

M O N T A N A

Policy Review

A Publication of the Local Government Center

Fall 1998

Vol. 8, No 2

Web site: www.montana.edu/wwwlgc

Where Do We Go From Here

Property Tax Reform: History and Options
Dave Bohyer

"Resorting" to a Tax: Lessons from Red Lodge
Barb Springer Beck

CHIP Implementation: An Update
Representative Loren Soft

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Policy Review

REFLECTIONS ON LOCAL GOVERNANCE

I think it was President Grant who said “The best thing to do with bad law is enforce it.”

That’s not bad advice for Montana’s state and local government officials who must now deal with the poorly thought through consequences of CI-75. As one city clerk noted after realizing that her town council could no longer renew the annual, downtown street lighting district assessment until sometime after a June or November election, “We will just have to turn out the street lights until they vote to turn them on.” So much for representative democracy.

Far too many of us who work for and worry about the well-being of Montana’s counties and communities have forgotten that it is only Montana’s local governments that have had to cope with the I-105 property tax revenue freeze, compounded by the valuation freeze imposed by SB195. Some local governments, especially in the western half of the state, have coped pretty well because of growing populations and property tax bases. Others, especially but by no means exclusively in the eastern counties, have had to cope by deferring maintenance on the physical plant, denying long overdue cost-of-living adjustments for local employees and by becoming worrisomely dependent upon revenues generated by gambling machines. Throughout Montana the real consequences of I-105 have been masked by sincere local officials too eager to ease the pain of “bad law”. As a result, too many citizens in too many communities still don’t know they have a problem. This time, under CI-75, the lights may well have to be “turned out” and that may turn out to be a good thing.

If our citizens can’t see the connection between their local services and the cost of those services or between CI-75 and its absurd consequences, how can they possibly be expected to grasp the idea that there really is no “free lunch”. But, as a matter of fact, Montanans have a pretty good record when it comes to supporting services and programs with their votes and their tax dollars when they do understand what they are paying for. In fact, since 1986 when I-105 froze property taxes for local governments, more than 100 separate mill levy increases (not including voted school levies) have been approved by local voters from one end of the state to other. They were approved by the voters precisely because the connection between services and costs was made clear by local officials. If our voters still decline to pay the bill they are in fact voting to do without the service. So be it. “Turn out the lights”.

Finally, it is almost certainly a mistake for local government officials to ignore the absurdly cumbersome provisions of CI-75 or to assume that the courts or the legislature will somehow undo what a majority of the voters have approved. Until the voters understand the full, even if unintended, consequence of their mandate, this amendment to our Constitution should be followed in a good faith effort by local officials to respond to the will of the voters. Anything less will surely erode confidence in our governmental institutions and in representative democracy itself. Lets stop grousing and get on with it.


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Property Tax Reform: History and Options

by Dave Bohyer

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"For every complex problem, there is a simple solution. And it's wrong!" H.L. Mencken

BACKGROUND AND INTRODUCTION

As the 21st century nears, Montanans persevere with a property tax system that has its roots in the 19th century. In itself, that reality is neither good nor bad; it is simply a fact.

It is also a fact that the property tax is the tax that most Americans, including most Montanans, love to hate. Year after year, the property tax is identified as the most despised excise imposed by government. At the same time, the property tax is the most stable revenue source upon which governments, especially local governments and schools, rely to support the programs and services ostensibly demanded by taxpayers.

The foundation of the property tax system--market valuation--is a tried and true practice, historically recommended by economists, guarded by statisticians, and until recently, generally supported by elected policymakers and the people they represent. However, with rapid changes, particularly increases, in market value, the traditional system has come under increasing criticism, even attack, and support has begun to deteriorate.

Montanans, like the citizens of many states, have encountered the good fortune of significant appreciation in property values, especially noticeable in the past two decades for home owners. Because of that good economic fortune, property taxpayers have understandably feared property taxes increasing at rates that many perceived as simply too high. Between 1993 and 1997, for example, the market value of residential property increased by an average of 43%; for commercial property the rate was "only" 25%. Given those rates of growth, many Montanans feared a direct translation of increasing values into increasing property taxes. And although history proves that property taxes have changed much more slowly, at least on average, than have market values, the fears persist.

The following discussion presents information considered by the Legislature's Interim Property Tax Committee, created by the adoption of Senate Bill No. 195 (Ch. 463, L. 1997). The information presented here is a much-simplified rendition of the information presented to the Committee and does not include the discussion by the Committee, its staff, and others in regard to the information..

GENERAL OVERVIEW AND HISTORY

At each of the Committee's meetings, staff presented information showing concise yet general trends in state and local finances since 1972. Beginning with Chart 1, the range of historical information presented was intended and may have actually helped to dispel many of the preconceptions entertained by Committee members, taxpayers, news persons, citizens, and others.

In general terms and stated in overly simplistic terms:

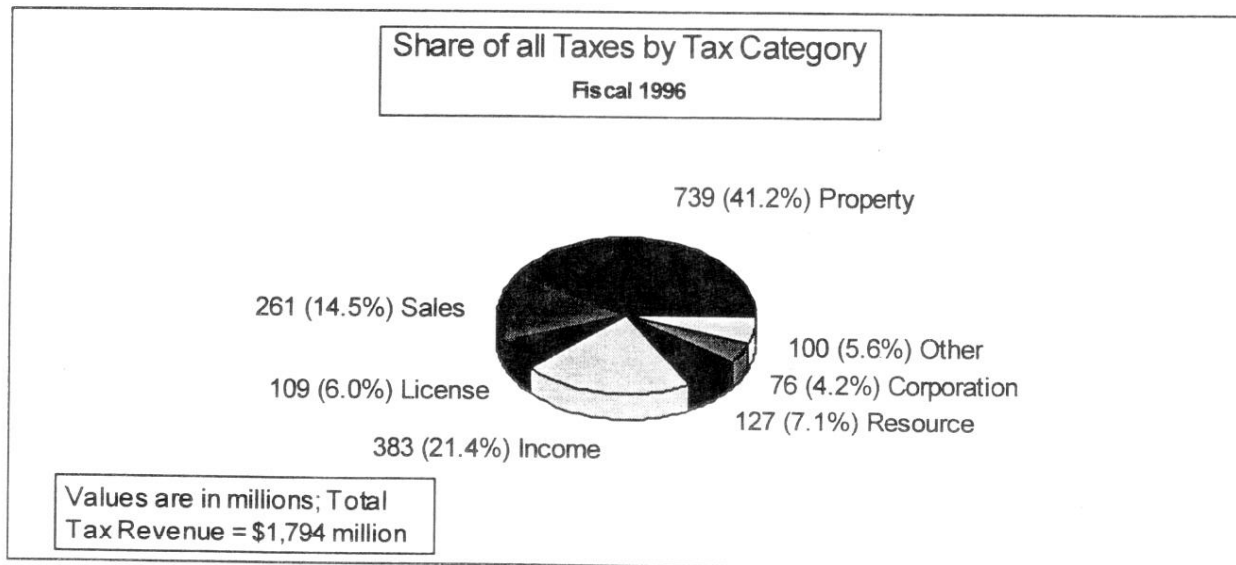
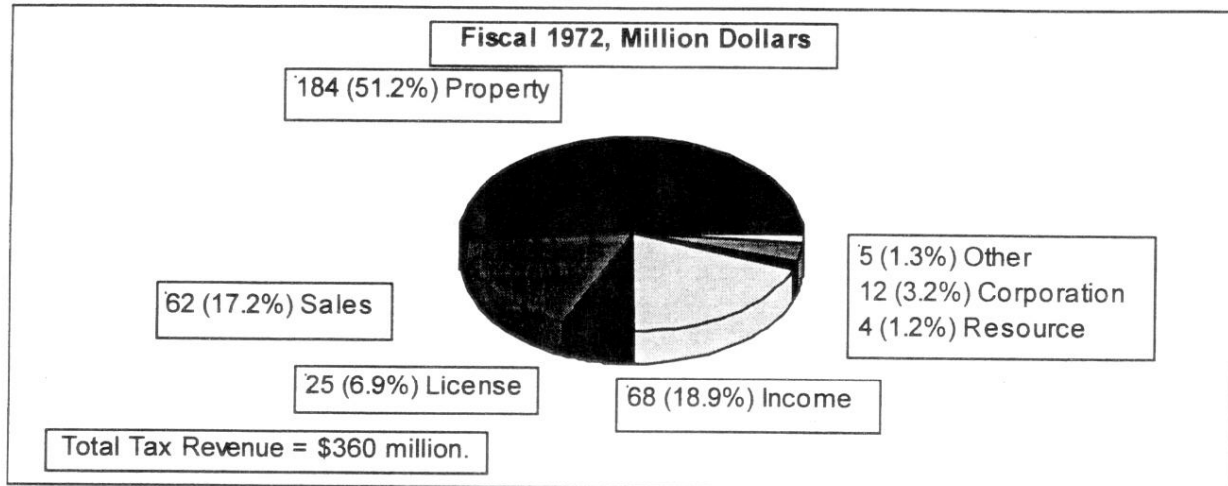
- ☞ Montana's state and local governments rely less heavily on property taxes nowadays than they did 25 years ago;
- ☞ total state and local property tax collections have increased more slowly than inflation or personal incomes;

- total state and local taxes in Montana as a share of total personal income have remained fairly constant and are actually *less* now in percentage terms than they were 25 years ago; and
- public education's 60%-plus share of property taxes for elementary, secondary, and higher education has remained relatively constant over the past 25 years.

Composition of State and Local Tax Revenue

Chart 1 shows the proportionate shares of state and local taxes in 1972 and 1996. Counterintuitively, perhaps, and surprisingly to many who viewed the data, the share composed of property taxes *declined* from 51% to 41% of the total between 1972 and 1996.

Chart 1



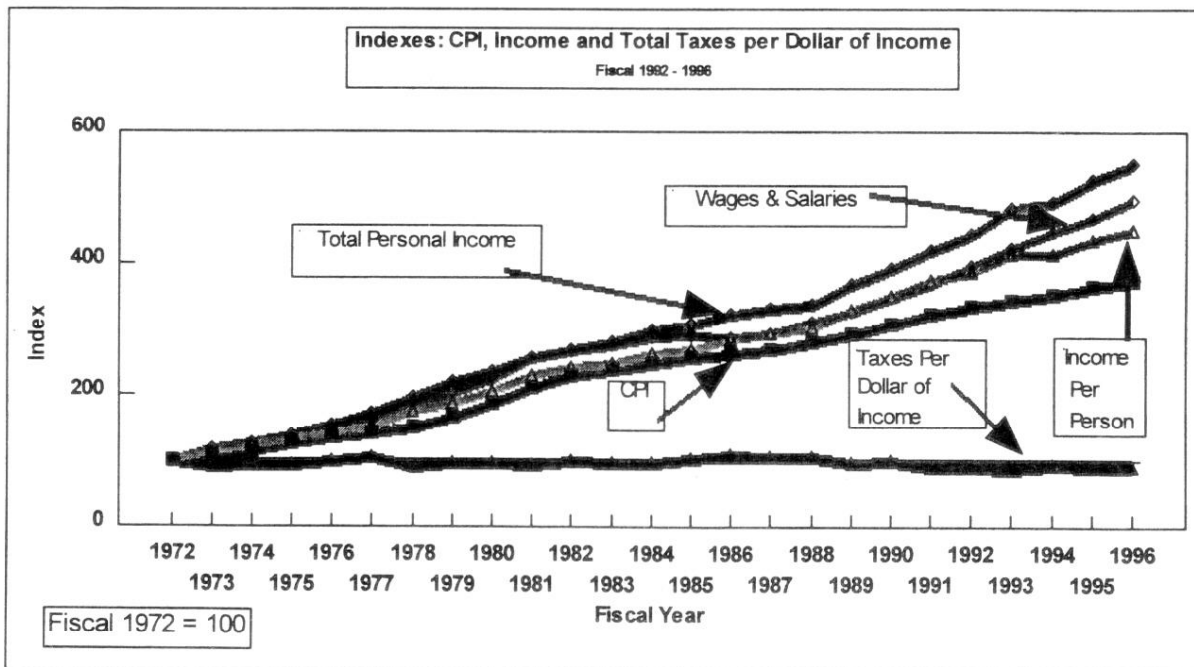
The chart also shows that individual income and sales (and excise) taxes were and continue to be the other major component of state and local taxes in Montana. In 1996, these "three legs of the stool" comprised 77% of all state and local taxes. Comparatively, the big three accounted for 87% of the total in 1972. The indication is that sources of state and local tax revenue have been somewhat diversified over the past 25 years.

What is not immediately obvious from the information in Chart 1 is that the "size" of the pie expanded greatly between 1972 and 1996. Total state and local taxes in 1972 were \$360 million, but had increased to \$1,794 million by 1996, an average annual growth rate of about 5.9%. Comparatively, property tax collections actually expanded from \$184 million in 1972 to about \$739 million in 1996, an average annual growth rate of about 4.7%.

Changes in the Economy

Chart 2 provides a quick look at changes in inflation and total personal income in Montana. Between 1972 and 1996, inflation, as measured by the Consumer Price Index (CPI), increased about 280% and total personal income increased more substantially, by about 450%. On an annualized basis, inflation averaged 4.4% each year and total personal income grew by not quite 6.6% annually. This data was both illuminating and relevant because there were relatively frequent comments made by legislators and citizens that "incomes had not kept pace with inflation".

Chart 2



Over this 25-year period, total state and local tax collections as a percentage of total personal income ranged from a high of about 12.5% to a low of about 11.5%. Perhaps contrary to common perceptions and conventional wisdom, total state and local taxes in Montana as a percentage of total personal income were actually *less*, by about 8%, in 1997 than in 1972.

Changes in Statewide Valuation

In discussing property taxation, two terms are frequently used that must be understood by themselves to also understand the greater complexities of the property tax system. The two terms are "market value" and "taxable value".

Fairly simply, the "market value" of something is the price someone who knows what they're buying pays for something being sold by someone who knows what they're selling. "Taxable value" is derived by multiplying the "market value" of a property by the statutory taxable rate applicable to the class of property into which the property is classified. For example, the taxable value of a home with a market value of \$100,000 would be the market value multiplied by the 3.816% statutory taxable rate applicable to homes, i.e., Class Four property under 15-6-134, MCA, or \$3,816.

Chart 3 tracks the total statewide market value and taxable value of all property subjected to property tax mill levies from 1971 to 1997. The lower half of the chart shows that the state's total market value increased from about \$5.7 billion in 1971 to about \$38 billion in 1997; an increase of about 560% over 25-plus years.¹ In contrast, the state's total taxable value increased only a bit under 100%, from about \$0.965 billion in 1971 to about \$1.867 billion in 1997.

On an annualized basis, the state's market value increased at an average of about 6.8% annually, but the total taxable value increased on average at less than one-half that rate, by only 2.7% annually. In fact, the state's taxable value was so static that the upper half of the chart is presented so that a clearer picture of changes in taxable value can be shown.²

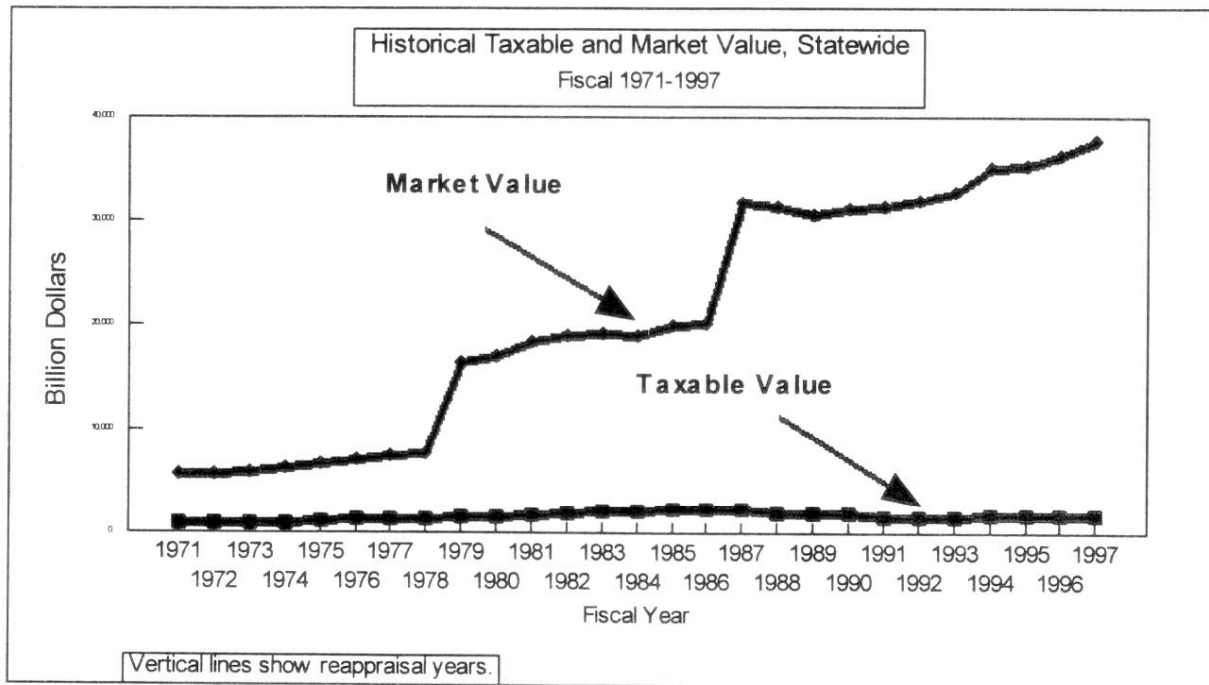
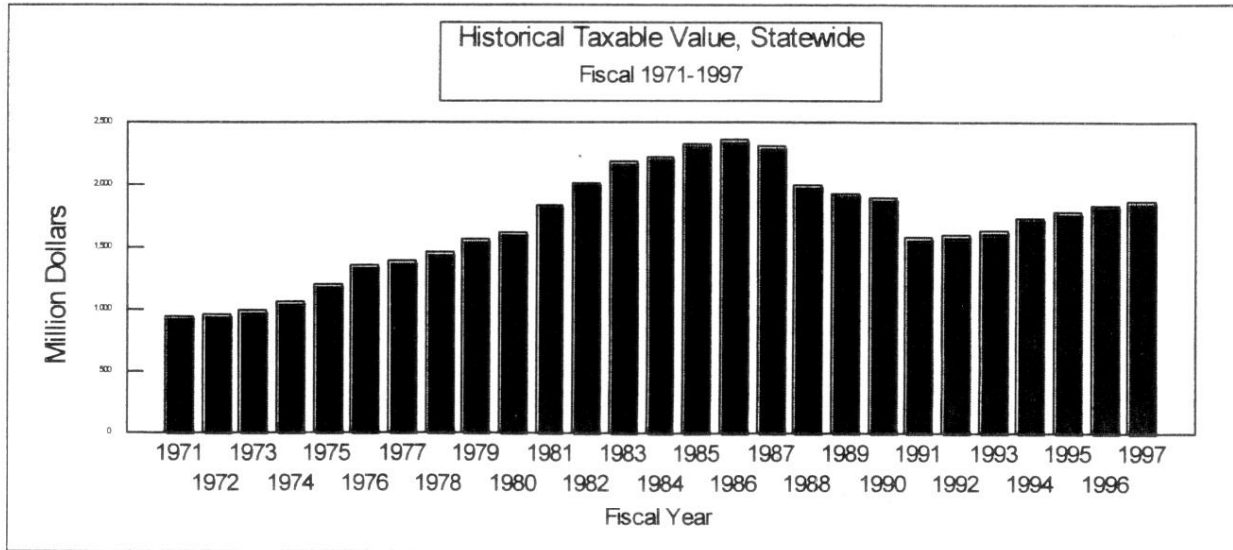
Importantly, both market value and taxable value are shown in nominal, not inflation-adjusted, terms. Graphically, it is apparent that increases in the statewide market value kept pace fairly well with increases in personal income and CPI inflation. (See Chart 2.) At the same time, increases in the statewide taxable value fell far behind changes in either inflation or total personal income.

Changes in the statewide valuations, both market and taxable, appear for a variety of reasons, including the appreciation and depreciation of property values (including inflation and deflation), additional property being added to the tax roles (e.g., as more homes are built or existing homes are improved), the exemption of certain property (such as household goods, business inventories, or automobiles), restrictions imposed by federal laws (with respect to railroads and airlines), and legislative changes to the statutory tax rates for or the composition of the various classes of property.

¹ The market value includes only property that is subject to property taxation through mill levies. Thus, it does not include "exempt" property nor does it include property on which taxes are levied at a flat rate, such as automobiles or natural gas production.

² What is not discernable from the graphics are changes to the tax base. For example, in the early 1970s, such property as household goods, automobiles, and coal production were in the tax base subject to mill levies, but by 1997 each of those categories was exempted from mill levies and thus disappears from the statewide values shown.

Chart 3



Changes in Statewide Market Value

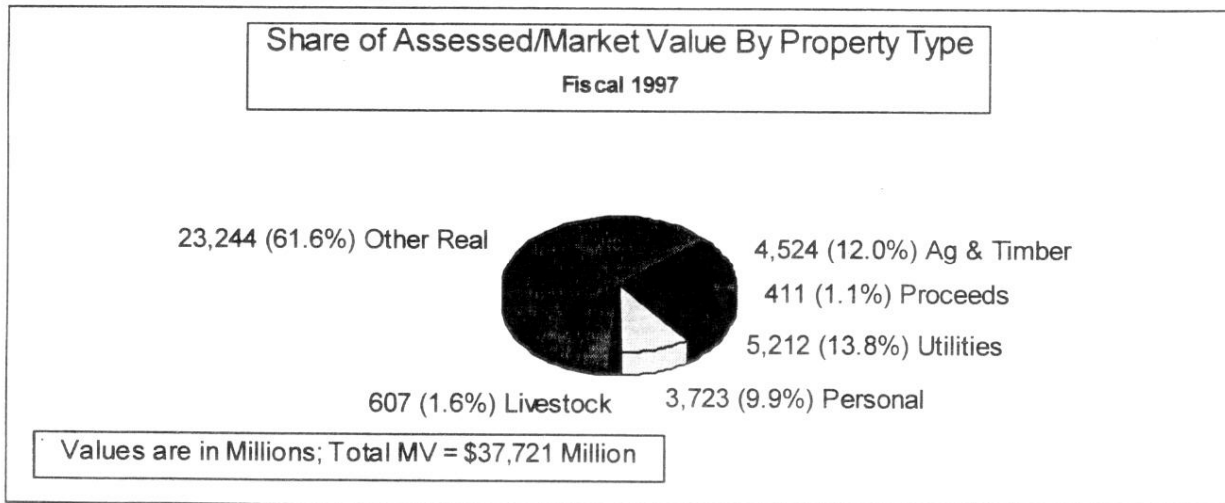
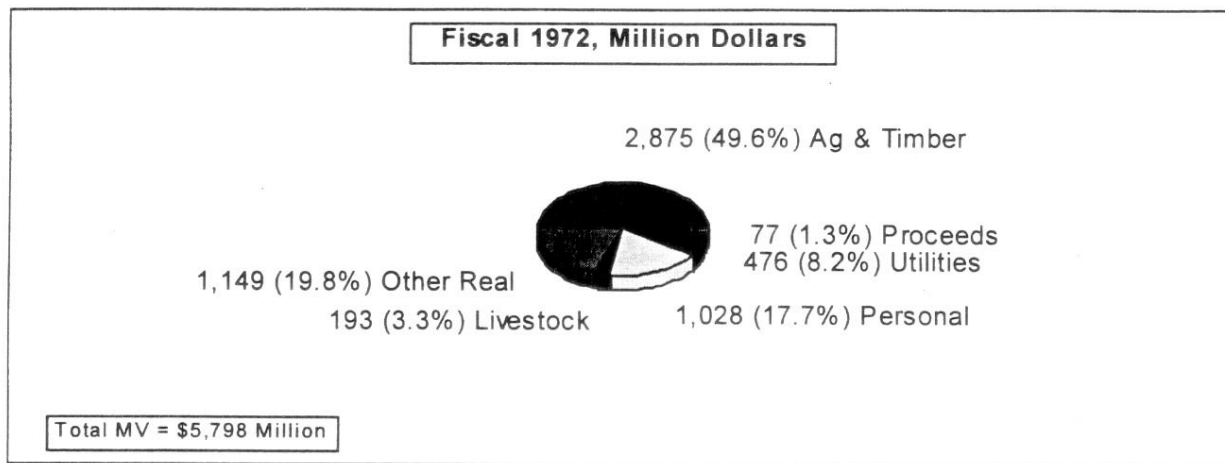
At the public hearing in Great Falls in June 1998, an insightful citizen commented with some amusement that in 1997, the total market value of property in Montana, at ±\$38 billion, represented approximately 70% of the estimated \$54 billion net worth of Microsoft founder Bill Gates.

Chart 4 illustrates the 25-year transition of the tax base, comparing the composition of market values of property categories in 1972 to 1997.

A quick perusal of the chart reveals that 50% of the state's total market value in 1972 was composed of agricultural and timber lands, a proportion that had shrunk to only 12% by 1997. (This reduction in proportionate share is not due to actual depreciation in the value of ag and timber land, but to the fact that the increases of value in ag and timber lands were at a much slower rate than the addition of and increases in the values of all other types of property subject to taxation over the same 25-year period.) Conversely, the slice of pie labeled "other real" (representing residential and commercial realty) expanded from only 20% of the base in 1972 to over 60% by 1997--more than tripling in the 25-year period.

Also noteworthy is the change in the relative importance of business equipment, labeled "Personal" on the chart. In 1972, business equipment accounted for nearly one-sixth of the state's market value. By 1997, business equipment's share of the total had diminished to less than one-tenth of the total.

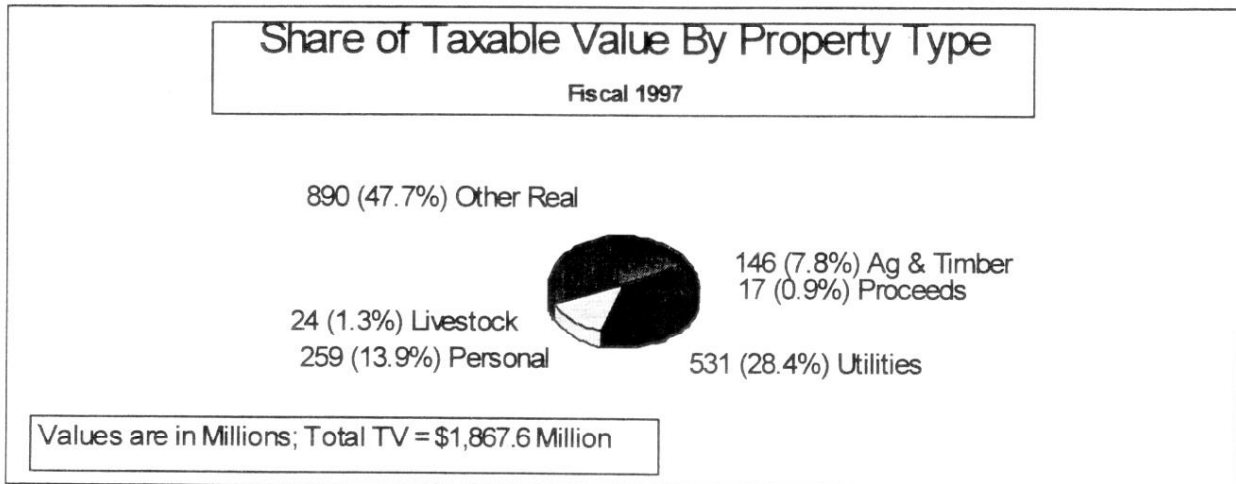
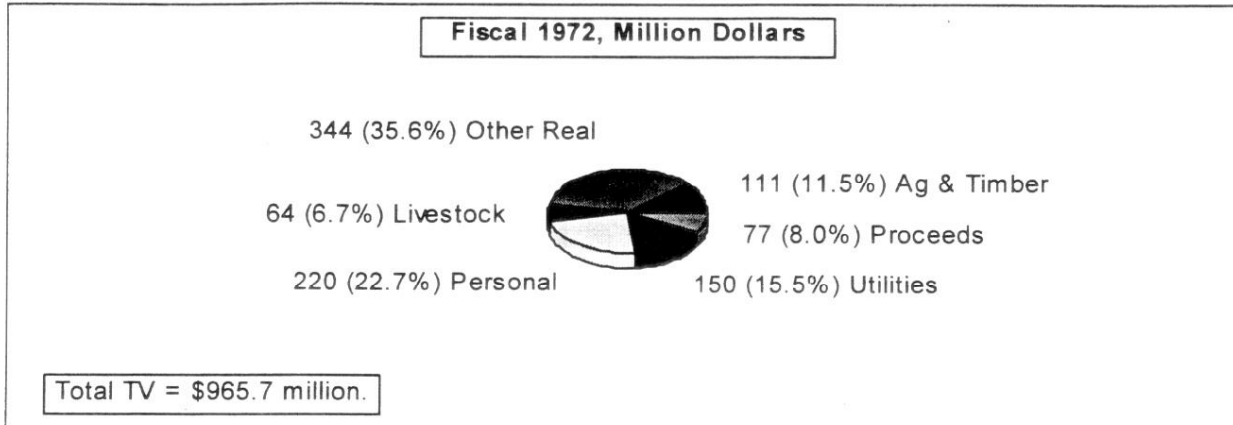
Chart 4



Changes in Statewide Taxable Value

Chart 5 begins to refine and better delineate the shifting burden in property taxes over the past 25 years. Because the taxable value of property is the basis against which mills are levied, changes and shifts in taxable value are more directly related to changes and shifts in actual property taxes (than are changes in market value).

Chart 5



In relative terms, the share of taxable value represented by utilities--power companies, railroads, pipelines, and other similar enterprises---increased the most, almost doubling from 15.5% of the total in 1972 to 28.4% of the total in 1997. The share represented by "other real" (again, residential and commercial realty) also increased substantially, from about one-third of the total taxable value in 1972 to nearly one-half of the total in 1997.

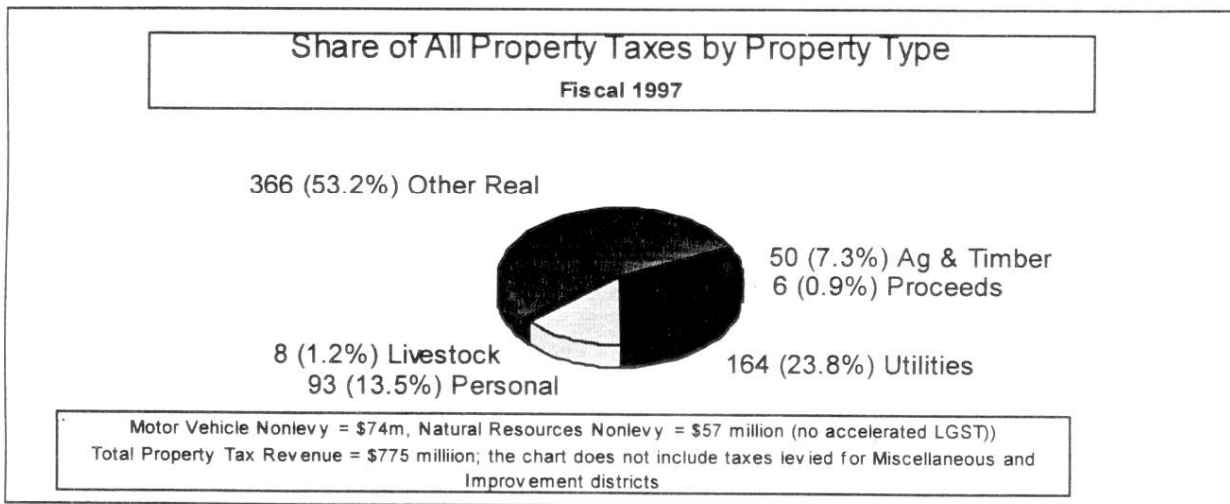
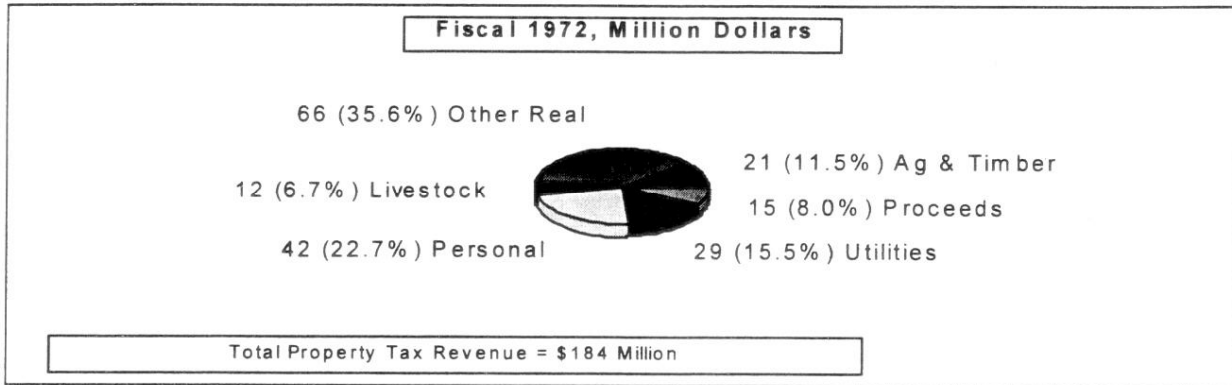
Between the two categories, what was about 50% of the total in 1972 had increased to over 75% of the total by 1997.³

³ Importantly, changes in "proceeds" is not sufficiently descriptive to tell the whole story. True, the decline from 8% to 1% is accurate, but it ignores the fact that some \$57 million in production taxes was paid on "proceeds" in 1997 that was not even assessed in 1972. Also, the components included in "personal" in 1972 changed dramatically between 1972 and 1997 with significant exemptions (e.g., household goods) being instituted as well as

Changes in Tax Burdens

Somewhat in parallel to changes in taxable valuation shown in the previous chart, Chart 6 illustrates changes in the proportionate shares of property taxes paid, by property type, between 1972 and 1997.

Chart 6



Changes in proportionate share of taxes paid echo changes in proportionate shares of taxable value. The "utilities" share increased from 15.5% of total property taxes paid in 1972 to 23.8% in 1997, an increase of some 50% over the 1972 base year. The share for "other real" grew from 35% of the total to 53% of the total, another increase of 50%.

The "taxable value to taxes paid" echo reverberates for other types of property as well, with the proportionate shares of "ag and timber", "proceeds", "personal", and "livestock" all declining significantly from 1972 to 1997.⁴

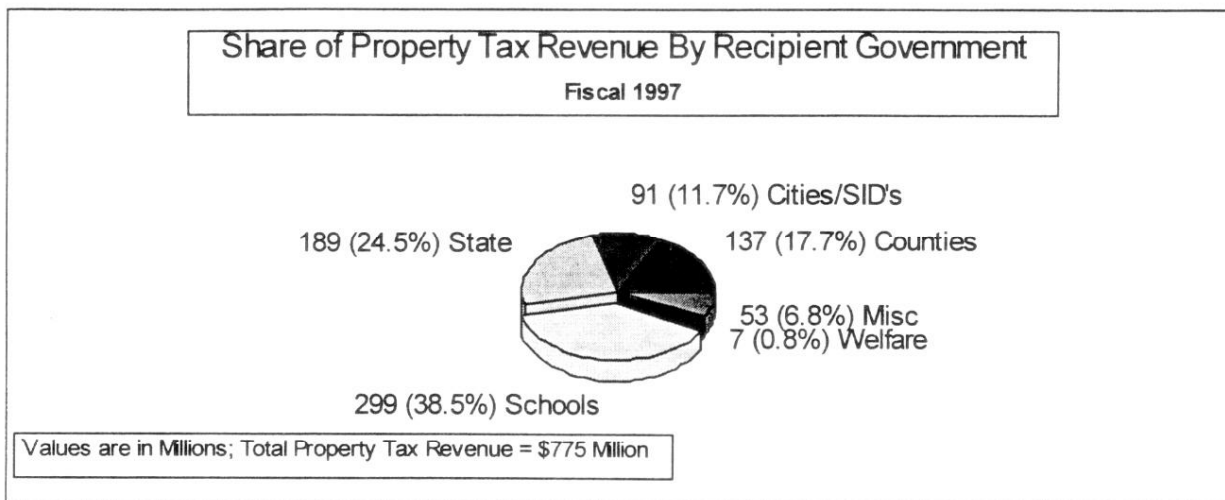
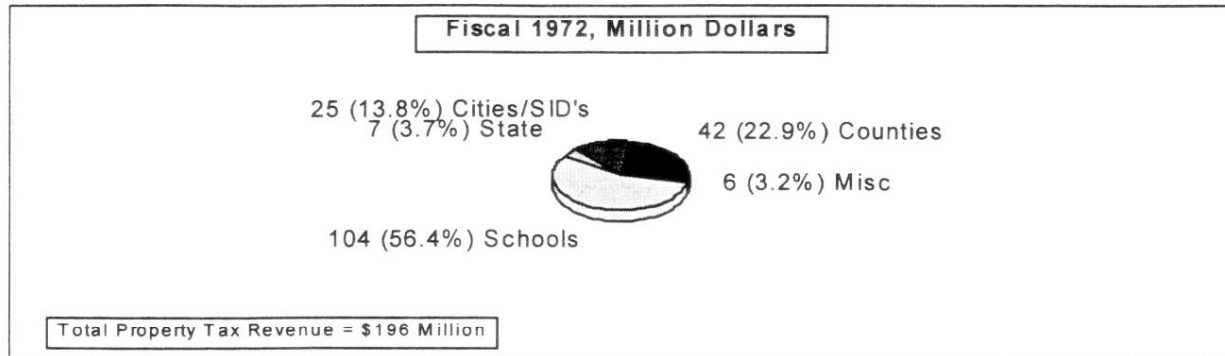
property class consolidations and rate restructuring.

⁴ It is again important to stress that, due to such actions as property tax exemption, the 1972 and 1997 "slices" of the pie are not necessarily composed of identical property. For example, business inventories were taxable in 1972 but exempted after 1981 and automobiles, subject to mill levies in 1972, are now exempted from mill

Disposition of Property Taxes

The purpose of levying and collecting taxes is to provide for public services and programs. Partially because the mix of programs and services has changed significantly in the past quarter century, Chart 7 identifies the jurisdictional destination of property taxes: education, cities, counties, and miscellaneous.

Chart 7



As universally recognized, "education" was and is the largest recipient of property tax revenue.⁵ Twenty-five years ago, education received just over 60% (three-fifths) of all property tax revenue. In 1997, education's share remained essentially the same at 63.8%.

The share allocated to cities declined slightly, from 13.8% of the total to 11.7% of the total, while counties saw a somewhat steeper decline, from nearly 23% of the total to under 18%.

Due in part to the passage of Initiative No. 105 in 1986, the state has seen considerable growth in entities known generically as "special districts", represented by "misc" in the chart. The share for these entities increased from 3.2% of the total pie in 1972 to some 6.8% of the pie in 1997.

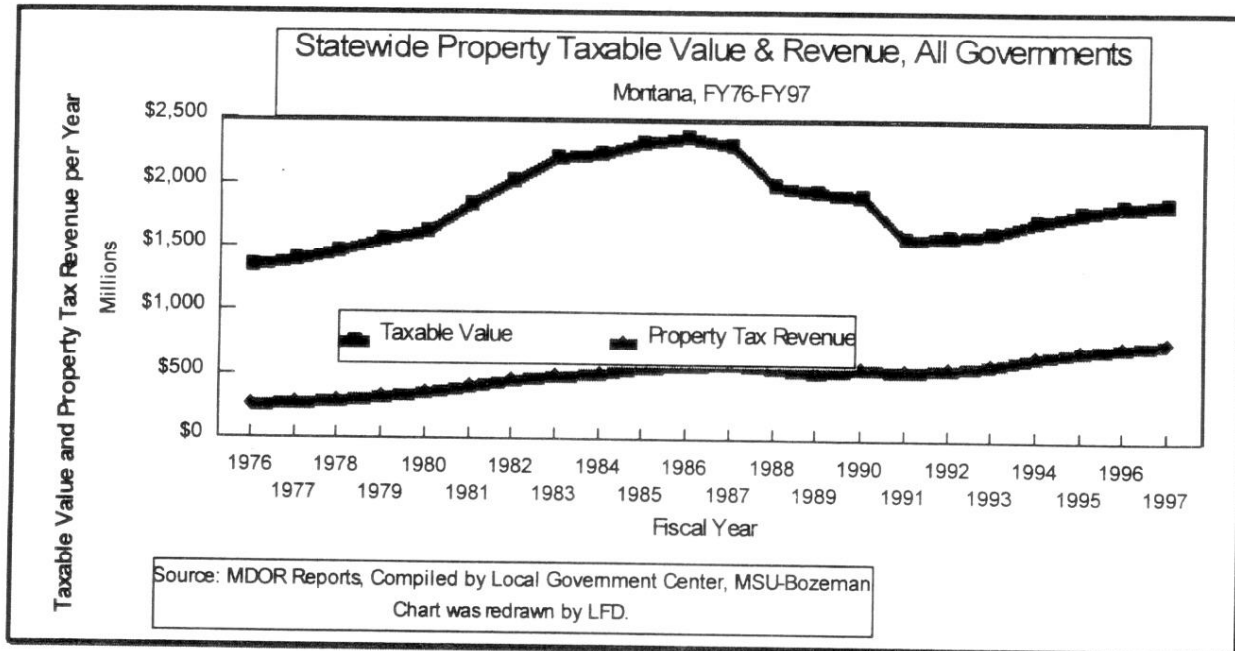
levies but the ±\$75 million in light vehicle taxes paid in 1997 are accounted for by other means known as "nonlevy" revenue.

⁵ As used here, "education" includes property taxes expended on elementary and secondary schools and the amount derived from the 6-mill levy for the Montana University System.

A Relationship Between Taxable Value and Revenue

Even without looking at statistical evidence, Montanans instinctively perceive that property taxes have increased over the past 20 years. Chart 8 graphically illustrates that perception to be accurate, but probably oversimplifies the situation.

Chart 8



Clearly, the total taxable value of property in Montana increased from 1976 to 1997. Property taxes also increased over the same period of time. Beyond that, assumptions about an individual property or even a class of property become somewhat risky because, while the directions of these changes are inherently predictable, the magnitude of the changes are not.

The lower line in Chart 8 represents total property tax collections, beginning in 1976 and continuing through 1997. Over that interval, total collections nearly tripled from about \$260 million in 1976 to about \$775 million in 1997.⁶ Over the same span, the taxable value of the state--represented by the upper line on the chart--increased by less than one-half (44%), from about \$1.3 billion to about \$1.87 billion. From those figures and employing simple arithmetic division, the statewide average mill levy in 1976 was about 200 mills compared to a statewide average levy in 1997 of about 414 mills.⁷ Mostly as a result of the levy increases alone, property owners saw their property taxes virtually double in 20 years.

⁶ The \$775 million collected in 1997 does not include two significant sources of nonlevy revenue, i.e., approximately \$75 million in automobile license taxes and \$57 million in natural resources production taxes.

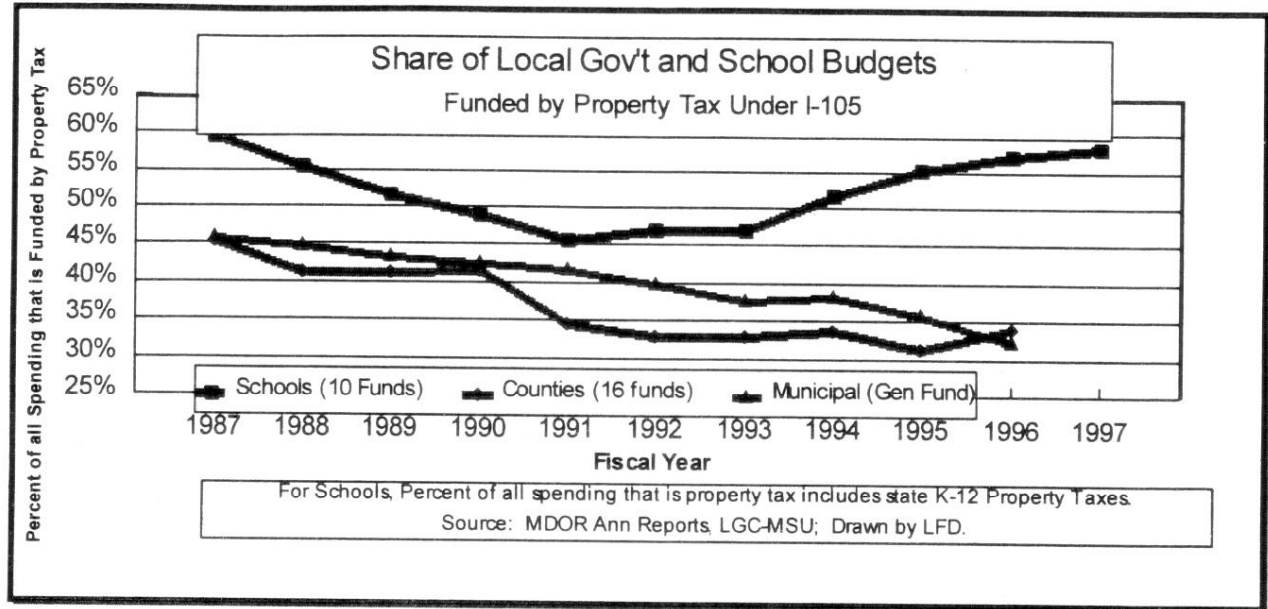
⁷ It is widely known among folks who work with property taxes and tax policy that mill levies in incorporated municipalities are generally much higher than in suburban and rural areas. For purposes of comparison, it is common for total levies within cities and towns to exceed 500 mills, even approach 600 mills. In contrast, total levies of 350 mills or less are often the norm in suburban and rural areas. Consequently, comparable properties having equal, \$100,000 market values could be taxed at highly differing rates, perhaps upwards of \$1,900 in town and about \$1,350 outside of town.

As straightforward or obscure as the trends seem, the property tax puzzle is more complex than meets the eye. Even knowing, for example, that the statewide average mill levy doubled between 1976 and 1997, determining what changes occurred among the different types (classes) of property requires additional investigation and, moreover, there are significant jurisdictional and regional variances to boot.

Support of Services From Property Taxes

It is widely perceived that schools, county governments, and municipalities rely heavily on property taxes to support the array of programs and services provided at the local level. Chart 9 traces changes over the past dozen years in these entities' relative reliance on property taxes.

Chart 9



For schools, property tax reliance has been heavy and changing. In 1987, schools depended on property taxes for about 60% of total budgets. Following the passage of I-105 (1986) and school funding equalization reforms in the late 1980s and early 1990s, that reliance dipped to a low of about 45% in 1990, but is again approaching the 60% level in the late 1990s.

Cities and counties, due in principal part to I-105, have relied less and less heavily on property taxes. From a property tax reliance level of about 45% of budgets, cities' reliance declined to nearly 30% (1995), and counties are approaching that level as the century draws to a close.

Is Something Missing?

Much of the information presented heretofore might cause a reader to question what the problem with property taxes is, if there is a problem. A quick review of the charts reveals:

- ▶ property taxes make up a smaller portion of total state and local taxes in 1997 than they did in 1972: 40% now versus 50% then;
- ▶ from 1972 to 1997, growth in total personal income averaged about 6.6% annually and CPI inflation averaged about 4.4%. On an individual basis, *per capita* incomes in Montana increased at an annual average of about 5.4% over the period.
- ▶ the growth in the state's total market value was over 600% between 1972 and 1997, but corresponding growth in the state's taxable value was less than 100%;

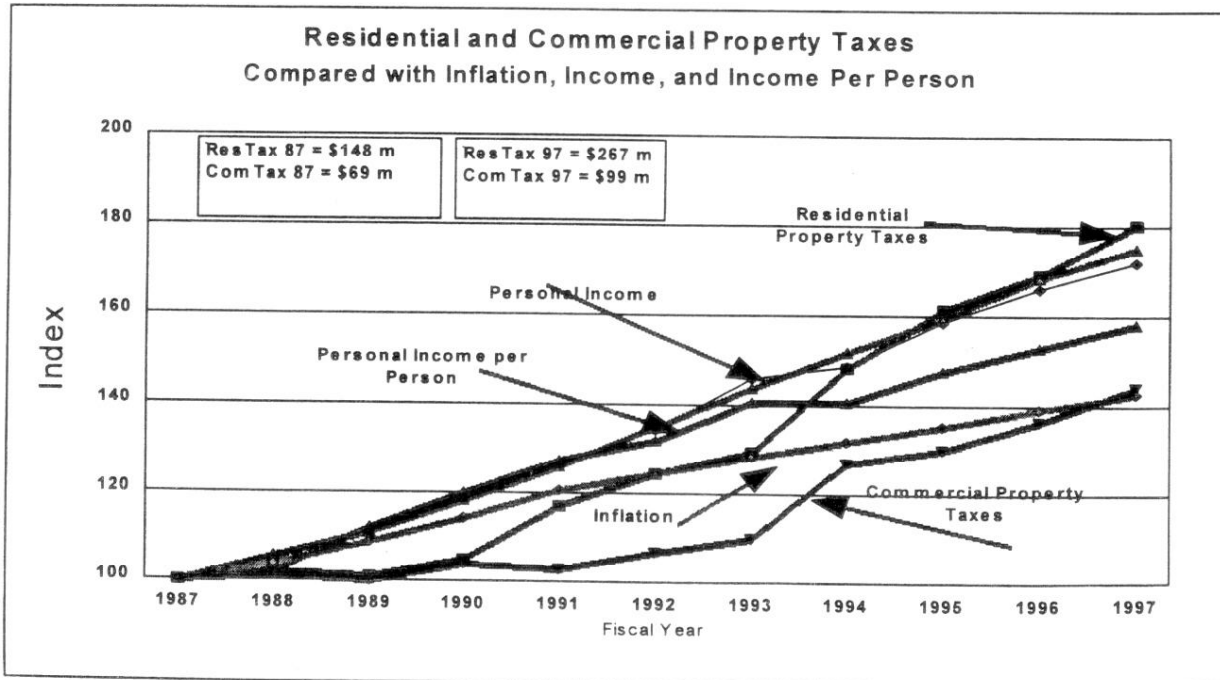
- ▶ the property tax base changed dramatically over the past 25 years, with homes, businesses, and utilities accounting for a much higher proportion of total statewide market and taxable values and with business equipment, natural resource production, livestock, and agricultural and timber lands each comprising a much lower proportion of total market and taxable values;
- ▶ in near lock step with changes in valuation, homes, businesses, and utilities bear larger shares of the property tax burden in 1997 than they did in 1972. As taxes have shifted onto those types of property, the beneficiaries have been ag and timber lands, business equipment, natural resource production, and livestock.
- ▶ schools consume the lion's share of property taxes, just over 60%, a proportion that has remained remarkably stable for the past 25 years;
- ▶ although statewide taxable value has swelled and declined periodically over the past 20 years, property tax collections have steadily increased, but at about 5.3% annually, more slowly than total personal income at about 6.6% annually and more slowly than per capita income at 5.4% annually;
- ▶ K-12 schools rely on property taxes for about \$3 of every \$5 in their budgets. Cities and counties are not as dependent on property taxes, counting on levies for only about one-third of their respective budgets in 1997, down significantly from a 45% reliance in 1987.

So Where Is the Crisis?

Chart 10 tells part of the story. By building on information presented in Chart 2, the underlying reasons for property taxpayers', particularly home owners', disillusionment with property taxes begin to become apparent.

In short, property tax collections from residential property have increased faster in the past 10 years than has per capita income or total personal income. Moreover, the rate of change in property taxes collected on homes has increased at virtually double the rate of inflation and at double the rate that property taxes collected on commercial realty increased.

Chart 10



To compare in another way, property tax collections from commercial realty increased by about 43% between 1987 and 1997, some 3.7% annually. Tax collections from residential property, however, increased by about 80% over the decade or just over 6% annually. The average annual rate of change in taxes collected on residential property was more than 50% greater than the rate of change in taxes collected on commercial realty.

Intuitively, home owners perceive that they are bearing a heavier burden than they used to. Empirically, they are bearing a heavier burden.

Importantly, the aggregate "collections" referred to here are composed of three principal factors: (1) the net appreciation in value of existing properties; (2) the net addition of new properties, including improvements made to existing properties; and (3) net changes in mill levies. (Changes in the nominal or statutory tax rate could also have been a factor, but that rate has remained essentially static for the past 10 years.) In combination, the three principal factors have resulted in significant growth in aggregate collections.

Note, however, that while the rate of change in *aggregate* collections from residential and commercial property has exceeded rates of change in personal income and inflation over the same period of time, there are wide differences in changes in taxes paid experienced by *individual* residential and commercial taxpayers. Among this group, many have experienced changes in taxes on their own property that most likely have been less than the rates of change in inflation or statewide personal income. This situation results from formal and informal caps on property tax increases established in statute (primarily Title 7 and Title 20) and I-105 (Title 15, chapter 10, part 4) and from tax and spending policies followed at both the state and local levels.

SUMMARY AND CONCLUSION

Property taxes have been, are now, and likely will continue to be a matter of public and private discussions and concern, even irritation. Although commonly perceived to be a fairly simple matter, property taxation in its own right is a complicated matter. In the context of the state, local, and national tax systems, property taxation and its underlying policies are truly complex.

To the natural complexities of the interrelationships of tax bases, public desires, legal requirements, and fiscal capacities at the individual and macro levels must be added the unknowns of changes in demographics, economics, and public preferences in the future. "Reforming" the state's property tax system is not particularly difficult in and of itself. The greater challenge is identifying "reforms" that are simple, legal, equitable (whatever that means), and implementable within a very short timeframe.

Historical data contradict a number of common and widely held perceptions. For example:

- Property taxes as a share of all state and local taxes have decreased significantly in the past 25 years, from about 50% of the total to about 40% of the total.
- The total of state and local taxes as a percentage of total personal income has remained remarkably stable over the past 25 years and is less now than it was 25 years ago.
- Growth in both total personal income and in per capita income has exceeded growth in property tax collections, especially in recent years.
- In the context of total property tax collections, agricultural land, timber land, natural resources, and business equipment each bear a substantially smaller share of the burden now than 25 years ago.

In contrast, several other commonly and widely held perceptions are borne out by historical data, including:

- In recent years, particularly since 1987, property tax collections on residential and commercial realty have accounted for an ever larger share of total property tax collections. The same may be said for utility property, especially centrally assessed electric and telephone property.

- Also since 1987, the rate of growth in property tax collections on residential and commercial realty has exceeded the growth rate in personal income, both total and per capita.

In the final analysis, solutions to the property tax conundrum are elusive if, in fact, legislative solutions exist at all. The options that appear to be available are alternatives that have been considered repeatedly over the decades. For good or ill, most significant attempts at "reform" have failed. Montanans don't want a sales tax if the 1993 vote of 3-to-1 against the tax is any indication. Neither do they want acquisition value as the basis of property taxation if the negative vote on CA 28 in 1995 is indicative. They also don't want to eliminate property taxes altogether if the vote on CI 27 in 1986 is an accurate reflection of the public will.

As a final, somewhat cynical note, who can say what the passage of CI 75 means *vis a vis* solutions -- other than it's just another "good idea" whose time has come?



"RESORTING" TO A TAX Lessons from Red Lodge

by Barb Springer Beck,
City Alderman

Introduction

Small city and town governments in Montana are run on slim margins owing to both a fiscally conservative state legislature, and independent-minded citizens who have repeatedly rejected state sales taxes. This "good deal" system whereby citizens are provided water, sewer, and garbage service, street maintenance and parks at minimal cost, is severely stressed in many places.

Red Lodge is such a place. The stresses in Red Lodge are the result of an aged, decaying physical infrastructure, demands of growth for additional infrastructure and services, and the need to meet increasingly more stringent environmental protection requirements. In response to this need, the voters of Red Lodge approved a 3% resort tax in 1997, and reaffirmed the tax in 1998 following a repeal attempt.

A resort tax is an option available to some small communities and areas in Montana for generating revenue. This revenue is intended to help communities meet needs for services which have been created at least in part by tourism. All of the revenue generated by a resort tax remains in the local area. In the case of Red Lodge, the tax and its implementation created controversy which has been quite painful for our community. This article explores the issue of the resort tax in Red Lodge, and the lessons learned.

Background

Red Lodge, originally a coal mining town, is nestled against the Beartooth Mountains in south central Montana. The current population is estimated to be 2200. As a gateway community to Yellowstone Park, a community adjacent to the Absaroka-Beartooth Wilderness Area managed by the Forest Service, and the home of a ski area, thousands of tourists vacation in and pass through Red Lodge in the summer and winter months. The scenic vistas, recreational opportunities, attractive historic business district, and quality of life encourage many visitors to consider residency. The real estate market which has

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stabilized somewhat recently, has seen tremendous growth over the past decade. Many homes in and around Red Lodge are "second homes." This rapid growth has contributed to a number of issues the community must address. Among these issues are; a lack of affordable housing, relatively more growth in lower paying service sector jobs, a desire to protect the sense of community, and an infrastructure inadequate to meet current and projected demands. The last of

these issues, infrastructure, became the driving force in the search by citizens and local government officials for new revenues.

There were two unsuccessful attempts in 1988 and 1990 to pass a resort tax in Red Lodge.

On May 13, 1985, state legislation was passed authorizing local governments to enact a resort tax by vote of the people. To be eligible for this local option, communities must meet the four requirements contained in 7-6-1501 MCA. First, communities must be incorporated. Second, they must have a population of less than 5,500. Third, the community must "derive the primary portion of its economic well-being related to current employment from business catering to the recreational and personal needs of persons traveling to or through the municipality for purposes not related to their income production," and fourth, the community must be determined eligible by the Montana Department of Commerce. In 1985, Red Lodge, along with West Yellowstone and Whitefish were designated by the state as eligible to implement the tax. Other communities have subsequently been designated. West Yellowstone, Whitefish, Big Sky, Virginia City, and Red Lodge currently have a resort tax in place. A resort tax measure placed on the ballot by the Town of Ennis in 1997, failed.

The resort tax may come before the voters by one of two means in Montana. Registered voters may petition to place the measure on the ballot, or the governing body may place the measure on the ballot by resolution. Although circumstances leading up to each election in Red Lodge were different, the measure was placed on the ballot by council resolution on three different occasions, and by a judge in the repeal attempt of 1998.

There were two unsuccessful attempts in 1988 and 1990, to pass a resort tax in Red Lodge. The resort tax placed on the ballot in 1988, specified a tax rate of 1% for a duration of 10 years. The use of the revenues generated was prescribed as follows: 90% for capital improvements to sewer and water, streets and alleys, 5% for property tax relief, and 5% for merchants' collection costs. The measure failed by a large margin, with 854 votes against, and 280 votes in favor.

In 1990, a 2% resort tax for a period of 10 years was placed on the ballot. Use of the revenues to be generated was prescribed as follows: 60% to the City general fund, 25% advertising and promotion, 10% property tax relief, and 5% merchants' collection costs. The measure failed by a smaller margin than the 1988 effort with 618 votes against and 325 in favor. According to Richard Gessling, former alderman and member of the Red Lodge Capital Improvements Committee, the money earmarked for advertising and promotion was the most controversial part of the measure in 1990, and generated votes against it.

Revenue Needs

In 1997, faced with serious and costly infrastructure needs which elected officials believed would far exceed the City's anticipated revenues, the City decided once again to look into the possibility of a resort tax. Assistance was requested from the Local Government Center at Montana State University. The City asked for a study to estimate the revenues Red Lodge could generate if a resort tax were implemented. The Local Government Center developed an economic model which projected that Red Lodge had the potential to generate \$500,000 annually with a 3% resort tax.

The city also decided in 1997, to update the Capital Improvements Plan (CIP). A citizens' committee was appointed and preparation of the CIP was contracted to a consultant. The consultant, with the assistance of the committee, developed a survey, analyzed the survey results, interviewed city staff and elected officials, and presented the draft plan to the council in August 1997. The plan identified capital improvement needs related to the water system, sanitary sewer system, streets and alleys, fire and police departments, parks and recreation, and

The initial strategy of the roughly one dozen organized citizen proponents was to get as much factual information out to the public as possible.

miscellaneous needs totaling between \$15-20 million. According to Gessling, "We cast the net much wider in this effort than we had in the past. We identified a range of community needs beyond just those for which local government would be responsible." The plan also listed potential funding mechanisms, one of which was a resort tax. The CIP was adopted by the city council on September 23, 1997. Following adoption of the plan, the city council asked the citizens' commission to study and make recommendations on how the revenues generated by a resort tax could be utilized by the city to meet these needs. The committee went to work researching the experience of other communities and determining how a resort tax could best fit Red Lodge.

On September 23, 1997, the resort tax proponent group came to the city council with a dilemma. The committee had drafted an ordinance, and obtained enough signatures to place the resort tax

on the November ballot. The County Elections Administrator had validated 270 of the 291 signatures on September 12. However, the deadline for placing the measure on the ballot by petition had been missed. The committee asked the Council to place the issue on the November ballot by resolution, successfully arguing that by signing the petition, citizens had indicated a desire to vote on the matter. The Council had several options at that point. The options included refusing to place the issue on the ballot, waiting until April 1998 for it to appear through the petition process, or placing it on the November ballot by resolution. The council voted 5 to 1 to place the resort tax on the November ballot. Once the resort tax was on the ballot groups of citizens rallied both to support the tax, and to oppose it.

Passage of the Resort Tax

On November 4, 1997, the citizens of Red Lodge adopted the resort tax by a vote of 473 to 450, a margin of just over 2%. The successful ballot measure contained a 3% tax for a period of 25 years and the revenues are to be used for the following: 79% capital improvements to water, sewer, streets and alleys, parks and sports facilities, 15% property tax relief, 5% retained by the merchants for collection, and 1% for city administration of the tax.

Although not all of the proponents were in agreement about the single most important factor leading to passage of the resort tax in 1997, several contributing factors were evident. The initial strategy of the roughly one dozen organized citizen proponents was to get as much factual information out to the public as possible. "I had plenty of information to make an informed decision as a business owner. From a resident's perspective, the information was there," one local businessman felt. Ads were placed in the Carbon

County News, letters to the Editor were written, and in October just prior to the election, there was a door to door campaign.

Individuals opposing the tax, including merchants, organized an active ad campaign against the tax which displayed the total needs listed in the Capital Improvements Plan and presented them as imminent expenditures of city government, rather than a long term priority list.

Caught squarely in the middle of the debate was the Chamber of Commerce. The Chamber Board of Directors debated the issue of taking a position on the resort tax and voted to remain neutral. In spite of this position, the Chamber was perceived by at least some of its members as supporting the tax. According to the Executive Director, "We did lose a number of Chamber members. The resort tax was one reason." Since then, she says "We've been working really hard to encourage people from Billings to come shop in Red Lodge, because Billings residents are some of the people who the business owners believe have reacted negatively to the tax." She went on to report with guarded optimism, that some of the members decided to rejoin the Chamber in the following months.

In contrast to the two earlier attempts, the percentage of tax is higher (3%), and the duration of the tax is longer (25 years) in the voter approved measure. As with the attempt in 1988, the percentage of money going to capital improvements represents the bulk of the expected revenues. No funds were earmarked for advertising and promotion in the third effort, a use of funds which previously had lead some voters to question the true need for the tax. Property tax relief and infrastructure improvements were apparently considered to be more compelling needs by the voters. The ballot measure which was ultimately approved also contained the

highest percentage of property tax relief at 15%. The state statute requires this figure to be at least 5%.

The citizens studying the issue and making recommendations to the Council were concerned with the potential effect of the tax on Red Lodge's many fixed income residents. As a result of this concern, they raised the percentage of tax revenues to be used for property tax relief over the minimum required and over the amount designated in past resolutions. With 15% of the revenues allocated to property tax relief, the committee felt the resort tax would not adversely affect those on fixed incomes.

One long term city alderman believes that one key difference in 1997 was, "In this last attempt, the City Council stayed back and supported the citizen's initiative, but didn't drive the process. I think the need is so much greater now with the problems related to our streets, sewer and water systems. Other sources of funds available to cities for infrastructure projects have pretty much dried up." He likens the tax to receiving a grant in which the residents pay approximately 30% of the cost of infrastructure improvements, and visitors pay the remaining 70%. The alderman also pointed out that in the two earlier attempts at passage, both the business community and Council had been divided. In the case of the Council, in 1988 and 1990, the vote on the resolution to place the resort tax on the ballot was split three to three, with the Mayor breaking the tie in favor of the resolution. In 1997, the vote was 5 to 1 vote for the resolution to place the issue on the ballot.

Concerns of the Business Community

Various members of the business community raised concerns related to both their individual enterprises and to how the tax would affect the overall business climate in Red Lodge. They were concerned with losing existing businesses operating on slim margins, and in fact the owner of a computer store chose to relocate his business outside of the City limits following passage of the tax in 1997. Fear of decreased profits for existing businesses, a decreased ability to attract new retailers, and the amount of time required to explain and administer the resort tax, were additional concerns. According to a prominent main street retailer, "The City Council wouldn't listen to the business community. As a business owner, I felt the Council declared war on the business community."

This Red Lodge native, had direct previous experience with a resort tax and opposed the Red

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Lodge effort. While operating two businesses and residing in Virginia City, he also served as Mayor. During his tenure he supported the resort tax, and he and the Council placed the resort tax issue on the ballot. He saw some key differences between the situations in Red Lodge and Virginia City which he cited to explain his opposition to the tax in Red Lodge. He believed that the resort tax was intended by the legislature to be a "fiscal measure of last resort" for communities with very small

populations, experiencing a greater magnitude of impact from tourism than Red Lodge.

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He pointed out that the tax in Virginia City is much more narrowly focused on tourist type items and services, and is in effect only from May to October. "We worked hard to make sure that local people didn't have to pay one nickel of the resort tax there." The tax in Red Lodge by contrast is in effect 12 months a year, and taxes a broad range of goods and services which locals as well as tourists purchase. He also points out wryly that, "Red Lodge is the only resort tax town where the resorts aren't taxed" referring to the fact that the ski area and a resort south of town, are both located outside the city limits and thus outside of the city's taxing jurisdiction.

Red Lodge, located 60 miles from Billings, already experiences a significant loss of local trade to the Billings market. Although some items, such as large appliances, simply aren't available in Red Lodge, shoppers frequently search out lower prices in Billings for items that are available in Red Lodge. Main street retailers repeatedly expressed concerns that the resort tax would exacerbate the leakage situation because local residents would be unwilling to pay the tax. At least one merchant feels embarrassed to ask others, even tourists, to ante up to pay for the infrastructure in Red Lodge. She believes it should be the residents' responsibility, with the costs passed on in the

utility bills. One business owner questions whether city government has been making the hard choices about where to spend limited resources rather than looking for additional revenue.

"I'm not against a sales tax, because I come from a state that has one, but Red Lodge is not a resort town as I see it" said another merchant. Our business has really been affected because the locals have stopped coming. They don't feel they should have to pay the tax." About 60% of my business comes from "locals," which includes a number of small towns in Carbon County and Billings. "My customers are just staying home."

Some believe that people in Billings have reacted adversely to the fact they are now considered "tourists" in Red Lodge and not neighbors. Business owners reported an increase in business of up to 30% in the case of lodging establishments, all the way to a 37% reduction for the first half of calendar year 1998. Some, whose business is off, blame the resort tax. An unknown number of merchants have chosen to pay their tax obligation without collecting it at the cash register, by absorbing it completely from profits. Others have adopted a strategy of absorbing some, but not all of the tax from profits.

One merchant claims "I made a big mistake in the beginning by charging the 3%. That was a nightmare, because it came up an odd amount, \$1.03 for a cup of coffee. Customers didn't like paying that odd amount." What she's done since then, is raise prices on some items and eat the resort tax out of profits on other items. "We get no problem about the tax from the tourists from other states because they're used to paying a tax."

At least one retailer regrets not getting actively involved in the discussion about the tax sooner, although she was active in later discussions. The resort tax issue in 1997 intensified during the

busiest time of year for the retailers, the Christmas season. She states clearly that she is not anti-tax, but feels that this tax in effect penalizes the merchants in Red Lodge. She would favor a state-wide sales tax as a way to raise needed revenues. Seventy-five percent of her customers comment on the tax. Based upon her efforts to administer the tax and the comments she has received, she believes there is still a great deal of confusion about the tax. Some locals claim to be exempt, some senior citizens claim to be exempt, some tourists think only residents should pay the tax, and some think the tax is state-wide. People from states with sales taxes that exempt clothing believe clothing is, or should be, exempt in Red Lodge. It takes time for sales staff to explain the tax to customers, time that could be spent making additional sales or helping other customers.

Several merchants wanted to see the tax issue back on the ballot as soon as it passed in 1997. They felt that the specific issues which have caused so much conflict in Red Lodge weren't well researched ahead of time. In their view, the implementation, as well as what is taxed, were not good. "We want to comply," explained one business owner who goes on to cite the continuing confusion of many business owners. "The City could make it easier for the businesses by mailing out the tax forms to the merchants, and by providing information we could hand out to customers explaining the tax." At least one business person remained concerned with the tension that still exists in the community over the resort tax. This business person later actively participated in the lawsuit against the City to place repeal of the resort tax on the November 1998 ballot.

Not all of the main street retailers in Red Lodge have opposed the resort tax. A fair number of merchants in Red Lodge had previous experience with collecting sales taxes while in business in

other states. Many chose to take a position of staying informed so that they could understand how they might be affected, while observing the debate as it occurred throughout the community. Most of the business owners who were indifferent or who supported the tax were reluctant to do so publicly because of the intensity of the issue in the retail sector. Some of these proprietors remain concerned about the attitudes and actions of their fellow business owners, stating that "when they bad mouth the tax to customers they hurt themselves and all of us in the eyes of our local customers." Some of this largely-silent group of business owners fear that predictions of reduced trade and profits may become a self fulfilling prophecy for those businesses who continue to maintain a negative stance with respect to the tax. Business owners, the Chamber of Commerce, and City government all remain concerned about the overall economic health of Red Lodge.

Implementation

With the passage of the resort tax, the work of the City was just beginning. At the November 25 Council meeting, the two implementing ordinances passed their second reading both by votes of 4 to 2 without, with but one significant change. That change provided for quarterly collection of the tax in the first year, rather than monthly collection, and monthly collections after year one. This change was adopted to give the merchants additional time to adjust their bookkeeping practices. The ordinances officially went into effect 30 days following the second reading, on December 25, 1997.

With the approval of the resort tax by the voters, the City appointed a 7-member Resort Tax Review Committee (RTRC.) The mission of this committee was outlined in a memo from Mayor-elect Miller as follows: "To review the included and excluded items list of the Red Lodge resort tax

administrative ordinance, balancing fairness to the tax collecting businesses of Red Lodge with the integrity and viability of the resort tax as passed by the voters, and to recommend any changes in that list to the City Council."

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The RTRC first met on December 3, selected a chair, and began deliberation on the questions of taxable items raised by the public. The committee met an additional four times during the month of December prior to the tax taking effect, and then twice in January of 1998. Confusion over the role and purpose of the committee continued throughout the process of implementing the tax. "It wasn't very clearly defined for us what we were to do" according to the Committee Chair. "We didn't really have the latitude that I thought we might have and we ended up facilitating the process of determining what people had questions about. We were only able to influence a small number of items." On more than one occasion, the committee considered a particular issue at great length, for example whether clothing was taxable, only to find out later that clothing was listed as a taxable item in the state statute and neither the RTRC nor the City Council had discretion to exempt it.

The meetings of the RTRC were open, noticed

public meetings. The Council chamber was packed and tensions ran high. Everyone who wished the opportunity to speak was given at least one opportunity to do so, then the committee set about its deliberations. The Committee Chair feels in hindsight that the committee was the recipient of a great deal of the frustration from the business owners who were opposed to the tax. While open to input on the issues under deliberation by the committee, he believes that a significant amount of time was spent listening to complaints against the resort tax which the committee could do nothing about, and which took time from productive work.

Examples of the issues addressed by the committee included: whether clothing should be subject to the tax, and then, Why is clothing subject to the tax, when snow blowers (appliances) aren't? If "work clothing" is to be exempt, which articles of men's and women's clothing would that include? What constitutes a single serving of a beverage? If food with the exception of single servings or food served and prepared is exempt, should milk be taxed? Are meals on wheels to be taxed? What jurisdiction does the City have with respect to taxing interstate commerce? What constitutes an appliance? Is a computer an appliance? Is Internet service considered a utility service? How are nonprofit organizations to be treated with respect to the tax? And the list went on. With each meeting, additional issues were raised and it seemed as though there would be no limit to the numbers and types of questions raised. The two most difficult issues addressed by the committee for purposes of determining what was to be taxed were defining "necessity of life" and the point at which a sale occurs. The City Attorney, who became the focal point for much of the anger of tax opponents, continued to remind the Council that they could not make substantive changes to the language that was published in the paper prior to the election, the language upon which voters had based their decisions in the voting booth.

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On December 24, 1997, with the implementation date rapidly approaching and the work of the resort tax committee continuing, Mayor-elect Miller contacted each business which might be subject to the tax by letter. Mayor Miller cited the ordinances the City had enacted to implement the resort tax in a cover letter and provided the due date of the first payment, April 20, 1998. Enclosed with the cover letter was a listing of recommendations from the resort tax committee to the Council on items to be taxed (which had not yet been adopted by the Council), a copy of the tax chart for a 3% tax, and a sample of the tax collection reporting form. Because there were still, at the time of the mailing, a number of unresolved issues as to what items would be taxed, Mayor-elect Miller pledged to work diligently to get those issues resolved.

The Council met in special session on December 29, to consider the recommendations of the citizens' Resort Tax Review Committee (RTRC.) Then-mayor Roat began the meeting by explaining to the public that the resort tax had been passed by the voters, not the Council, and that it would indeed be implemented on January 1, 1998. He encouraged those present to direct their comments in an appropriate matter to the business at hand. The Council then proceeded to deliberate each of the recommendations of the RTRC, and voted on 37 separate issues. The Council finally voted to accept the recommendations of the committee with the 37 changes. Fifteen individuals made comments during the public comment period, disagreeing with decisions on certain taxable items,

criticizing the Council, expressing their concerns over how the tax would affect local businesses, and stating their opposition to the tax. Although the bulk of the decisions on what would be subject to the tax just three days following had been made, a number of items requiring clarification continued to arise.

Shortly after assuming office, Mayor Miller appointed a City Council Resort Tax Committee consisting of himself and two Aldermen. All questions about the resort tax were required to be addressed to the Mayor in writing. This Council committee then responded to the requests for information and clarification on what was taxable unless the mayor deemed the question a legal matter as opposed to a policy matter. The City Attorney was consulted on legal questions. The number of inquiries dwindled significantly over time, and it appears that the questions have been resolved. The committee had numerous pleas from not-for-profit organizations requesting exempt status based upon the fact that they were organized as 501(C)(3) corporations for federal tax purposes. The Montana Resort Tax Statute provides no exemption from the tax for nonprofit status, so decisions in response to these requests were made based upon how the goods or services offered by the not-for-profits met the categories for exemption in the ordinance.

Collection

The first payment of the resort tax revenues by businesses was due April 20, 1998. The collection period covered the first quarter of 1998, January 1-March 31. April 20, fell on a Monday, and the checks came pouring in. The City Treasurer was recording payments by a number assigned to protect confidentiality. According to the Treasurer, "A lot of payments came in right on April 20. We forgave the late charges on those payments that came in a little late for this first

time. We did have one pay under protest, and four or five businesses of the 180 or so, have refused to cooperate with the city. The best group of businesses for payment have been the hotels and motels." She reported receiving numerous calls for additional forms and inquiries about the deadline. A few businesses asked for more time to remit the first payment. She felt that the biggest concern for the businesses was confidentiality in reporting their resort tax obligation and by inference their business revenues. Having been through the first collection period, she reported that "I was surprised because I thought it was going to be such a headache for me, but it wasn't. I think it's going to work and the grumbling is going to stop."

Both supporters and opponents of the tax anxiously awaited the news of the total amount collected. The following week on Thursday, April 29, the headline in the Carbon County News reported "Resort Tax Nets \$84,000 for First Quarter. When all collections were in, the total stood at \$87,438. Given that the first collection period had occurred during one of the slowest times for tourism, the projections by the Local Government Center appeared to have been validated. Mayor Miller stated, "I'm tickled to death. This summer, I'm confident we'll make a big portion of the projected revenues."

On July 20, 1998, the second quarter resort tax payments were due to the city. Second quarter revenues collected totaled \$102,000. Mayor Miller was pleased with the total given that only one summer month, the month of June, was included in the period, and Red Lodge had received a great deal of rain and snow then. Treasurer Bischoff reported that she received fewer questions about payment procedures from the merchants for the second quarter, and that the number of businesses paying was up slightly due to the opening of several seasonal businesses.

On August 11, 1998, the City adopted the first budget which included resort tax revenues. Language in the ordinance allowed the City to appropriate the monies collected in the preceding year (FY98) and the full anticipated revenues for the 1999 fiscal year. A total of \$686,000, of resort

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Third quarter collections from the merchants were due October 20, 1998, just weeks before the election. The total amount of payments made by the due date was \$160,000. Twenty-six businesses did not submit payment by the due date. Third quarter revenues are projected to reach \$175,000 when all payments have been received, making total collections for the first three quarters, \$375,000. Food establishments, lodging, and bars contributed a full 70% of the revenues, with clothing, home furnishings, gifts, and miscellaneous businesses collecting the remaining 30%.

Enforcement

On June 11, 1998, the City Attorney filed the first complaint for collection of the municipal resort tax and for permanent injunction against the owner of a local business. The complaint alleges that despite repeated oral and written requests by the city, the bar had not made its payment of the resort tax required under the City ordinance. The following relief was requested: payment of City Attorney's fees, civil penalty of up to 50% of the resort taxes due, payment of audit fees, and interest of 10% on all sums owed. On June 15, the defendant appeared at City Hall and remitted a check for the amount of resort tax owed, \$1400. The City decided to proceed with the complaint to recover the additional costs cited in the complaint which included interest, attorney's fees, and a penalty. The defendant's attorney proposed a settlement which was accepted by the Council on July 14. In the settlement, the defendant agreed to pay attorney's fees and interest totaling \$950 in addition to the original amount owed. No other legal action was required by the City to collect the resort tax for the first two quarters. The City decided to waive any late fees for the first quarter to accommodate merchants' changes in bookkeeping but is pursuing third quarter payments from approximately 26 businesses which were late.

Opponents Work to Repeal Tax

On July 7, 1998, opponents of the tax filed a petition with the County Election Administrator to place a referendum on the ballot to repeal the resort tax. The petition was referred to the City Attorney's office to determine if all requirements had been met. The City Attorney approved the petition, and prepared a statement of purpose and statement of implication. The petitioners gathered a total of 282 signatures by late August. The required number of signatures to place the measure

on the November 3, 1998 ballot was 197.

Shortly thereafter, the County Election Administrator requested an opinion from the City Attorney on the legality of a petition being circulated and filed by a non-electors. As it turned out, the person who had filed the petition (to place the repeal of the resort tax on the ballot) was a business owner who resided outside of the City limits.

The City Attorney wrote on September 8, 1998, to the Election Administrator, with regard to the legality of the petition, "It is obvious to this Office that persons who are not electors of the City of Red Lodge have played a major and formal role in the initiation of the referendum process, including the original submission and initiation of the petition, circulation of the petition, and signing of the petition." Citing Section 7-5-137, MCA, "The powers of initiative and referendum are reserved to the electors of each local government." the City Attorney stated that "I concur with the opinion of the Secretary of State that only an elector of a local government may file a petition for referendum. I also am of the opinion that only such an elector may circulate such a petition and sign such a petition. It is my opinion that the petition for a referendum on the Red Lodge Resort Tax is fraught with illegalities and that the referendum should not be placed on the November 1998, election ballot."

Following this opinion from the City Attorney, the County Election Administrator decided that she would not place the referendum on the ballot. With this decision, those who wished to vote again on the resort tax were left with three options. These options were to ask the City Council to place the measure on the ballot by resolution, to mount a legal challenge to the disqualification of the petition, and to initiate a referendum for the April 1999 ballot. Tax opponents decided to

pursue the first two options.

Less than two weeks prior to the time absentee ballots were to be available, the City Council was asked to consider passing a resolution to place repeal of the tax on the ballot. Mayor Miller called a special meeting of the Council on September 14, to consider this request. Prior to the special meeting, resort tax opponents phoned at least one Council member, threatening legal action against the City should the Council not vote to place repeal of the tax on the ballot.

Council chambers were overflowing with interested citizens. Following an explanation of the purpose of the special meeting, the Mayor opened the floor for public comment. Sixteen individuals offered comment for the Council's consideration. The first person to make a statement was an attorney representing several businesses that opposed the resort tax. The attorney stated that he had brought with him the papers to file a legal challenge the following day if the Council chose not to place the measure on the November ballot. Others spoke both in favor of, and against, placing the issue on the ballot by resolution. The Mayor closed the public comment portion of the meeting and each Council person made a statement. A motion was then made "To approve Resolution 3094 which would place repeal of the current resort tax before the electorate of the City of Red Lodge on November 3, 1998." A roll call vote was taken with two Aldermen voting in favor of the motion, and three Aldermen voting against the motion. One Alderman was absent. The motion failed, and the resort tax question was not placed on the ballot by the Council.

The following morning, on September 15, five business persons representing four businesses filed suit in District Court contesting the decision of the County Election Administrator not to place the repeal of the resort tax on the ballot by referendum

(petition.) Named in the suit were the County Election Administrator, the Mayor of Red Lodge and the members of the Red Lodge City Council. The business owners sought to have the referendum placed on the ballot, to have the ballots printed immediately in order to preserve the opportunity to have the issue voted on, and to force the County and City to reimburse them for their attorney's fees. On September 16, Judge Russell Fagg granted one of the plaintiffs' requests and directed the Election Administrator to print the ballots. The court hearing for Cause No. DV 98-101 was set for October 5, before District Court Judge Diane G. Barz.

On October 5, Judge Barz presided over the hearing on the complaint in the courtroom in Red Lodge. The hearing lasted 2 ½ hours and a total of five witnesses was called. The witnesses called consisted of the Mayor, the County Election Administrator, and three business owners. One of the business owners resided in the City and the other two, outside of the City limits. In response to questioning from the Judge, the County Election Administrator testified that even after disqualifying the improperly registered voters, there was a sufficient number of signatures to qualify the measure for the ballot. Briefs were filed with the court by both sides the following day.

Tax Repeal Placed on Ballot

On Friday, October 10, the Court rendered its decision. Judge Barz ruled in *The Court's Findings of Fact, Conclusions of Law, and Order*, that the matter of repeal of the Resort Tax would appear on the November 1998 ballot. Barz stated in her findings that "there is nothing that requires the petition circulators or presenters to be electors of the City of Red Lodge" and further that she did not find "fraudulent or improper motive or intent" on the matter of voters changing their registration to their places of business within the City. The

City elected not to appeal the judge's decision. The resort tax in Red Lodge, having been implemented for less than one year, faced its first challenge in November, 1998 amidst heightened controversy.

Age was a significant factor in the results of the newspaper's poll, with relatively more younger voters (ages 18-34) against the tax and relatively more older voters (ages 35-54 and 55+) in favor of it.

With the outcome of the litigation having been uncertain in the weeks leading up to the election, opponents, proponents, and others with an interest remained actively involved in the issue. The Carbon County News conducted a poll of voters in Red Lodge, and the Chamber of Commerce polled its members as well. The newspaper's poll of 303 randomly selected voters showed that 51% of those polled favored the resort tax, while 37% opposed it. Age was a significant factor in the results of the newspaper's poll, with relatively more younger voters (ages 18-34) against the tax and relatively more older voters (ages 35-54 and 55+) in favor of it. The poll conducted of 183 of the 221 Chamber members showed that 55% of the Chamber members supported the tax, while 25% opposed it.

In an effort to obtain votes, proponents of the repeal (opponents of the resort tax) formed a Political Action Committee (PAC) in October and began accepting donations. The resort tax supporters reactivated their PAC, formed in 1997, and planned a strategy as well. Both groups wrote letters to the editor, took out ads in the local paper, and mailed flyers to all voters. The resort tax supporters also went door to door visiting with

residents. In the final issue of the local paper prior to the vote, there were 14 letters to the editor regarding the resort tax, 8 against, 3 in favor, and 3 neutral.

One concern shared by both sides of the debate was the language on the ballot in 1998. Many feared that the way in which the issue was stated on the ballot would be confusing to voters. Voters were asked to choose between voting FOR the repeal of the tax or AGAINST the repeal of the tax. Thus, if one supported the tax, they were to vote AGAINST the ballot measure.

On November 2, 1998, 77% of the voters turned out in Red Lodge. The voters reaffirmed their decision of 1997, and voted 636 to 487, against the repeal. Whether this vote will quiet opposition to the tax or not remains to be seen, however, under the state statute, the resort tax issue may not appear before the voters again for at least two years.

Lessons learned

As of this writing, the resort tax has been in effect for less than one year. While there are doubtless more lessons to be learned, there is value in

The resort tax committee in Red Lodge found itself in the midst of numerous "fairness" issues related to what would be taxed... More of these issues should have been worked out prior to placing the issue on the ballot.

looking back to see what has been learned while the lessons are fresh. Perhaps, stopping to look critically at what has occurred will in some way promote the healing process for Red Lodge.

1) The language in the Montana Statute authorizing the resort tax is subject to a variety of interpretations. Because of this, a great deal of discretion is left up to the community regarding which items are subject to the tax. The resort tax committee in Red Lodge found itself in the midst of numerous "fairness" issues related to what would be taxed. For example, a snowblower as a home appliance is not taxed, while clothing is taxed.. More of these issues should have been worked out prior to placing the issue on the ballot. Voters would have been more clear on what was to be taxed. In hindsight, Mayor Miller believes that "Before you go to the voters, enough information should be published to allow people to know what would be taxed and what would not be taxed. What you present to the public is what it should be. In our case, a lot of people were unclear about what was happening."

2) The tax took time to implement. Early research by individuals in the community indicated that the time period between the fall election and January 1, was more than adequate to adopt final language on what was to be taxed, and establish the administrative structure for the new tax. In hindsight, 50 days was woefully inadequate for Red Lodge to address all of the issues that had arisen and continued to arise once the tax was approved. The lack of time to address the issues prior to implementation on January 1, exacerbated the concerns of, and tensions with, the affected merchants. City officials and the Resort Tax Committee met frequently in an effort to answer questions in a timely manner, yet were unable to meet the business communities' needs and expectations.

3) In one respect, the Red Lodge City government is no different than many other government bodies. Some percentage of citizens inherently distrust it and their elected officials. According to Richard Gessling, "When people have confidence in what

the money is being spent for and the people who are spending it, it usually passes." Updating the Capital Improvements Plan which demonstrated the need, prescribing that the revenues generated would be spent largely on infrastructure and property tax relief, and getting the word out on these aspects of the tax all contributed to the passage by voters. Without each of these pieces having been in place prior to the vote, most believe it would have failed rather than passed, on the third attempt.

4) Each community has its own unique fabric, traditions, and beliefs. While researching and observing how resort taxes had been implemented in other Montana communities was extremely helpful, Red Lodge had its own personality, history, sets of relationships, and economic issues. Red Lodge reacted in its own way. Some of the reaction was perhaps predictable. Some of the reaction was unpredictable.

5) Tax opponents advocating repeal drew attention to the confusion which had surrounded implementation of the tax in 1997. The repeal effort criticized both the tax itself and the process by which it was placed into effect. Tax opponents suggested cutting spending and obtaining grants as alternatives to the tax, but provided scant detail. The majority of voters were either not convinced by this argument, or were convinced to support the tax due to the recently completed paving project, made possible by resort tax dollars. While, even the tax supporters don't believe the tax is perfect, voters in effect refused to, "throw the baby out with the bath."

Conclusion

In the brief period of time, almost one year, since the resort tax was approved and implemented, it seems evident that this issue will be one of the significant events in the history of this community.

The resort tax "fight" went to the root of personal values about government, taxation and fairness, and, ultimately, the identity of Red Lodge as a "resort town" rather than a mining town or agricultural support center.

Implementing the resort tax in Red Lodge has been costly. The costs have been both monetary and social. The financial costs borne by both businesses and the City were largely due to legal fees. Some business owners also insist that their profits are off because of the tax. The social costs were more subtle. Divisiveness in the community, hard feelings between friends and neighbors, hard feelings between City residents and those outside the City limits, hard feelings between merchants, between merchants and other citizens, loss of Chamber members, accusations of misinformation, and the drawing of battle lines were all results of the resort tax debate. Only time will tell whether the equation will eventually balance in favor of the tax, weighing the long term revenues for infrastructure needs and property tax reduction against the social costs of enacting the resort tax in Red Lodge.

Although not everyone agrees with him, Mayor Miller is feeling good about the future of the tax, the revenues accruing to the city, and the infrastructure improvements which have already been completed using resort tax monies. He is optimistic as well, about the long term improvements which will be funded by the tax. "I feel very positive about it. I think there are enough people out there now that are seeing this won't hurt them. With the exception of a few individuals, the divisiveness has already begun healing."

Attempts to pass a state-wide sales tax in Montana have failed, yet communities desperately need resources to address infrastructure problems. Authorizing voters across the state to adopt local option taxes would give communities one

additional tool for continuing to provide essential services in the face of CI-75. A local tax would be right for some communities and rejected by others. Voters in each community considering a tax would weigh the potential benefits and consequences, and make that decision for themselves.

About the author

Barb S. Beck has served as an Alderman on the Red Lodge City Council since April 1997. She sat on both the Resort Tax Review Committee and the City Council Resort Tax Committee.



CHIP Implementation: An Update

by: Representative Loren Soft

Dear Editor:

I am writing in response to an article titled "Chipping In For Kids: Providing Health Care Coverage for Montana's Uninsured Children". The article was written by Eleanor Hamburger and Carson-Strege-Flora of Montana People's Action and appeared in your Spring '98 edition.

I am the state representative for House District 12 in Yellowstone County and have served in the Montana Legislature for 4 years. In my professional life, I operate a business that provides mental health services to children. I also serve on the House Human Services Committee (Vice Chairman), the House Judiciary Committee and am chairman of the interim Joint Oversight Committee (JOC) on Children and Families. This committee is responsible for monitoring state activities and legislation relating to Montana's children and families. This includes responsibility for monitoring the development and implementation of Montana's Child Health Insurance Program (CHIP). In addition, three of the JOC members played an active role on the Department's CHIP Advisory Council.

I certainly share the authors' concern about

uninsured children in Montana and also the significant impact the CHIP program could have on improving the health of these children. I agree wholeheartedly with the goal of the CHIP legislation which is to provide insurance to as many eligible children as possible.

I am writing this response to the recent article because the authors left out many important facts (such as the active participation of the Committee on Children and Families in developing the plan and advising the department) and actually misrepresented many others. If Montana is to have a CHIP program, it is critical that all interested parties be consistent with the message and accurate in the information provided to the public.

CHIP Implementation - The article criticized the Department of Public Health and Human Services (DPHHS) for giving money to the Caring Program for Children and failing to use it for CHIP.

The Caring Program is a public/private program administered by the non-profit Caring Foundation to provide primary and preventive health care to uninsured Montana

The Spring 1998 edition of the Montana Policy Review included an article entitled "CHIPing In For Kids: Providing Health Care Coverage for Montana's Uninsured Children" by Eleanor Hamburger and Carson Strega-Flora. Representative Loren Soft (R-Legislative District 12, Billings), Chairman of the Joint Oversight Committee on Children and Families, noted several points in the piece that caused him concern and he took the time to write a detailed response. We believe that his response is so important and potentially useful for his legislative colleagues who will deal with Montana's Child Health Insurance Program (CHIP) during the 1999 Legislative Session that we have reprinted the letter as featured piece.

insurance. Blue Cross/Blue Shield does not administer the program, but it does provide all the administrative costs of operating the program. The state has been contributing to the Caring Program since 1995. Governor Marc Racicot wanted to renew that commitment and make sure that uninsured children continued to receive the health care the Caring Program provides regardless of whether the Federal government and the Montana Legislature decide to approve a Montana CHIP program. Federal approval of the program may not occur until later this year. With the state's donation of \$300,000 this year, the Caring Program will be able to provide health care to over 1000 uninsured children.

CHIP Advisory Council - Soon after Congress announced the availability of federal funds, DPHHS appointed a CHIP Advisory Council representing a broad range of individuals and organizations interested in child health issues. The council advised the Department on issues related to the design and implementation of the CHIP program. Representatives from Montana People's Action and many other low income groups participated in the council meetings and public forums around the state. In addition to the council members, over 100 other individuals expressed interest in joining the group and were added to the list of interested persons. The role of the council was to make recommendations to the department and to inform the constituencies they represented about the program. To maximize the value of public input, DPHHS gave equal treatment to all comments, regardless of whether the comments came from "official" council members or other interested parties. This process was well received by almost all the participants. The council did not take votes on the issues, but rather provided recommendations that the department evaluated and used in making recommendations to the DPHHS Director and the Governor. In addition to the four Advisory Council meetings, the Department held five statewide public meetings and made over 60 presentations, all designed to obtain as much public input as possible. All comments were given formal review and consideration and many were incorporated into

The CHIP public hearing and comment process was one of the most open and public projects that I have witnessed in my years as a legislator. The opportunities for public input were extensive and based on a broad cross-section of Montanans. People were aware of and used the multiple opportunities given them to provide input to the program design. Because of the numerous comment opportunities afforded the public at various hearings and meetings across the state, DPHHS saw no need to seek additional input and denied Montana People's Action's petition for another public hearing.

It is extremely important for all parties involved in advocating CHIP legislation to understand and accept political realities. The reality is that a CHIP proposal with a Medicaid expansion would likely doom the entire program.

Separate Insurance Program vs. Medicaid Expansion - A major area of discussion was whether the state should use CHIP federal dollars to expand Medicaid or create a separate insurance program. Citing the expected political climate of the 1999 legislature (likely to be vehemently opposed to any kind of Medicaid expansion) and a desire to help craft a plan that had the best chance of gaining legislative approval, the bipartisan Joint Oversight Committee on Children and Families voted unanimously to direct the Department to develop a separate insurance program. After discussions with and approval by the Governor, the department proceeded to develop an insurance plan. While there are advantages to Medicaid expansion, there are also many disadvantages. Some of the disadvantages are: a lack of flexibility in program design; less ability to control costs because Medicaid is an entitlement program; less access because of paying providers Medicaid rates; more stigma due to Medicaid's connection with welfare and the

increased state staff needed to determine eligibility. It is for many of these reasons that, of the 49 CHIP plans submitted, about half are separate insurance programs or a combination of Medicaid and a separate insurance program.

In summary, many individuals and groups agreed with DPHHS and the JOC that the CHIP program would be more successful and acceptable to lawmakers if it was run more like a private insurance program and less like a welfare program. It is extremely important for all parties involved in advocating CHIP legislation to understand and accept political realities. The reality is that a CHIP proposal with a Medicaid expansion would likely doom the entire program. In addition, many believe that structuring CHIP as a commercial insurance program with cost sharing will allow families to more easily make the transition from welfare to work.

The authors of the "Chipping in For Kids..." article used incorrect figures to state that more children could be covered by Medicaid than by private insurance. They quoted preliminary figures provided early in the advisory council discussions and attendees were cautioned that these numbers were subject to further refinement. Actual Medicaid costs in 1996 for children from birth to age 18 were \$120.83 a month. The insurance premium the state plans to pay is approximately \$90 a month, which is 25% LESS than Medicaid paid in 1996.

Many on the CHIP Advisory Council and everyone on the JOC strongly endorsed a cost-sharing requirement that called for families to contribute toward the cost of the program.

Cost Sharing - The authors were very concerned that families would have to pay any portion of the costs associated with insuring their children under the CHIP program. Many on the CHIP Advisory Council and everyone on the JOC strongly endorsed a cost-sharing requirement that called

program. The department initially recommended an annual enrollment fee of \$25 per child up to a maximum of \$100 a year for families below the poverty level and \$50 per child up to a maximum of \$200 a year for families with incomes up to 150% of poverty (\$20, \$475 a year for a family of 3). Eighty-seven percent of Montana families have three or fewer children, so most families under the state proposal would have paid only \$75 a year, or less than one half of one percent of their annual income for a comprehensive package of health care benefits. At the JOC's August meeting, the department announced that it had modified the cost sharing portion of the state plan. The annual enrollment fee will be \$15 per family charged to families at or above 100% of poverty, with co-payments of \$25 per inpatient hospital admission; \$5 per emergency room visit, outpatient hospital visit, or brand name prescription; and \$3 per physician or other practitioner visit and for a generic drug prescription. Co-payments will only be charged to families at or above 100% of poverty and will be capped at \$200 per family per year.

Coverage Issues - The authors are correct in saying the CHIP program will not cover children of state employees, but they neglect to say that is because the federal CHIP law clearly excludes coverage of this group. Most states, like Montana, already cover dependents of state employees under their State Employee Benefit Plan. Congress was quite clear that it did not want employers who are currently covering children under their benefit plan to drop coverage so children would go on a publicly supported program. That is also why the program design includes a three month waiting period for previously insured children before they can be enrolled in CHIP.

Benefit Package - The JOC voted unanimously to recommend to the department that only the basic benefits required by federal law be provided under the CHIP program. The proposed package for Phase I will include hospital, physician, mental health and substance abuse treatment, prescription

exams. The proposed plan does not provide dental, therapy, eyeglasses and durable medical equipment. While these optional benefits are important, they will increase the premium cost paid by the state, which will result in fewer children being covered by the program, and the JOC and Advisory Council were adamant that this program cover as many kids as possible with the dollars provided. The 1999 legislature will decide on the final benefit package and may choose to add services. The authors state that the insurance plan is silent on the benefits offered. Yet, I am aware that DPHHS has been clear in all of the public materials about the proposed benefits. Of course, insurance plans may choose to exceed the minimum benefit package.

The authors recommend that DPHHS award insurance contracts after an open and public bidding process to ensure the best program is selected. In all public meetings, DPHHS has indicated there will not be a competitive bidding process. It is the Department's intent to allow all insurance plans that meet the CHIP program criteria and price to provide coverage. This will ensure that families who live in areas where there are more than one eligible insurance plan will have a choice of the plan they prefer.

In summary, there remains much work to be done to make sure the CHIP program comes to Montana. Many legislators have already expressed their opposition to the program and

Children and families are a quite certain, based on conversations with their colleagues, that if the word "Medicaid" is uttered in conjunction with this program, it will most certainly fail. It is extremely important for all Montanans to work together to convince our legislators of the importance of providing insurance to the estimated 20,000 low income uninsured children in the state. A successful result will require all public and private groups working together to present a unified approach, one that represents what is best for the children and working families.

Thank you for the opportunity to comment. I know the Joint Oversight Committee on Children and Families and DPHHS look forward to working with Montana People's Action and all other interested groups to ensure this important program is approved by the 1999 legislature.

Sincerely,
Representative Loren Soft
HD12 - Billings

Copies to: Laurie Ekanger, Director - DPHHS
Nancy Ellery, Administrator - Health Policy & Services Division - DPHHS

Federal officials approved Montana's plan for a Children's Health Insurance Plan (CHIP), on September 11, 1998, allowing the state to begin a pilot program for approximately 950 children in 1998. The approval, by the Administrator of the Health Care Financing Administration, culminates more than a year's worth of work for the Office of Governor Marc Racicot and the Department of Public Health and Human Services (DPHHS).

TRENDS IN MONTANA LOCAL GOVERNMENT

During 1997-98 the Local Government Center gathered information from 126 municipal governments, 54 county governments and the 2 city/county consolidated governments. Averages were then calculated by classification for a number of characteristics describing local government in Montana. Trends over the five year period (fiscal years 1994-1998) were measured by averaging data according to city or county class. Classification for cities is measured by population, but for counties it is measured by county taxable value.

MUNICIPAL GOVERNMENT

Municipal Government Classification and Population

Table 1

CLASS	POPULATION	NUMBER	AVERAGE POPULATION 1996	% CHANGE POP. 1990-96
1	more than 10,000	7	40,367	15.4
2	5,000-10,000	3	7,590	7.2
3	1,000-5,000	38	2,692	10.2
TOWN	less than 1,000	78	535	7.6
AVERAGE			3,566	8.8

Average city populations increased statewide between 1990-96 in all municipal classes in Table 1 in contrast with that of the previous decade (1980-90) when populations declined statewide except in class 1 cities which showed modest growth (2.9%).

Average Municipal Taxable Valuation

Table 2

CLASS	MILL VALUE 1998	% CHANGE 1994-98
1	56,002.16	13.4
2	7,498.56	8.0
3	2,935.03	12.7
TOWN	505.17	8.4
AVERAGE	4,487.66	10.0 (2%/yr)

During the five year period 1994-98 property tax valuations increased in all classes of cities (Table 2). Considering the fact that inflation increased on average about 2.0% per year during this time, the growth in taxable valuation at 2.0% per year just kept pace with the rate of inflation.

Average Municipal Mill Levies

Table 3

CLASS	GENERAL FUND MILLS 1998	% CHANGE 1994-98	TOTAL MILLS LEVIED 1998	% CHANGE 1994-98
1	78.26	5.4	109.66	6.6
2	111.29	-7.8	130.97	3.1
3	80.75	2.5	102.35	2.6
TOWN	74.33	2.9	87.90	1.6
AVERAGE	77.42	2.7 (0.4%/year)	94.60	2.2

The growth of taxable value from 1994-98 helped to keep increases in mill levies fairly minimal. The average increase in total property tax mill levies for all cities between 1994-98 was 2.2% or 0.4% per year (Table 3).

Average General Fund Appropriations and Per Capita Appropriation

Table 4

CLASS	GENERAL FUND APPROPRIATION 1998	% CHANGE 1994-98	GENERAL FUND APPROPRIATION PER CAPITA 1998
1	\$11,737,117	16.4	286.78
2	2,319,473	64.1	297.49
3	750,905	29.6	277.59
TOWN	136,680	51.7	280.95
AVERAGE	1,047,270	43.0 (8.6%/year)	280.65

During the five year period 1994-98 general fund appropriations grew at about 8.6% per year on average (Table 4). The average annual change in mill value during the same period of time was 2.0%, while the average change in total mills levied was 0.4%. With the average annual change in general fund appropriations at 8.6% per year for the five year period, one must conclude that the increases must have come from non-tax revenues such as gambling revenues distributed by the state to jurisdictions of origin.

Per capita appropriations averaged \$280.65, and ranged from \$277.59 for Class 3 cities to \$297.49 for Class 2 cities (Table 4). This statewide average declined slightly from the FY 97 average of \$280.10. The growth in population apparently caused the slight decline in per capita cost of municipal government.

Average Municipal Fund Balances

Table 5

CLASS	GENERAL FUND BALANCE 1998	% CHANGE 1994-98
1	\$2,602,655	-7.1
2	270,293	68.6
3	244,872	45.0
TOWN	57,817	116.4
AVERAGE	265,617	85.4 (17.1%/year)

General fund balances increased over the five year period for all but Class 1 cities suggesting that municipalities are, in general, maintaining their fiscal stability (Table 5). The increase per year of 17.1% was greater than that for the five year period 1993-97 of 11.6%. In 1998, 33 municipalities had general fund balances less than 25% of their appropriation while 89 had fund balances greater than 25% of their general fund appropriation (does not include the consolidated governments and four towns with unknown fund balances).

Average Municipal Full Time Employees

Table 6

CLASS	AVERAGE 1997 FTE	AVERAGE 1998 FTE
1	320	329
2	77	74
3	19	19
TOWN	3	3
AVERAGE	27	27

Their was no significant change in the average number of full time employees from FY 1997 to FY 1998.

COUNTY GOVERNMENT

County Classification and Population

Table 7

CLASS	TAXABLE VALUATION	# OF COUNTIES	AVERAGE POPULATION 1996	% CHANGE POP. 1990-96
1	Over \$50 million	11	52,088	10.9
2	\$30-50 million	10	13,477	5.2
3	\$20-30 million	11	7,803	6.1
4	\$15-20 million	3	8,278	1.1
5	\$10-15 million	9	4,063	6.9
6 & 7	Under 10 million	12	1,806	-0.9
AVERAGE			15,654	5.2

Population gains occurred in all classes except for classes 6 & 7 (Table 7). This contrasts with an average county population decline of -4.3% from 1980 - 90.

Average County Taxable Valuation

Table 8

CLASS	MILL VALUE 1998	% CHANGE MILL VALUE 1994-98
1	\$106,076.63	11.1
2	29,221.48	10.0
3	21,588.77	11.6
4	16,203.18	7.8
5	10,138.78	16.5
6 & 7	6,575.71	6.9
AVERAGE	32,201.81	10.8 (2.2%/year)

Taxable value increased in all county classes during the 1994-98 time period (Table 8). Over the five year period the average annual increase in mill value was 2.2%, while the rate of increase in inflation was 2.0%, so that taxable value just kept pace with inflation.

Average County Mills Levied

Table 9

CLASS	GENERAL FUND MILLS LEVIED 1998	% CHANGE GEN. FUND MILLS 1994-98	TOTAL MILLS LEVIED 1998	% CHANGE TOTAL MILLS 1994-98
1	23.93	-15.9	80.86	11.4
2	17.50	-38.0	78.12	19.2
3	25.27	54.5	91.78	21.0
4	32.95	20.6	112.95	14.0
5	43.49	-21.9	111.27	3.4
6 & 7	36.20	-1.6	101.30	1.1
AVERAGE	29.30	-2.0	93.50	11.3 (2.3%/year)

Change in total mills levied ranged from 1.1% in Class 5 & 6 counties to 21% in class 3 counties over the five year period (Table 9). The average annual change in total mills levied for all counties was 2.3 % each year.

Average County Total Appropriation (24 Funds)

Table 10

CLASS	TOTAL 24 FUNDS* 1998	% CHANGE 24 FUNDS* 1994-98	PER CAPITA EXPENDITURE 24 FUNDS* 1998
1	\$18,791,107	25.6	\$538.45
2	5,939,197	13.5	490.04
3	5,133,396	20.6	892.79
4	3,819,677	39.7	466.91
5	2,861,868	16.1	939.13
6 & 7	1,596,160	9.7	866.05
AVERAGE	6,766,630	18.3 (3.7%/year)	730.17

Twenty four fund totals increased in all classes with a range of 9.7% in class 6 & 7 counties to 39.7% in class 4 counties. The average increase for all counties over five years was 18.3% or 3.7% per year which exceeded the average inflation rate of 2% per year (Table 10). Counties do not have as much gambling revenue as cities, and rely more heavily on the property tax to support their operating budgets.

Expenditures per capita were lowest in class 4 counties, at \$466.91, and highest in class 5 counties at \$939.13 (Table 10). The average for all counties was \$730.17. This increased from the FY 97 average of \$692.81.

*** 24 FUNDS INCLUDED IN COUNTY APPROPRIATION**

- | | |
|------------------------|----------------------------------|
| 1. General Fund | 13. Planning Fund |
| 2. Public Safety Fund | 14. Hospital Fund |
| 3. Road Fund | 15. Bond/Interest Fund |
| 4. Poor Fund | 16. Senior Citizen Fund |
| 5. District Court Fund | 17. Comprehensive Insurance Fund |
| 6. Bridge Fund | 18. Health Insurance Fund |
| 7. Weed Fund | 19. Mental Health Fund |
| 8. Fair Fund | 20. PERS |
| 9. Library Fund | 21. Workers Compensation Fund |
| 10. Extension Fund | 22. Unemployment Fund |
| 11. Airport Fund | 23. Ambulance Fund |
| 12. Health Fund | 24. Museum Fund |

County Full Time Employees

Table 11

CLASS	FULL TIME EMPLOYEES 1997	FULL TIME EMPLOYEES 1998
1	299	279
2	99	96
3	73	78
4	68	56
5	45	47
6 & 7	28	32
AVERAGE	107	104

The average number of full time employees decreased from FY 97 to FY 98.

**MOST SIGNIFICANT CHANGES IN COUNTY POPULATION
AND TAXABLE VALUE**

Greatest population gain 1990 - 1997:

1. Ravalli County	38.2%
2. Jefferson County	24.4%
3. Broadwater County	23.1%
4. Gallatin County	21.1%
5. Flathead County	21.1%

Greatest loss of population:

1. McCone County	-10.6%
2. Daniels County	-9.2%
3. Garfield County	-9.1%
4. Powder River County	-8.7%
5. Sheridan County	-8.3%

Change in Mill Value FY 1994 - 1998

Greatest increase in taxable value:

1. Judith Basin County	54.6%
2. Wheatland County	53.3%
3. Stillwater County	40.3%
4. Sanders County	37.5%
5. Carbon County	32.1%

Loss of taxable value:

1. Powder River County	-12.4%
2. Big Horn County	-5.5%
3. Wibaux County	-4.4%
4. Phillips County	-3.2%
5. Richland County	-2.9%