



HB 49 Subcommittee on Local Government Special Purpose Districts

PO BOX 201706
Helena, MT 59620-1706
(406) 444-3064
FAX (406) 444-3036

60th Montana Legislature

HOUSE MEMBERS

GARY BRANAE--Vice Chair
BILL NOONEY

SENATE MEMBERS

KIM GILLAN--Chair
RICK LAIBLE

PUBLIC MEMBERS

PAULETTE DEHART
MIKE MCGINLEY
ED MEECE
MARTY REHBEIN
PAULA ROBINSON
SHOOTS VEIS

COMMITTEE STAFF

LEANNE HEISEL, Lead Staff

MINUTES

October 2, 2007
Building

Room 102, Capitol

Helena, Montana

Please note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes are on file in the offices of the Legislative Services Division. **Exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.**

An electronic copy of these minutes and the audio recording may be accessed from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side column of the home page, select *Committees*, then *Interim*, and then the appropriate committee.

To view the minutes, locate the meeting date and click on minutes. To hear the audio recording, click on the Real Player icon. Note: You must have Real Player to listen to the audio recording.

COMMITTEE MEMBERS PRESENT:

SEN. KIM GILLAN, Chair
REP. GARY BRANAE, Vice Chair
REP. BILL NOONEY
SEN. RICK LAIBLE
PAULETTE DeHART
MIKE McGINLEY
ED MEECE
MARTY REHBEIN
PAULA ROBINSON
SHOOTS VEIS

STAFF PRESENT

LEANNE HEISEL, Lead Staff
Cj Johnson, Committee Secretary

Visitors/Agenda

Visitors' list, Attachment #1
Agenda, Attachment #2

SUBCOMMITTEE ACTION

- The Subcommittee discussed ways to bring uniformity and consistency to laws governing special purpose districts.
- Model Act bill drafted by Leanne Heisel, LSD, to use in work groups.
- Work groups will work on each district at the December 13, 2007 meeting.

CALL TO ORDER AND ROLL CALL

SEN. KIM GILLAN called the meeting to order at 10:00 a.m. Secretary called the roll. Everyone was present. (See Attachment #3) **SEN. GILLAN** introduced herself and had the subcommittee members introduce themselves and tell why they are interested in this special purpose districts subcommittee.

SEN. GILLAN said she wanted to participate in this subcommittee because of the internal inconsistencies in the statutes on how certain districts are handled. She is also a member of Education and Local Government committee.

REP. GARY BRANAE, Billings, said he wanted to participate because his city is growing.

PAULETTE DEHART, Lewis and Clark County Clerk and Recorder, representing the Treasurers Association, would like to see some streamlining done in the RAID protest area.

MARTY REHBEIN, City Clerk for Missoula, said she works a lot with special districts in creating and administrating them for the city.

SHOOTS VEIS, Billings City Council, representing Ward 3, said the Council meets every month, and there isn't a meeting that goes by without the Council having to deal with special districts.

MIKE MCGINLEY, Beaverhead County Commissioner, said he was just elected vice-president for Montana Association of Counties (MACo). He is interested in special districts from a county government perspective.

PAULA ROBINSON, Flathead County Clerk and Recorder, representing the Clerk and Recorders Association, stated that Flathead has 29 sewer and water districts and 17 volunteer fire districts and fire service areas. She said it is difficult to know what the level of support should be for these districts when it comes to the preparation budgets and calculating levies. The commissioners set the levy, but they do not have any authority over the budgets. She said dealing with the volunteer fire districts this past fire season, there have been a number of issues concerning payment structure, etc. She said it would be easier if there were consistent requirements for the special purpose districts related to investment authority, budgetary authority, creation, and process for dissolution.

ED MEECE, City Manager for Livingston, said he is interested in learning more about the special districts in Montana. As city manager, he deals with a lot of municipalities throughout

the state, and is interested in what the subcommittees' work will be on this issue.

SEN. RICK LIABLE, representing District 44, said his reason for being on this subcommittee is to learn about special purpose districts, and that he would like to help find solutions to ongoing problems.

A chart prepared by Leanne Heisel and Sonja Nowakowski on the processes governing special purpose districts was distributed to the subcommittee. (See Attachment #4)

AGENDA:

SEN. GILLAN informed the members that this subcommittee was established by a separate piece of legislation (HB 49), and noted that the committee members who are not legislators can vote on any recommendation that comes out of this subcommittee to the full committee.

Leanne Heisel, Research Analyst, LSD, distributed a copy of HB 49, and explained that the bill provides information on how the study is to be done. She informed the subcommittee that a lot of discussion went into how the bill was drafted. **EXHIBIT 1**. Ms. Heisel explained 5-5-211, MCA, appointment and composition of interim committees and compensation. **EXHIBIT 2**

PUBLIC COMMENT:

Alec Hansen, Executive Director, Montana League of Cities and Towns (League), said that special improvement districts are a critical element of municipal finance. The order of funding for cities and towns come from: 1) property taxes, 2) state transfers through the entitlement program authorized by a bill from the 2001 Legislature, and 3) special purpose districts. The most prominent funding from the special districts is the state's maintenance districts. The League has worked for years to develop a street maintenance district statutes that are fair and work for everyone, and its revenues keep city streets maintained. He asked the subcommittee to exclude street maintenance from the special districts study. He talked about how the street maintenance districts work, and how the properties are assessed within that district for street maintenance. He recommended that resort area district statutes not be changed. Mr. Hansen mentioned multi-jurisdictional districts that are set up to collect fees from both municipalities and counties in one district. He stated that the only area this affects is West Yellowstone. Business improvement districts (BID) are used to develop and promote downtown areas. Mr. Hansen said the League is working with the Department of Revenue (DOR), and other interested parties in a discussion on tax increment finance (TIF) districts. He felt this area of study should be left to the taxation committee during the regular legislative session. Mr. Hansen said there are two bills that deal with TIF in the tax committee, because they are not a standard type of special district makes them difficult to deal with. A TIF is a community development urban renewal financing method that has been on the books in Montana since 1979. He said this issue has been challenged numerous times, and there is a need for increment financing to be handled to make sure it remains a law in Montana, and operates as it was intended. It is a complicated and will require a lot of negotiation, compromise and hard work to set up the

districts the way they need to look. He hoped the Revenue and Transportation Interim Committee would be able to get this resolved before the next legislative session. Most of the negotiations will be between local governments and the DOR, and the League will assist in resolving these issues.

Mr. Hansen discussed fire hydrant and street lighting districts stating they are simple procedures, and they work well. He talked about a new district for park maintenance, and how difficult it is for cities and towns to come up with these funds. He asked the subcommittee to also exclude water and sewer districts from the study. These districts have been on the books for many years, and said even with the controversy the League has solved many of the issues. He said the cities and towns rely on these special districts to extend water and sewer services to newly developing areas of towns. He reiterated that special improvement districts do a good job; they promote fairness, and they are an important element of municipal finance. He said that special districts are a better way to assess than general tax assessment to fund services that are not uniform across a jurisdiction.

QUESTIONS FROM COMMITTEE MEMBERS:

SEN. GILLAN asked Mr. Hansen to clarify what districts would he like the subcommittee to exclude. Mr. Hansen said he'd like the subcommittee to exclude tax increment - the League is working with the DOR to decide what should be done with this law. He said redevelopment of downtown Billings is part of the TIF system, and has also been used in Missoula and Butte. He said there are a number of cities and towns that are also interested in using this technique. He said that most of the statutes are in fairly good shape, but the real discussion should now focus on industrial, aerospace, and technology districts that need to be fixed.

Ed Meece asked Alec Hansen if the subcommittee should explore the jurisdictional issues to interpret the law rather than legislate? Mr. Hansen replied that he feels this issue will come before the Revenue and Transportation Interim Committee, and said that is where this discussion should take place. He said this isn't a typical special district, because it is involved with the collection and distribution of taxes.

SEN. GILLAN said that she and SEN. JIM PETERSON, chairman of the Revenue and Transportation Interim Committee have discussed the tax increment financing for the next meeting in December, and she will report to the subcommittee on any information that is pertinent for their review. She asked the subcommittee to wait on this issue until the next regular Revenue and Transportation Interim Committee meeting takes place.

PUBLIC COMMENT:

Harold Blattie, Executive Director, Montana Association of Counties (MACo), distributed a handout on Chapter No. 543, Montana Session Laws 1995 (**EXHIBIT 3**). He thanked the non-

legislative members for their willingness to participate in this interim study. He stated that these members were hand selected due to their knowledge they can share with the legislative committee members. He also thanked the members for their interest in legislative actions toward local governments. He stated that the original concept of HB 49 took place in the 2005 Legislature. He talked about several bills from the 2005 Legislature that addressed specific types of special purpose districts, which were contentious, such as; 1) water and sewer districts; 2) who is eligible to petition, and 3) how to create a district or can it be done by resolution of the Board of Commissioners.

Mr. Blattie explained why he wanted 15 members on this subcommittee, and stated that he wanted representation of the people that are in the field that make these special districts work. But, because of the costs for the Education and Local Government committee they chose to reduce the representation, and language was placed in the bill to urge participation and interaction from the people in the field. He talked about SB 377 from the 1995 Legislature, which provided a process for: 1) the creation of a board; 2) how the board operates; and 3) what powers the board has, etc. He said this concept works very well,

Tape 1, side B

and has had but a few amendments placed on it. It is his overall vision and goal that this subcommittee can develop something that will be similar with that piece of legislation. His worst problem with this issue is its inconsistencies, and he hopes these are issues the subcommittee will be able to resolve. He commented that the subcommittee will be adopting a work plan that he hopes will have a component that will suggest an inventory of the special purpose districts that are currently in place. He said that no one has any idea how many of these districts are in place. The last inventory that took place was in 1972, and was performed by Carol Ferguson. He feels there have been hundreds of special districts that have been created since that time, but no one knows how many or what types.

Mr. Blattie, explained his handout. (see **Exhibit 3**) He introduced Sheryl Wood, Associate Director of MACo. He asked the subcommittee for their consideration and allow himself and Ms. Wood to be an extension of their staff. He said they will assist in any manner they can.

Questions from Subcommittee Members:

Paulette DeHart asked Mr. Blattie if there are any districts he wished to exclude. Mr. Blattie responded that he would agree with Alec Hansen on the TIF. This is a contentious area of law, and would detract from the subcommittee's time. He discussed the street light districts, and he asked the subcommittee not to fix something that isn't broken. He stated that the major differences between municipalities and counties is municipalities have self-governing powers. Counties have general government powers, and can only do things that are specifically granted to them by the legislature. In the 2005 Legislature, the legislators showed a willingness to get out of the counties' business and not micro-manage. He said that two bills were passed in the 2005 session, one was Sen. Harris's bill that granted quasi self-governing powers to counties related to contracts and agreements. It put language into statutes that said "a county can enter into any agreement not otherwise prohibited." Sen. Story carried SB 301 that states a county can

use tax money for any public or governmental purpose not specifically prohibited. He informed the subcommittee this may be something they could explore more in depth to see if there might be sound reasoning for considering similar type of language.

COMMITTEE DISCUSSION:

SEN. GILLAN said the subcommittee could start with some of the special districts not mentioned above. She said they could add them back in at a later date if they need to. **SEN. GILLAN** asked the members if they have any problems with the implementation of the special districts. She reiterated Mr. Blattie's comment about fixing things that aren't broken.

Paulette DeHart informed the subcommittee that in the creation of the road improvement and road maintenance districts there are three protest processes which need to be streamlined. She stated that the subcommittee needs to work on:

1). A clear definition of benefits for road and maintenance repair special districts. She said that roads current use and the potential future use should be considered in creation of road maintenance districts.

2). It isn't clear in the statutes whether the boards governing special districts can have separate bank accounts. There are some districts that will have fund raisers and put that money in a separate account. Ms. DeHart said this is ok with her, but it needs to be in statute so there isn't any question. On the county level, all monies have to go through the county treasurer's office and the clerk and recorder's general ledger. This issue has not been addressed, and she informed the subcommittee that she has allowed her district people to keep that money.

3). Lot assessments. She discussed the creation of special purpose districts for persons who own two lots will be charged two assessments. Ms. DeHart gave an example of a one lot business addressed in the statutes for mobile home parks that are assessed as one lot, but they can have up to 20 mobile homes on that lot, and are billed for one assessment.

Shoots Veis commented when these issues come before his city council the issues are clear on what the council can and cannot do. He informed the subcommittee how the tourism BID works, and stated that consistency is very important when special districts like this come before the council.

Mr. McGinley commented most of the county commissioners want to run their local government without mandates from the state. He stated that the cities do have more leeway on what they can do where counties cannot go outside their boundaries. He suggested that this is one area the subcommittee may want to study.

SEN. GILLAN stated this sounds like it is city-versus-county jurisdictional issues, and how the different forms of power play out in the special districts.

Paula Robinson addressed fire districts and how much authority the clerk and recorder's office

has over the volunteer fire departments. Ms. Heisel responded that a fire suppression committee has been formed from the last special session to look at issues of funding and where DNRC money goes.

SEN. LAIBLE referred to the chart that was prepared by the staff (see Attachment #4), and asked when statutes are changed does the subcommittee change all that apply or are they grandfathered in, and will this subcommittee be discussing only statues for new forming districts. He also wanted to know what is the goal of this subcommittee. Ms. Heisel replied that she and Harold Blattie, MACo, have discussed this and they both feel there should be some transitional language. She referred to Mr. Blattie's handout on page 3, section 2, (**Exhibit 3**) which has the transition language, and the creation of new boards. There should be some kind of provision so current boards do not have to be dissolved and created again.

The subcommittee members discussed the fire statutes, and how they operate. **SEN. LAIBLE** said that the new fire suppression committee will be discussing pay rate, reimbursement rate, and how that is based. He said the DNRC has rules where all this is based. This subcommittee will look at the pay rate and reimbursement rate to make consistent throughout the state. He said it is unfair when there is equal equipment, equal training, and two different areas are paid two different wages. He felt that fire suppression issues should be dealt with here because this subcommittee is dealing with the creation and structure of fire districts. The operation of other components, and how it interfaces with the state and the Forest Service, etc. will be handled in the new committee for fire suppression. Mr. Blattie informed the subcommittee there was a working group back in 2005 that had made recommendations to the ELG regarding these issues. He urged the subcommittee to review these recommendations before they search for new ones.

Ms. Heisel discussed the statutes in the creation of special districts and the need for uniformity as to who gets to vote, how many votes does a corporation have when they own land, and can a renter vote on this one issue and not on another. Mr. Heisel will ask Greg Petesch, Code Commissioner/Legal Services Director to talk to the subcommittee at the next meeting about the concept of freeholders. This term appears in fire districts regarding who can vote, and who can petition. A freeholder generally means a property owner.

REP. NOONEY said there is controversy in his area on emergency response regarding fire departments versus private contractors who have the same type of equipment to fight fires, and a lot of controversy whether these districts should be using tax dollars to compete with private industry.

Ms. DeHart informed the subcommittee that the Department of Revenue (DOR) is preparing to go live on a new assessment appraisal system called the Orion system in the next few weeks. Ms. DeHart talked about attending the first meeting that DOR had and she didn't realize there are negative assessment amounts.

SEN. GILLAN said the purpose of this subcommittee is to identify only nuances of urban versus rural counties. She said there are some consistencies. Ms. Heisel said the subcommittee could

make collection of assessments uniform.

Ms. Rehbein said Missoula devotes a lot of time and resources to keep track of subdivisions of property, or when an owner owns three lots and combine them. To keep track of that for assessment purposes if they split it, the city of Missoula devotes time and resources for assessment purposes. Mr. Meece informed the subcommittee that the city of Livingston keeps a copy of that database, and updates it through the year then gives it back to treasurer's office at the end of the year. Ms. Rehbein said another issue is the treasurer's office is usually aware of more current addresses than the DOR which uses the last assessment rolls. She stated that the statutes constrain her office from using the more current addresses. SEN. GILLAN hoped these issues will be resolved.

PUBLIC COMMENT:

Anna Miller, Department of Natural Resources and Conservation (DNRC), said they spend time with communities on financing water and sewer systems. She said this is a very complicated issue and will be attending the subcommittee hearings in the future.

SEN. GILLAN discussed developing legislative remedies, and asked the members what their expectations are. She said there will be a model act that will address consistency across the board. SEN. GILLAN said her expectations of this issue are: 1) what is the reality of having model legislation, 2) to identify other issues such as logistical glitches that are currently in the system, and 3) address any particular districts that would be impossible to operate or structure under existing statutes.

Ms. Heisel stated while going through some of the statutes there was no provision for dissolution, and in a lot of cases no provision for annexation of land into the district, and no provision for withdrawal of land from a district. She said this should be consistent where it applies in those places and where it doesn't. She discussed special district provisions, and asked how would a local government know if they should create a road improvement district or should they create a special improvement district. She questioned "what set of statutes should they use". She asked the subcommittee if this is a real problem, or is there none. Ms. DeHart said what usually happens is they rely on the local county attorney's opinion, because there is nothing in the statutes for dissolution. Some county attorneys will say if it isn't addressed in the statutes then find one that is and follow those steps. Then other attorneys say if it isn't addressed don't worry about it. She said there are inconsistencies that could be potential problems in the future. At the county level when there are two different statutes the county will find the one that fits best.

Tape 2 side A

PUBLIC COMMENT

Anna Miller, DNRC, said when they perform financing for a sewer and water district, and that

district decides to rehabilitate a plant, they have to hold an election and put out notices. When the amount of the rehabilitation is advertised in the paper the clerk and recorders office will assess them for that amount. If that same district needs piping done that project will be placed in a special improvements district because of improving piping for that area and people don't know if they are paying for the piping or rehabilitation of the plant or both. Financing sets the methodology on how these districts will be assessed. She stated they run into conflict when this happens because people feel that one bill should take care of everything. She said the boards form these districts, and expect the financing to take care of the problem. She reminded the subcommittee there is a turnover with these board members and the new ones don't know there is a 20 year financing in place 10 years down the road or why it is being done because they forget to talk to the county about doing a mill levy.

Mr. McGinley talked about the creation of conservation districts, and how the city excludes them from the city limits. Then down the road the city starts annexing portions of the county into the city, and this is when it gets complicated, e.g., what conservation districts does the city pay for. He said it doesn't hit the surface until the DOR issues a tax assessment and finds out that district hadn't been assessed right. He said when DOR does try to correct the mistake they are finding out that people in a conservation district in the city district, e.g., the city of Dillon have been annexed in for the last 40 to 50 years. He said it might be better to dissolve that district or make a new definition of a conservation district.

SEN. GILLAN asked Ms. Heisel if the statutes provide guidance on how new land is brought into a district. Ms. Heisel replied in some cases it is real clear and in others it isn't. Ms. Heisel talked about a city growing out into a district that wasn't formally annexed into the city, and the procedure should be a withdrawal of that land from the district as the city grew out into it.

Mr. McGinley talked about road districts that could be included in a city growing out into rural areas. The growth is so extreme on a rural road that when a city forms a road district it is for total improvement of an arterial road going into a subdivision. Then when the next big subdivision that is built at the end of the road isn't included in that district all of a sudden they are putting a lot of impact on that road, and then the city has to decide to include that road when they determine impact fees.

Ms. Robinson talked about time-frames when new districts are formed prior to December 31 to meet a new tax year.

Mr. McGinley said he is on the council that looks at taxes at the request of the residents wanting governments to provide them services. He talked about street lighting districts, street maintenance districts, and how the residents are willing to pay for them. He said they have a lot of areas in Beaverhead county that are not covered by the fire districts. Their fire protection falls to the county under the county fire warden. But, with the fires that have taken place the last couple of years especially in the Wise River area where there are a lot of second summer homes going in, the residents do not understand why they should form a district to be taxed for fire protection. He informed the subcommittee that his role as commissioner is for concern of life,

safety and welfare. He said the commissioners get involved when the money isn't there.

SEN. LAIBLE responded that the people who are receiving those services who are not a part of the special district feel they are already paying for a mill levy for local fire services, and they want to know why should they pay additional monies for the same service for a fire district. He said this is something the subcommittee might want to address: 1) who is the entity that gets to make decisions, 2) is it a taxpayer, 3) is it a freeholder, 4) a landowner, 5) a tenant, and 6) is it a corporation, if so, is that a single vote for a corporation or is it multiple people based on ownership. He questioned "what's the problem", and now that he has been in subcommittee for a couple of hours he said "what isn't the problem". He said "we have a lot of work cut out for ourselves." If these special districts are broken down into smaller pieces then the subcommittee will have a better opportunity to solve some of the problems.

Ms. Heisel stated she was prepared to recommend to the subcommittee today to focus only on some Title 7 districts, and leave fire districts, school districts and planning and zoning districts alone at this time. She said after the discussion on the fire districts, there may be some areas that the group will want to look at later if the subcommittee wants her to add them on the agenda for the next meeting. Ms. Heisel will place fire districts on the agenda for the next meeting and the subcommittee can have that as an agenda item all on its own.

Mr. McGinley wanted to know what the difference is between a TIF and BID. Mr. Veis responded that Billings has both. He said when a BID is created it follows closely along the same line as a TIF. The biggest difference is the length of time. He talked about the Billings downtown was a TIF district, but now it is a BID. A BID's whole purpose is to take care of the infrastructure that was created from the TIF district. The TIF district is going away in March 2008, but the city still wants a BID there to take care of the infrastructure as long as those businesses are using their BID.

Ms. Rehbein talked about the city of Missoula having a BID district as well as several TIF districts. TIF districts can only be used a specific way for financing, such as larger infrastructure and urban renewal planning and capital improvements in order to spur economic development in a targeted area. A BID is a perpetual district, and money used for a BID is different than an urban renewal program. A BID can advertise a district as a great place to shop and do business. They have hired people to welcome people to downtown Missoula. She said a city might have an urban renewal district to encourage property owners to invest in that target area, and once those businesses have made an investment in that target area the BID would be the tool in place to secure and maintain that investment.

SEN. GILLAN said that TIFs are controversial because they deal with counties that have established a TIF, and the DOR is concerned if they are legitimate. There is concern among legislators whether school taxes should be included or excluded from the TIF.

Mr. Meece said his issue is with the counties' ability to create a TIF when there is urban blight, and it isn't considered a part of the city.

Sheryl Wood, Associate Director, said that MACo is staying away from TIFs, because it needs to be determined who has authority and what are the boundaries? She discussed a group of people from Red Lodge who wanted to expand boundaries for resort areas in non-contiguous areas, because they wanted Big Sky to be included in a fire service area. The Red Lodge resort district couldn't get anything from Big Sky because it was outside of the boundaries, and they are trying to find a way to bring them in. She wants the subcommittee to consider how boundaries are set and how outside people can be included, because they will be back with a bill if this issue isn't resolved.

Ms. Wood said if the subcommittee starts with the basics: how are districts created, who gets a vote when it's created, how are the boundaries set, how is it modified or altered, and how is it dissolved, then it can be branched into other areas. If the subcommittee starts with the foundation in the operation of the district other issues could come up such as; 1) what is a political subdivision, 2) what authority do they have, 3) what governing power do they have, and 4) do they have the right to hire and fire. Ms. Heisel suggested that the subcommittee members take special districts for schools and TIFs off the table.

Shoos Veis said that he didn't want to take these districts off the table, but use them as models on how they may work for other districts. Ms. Heisel commented that was her same thought

Break

Ms. Heisel distributed a handout **Exhibit 4**, and explained to the subcommittee that it is a generic set of statutes from Title 7 in bill form, and street maintenance districts as a model. This model will give guidance on other districts. She asked the subcommittee when they go into their groups to work on each district separately. Then the members will come back to the main subcommittee and give their recommendation and why they made that recommendation.

Ms. Rehbein commented how Missoula handles their districts for parks and streets, and said it makes sense to have a model to go by. Ms. Heisel directed the subcommittee to section 8 in Exhibit 4, and said that a district should be controlled by either the governing body or a separate board, either elected or appointed by the governing body. Ms. Rehbein asked that the subcommittee leave this to the governing body to meet the needs of the local people. She gave an example of the people who want to have a fire district and they want the commissioners to administer it, that authority should be given to the local government to do what the people want when creating a district. SEN. GILLAN interjected this is great because it starts with a model statute. The subcommittee will need to see if they can achieve uniformity when trying to figure out those areas that aren't uniform.

Tape 2 side B

REP. NOONEY asked SEN. GILLAN if that process will inform the members what issues and districts to exclude. SEN. GILLAN said that schools, resort areas and TIFs, and possibly planning and zoning districts. She said as the subcommittee members work on the districts they may determine whether to add or exclude some districts later on.

SEN. GILLAN wanted to know how people protest on special purpose districts. Ms. DeHart said the office of Clerk and Recorder receives protests from people who live in a proposed district that has to pay. Mr. Veis added that one of the issues he runs into is people asking how do they protest? Ms. Heisel said this could be added to the model act how protest procedures are done, then they wouldn't vary from district to district.

Ms. Rehbein said she is concerned about using model legislation for the protest provisions for districts. She said if 75 percent or greater of the number of property owners protest a water and sewer district, the city council was stopped from implementing that project. However, if the county has a special improvement district for a sewer and water project that is receiving protest, they can receive the threshold that is set by statute and the commissioners can vote to override it because the county doesn't have a stopping provision. She said part of that is the nature of the size of the governing bodies which is usually three commissioners and Ravalli County, which has five, is a charter between the county and a municipality which is set by the people in that municipality.

SEN. GILLAN reminded the subcommittee that the process for protesting may need to be more uniform, but the criteria for the protest will remain the same.

SEN. LAIBLE talked about how the voters can be better informed between the counties and cities. He suggested that the subcommittee look at ways to better inform the public who pays the taxes.

Ms. Robinson discussed filing annual reports for fire districts. She talked about contacting the Department of Administration and Local Government Services, and asked for a list of all the districts they have served notices to. The list contains districts that have filed annual reports. Local Government Services and the people on the list are not always notified. She said the subcommittee may want to address the process of notifying districts and other entities. She said the list shows all the entities that are in the districts, the number of entities, and those that are formed in the county. Ms. Heisel responded that the model act could require some sort of reporting to a centralized entity informing of the districts existence.

Ms. DeHart said current statute for the county water and sewer laws is the only special district that when an election takes place the election administrators have to forward information to the Secretary of States office, who in return sends a certificate of inclusion for that district. She said the subcommittee may want to look at this for central reporting. Ms. Heisel responded that this might be one way for the voters/landowners to know what is out there, e.g., what district is that voter in. SEN. GILLAN asked if this information is already on a tax payer's statement on what district they are in. Ms. DeHart replied that some tax bills come out of all 56 counties. She said some are detailed, e.g., special district levy, and some are just summarized.

Ms. Heisel asked the subcommittee if there was any other information they may want on the agenda for the next meeting. Ms. Rehbein said there were inquiries on issues of corporations and LLC, and how they work for special districts. She would like to have Greg Petesch address

the subcommittee on legal standing of corporations and what authority do they have under Montana statutes.

Ms. Robinson asked MACo what part does Local Government Services play with the special districts. Ms. Wood commented that the director of Local Government Services is retiring this December 31, 2007, and asked if Norm Kline could attend and answer these questions at the next meeting. Ms. Robinson said her office struggles with questions from special districts wanting to know what authority do they have when answering questions, is there liability when responding to questions, or do they tell these districts to talk to Local Government Services, or do they turn them back to their own auditor if they have an auditor. She would like to know what level of service the Local Government Services Bureau provides to the districts.

SEN. GILLAN said that maybe the subcommittee could address the reappraisal process in the future. She wanted to know if this affects all the special improvement districts regarding property value. Ms. DeHart said only those areas where that assessment is based on value. The subcommittee discussed how the assessments are separated, e.g., unit, per appraisal value, which would give consistency about how fees are collected.

Ms. Heisel discussed the model act (see Exhibit 4), and informed the subcommittee she will place boilerplate language into the bill before the next meeting takes place.

SEN. GILLAN informed the members to come prepared to listen to speakers at the next meeting then break into groups in the afternoon. Work groups will be assigned and information provided to prepare the subcommittee before the meeting. The subcommittee members were informed they will be meeting with the full Education and Local Government interim committee (ELG) in March 2008. Ms. Heisel explained to the members the structure of the full ELG committee meetings.

Tape 3 side A

SEN. GILLAN asked the subcommittee if they had any more questions? There was none.

ADJOURN

SEN. GILLAN adjourned the subcommittee at 1:25 p.m.