

FIRE AUTHORITY BILL: HIGHLIGHTED ISSUES & ANALYSIS

CURRENT BILL LANGUAGE

PD0003 provides three methods to fund a regional fire protection authority.

NEW SECTION: Section 17. **Financing for authority -- consistency with authority plan required.**

(2) (a) Subject to 15-10-420 and subsections (2)(b) through (2)(d) of this section, the authority may be financed through a **tax levy**, through **benefit charges** imposed as provided in [section 18], or through **another method** of assessment allowed under the authority plan.

TAX LEVY - NEW SECTION 17

SUBSECTION (2)(B): MILL LEVY AUTHORITY

(2)(b) Subject to subsection (2)(c), the mill levy authority under 15-10-420 for each former fire protection jurisdiction that becomes part of the authority must be **aggregated** to establish the **base mill levy limit**.

Questions & Analysis:

1. The meaning of "base mill levy limit" is unclear, and the phrase is not defined in the bill or elsewhere in the MCA.
2. Aggregating mills may inflate the amount of revenue a fire authority may levy. Mills are not equitable across districts since the taxable value of property in a district determines the value of a mill.

Two districts may use different amounts of mills to raise the same amount of tax because their taxable values are different.

The following calculation is used to determine the total tax assessed by a district:

$$\text{Taxable value} * \frac{\text{mills}}{1000} = \text{Taxes}$$

The following hypothetical scenario illustrates how **different** mills can create **equal** taxes¹.

District 1

Taxable value = \$500,000

$$\$500,000 * \frac{100}{1000} = \$50,000$$

District 2

Taxable value = \$400,000

$$\$400,000 * \frac{125}{1000} = \$50,000$$

District 3

Taxable value = \$600,000

$$\$600,000 * \frac{83.33}{1000} = \$50,000$$

Each district raises the same amount of tax, but uses different mills to arrive at the same value.

Total tax raised by all 3 districts: **\$150,000**

HOW DOES THIS RELATE TO THE BILL?

If these three hypothetical districts were to merge into a fire protection authority, current language states that the mill levy authority of each existing fire district is added together to determine the new fire authority's total mill levy.

Total taxable value of all three districts = \$1,500,000 Total aggregated mills = 308.33

$$\$1,500,000 * \frac{308.33}{1000} = \$462,495 \text{ total tax}$$

Previously, the districts collected **\$150,000** total, combined.

Aggregating the mills allowed the total taxes to increase more than three times the amount the districts originally levied.

Rather than aggregate the mills, **aggregating the total tax assessed** during the last tax year may create more equitable results. The equation is worked backward, using the total tax and taxable value to determine the mills.

$$\$1,500,000 * \frac{\text{mills}}{1000} = \$150,000$$

After solving the equation, **mills = 100**

¹ The dollar amounts used in the hypothetical scenario are rounded to the nearest whole number.

Assumptions:

1. When the three districts combine, they operate with a budget equal to the combined amount of their previous budgets.
2. The total tax amount and the taxable value of the new fire authority are used to determine the total number of mills to be levied across the authority.
3. The fire authority operates within the provisions of 15-10-420 to determine the total amount of tax that may be levied in subsequent years.

SUBSECTION (2)(C): VOTED LEVY AUTHORITY

(2)(c) If the electors of a former fire protection jurisdiction have approved mill levy authority for the district **in excess of the limit established in [15-10-420](#)** pursuant to an election held under [15-10-425](#), the mill levy authority applies to the regional fire protection service authority under the limitations established by the electors.

Explanation:

15-10-425 allows a taxing jurisdiction to exceed the mill levy authority cap mandated in 15-10-420. The electorate may vote on a resolution that allows the jurisdiction to exceed the cap for a specified period of time and amount, as noted in the resolution. Subsection (2)(c) provides that if one of the fire districts that combines into a fire authority has a voted mill levy authority in excess of that allowed in 15-10-420, the additional levy authority will apply to the new fire authority.

SUBSECTION (2)(E): ASSESSING FOREST LAND

(2)(e) The amount levied on property classified as **forest land** pursuant to [76-13-102](#) **must be calculated by reducing the aggregate total levied by the amount paid for wildland fire protection** as provided in 76-13-201. If the amount paid for wildland fire protection is greater than the amount levied by the fire authority, the property classified as **forest land is exempt** from an assessment levied by a fire authority.

Questions & Analysis:

1. Many rural fire districts have a majority of land that is classified forest land and are assessed a wildland fire protection fee. The current language may have the potential to drastically reduce the amount of revenue an authority needs to operate.
2. If forest land qualified for an exemption, how would it affect the fire authority's total budget? Would other landowners be assessed more to make up the difference?
3. Is there another parameter that could be set to allow a fire authority to still collect assessments on forest land within their jurisdiction, but at a lower level?
4. Could owners of forest land choose to opt out of fire protection coverage within a fire authority? Language may be added to allow reimbursement to a fire authority if emergency services are provided to lands that

opted out of assessment; however, additional language is necessary to clarify who may be eligible to opt out.

BENEFIT CHARGES - NEW SECTION 18

AUTHORIZATION: SUBSECTION (1)

(1) For authority purposes authorized by law, the governing board of an authority may by resolution, as authorized in the authority plan and approved by the voters, **fix and impose a benefit charge on personal property and on improvements to real property located within the authority on the date specified.** Owners of property and improvements subject to the charge **must benefit** from the services provided by the authority.

Analysis:

The language provides that benefit charges may be assessed only on personal property and improvements, focusing on structures on the land rather than the land itself.

LIMITS: SUBSECTIONS (2) AND (3)

(2) A benefit charge may not be imposed on personal property or **real property** that is:

- (a) **exempt from taxation under Title 15; OR**
- (b) **classified as forest land pursuant to 76-13-102.**

(3) **The aggregate amount of benefit charges in any 1 year may not exceed an amount equal to 60% of the operating budget for the year in which the benefit charges are to be collected.** The governing body of the county in which the authority is located shall make any necessary adjustments to ensure compliance with this limitation and shall immediately notify the board of any changes.

Questions & Analysis:

1. Subsection (1) clarifies that benefit charges may be assessed only on personal property and improvements on real property, but subsection (2) lists exemptions for real property. Further clarification is needed to determine whether these exemptions are for benefit charges imposed on improvements on real property or on real property itself.

ADDITIONAL CONSIDERATIONS: SUBSECTION (4)(A)

(4)(a) An imposed benefit charge must be **reasonably proportioned to the measurable benefits** to property resulting from the services afforded by the authority. It is acceptable to apportion the benefit charge to the values of the properties as found by the county assessor or assessors modified generally in the proportion that fire insurance rates are reduced or entitled to be reduced as the result of providing the services. Another method that reasonably apportions the benefit charges to the actual benefits resulting from the degree of protection, which **may include but is not limited to the distance from regularly maintained fire protection equipment, the level of fire prevention services provided to the properties, or the need of the properties for specialized services,** may be

specified in the resolution and is subject to contest on the grounds of unreasonable or capricious action or action in excess of the measurable benefits to the property resulting from services afforded by the authority.

Analysis:

A fire authority may adjust the amount of benefit charges assessed on a property based on the amount of benefit a property receives OR based on the difficulty a property poses to the authority if a fire occurred. The benefit charge amount must be included in the authority plan creating the district and must be voted on by the electorate.

OTHER AREAS FOR CONSIDERATION

DETRACTION OF LAND

NEW SECTION. **Section 14. Detraction of undeveloped class ten property from authority -- petition -- plan for division.** (1) (a) The board may vote to detract **undeveloped class ten property, as classified for the purpose of taxation in 15-6-143**, from the authority as set forth in this section.

Analysis:

Lands that are assessed a wildland fire protection fee are "forest lands" as defined in [76-13-102](#). Not all class ten property may be classified as forest land, so replacing "class ten property" with "property classified as forest land" may meet the intent and maintain consistency with the assessment and benefit charge sections (New Sections 17 & 18).

BONDED INDEBTEDNESS

Analysis: A fire district may come into a fire authority with existing bonds, and the bill language does not currently clarify how the bonded indebtedness of a district will be handled by the authority. Adding language that transfers bonded indebtedness to the new fire authority may solve any confusion.