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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

May 14, 2020
10:05 AM
Remote via Zoom

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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)
Rep. Dave Fern (D)
Sen. Sue Malek (D)

Rep. Lola Sheldon-Galloway (R)

Rep. Peggy Webb (R)

Members Excused:

Rep. Tyson Runningwolf (D)

Sen. John Esp (R)

Members Absent:

Staff Present:

Toni Henneman, Research
Analyst

Julie Johnson, Attorney

Bri Nordhagen, Secretary

Committee Business Summary

Moved to bring the following legislative proposals for committee consideration at the July Meeting:

- Approve experimental wastewater treatment systems – without objection
- Workforce Housing Tax Credits (SB18, 2019) – without objection
- Reauthorize funding for the Multifamily Home Coal Trust Loan Program (HB16, 2019) – without objection
- Regional Fire Protection Authorities (SB17, 2019) – without objection
- MSU Local Government Center additional funding – without objection

Call to Order & Roll Call

10:00:59 Chair MacDonald called the Local Government Interim committee to order. The committee secretary took roll.

Meeting Overview

10:02:25 Toni Henneman, LSD, Staff Research Analyst, began the meeting overview for committee members and public.

COVID - 19 Update

10:04:16 Ms. Henneman began her overview of available resources, citing the Legislative Services Division, MACO, and The Montana League of Cities and Towns websites as valuable tools for keeping updated on directives related to COVID - 19.

10:05:59 Eric Bryson, Montana Association of Counties, presented an update to the committee and reviewed the "Operation and Workplace Guidance in Response to Novel Coronavirus" handout. [\(Exhibit 1\)](#)

10:17:10 Tim Burton, Montana League of Cities and Towns, presented an update to the committee and reviewed the "Attorney General State of Montana" handout. [\(Exhibit 2\)](#)

Public comment

10:24:58 Andrea Davis, Executive Director of Homeword [\(Exhibit 3\)](#)

10:29:34 Kaia Peterson, Executive Director of NeighborWorks Montana [\(Exhibit 4\)](#)

10:33:35 Sheila Rice, Chair of the Montana Housing Coalition ([Exhibit 5](#))

Questions from the committee

10:37:09 Rep. Webb asked Ms. Davis about the month of May and the 30% reduction in the amount of rent that was paid. Rep. Webb asked Ms. Davis if she talked to tenants about why they did not pay their rent and whether that was due to a strike to not pay rent or due to lost funds from COVID - 19.

10:40:05 Rep. Dunwell asked Ms. Rice about the waiting list for vouchers, and if she could clarify which vouchers she was referring to. Rep. Dunwell asked Ms. Rice for solutions the committee could provide.

10:44:19 Sen. Malek asked Mr. Bryson about allowing individuals to accrue leave during furlough. Sen. Malek asked Mr. Bryson if other counties, besides Missoula County, had considered a rezoning plan for small homes.

10:46:56 Rep. Dunwell asked Mr. Bryson and Mr. Burton to tell the committee what local governments need so they could discuss those suggestions during the work plan later in the meeting.

CARES Act

10:52:54 Julie Johnson, LSD, Staff Attorney, began her overview/explanation of the bill summary. ([Exhibit 6](#)) ([Exhibit 7](#))

11:00:14 Tara Rice, Department of Commerce Director, gave her overview of the Coronavirus Relief Fund Advisory Council grants.

11:10:34 Mr. Bryson, MACO, gave further directive and explanation regarding the CARES Act.

11:15:38 Mr. Burton, MLCT, gave further directive and explanation regarding the CARES Act.

Public comment

11:20:11 Ms. Rice, Montana Housing Coalition

Questions from the committee

11:23:19 Rep. Fern asked Ms. Rice for more information on the Montana Housing Fund, regarding what the balance looks like, whether there are opportunities for private funding to assist, and if there are alternative methods that may not involve tax credits as a key component to fund affordable housing. Rep Fern asked about a direct appropriation or possible use of the coal trust fund as a borrowing/funding mechanism to assist in construction.

11:25:09 Sen. MacDonald clarified Rep. Fern's request to Ms. Rice to prepare materials for the committee for an upcoming meeting.

11:25:45 Sen. Ellsworth asked Ms. Rice how many people in a Missoula hotel had COVID symptoms. Sen. Ellsworth asked Mr. Bryson if he felt the \$2 million dollars for the Missoula hotel was an appropriate COVID response expense. Sen. Ellsworth asked Mr. Bryson if there was a way to justify that expense and if he could shed any light on the matter.

11:30:32 Rep. Dunwell asked about unbudgeted COVID funds reimbursement, and the possibility to incorporate that towards the need for housing.

11:37:44 Sen. Malek asked Mr. Burton if there was testing available for cities across Montana so hospitals are not overloaded. Sen. Malek asked Ms. Rice about investment in college for individuals who have been laid off. Sen. Malek asked about a possible added rezoning value for agriculture lands.

11:46:36 Sen. MacDonald asked Mr. Bryson what his associations at the state and national level are doing to remedy revenue lost related to COVID in subsequent upcoming legislation. Sen. MacDonald asked both Mr. Bryson and Mr. Burton if there was anyone in delegation carrying the banner for the state of Montana at the national level regarding this issue.

Legislative Fiscal Division and HJ 35 Updates

11:55:00 Cathy Duncan, LFD, Staff Fiscal Analyst gave an update on the TSEP Program project status and funding.
11:58:54 Ms. Duncan gave an update on Local Government reporting.
12:02:42 Ms. Henneman gave an update on the HJ 35 Subcommittee regarding special districts.

Public comment

12:05:49 none

Questions by the committee

12:06:13 Rep. Custer asked Ms. Duncan if she knew what the cost would be to compile all the information from the different programs into one system.

LUNCH

12:11:42

RECONVENE

13:01:10

MSU Local Government Center

13:01:37 Ms. Johnson began her review regarding the funding history and funding proposal of the MSU LG Center handout. [\(Exhibit 8\)](#)
13:04:22 Dan Clark, MSU LG Center, gave a review on the bill draft request. [\(Exhibit 9\)](#)

Public comment

13:07:26 Tim Burton, MLCT

Questions from the committee

13:09:19 Rep. Custer asked Mr. Clark if the \$230,000 was in addition to the \$171,000 that was already in the base budget.
13:09:51 Rep. Webb asked Mr. Clark how the fees that are charged for trainings are determined and when they were last raised.
13:12:20 Rep. Dunwell asked Mr. Clark if the \$230,000 was enough to account for all the needs local governments will now face due to COVID. Rep. Dunwell asked about local government matching fee's given the projected shortfalls regarding property taxes.
13:15:53 Sen. Malek asked Mr. Clark if he had considered hiring individuals on a contract basis by region.
13:17:32 Rep. Fern asked Mr. Bryson, Mr. Clark, and Mr. Burton if they could share with the committee how their organizations sustain their budget.

- 13:22:25 Rep. Sheldon-Galloway asked Mr. Clark if combining all reporting systems was included in the \$230,000 or would that increase during training. Rep. Sheldon-Galloway asked Mr. Clark if his department was aware of an increased need for special water and sewage districts in response to COVID regarding the virus contaminating the water across the state.
- 13:25:53 Rep. Dunwell asked Mr. Burton if it would be important to enhance the Local Government Bureau to what it was 2 years ago before it was cut back, possibly even more due to COVID.

SJ 3: Study of Alternative Septic Systems

- 13:28:41 Ms. Henneman began her review of the SDAC meeting update.
- 13:31:04 Tim Davis, DEQ Water Quality Division Administrator, gave an update on the current rule review process and reviewed the handout. [\(Exhibit 10\)](#)

Public comment

- 13:41:09 Abigail St. Lawrence, MBIA

SJ 3: Study of Alternative Septic Systems (continued)

- 13:43:24 Anna Miller, DNRC, gave an update on WASAT and DNRC funding. [\(Exhibit 11\)](#) [\(Exhibit 12\)](#) [\(Exhibit 13\)](#)

Public comment

- 13:58:21 none

Questions from the committee

- 13:58:59 Rep. Fern asked Ms. Miller what she thought the demand was for individual septic loans that would not be affiliated with such projects as Rygate or Thompson Falls. Rep. Fern asked Ms. Henneman if the grant program was unknown to the consumer and asked how was information being relayed.
- 14:04:48 Rep. Dunwell asked Ms. Miller what she would suggest regarding protective regulations/requirements to entice people to take advantage of this available grant money to update their septic systems. Rep. Dunwell asked Ms. Miller for clarification regarding the grant program.
- 14:08:25 Sen. Malek asked Ms. Miller about the package of funding Seeley Lake has been able to put together and if she could send that later.
- 14:10:32 Sen. Ellsworth asked Ms. Miller how many households were served in Thompson Falls. Sen. Ellsworth asked Ms. Miller if it was a question of cost more than availability of more money. Sen. Ellsworth stated if only 500 people were being served the cost would be \$30,000 per person.

Committee Work Session

- 14:13:24 Ms. Henneman began the committee work session conversation.
- 14:18:12 Sen. Malek stated it was important the committee look at the Local Government Bureau and overall what's happened historically. Sen. Malek stated it was important to let the professionals go forward with the study they are doing regarding individual septic systems.
- 14:19:27 Rep. Dunwell stated the priorities she would like the committee to consider were affordable housing, the Local Government Center, an enhanced property tax

- assistance program and finally to change the half of 1% of the rate of inflation increase.
- 14:22:21 Sen. MacDonald asked the committee if anyone was interested in bringing forward a resolution today on the Local Government Center to start discussing as a formal proposal for a bill draft.
- 14:22:49 Rep. Fern discussed SB17 - fire authorities in the state of Washington and stated it might be a good time for the committee to come back to this.
- 14:27:43 Sen. MacDonald asked if any member of the committee had any resolutions they would like to offer for a bill draft.
- 14:28:05 Rep. Sheldon-Galloway stated she had great concerns regarding special elected water and sewer committee boards across the state that have no one to answer to and no one for the citizens of their districts to go to when they have issues. Rep. Sheldon-Galloway would like the committee to draft a bill to offer a solution.
- 14:29:31 Sen. Ellsworth stated Rep. Fern was on the right track in support for the Local Government Center. Sen. Ellsworth stated the committee missed a mark on the septic systems and would recommend to the committee get back on track regarding finding alternative systems.
- 14:31:05 Sen. MacDonald stated the committee did spend considerable time on the alternative septic systems however there may be additional issues.

MOTION

- 14:32:19 Rep. Dunwell made a motion to draft a bill to enhance resources for the Local Government Center to \$230,000, included in that bill would Rep. Dunwell would like to enhance resources to the Local Government Bureau to the level it was 2 years ago, and to include technical assistance and guidance for local districts to be able to go to regarding water and sewer boards.

Discussion and questions on motion

- 14:33:41 Rep. Webb stated funding would be tight for everyone, but if the legislature is going to fund additional money then the rates charged for the sessions at the Local Government Center should be increased as well.
- 14:34:17 Sen. MacDonald asked Rep. Dunwell if she was ok with that amendment to her motion.
- 14:34:21 Rep. Dunwell asked for clarification regarding what rates charged would need to increase. Rep. Dunwell stated the increase was fair and asked Rep. Webb if she would be amenable to a sliding scale in the event of a need.
- 14:35:31 Rep. Webb stated she didn't think there was currently a sliding scale.
- 14:35:49 Ms. Henneman clarified currently the rates are set.
- 14:35:58 Sen. MacDonald proposed incorporating Rep. Webb's proposal, then when the committee has a draft and more research has been done the sliding scale could be amended.
- 14:36:51 Ms. Henneman clarified the Rep. Dunwell's motion.
- 14:38:35 Rep. Custer stated the Local Government Center's job is to train special districts, cities and counties.
- 14:40:22 Rep. Sheldon-Galloway stated she asked Mr. Clark directly and he replied that he did not want to be the trainer and the policeman.
- 14:42:53 Rep. Dunwell suggested putting both the additional resources for the Local Government Center and then the state Department of Administration Local Government Bureau that can be more of the oversight to be able to help the local tax districts in getting answers and guidance.

14:43:24 Rep. Fern stated the intent of the request was for the MSU service to be vibrant and sustainable.

14:45:06 Sen. Malek would like to see the resolution address the center first and is unclear about the Department of Administration Local Government Bureau and would like further information.

14:46:29 Ms. Henneman replied to the concerns and suggestions brought up by the committee.

14:47:14 Rep. Custer asked if the committee was going to address the funding if there were costs related to streamlining annual reports.

14:48:05 Sen. MacDonald stated she would like Rep. Custer to separate that out as another resolution or a bill draft proposal. Sen. MacDonald asked the committee members if they would support what Rep. Dunwell had proposed regarding Ms. Henneman doing a bill draft regarding the Local Government Center, sequestering out the DOA. Sen. MacDonald asked if there were any objections to that proposal and asked if a roll call or voice vote was needed.

14:49:23 Ms. Henneman stated if there was an objection, it could be voiced, and if there is no objection it is an understood affirmative.

MOTION

14:50:00 Rep. Custer made a motion to have Ms. Henneman check with the other committee to see what information they are looking for regarding a bill draft on consistency of reporting and clarity on the revenue and expenditure sides across state and local governments.

Discussion and questions on the motion

14:50:47 none

VOTE

14:50:44 Sen. MacDonald stated without objection from the committee the motion passed.

Committee Work Session

14:50:57 Sen. MacDonald stated bringing in the DOA to do research on the oversight role of the special districts and the committee can then frame a bill draft at the next meeting.

14:51:26 Ms. Henneman stated she could do more research and bring in the DOA for more information.

14:51:44 Sen. MacDonald stated Sen. Ellsworth brought up issues regarding the alternative septic systems and asked Ms. Henneman to review what work had been done on that subject.

14:53:35 Sen. Ellsworth stated the committee had heard from the DEQ and it did state that they can allow for alternative systems, however during testimony it was stated there were no other alternative systems in the state of Montana that were allowed. Sen. Ellsworth proposed to change the language from "can allow" to "will allow" alternative systems.

14:55:48 Rep. Sheldon-Galloway stated from testimony her understanding was it had been studied and she didn't see a solution to move forward and agrees with Sen. Ellsworth's proposal.

14:56:40 Rep. Dunwell asked Sen. Ellsworth if the proposal would provide for any system that met DEQ requirements. Rep. Dunwell asked Mr. Davis for assurance that public health and water quality would be protected.

15:01:36 Sen. Malek stated concern with Sen. Ellsworth's proposal.

15:03:18 Sen. MacDonald stated that with a difference in opinions on this matter within the committee language should be considered further before this moved forward.

15:04:34 Rep. Sheldon-Galloway discussed DEQ coming into communities, engineering and looking at the septic systems but having no muscle.

15:05:48 Rep. Fern proposed reauthorizing HB16 which dealt with rehabbing affordable housing with dollars for loans from the coal trust fund and would add for consideration that the committee consult with the board of housing to see if it needs any amendments.

15:06:30 Rep. Fern made a resolution to reintroduce an amended or updated HB 17 on fire authorities.

15:06:46 Rep. Fern made a resolution to reintroduce SB18 which dealt with tax credits at the state level for affordable housing.

15:07:36 Sen. MacDonald stated HB 16 had passed and did need reauthorization and asked Rep. Fern if it was a 2-year program and didn't reach into the future.

15:08:04 Rep. Fern stated the reauthorization would pay back more to the trust than it takes.

15:08:35 Sen. MacDonald asked for that to be brought to the next meeting with the discussed revisions and asked Ms. Henneman to check with the Montana Board of Housing for recommendations.

15:09:20 Sen. MacDonald stated without objection from the committee the proposal to reauthorize HB16 passed.

15:11:13 Rep. Fern discussed HB 17 and stated some of the shortfalls needed to be addressed before September.

15:13:20 Sen. MacDonald stated without objection from the committee the proposal to reintroduce HB 17 passed.

15:13:41 Sen. MacDonald discussed Rep. Fern's motion to reintroduce SB 18.

15:14:37 Rep. Dunwell asked if property tax mitigation would be included.

15:15:34 Rep. Fern stated there were possible issues regarding the philosophy of government with the private sector.

15:17:20 Ms. Henneman stated she could bring the bill back with the recommendations.

15:17:25 Rep. Custer stated because it's going to be a tight budget year getting an estimate from LFC and working with the housing authority might be in the committee's best interest.

15:18:20 Sen. MacDonald stated the tax credits don't kick in until 3 years later.

15:20:15 Tim Kallenbach discussed alternative systems and thought the language that was proposed would have bad unintended consequences which he would submit to the committee in writing.

15:21:15 Rep. Fern discussed HB 1180 from the state of Maine which was also a tax credit bill.

15:23:33 Rep. Dunwell asked if the committee could fold Rep. Fern's recommendation of the stimulus bill if the tax credit didn't work. Rep. Dunwell asked if there was a stimulus bill in local government.

15:25:04 Sen. MacDonald stated the committee should keep their ear to the ground regarding housing but there wasn't enough information right now to move forward with a bill.

15:25:51 Sen. Malek discussed Section 8 housing money and the possibility to boost those funds.

15:26:43 Sen. Ellsworth discussed the committee meeting via zoom remotely and the difficulty to communicate within one's own caucus', something the committee needed to be aware of.

15:28:02 Ms. Henneman continued discussion and recapped requests from the committee regarding the work session and future meeting dates.

15:31:10 Rep. Dunwell asked if the committee wanted to look at some of the aging septic systems and improving them, enhancing the grants, making it known to individuals the grants are available.

15:31:57 Rep. Custer asked if the project to revise the reporting of all local government cities and special districts together was in the queue of things to be addressed.

15:32:40 Sen. Malek discussed Mr. Bryson's state stipulations in law.

15:34:57 Ms. Henneman discussed possible future meeting dates.

ADJOURNMENT

15:36:17