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LOCAL GOVERNMENT INTERIM COMMITTEE
67th Montana Legislature

SENATE MEMBERS

Jason Ellsworth
John Esp
Margaret (Margie)
MacDonald
Sue Malek

HOUSE MEMBERS

Geraldine Custer
Mary Ann Dunwell
Dave Fern
Tyson Runningwolf
Lola Sheldon-Galloway
Peggy Webb

COMMITTEE STAFF

Toni Henneman - Research
Analyst
Julie Johnson - Attorney
Bri Nordhagen - Secretary

MINUTES LOG

July 14, 2020
1:03 PM
Rm 152

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committee's web page. Each of the Exhibits is linked and can be viewed by clicking on the Exhibit of interest. All Exhibits are public information and may be printed. Please contact the Legislative Services Division at 406-444-3064 for more information.

ROLL CALL

Members Present:

Sen. Margaret (Margie) MacDonald, Chair (D)
Rep. Geraldine Custer, Vice Chair (R)
Rep. Mary Ann Dunwell (D)
Sen. Jason Ellsworth (R)
Sen. John Esp (R)
Rep. Dave Fern (D)
Sen. Sue Malek (D)
Rep. Lola Sheldon-Galloway (R)
Rep. Peggy Webb (R)

Members Excused:

Rep. Tyson Runningwolf (D)

Members Absent:

Staff Present:

Toni Henneman, Research Analyst
Julie Johnson, Attorney
Bri Nordhagen, Secretary

Agenda ([Attachment 1](#))

Meeting Overview

13:05:07 Toni Henneman, Research Analyst, Legislative Services Division (LSD), began her meeting overview for the Local Government Interim Committee.

Multifamily Coal Trust Home Program

13:07:38 Ms. Henneman began her review of the "PD0009 – An act authorizing additional funding for low-income and moderate-income housing loans from the permanent coal severance tax trust fund..." handout. ([Exhibit 1](#))
13:09:11 Kaia Peterson, Executive Director of Neighborworks Montana, began her discussion of the program and implementation update.
13:18:02 Sheila Rice, MT Housing Coalition Board Chair, gave an overview of the "Low-Income Housing Tax Credits" handout. ([Exhibit 2](#))
13:24:38 Beki Brandborg, Affordable Housing Developer, GL Development
13:29:54 Cheryl Cohen, Division Administrator, MT Board of Housing

Public comment

13:34:29 Abigail St. Lawrence, MT Building Industry Association
13:37:31 Tyson O'Connell, Wishrock Development Partners
13:40:58 Sherrie Arey, Executive Director, Neighborworks Great Falls

Questions from the committee

13:44:03 Sen. Ellsworth asked for clarification regarding the fiscal note on SB 0018.
13:44:31 Rep. Fern stated the reason there wasn't a fiscal note was because the funds were a loan, and the money paid back provided a sum profit for the trust fund, so the trust fund wasn't liable.
13:45:29 Rep. Dunwell asked Ms. Rice for clarification on whether she would like to include a property tax exemption on the coal trust bill, or was she speaking about the next bill which was an income tax credit bill. Rep. Dunwell asked Ms. Rice if the language was part of the existing bill. Rep. Dunwell stated concern with property taxes taxing residents out of their homes and providing affordable housing. Rep. Dunwell asked Ms. Rice if she thought the property tax exemption would make or break a deal.
13:51:02 Sen. Malek asked for more education regarding what the program involved and who was reliable for upkeeping these properties after the coal trust money was awarded.
13:56:41 Rep. Webb asked for clarification regarding the program, the length of the loan, how to apply, and how the interest rate was determined.
14:00:50 Sen. Ellsworth asked the board of housing about line 27 page 3, and what costs were coming out of the 2.85% interest rate. Sen. Ellsworth asked Ms. Cohen what she believed the costs were coming out for veterans. Sen. Ellsworth asked Rep. Fern about page 4 line 12 of bill draft PD 0009, and how that was in direct conflict.
14:04:00 Chairwoman MacDonald asked Ms. Rice if there were any examples of payments in lieu of taxes that had to be checked off through the local government taxing jurisdictions.
14:06:12 Sen. Esp stated concern with asking for permission as most of the local taxes were going to the school through the 95 mills going through the state.
14:09:10 Rep. Webb asked for verification that if the bill wasn't passed, would the existing loan recipients still receive the \$15 million dollars.
14:10:38 Chairwoman MacDonald asked Rep. Fern if the committee did not do something, would they need to renew this in 2021 for there to be another \$15 million in the coal trust and asked if there was a sunset.
14:11:46 Rep. Webb asked Rep. Fern if he knew the current interest rate earned on the coal trust.
14:12:27 Rep. Custer asked for clarification from Ms. Henneman on the duties expected from the county regarding this housing tax.

Workforce Housing Tax Credits - SB18 from 2019 Session

14:14:33 Julie Johnson, staff attorney, LSD, began her review of the "PD 0004 – An act providing for workforce housing tax credits..." handout. **(Exhibit 3)**
14:15:38 Lou Bosso, Sugar Creek Capital, gave an overview of the 2021 Montana Workforce Housing Tax Credit. **(Exhibit 4)**
14:20:40 Tyson O'Connell, Wishrock Development continued the housing tax credit presentation.
14:25:20 Andrea Davis, MT Housing Coalition & Homeword

14:34:28 Lou Bosso stated it would cost the state, over 13 years, 90 million dollars total and would produce one billion dollars in total incremental GDP credit.

Public comment

14:36:45 none

Questions from the committee

14:37:12 Rep. Fern asked Mr. Bosso if there was a way to play with the fiscal note, regarding how much would be allocated in tax credits, and could a cap be set that would adjust the fiscal note. Rep. Fern asked Mr. Bosso how much flexibility exists in the funding that the state would allocate through the tax credits.

14:42:10 Sen. Ellsworth asked Mr. Bosso at what percentage the tax credits were being sold.

14:44:30 Rep. Dunwell asked Mr. Bosso if any state had put a requirement on this legislation that the recipients of these income tax credits, who pay a living wage with benefits or prevailing wage, that those workers would benefit because they are well paid and thus benefits our income tax revenue.

14:46:53 Chairwoman MacDonald asked Mr. Bosso if most of the projects included both federal and state tax credits, and if that leveraged additional federal tax credits so that the prevailing wage kicks in.

14:47:49 Sen. Ellsworth asked Mr. Bosso if he had considered that Montana does not have a sales tax.

14:49:02 Rep. Fern asked Mr. Bosso if experimenting with this idea, like Idaho, would be a good way to look at whether the program would work.

BREAK – (Reconvened at 15:06:43)

14:50:35

MSU Local Government Center Funding

15:09:29 Ms. Johnson began her review of the “PD 0003 – An act appropriating funds to the Montana University System for the Local Government Center; and providing an effective date.” handout. [\(Exhibit 5\)](#)

15:12:07 Kristin Reynolds, DOA Local Government Services Division Bureau Chief began her overview of the comparison of DOA LG Services and Training.

15:18:30 Dan Clark, Director, began his overview of the MSU LG Center.

Public comment

15:22:12 Tim Burton, Montana League of Cities and Towns

15:27:40 Eric Bryson, Montana Association of Counties

Questions from the committee

15:28:44 Sen. Esp asked Ms. Reynolds if SB 302 was working or if there were things that needed to be fixed.

15:30:27 Rep. Sheldon-Galloway asked Ms. Reynolds how often her division was utilized and if she goes in person to assist in fulfilling these discrepancies and if there were fees for those services.

15:34:23 Rep. Dunwell asked Ms. Reynolds if she could elaborate on the responsibility for strict accountability to local governments, communities and the state of Montana.

15:37:36 Sen. Ellsworth asked Director Clark if the funding requested was staff specific and if those positions were CPA's. Sen. Ellsworth asked Dir. Clark what kind of education level they required, what kind of professionals they look to hire. Sen.

- Ellsworth asked Dir. Clark if they could rely on the DOA for technical attorney advice. Sen. Ellsworth asked Dir. Clark if those numbers on his handout were what they charged for services, what the current number was for the set budget, what they bring in in fees on top of that, and what was their current staffing level.
- 15:46:60 Rep. Webb asked Ms. Reynolds if she had the status on three counties that have not been in compliance with their audit reporting.
- 15:48:07 Rep. Custer asked Ms. Reynolds what the staff at the local government was, how many of those assure that people are getting things done and how many were trained auditors for cities and counties.
- 15:50:47 Rep. Fern asked Mr. Clark if the committee went forward with the bill and provided the center with 2 more staff people, how many more people could be reached and what supply and demand problems have they faced over the years.

Committee Work Session

- 15:56:09 Chairwoman MacDonald discussed the PD3JJ – MSU LG Center Funding bill draft proposal and opened for discussion.
- 15:57:34 Rep. Webb stated if they wanted to receive funds they needed to show where all sources of revenue were coming from.
- 15:58:15 Rep. Fern stated he supported the idea of adding two staff people to the organization and that if the organization could be more specific it could be helpful now and in the future.
- 15:59:54 Ms. Henneman reviewed the memo sent by Dan Clark regarding the MSU Extension Local Government Center. [\(Exhibit 6\)](#)
- 16:01:47 Sen. Ellsworth asked if it was 3.45 FTE to 6.0 FTE.
- 16:02:25 Rep. Dunwell asked if the committee could consider return on investment.

Motion

- 16:04:06 Rep. Dunwell made a motion that the committee take on PD 0003.

Committee Work Session – (continued)

- 16:04:24 Sen. Malek stated she would like to see it spelled out more directly how each position would be funded, as well as how much would involve travel.
- 16:06:42 Sen. Esp stated they will make the case in committee what they will do with the funds.
- 16:07:43 Sen. Ellsworth stated he was uncomfortable with the bill where it stands today with an appropriation.
- 16:09:01 Chairwoman MacDonald asked if anyone on the committee felt compelled to lower the number.
- 16:10:34 Rep. Fern asked Mr. Clark about an appropriation for two additional staff people and if there was a lower number, what would that be.

Motion

- 16:12:39 Sen. Esp made a motion that the number on line 11 be changed to \$180,000.

Vote

- 16:13:11 The motion to amend funds allotted to \$180,000 on bill draft PD# 0003 passed 7- 3 on a roll call vote, with Rep. Runningwolf voting yes by proxy. [\(Attachment 2\)](#)

Committee Work Session – (continued)

16:15:30 Chairwoman MacDonald discussed PD 9, reauthorize funding for multifamily coal trust homes program and opened the floor for discussion.

16:13:31 Rep. Fern asked fellow committee members what should be done with the amendment.

16:16:39 Rep. Dunwell stated she didn't like the property tax exemption.

16:18:03 Sen. Ellsworth stated that he couldn't support the central payment in leu of taxes.

16:19:50 Sen. Malek stated she disagreed with not doing the payment in leu of taxes and agreed with Rep. Fern that there be a process developed and what that payment would need to be.

16:20:51 Rep. Webb asked if the bill had sunsetted.

16:22:17 Sen. Esp asked Ms. Henneman if it was making an additional \$15 million dollars available in the loan so \$30 million total.

16:22:55 Rep. Custer asked Ms. Henneman if she could speak to the amendment discussing a housing authority.

16:24:19 Rep. Fern asked if they could reach the board of investments to get the investment return for tomorrow's meeting.

16:26:08 Chairwoman MacDonald asked Rep. Fern asked about how much additional leverage had been used.

16:27:27 Rep. Dunwell asked where the \$30 million came from.

16:29:17 Chairwoman MacDonald discussed PD 0004, workforce housing tax credit program and opened the floor for discussion.

16:29:44 Rep. Fern asked Chairwoman MacDonald if she could touch on how much work was put into this to get a number put on that was fiscally obtainable.

16:32:27 Sen. Esp stated last time they met the appropriations committee had more revenue to deal with than they would this time and will have much lower projected revenue.

16:35:40 Sen. Ellsworth asked how one would incentivize a business through a program like this.

16:37:27 Sen. Malek stated there would be no fiscal impact for the first three years.

16:38:33 Rep. Custer suggested having the Bureau of Economic Research take this project on to look at the tax credits.

16:40:18 Chairwoman MacDonald stated each state had come back to this program and enhanced it.

16:40:50 Rep. Dunwell stated Mr. Bosso said typically the state tax credits were paired with the federal tax credits.

16:41:42 Sen. Esp asked how many states had accepted this program.

Motion

16:44:10 Rep. Dunwell made a motion the committee pass bill draft PD 0004.

Motion

16:44:26 Sen. Ellsworth made a substitute motion the committee wait until they receive the information.

16:45:02 Rep. Dunwell withdrew her motion.

Committee Work Session – (continued)

16:46:51 Rep. Custer suggested seeing if NCSL had a resource regarding other states using the program.

16:47:30 Sen. Esp asked Ms. Henneman if she could get an answer from the DOA regarding implementation and cost regarding SB 302.

Review Wednesday agenda – recess for the day

16:48:05 Chairwoman MacDonald called the LGIC to recess and will reconvene July 15th, 2021.