23 (Ch. 29, L. 2001) revised local government debt limits and certain bonding provisions. Bonding capacity is now determined simply as a percentage of market value (exclusive of exempt class four land and improvements). Under the market value method, Cascade County, for example, would lose 6.3% of its bonding capacity in tax year 2001 and Sanders County would lose 18.1% of its bonding capacity (see Table 2 and Table 12, respectively). All taxing jurisdictions in Sanders County would lose a substantial portion of their bonding capacity.

House Bill No. 24 (Ch. 10, L. 2001) made some minor revisions in the determination of school bonding capacity by removing the add-backs referred to above. Bonding capacity for a school is still 45% of the taxable value within the district. In tax year 2001, the loss in bonding capacity for the Great Falls high school district, the Great Falls elementary school district, and the Belt elementary school district would be 11.5%, 9.2%, and 28.8% respectively (see Table 3), while the school districts in Sanders County would lose between 36.8% and 46.8% of their bonding capacity.

Typically, governmental units do not approach their maximum debt limits, so the loss in bonding capacity may not adversely affect a governmental unit's ability to incur debt. However, absent some reimbursement scheme, other local property taxpayers would be subject to higher property taxes to pay off existing general obligation debt.

CHANGES IN THE PROPERTY TAX BASE SINCE 1999

Table 16 compares the current valuation of the PPL Montana dams, by county, with the valuation of the dams in tax year 1999 (fiscal year 2000), the last year in which the Montana Power Company owned the dams. The particular value for each dam in tax year 2001 is related to the valuation allocated to each dam following the sale to PPL Montana. The Noxon Rapids dam is shown separately.

Table 16: Change in Market Value and Taxable Value of Hydroelectric Facilities--Tax Years 1999 and 2001

Hydroelectric Facility	1999 Market Value	1999 Taxable Value	2001 Market Value	2001 Taxable Value	% Change MV	% Change TV
Cascade Co.	$52,155,415	$6,258,649	$177,558,554	$10,653,511	240.4%	70.2%
Kerr	17,474,975	2,096,996	50,400,602	3,024,035	188.4%	44.2%
Hauser	7,200,642	864,077	5,503,611	330,217	-23.6%	-61.8%
Holter	8,657,897	1,038,948	35,270,706	2,116,242	307.4%	103.7%
Madison	12,829,369	1,539,524	6,234,685	374,080	-51.4%	-75.7%
Thompson Falls	45,812,799	5,497,536	69,932,522	4,195,950	52.6%	-23.7%
Mystic Lake	10,315,994	1,237,919	3,026,143	181,568	-70.7%	-85.3%
Total	$154,447,091	$18,533,649	$347,926,823	$20,875,603	125.3%	12.6%
Noxon Rapids	$ 81,999,897	$ 9,839,988	$64,682,793	$3,880,967	-21.1%	-60.6%

Source: Montana Department of Revenue

All of the dams in Cascade County increased in value, as did Kerr dam, Holter dam, and the Thompson Falls dam. Hauser, Madison, and Mystic Lake dams all decreased in value. Based on the method of allocating value, the overall market value of the dams in the state increased by 125.3%, but because the tax rate on generation property was reduced from 12% to 6%, the taxable value attributable to the dams statewide increased by only 12.6%. In Cascade County, the market value of the dams increased by 240% between tax years 1999 and 2001. In tax year 2001, relatively more of the market value of the dams was

allocated to the Belt elementary school district so that market value in that district increased by slightly more than 377%. The overall taxable value increase attributable to the dams in the county was 70%, while the taxable value of the dams in the Belt elementary school district increased by about 139%.

CONCLUDING OBSERVATIONS

The analysis contained in this report is valid only for the current fiscal year--it is already stale. The data shows what the fiscal impact would be to taxing jurisdictions had the state acquired dams before the first day of tax year 2001. Centrally assessed property, which includes most electrical generation property, is valued annually for property tax purposes, and new values for the dams are now being developed. However, the analysis does provide an idea of the amount of property tax revenue that may need to be replaced if the state buys the dams.

I-145, if approved, directs the Montana Public Power Commission to reimburse local taxing units for any loss of revenue "associated with the acquisition of any hydroelectric facility". The Montana Legislature would have to create the reimbursement mechanism. The initiative measure is silent regarding the replacement of state property tax revenue. Table 15 shows that the state would lose $3.3 million for the university system (including vo-tech revenue), school equalization, and county retirement and transportation. If that revenue is not replaced, then the continuation of funding levels for the statewide levies would be at the expense of other programs.

The total amount of property tax revenue that would need to be replaced would depend on:

- which dams are acquired by the state;
- the assessed market value of the dams at the time of acquisition;
- the tax rate applied to the dams; and
- the mill levies in effect.

If the dams are acquired by the state, the total amount of property tax revenue to be replaced may be significantly different from the amount indicated in this report.

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