MONTANA
Policy Review

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PATTERNS FOR CHANGE

REGULAR FEATURES

A biannual analysis of public policy issues confronting Montana's communities and those who serve them.
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REFLECTIONS ON LOCAL GOVERNANCE

"If it ain't broke, don't fix it!" Perhaps it was a surprise to some folks that, whether it was broken or not, the voters in 33 counties and 79 cities and towns decided it was again time to take a hard look at the government closest to their front door and pocketbook. As a result, in 1994 they elected some 426 of their fellow citizens to serve as uncompensated study commissioners and to undertake the two year study of their county or municipal government. In turn, it was the job of the study commissions to decide whether the local government was or was not broken and to recommend whatever changes might be necessary to fix it. As a matter of fact, by 1996 most (59) of the Voter Review Study Commissions had decided that their unit of local government wasn't "broke", didn't need fixing and made no recommendation to their voters.

On the other hand, a total of 53 Voter Review study commissions decided that their local government did need some attention by the voters and recommended a wide range of remedies including self-government charters, a city-county consolidation, entirely new forms of government and a number of minor adjustments. No less than 22 (42%) of these recommendations were approved by local voters; this after experiencing two previous rounds of Voter Review in which a total of 47 alterations in the forms, powers and service delivery structures had previously been approved by the voters. Now, after three go-rounds of Montana's unique Local Government Review process, what have we learned?

1. The vision of the Con-Con delegates who inserted Voter Review into the local government section (Article XI) of the 1972 State Constitution has been validated. Montana communities have institutionalized the Voter Review process as a means of holding their unit of local government directly accountable to the people and empowering them to fix it if it's "broke".

2. The cynics who argue that our voters simply didn't understand what they were voting for when they voted for Local Government Review or on the recommendations placed on the ballot, are wrong. The evidence is clear that the our voters are perfectly able to discriminate between needed change and unwise tinkering, and have no trouble voting *NO* on the latter.

3. Voter Review is an important means of educating our citizens about how their local government works, its problems, its costs and its needs. It also serves as an indispensable means of maintaining citizen confidence in local government and of recruiting citizens to service as mayors and council members and commissioners.

4. At about 60 cents per local taxpayer for the entire three year study, Voter Review is a bargain. If asked to invent some inexpensive way to assure on-going accountability and responsiveness of our local governments, I doubt that any one could do a better job than the Con-Con delegates who invented Local Government Review. *If it ain't broke, don't fix it!*

Kenneth L. Weaver, Director
Local Government Center

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MONTANA'S LOCAL GOVERNMENT REVIEW: 1994-96

Kenneth L. Weaver
Director of Local Government Center

The constitutional precept of direct accountability of local government to its citizens was a major theme of the deliberations of the 1972 Constitutional Convention delegates who crafted the Voter Review section of the new constitution. From our present vantage point, the continuing voter interest in local government review manifested by the results of the 1994 elections seems to validate the durability of that precept. This paper details and compares outcomes of the 1994-96 Voter Review process.

Arguably, no event in the recent history of Montana has had greater beneficial impact on the conduct of state and local government than the adoption of the 1972 Constitution. This year, as we recognize and celebrate the twenty-fifth anniversary of that historic document, it seems appropriate to note that among its several progressive and modernizing provisions, none is more characteristic of Montana's passion for democratic self-governance than Article XI, Section 9, providing for the decennial Voter Review of local government. First conducted in 1974-76 and again in 1984-86, the outcomes of the most recent round of Voter Review, just completed with the November, 1996 elections, provide ample evidence of the continuing vitality of this unique constitutional grant of citizen power to shape the instruments of their own governance. During this third round some 112 locally elected study commissions placed a total of 53 proposals to alter the forms, powers or service delivery methods of their unit of local government on the ballot for voter consideration. Of the 53 ballot proposals, the voters in 14 municipalities chose to amend their existing form of government, including the adoption of 7 new self-governing charters, while the voters in 8 counties also opted to make some change in their county government structures or powers, including the adoption of one new county charter.

What follows is a detailed documentation of the 1994-96 Voter Review outcomes including a brief comparison with the outcomes of the first two cycles of Voter Review; an analysis of the taxpayer costs of conducting the Voter Review process; and an assessment of the value of conducting Voter Review based upon an opinion survey of the 475 or so study commissioners who conducted this most recent review process.

THE THIRD ROUND OF VOTER REVIEW

Few knowledgeable observers would have guessed in advance of the June 1994 primary elections, when the electorate in every local jurisdiction was asked whether or not a study commission should be elected to conduct the local government review process[1], that the voters in 33 of Montana's 56 counties and 79 of its 126 municipalities[2] would vote in the affirmative. After all, it was widely reasoned, the state had gone through the two year long process in 1974-76 and once again 1984-86 which surely must have exhausted all reasonable possibilities for change in local government, as well as exhausting the taxpayer's tolerance for the attendant costs imposed upon the local property tax base. Yet, some 105,098 voters (56%) statewide said *YES* to Voter Review while 83,524 (44%) voted *NO* thus leading in November 1994 to the local election of some 426 study commissioners to serve on the 33 county study commissions and 79 municipal study commissions. An additional 50 or so citizens were later appointed by their unit of local government to fill vacancies on the study commissions. As many as 112 local officials would also be appointed to the study commissions as *ex officio* (non-voting) members whose role most often was to maintain at least some communication with the local government under review.[3]

Retrospectively, there can be little doubt that the surprising enthusiasm shown by Montana voters for yet a third round of Voter Review was associated with the voter disposition in 1994 to alter dramatically the partisan complexion of the national Congress, the state legislature and even local county commissions. We know, for example, that in 1994 Montana attitudes toward government, especially the national government, were generally negative, even hostile.[4] If the prevailing attitude of Montana voters led them to vote for sweeping changes in their national, state and local representatives, it probably also inclined them to vote for at least the *opportunity* to alter their local governing structures as well. While some may reason that the voters simply didn't know what they were voting for when they said yes to local government review in 1994, the more plausible explanation is that they did know and voted accordingly. If that was not the case then the long standing conventional wisdom that Montana voters usually vote "No" when they don't understand a ballot issue may have to be reconsidered.

County Outcomes.

Although 33 of Montana's 56 counties voted to undertake local government review at the June 7, 1994 primary election, voter enthusiasm for the review process was not uniformly distributed throughout the state. Of the 28 western most counties, 22 chose to do Voter Review while only 11 of the 28 eastern most counties voted yes.[5] Indeed, in the far western counties only Sanders County and Missoula County [6] rejected the opportunity to study their county governments while in the far eastern region of the state, only Richland County and Dawson County voted in favor of the review process. One is inclined to speculate that the pressures imposed upon western Montana communities and counties by the explosive population growth experienced in recent years may be associated with their citizen's felt need to at least take a hard look at the form and functions of their county government. Also regionally skewed was the degree of voter support for the recommendations ultimately placed on the ballot by 24 of the 33 county study commissions. Of the 11 eastern most county study commissions, 9 placed a proposal to alter their county government on the ballot. Of these, only 3 proposals were approved by the voters. These included a new self-government charter for Fergus County, which maintains the familiar structures of the county commission form while creating community councils in each commissioner district, and a change to non-partisan elections for Big Horn and Carbon County officers. Meanwhile in the west, 15 proposals were placed on the ballot to amend the existing form of county government, of which 5 were approved by the voters, including several amendments to the charters of the Anaconda-Deer Lodge and Butte-Silver Bow consolidated governments. In sum, only 3 of Montana's eastern counties felt the need for any change in the courthouse, while 5 of the western counties responded favorably to the study commission ballot proposals to alter their county government.

As in the two earlier rounds of voter review, the proposals to alter county government were considerably more ambitious than most voters were prepared to support.

As in the two earlier rounds of voter review[7], the proposals to alter county government were considerably more ambitious than most voters were prepared to support. For example, no less than 8 county study commissions recommended the county manager form of government to their voters, 1 of which (Custer County) also proposed consolidation with its county seat municipal government (Miles City). None of these proposals were approved by the voters. Of the 5 proposals to wrap a self-government charter around the existing commission form of county government, only one (Fergus County) was approved, whereas 7 of the 11 more modest proposals simply to amend an existing form of county government were approved by the voters. Of the successful amending proposals, 6 dealt with a change to non-partisan elections of county officials, and the remaining amendments related to at large versus districted elections for commissioners and the deletion of some archaic language in the Butte-Silver Bow Charter. All of the 1994-96 Voter Review outcomes for Montana county governments are summarized at Attachment 1.

In summary, 33 county study commissions placed a total of 24 proposals on the ballot to change the form or structures of county government. Eight of these proposals were approved by the voters, the most significant of which was the adoption in Fergus County of a self-government charter; a document which retains the familiar features of the traditional county commission form. Voters in western Montana counties were significantly more supportive of the Voter Review process and of the proposals for change in county government than their eastern Montana cousins.

Municipal Outcomes:

Regional variation in municipal voter support for the Voter Review process was not as pronounced as in the case of the county experience. Forty-four (56%) of the 79 municipal study commissions created by the June 1994 elections were situated in the 28 most westerly counties while the remaining 35 (44%) municipal study commissions were scattered in the eastern half of the state. However, 45 of Montana's 56 county seats approved Voter Review, including the municipal voters in all but 1 of the 33 county seats of those counties which also approved undertaking the process for their county governments. Needless to say, the majority of these were the county seats of Montana's western most counties.

Regional variation is especially evident in the voter treatment of the proposals put forward by municipal study commissions. Of the total 29 municipal study commissions which in fact placed a reform proposal on the ballot, 21 (72%) represented municipalities in the western half of the state. The voters in 11 of these most westerly of Montana's cities and towns approved the proposals of their study commission for a success rate of 52%. In the eastern half of the state, only 8 of the 35 municipal study commissions placed any proposal on the ballot for voter consideration and only 3 of these (38%) were approved.

..a whopping 18 new municipal charters were proposed by municipal study commissions, this perhaps as a result of the instrucional emphasis placed upon the topic of self-governing charters during two Voter Review workshops

Notably, Lewistown adopted a charter encompassing a city manager form apparently to gain professional leadership in coping with the problems of rapid growth, while Forsyth wrapped a charter around their existing mayor-council form in order to gain a bit of financial management flexibility through the acquisition of self-government powers. Additionally, Billings voters approved an amendment to their existing charter to extend the term of office of the mayor to four years. In aggregate, 14 (48%) of the 29 proposals for alteration of municipal government forms, powers or functions achieved voter approval during this third round of local government review. By way of context, it should be recalled that 50 (63%) of the 79 municipal study commissions placed no recommendation before their respective electorates.

Interestingly, municipal study commissioners were apparently less enthralled with the manager form than were their county counterparts. Compared to the 8 county manager proposals only 4 new city manager forms were advanced for voter consideration in Havre, Lewistown, Miles City, and Polson. Of these, only the Lewistown proposal was adopted by the voters. However, a whopping 18 new municipal charters were proposed by municipal study commissions, this perhaps as a result of the instructional emphasis placed upon the topic of self-governing charters during the two Voter Review workshops conducted for study commissioners by the Local Government Center in Bozeman. Seven of these proposed municipal charters were adopted by the voters thereby automatically conferring self-government powers on those local governments. A more detailed analysis of municipal and county government charters is provided below.

With or without self-government charters, some 8 municipalities proposed a fundamental change in the form of their city or town government. Two of these proposals were adopted. As previously noted, Lewistown adopted a charter with a city manager as the appointed chief executive and the tiny community of Pinesdale approved a charter creating the state's only "town meeting" form of government. The six unsuccessful efforts to change the existing form of government included 3 city manager proposals, 2 commission-chairman proposals and an additional proposal to establish a town meeting form. The remaining municipal study commission proposals involved relatively simple amendments to the existing form of government and all but 2 of these were approved by the voters, including amendments to 5 existing municipal charters. All of the outcomes of the municipal Voter Review process are provided in detail at Attachment 2.

In summary, 79 municipal study commissions were created in 1994. Of these, 29 placed a proposal on the ballot for change in their city or town government and 14 (48%) of these proposals were approved by the voters, including seven new municipal charters and a new city manager form in Lewistown.

Charter Outcomes:

At the conclusion of the third round of Voter Review, 1 additional county and 7 additional municipalities had adopted self-government charters bringing the statewide total of local government charters to 3 counties and 19 municipalities. All but 4 of these charters have been adopted through the Voter Review process. As detailed in Attachment 3, Fergus County's new charter provides for the traditional county commission form of government while preserving the familiar three member board of county commissioners as well as most of the other elected officers of county government. Similarly, five of the seven new municipal charters (Darby, Dillon, Forsyth, Missoula and Superior) continued their previously existing commission-executive (mayor-council) form of city or town government. Lewistown opted to change from the mayor-council to a city manager form, while Pinesdale became the first town in Montana to adopt the "town meeting" form now embedded in its new self-government charter.

Predictably, five of these seven new charters were adopted by communities in the western half of the state, each of which has experienced relatively high population growth rates averaging in excess of 14% (range is 6.3% - 27.6%) during the period 1990 through 1994. The statewide average rate of population increase during this same period was 3.4%. In the eastern half of the state, Fergus County and its county seat Lewistown also experienced accelerated population growth of about 4.5% during the 1990-1994 period. Late in the review process and at the urging of the Forsyth city government, the Forsyth Study Commission drafted a charter continuing its mayor-council system for the specific purpose of acquiring self-government powers that would, in turn, provide the government certain financial management options not otherwise available to a municipal government with general government powers.

In summary, 8 new self-government charters were adopted during the 1994-96 round of Voter Review. This brings the total number of local government charters now in effect to 22, 3 of which are county charters including the new Fergus County charter as well as the charters of the 2 consolidated governments adopted in the first round of Voter Review in 1976.

COMPARISON OF 1994-96 WITH EARLIER ROUNDS OF VOTER REVIEW

As earlier noted, a fair number of Montana's informed observers of the local government scene were surprised that the voters in so many local jurisdictions opted to undertake the Voter Review process in 1994. Almost every county and municipal government had been reviewed during the first mandatory review in 1974-76[8], many of which were also reviewed a second time ten years later when 25 counties and 73 municipalities again voted to undergo the two year process. By comparison, the election of 33 county and 79 municipal study commission in 1994, a 14% increase over 1984, is surprising and does therefore require some explanation beyond the simple assumption of a "coattails effect" associated with the dramatic partisan electoral reversals of 1994.

First, we note that the voters in the western half of the state were considerably more interested in Voter Review in 1994 than their eastern cousins. As documented above, some 79% of the 28 western most counties underwent the review process while only 39% of the eastern most counties did so. A similar pattern was found in the cities and towns in the western half of the state which elected 56% of the 79 municipal study commissions. Even more dramatic was the regional variation in approval rates of reform proposals placed on the ballot. In the western half of the state, 16 of 36 proposals were approved by the voters for an overall western success rate of 44%. In the eastern half, where only 6 of the 17 total county and municipal proposals were adopted, the success rate fell to 35%. As suggested above, the regional skewing of 1994-96 Voter Review outcomes is probably associated with the shifting demographics of Montana, especially the explosive population growth and the associated demands placed upon municipal and county governments in western Montana.

To place the overall 1996 voter approval rate of 42% in context, it should be recalled that in 1976 only 31 of 173 proposals were approved for an overall success rate of 18%. In 1986 the success rate was approximately 43% when a statewide total of 16 of 37 study commission proposals were approved by the voters. Aggregating the three rounds, we can now see that 69 out of a total of 263 proposals (26%) to alter the form, structures, powers or services of Montana's local government have been approved by the voters as a direct result of Montana's unique Voter Review process and that one third of these changes were approved during the 1994-96 round of Voter Review.

Secondly, it seems likely that the first two rounds of Voter Review, which directly engaged the attention of more than 1,000 local study commissioners of whom 851 were locally elected, served to institutionalize community expectation of citizen "oversight' of their local government. The constitutional precept of direct accountability of local government to its citizens was a major theme of the deliberations of the 1972 Constitutional Convention delegates who crafted the Voter Review section of the new constitution.[9] From our present vantage point, the continuing voter interest in local government review manifested by the results of the 1994 elections seems to validate the durability of that precept. Moreover, the demonstrated and sustained ability of the electorate to pick and choose among the remarkably complex ballot options they have confronted in the voting booth seems also to affirm the Con-Con delegate's confidence in the good sense of the people to fashion a local government that meets local needs. The success of the two consolidation charters in Butte-Silver Bow and Anaconda-Deer Lodge in 1976, in comparison with the failure of the Missoula County-Missoula consolidation proposal in 1976 and the Custer County-Miles City consolidation proposal in 1996 seem to make that point decisively. Whatever changes in their local government a study commission may believe is in the best interest of the community, a local government reform proposal must still meet the acid test of voter approval.

So too the ability of the voters to discriminate with respect to the suitability and feasibility of adopting the manger form of local government offers strong evidence of the pervasive common sense of Montana's voters. No less than 58 proposals to change to some version of the commission-manager form of government have been placed on the ballot by county or municipal study commissions during the three rounds of Voter Review. Eight have been approved by the voters and one (Miles City) was subsequently reversed by local voters. In short, it would be difficult to sustain the argument that, after three rounds of Voter Review, Montana's voters are any less capable of voting *No* in deciding local issues than they are when deciding statewide ballot measures.

THE COST OF VOTER REVIEW

Whereas the first round of Voter Review was funded primarily by legislative appropriation[10], the second and third rounds were funded entirely by local property taxes appropriated by those local governments undergoing the review process. During the 1984-86 review process, a local government undergoing review was required by law to appropriate *not less* than the value of 1 mill for each of as many as three fiscal years in support of their local study commission. Any unspent funds simply reverted to the general fund cash reserves of the local unit of government. However, state law was amended in 1991 to provide that an appropriation is required only in an amount necessary to fund the study *not to exceed* 1 mill.[11] While a few local governments were apparently reluctant to provide funding of any kind for use by their study commission, most complied with the letter and sprit of the new law and appropriated adequate, if not ample, resources to fund the review of their government. Because study commissioners serve without compensation, few if any of the government review commissions were disabled because of insufficient funding and, as detailed below, most in fact spent much less than half of their total appropriation.

County Costs:

In aggregate, the 33 counties undergoing Voter Review spent approximately $457,356 during the entire three fiscal years of the review process. This amount was 25% of the cumulative, statewide county appropriation for Voter Review during the entire three year process of Voter Review. The average county study commission expenditure during the entire process was $13,859 which varied in a range between a high of $54,744 for Lewis and Clark County to a low of $307 for Granite County. In general, county study commission costs varied directly as a function of county classification.[12] The study commissions in the 8 Class I counties undergoing review averaged $33,592 whereas the 5 Class 5 counties experienced average costs of only $5,823. The only Class 6 or Class 7 county to undergo review was Mineral County which incurred review expenses in the amount of $12,797 and was therefore the sole exception to the general cost trend.

The per capita costs borne by the taxpayers in those counties which voted for voter review was about 64 cents for the entire three year period and approximately $1.37million in unused spending authority was returned to bolster the general fund balances of the 33 counties involved.

Municipal Costs:

The 77 municipal study commissions spent an aggregate three year total of approximately $236,623 which comprised about 39.4% of the total three year municipal appropriation of $600,359 for local government review. Even though the average municipal study commission spent $3,433 during the three years of the review process, 49 municipal study commissions (64%) spent less than $1,000 during the entire three years. Excluding the 11 municipal study commissions who reported no expenditure of public funds, the range of expenditures extended from a high of $54,086 spent by the Bozeman Study Commission to a low of $36 spent by the Glasgow Study Commission. As with the counties, the average study commission expenditure varied directly with municipal classification. The 7 Class 1 cities spent an average of $24,390 on Voter Review while the smallest and most numerous units of Montana municipal government spent a three year average total of only $539 to review their respective "town" governments. Class 2 cities spent a three year average of $4,182 and Class 3 cities spent an average of $1,266 during the entire review process.

The per capita costs borne by the municipal taxpayers in those cities and towns which voted to review their local government was 60 cents for the entire three year period In aggregate, more than $363,00 or just over 60% of the total three year municipal spending authority was returned to the general fund reserves of the 77 participating cities and towns.

Costs and Outcomes:

To determine whether their was any relationship between the amount of money spent by a study commission and the success of the resulting ballot proposal an average study commission cost was calculated for each class of county and municipal government. We then ranked each study commission in terms of their standing above or below the average for their classification. The resulting cost ranking of each study commission was then correlated with the success or failure of its ballot proposal. The results suggest that those study commissions which spent *more* than the class average had a significantly *higher* success rate than those which spent less than the average. This relationship was significantly stronger for county study commissions than for municipal study commissions.[13] Overall, those study commissions which expended more than their classification average experienced a 46% success rate whereas those which spent less than the average realized a 33% success rate.

Table 1: Success of Proposals and Study Commission Expenditures

Study Commissions Which Spent:	Proposals Passed	Proposals Failed	Totals
More Than Class Average	16 (46%)	19 (54%)	35
Less Than Class Average	6 (33%)	12 (66%)	18
Totals	22	31	53

Source: Local Government Center, MSU-Bozeman

CHARACTERISTICS AND PERCEPTIONS OF THE STUDY COMMISSIONERS

To document the characteristics of the study commissioners and, more importantly, to learn their sense of the value of the Voter Review process, we conducted a survey of all elected and appointed study commissioners at the beginning of the process and again at its conclusion.
A survey instrument comprised of some 13 items, 11 of which sought respondent characteristics and two of which elicited the respondent's assessment of the Voter Review process, was mailed to all study commissioners in December 1994 and again in November 1996. A total of 299 responses were received from the first survey and 248 were returned from the second survey.
Study Commissioner Characteristics: The reported characteristics of the responding study commissioners are summarized in Table 2, below.

Table 2: Study Commissioner Respondent Characteristics

Characteristic (1994)	Distribution (N = 299)
Elected or Appointed	elected = 263 (88%) appointed = 36 (12%)
County or Municipal	county = 117 (40%) municipal = 179 (60%) 3 missing
Gender	male = 200 (67%) female = 99 (33%)
Age	34 or younger =18 (6%); 35-64=209 (71%); 65 or older = 69 (23%);
Length of Residence	20 yrs or less = 62 (21%); 21-50 yrs = 153 (51%); 51+ yrs = 84 (28%)
Education	no degree = 138 (47%); college degree = 70 (23%); grad work = 91 (30%)
Employment Situation	full time = 165 (56%); retired = 73 (25%); other = 58 (19%); 3 missing
Previous Elected Office	yes = 96 (32%); no = 200 (68%); 3 missing
Attention to Local Govt.	great deal =249 (84%); some = 30 (10%); not much 17(6%); 3 missing
Political Orientation	liberal = 21 (7%); moderate = 207 (70%); conservative = 67 (23%); 4 missing

Source: Local Government Center, MSU-Bozeman

In comparing these characteristics with the population of the state at large we note that 50.5% of Montanans were reported as female in the 1990 census, yet only 33% of the responding study commissioners were female. Similarly, about 24% of the state's population was under the age of 35 but only 6% of the study commissioners fell in that age group, whereas 71% of the study commissioners were between the ages of 35-64 as compared to only 34% of the population at large. The age group over 65 comprise only 13% of the state population but 23% of the study commissioners. In short, study commissioners tended to be significantly older than the population at large. Study commissioners also had much more formal education than the general population. As noted in Table 2, fully 53% of the responding study commissioners had achieved at least a bachelors degree, including the 30% who had pursued some level of graduate education. By comparison, the 1990 census reports that only 19.8% of the population at large had completed the baccalaureate degree, including the 5.7% with some level of graduate education.

As to employment status, we note that 56% of the study commissioners were full time employed persons which approximates the reported employment status of 58% for Montanans over the age of 18. The fact that 25% of the study commissioners were retired can perhaps best be compared to the percentage of the state's population age 65 or older which was reported at about 13%. Thus, retired persons were a bit over represented among study commissioners, no doubt for obvious reasons. What is perhaps surprising is the substantial number of full time employed citizens who were nevertheless willing to serve in the uncompensated and time consuming, civic service role as a study commissioner.

In general, the characteristics of this most recent "class" of study commissioners do not differ markedly from the characteristics reported for the first study commission class of 1974.[14] There was a slightly higher percentage of women among the most recent group of study commissioners (33.3% as compared to 29.4% in 1974) and study commissioners were both somewhat older (23% over the age of 65 as compared to 14.4% in 1974) and better educated (53% with a college degree as compared to 48% in 1974). Neither the lengthy period of residence reported by a majority of study commissioners in both classes nor their moderately conservative political orientation differed significantly between the 1974 and 1994 classes of study commissioners.

Study Commissioner Assessment:

The two most important findings from the survey of study commissioners concerned study commissioner perceptions of needed change in the unit of government under study and, secondly, their assessment of the value the Voter Review process itself.

Need for Change in Local Governments. It is indeed noteworthy that at the outset of the Voter Review process in 1994, 76% of the study commissioners surveyed felt that some change in the form or structure of their local government was needed. This finding was replicated at the completion of Voter Review in 1996 when our follow-up study commissioner survey found that 77% of them reported the same need for change. Moreover, fully 20% of the 1996 study commissioner respondents felt that their unit of local government required "major changes", as distinct from "moderate" (25%) or "minor" (32%) changes. This felt need for "major" change in the local government's form or structure actually increased following the completion of the two year study period in as much as the 1994 survey reported only 15% of the study commissioners seeing the need for "major" change in their unit of local government.

The only two characteristics of the study commissioners which seem to be associated with the felt need for change in local government were: (1) *county vs. city study commissioner;* and (2) the degree of *attention paid to local government and politics:*

(1) County study commissioners surveyed following the completion of the review process were significantly more inclined to report a felt need for change in their unit of county government than their municipal counterparts were to report a need for change in their unit of city or town government. In fact, 89% of the county study commissioners felt a need for some change in their county government whereas 69% of their municipal counterparts reported a need for some change in municipal government. [15]

(2) Those county and municipal study commissioners who reported that they paid the greatest attention to local government and politics also reported significantly greater need for change in the form or structures of their local government.[16]

The fact that no other study commissioner characteristic, including gender, age, education, previous elected office or political orientation, appears to be associated with the felt need to make changes in local government suggests that those who sought to play a roll in the Voter Review process probably pay close attention to community affairs and may well have sought the role of study commissioner with an expectation of precipitating change in the government under study. One might also reasonably infer from these data that the Voter Review process itself may well serve as an important local government recruitment and learning mechanism for those citizens in any community who are especially attentive to civic affairs.

Value of Voter Review Process. When asked how important the local government review process is, 91% of the study commissioners reported in 1994 that they believed Voter Review was either "worthwhile" or "very worthwhile". This compelling validation of the constitutionally mandated review process declined somewhat by the end of the two year study period to 84% while the percentage of those study commissioners who thought the process was a "waste of time and money" rose from a scanty 2% in 1994 to 10% in 1996. The only study commissioner characteristic which was associated with their assessment of the worthwhileness of the review process was the education level of the study commissioners. Higher levels of education were significantly and positively associated with the reported value of the voter review process[17]. Those with higher levels of formal educational were more likely to believe that Voter Review was worthwhile.

In summary, the survey of study commissioners elected and appointed to conduct the third round of Voter Review reveals that they differ only modestly in the demographic or social characteristics of their predecessors in 1974. The survey results also indicate that 1994 study commissioners are attentive observers of local government who recognized the need for some change in their units of local government, notably county government. They also reported an overwhelming level of support for the Voter Review process itself which, we believe, validates the expectations of those who created the process and embedded it in the 1972 Montana State Constitution.

Attachment 1.

LOCAL GOVERNMENT REVIEW
1994-1996
COMPLETED STUDIES
Prepared by Local Government Center, Montana State University, Bozeman

County Study Commission Proposals and Election Results

(Bolding indicates proposal was adopted.)
(C) = Charter

County	Existing Form	Vote for Existing Form	Vote for Proposed Form	Proposed Form
Anaconda/Deer Lodge	**Com Ex (C)**			**Amend Charter**
		1,751	**2,906**	**Term limits for appt. boards**
		2,542	2,242	Give veto power to executive
		2,270	**2,363**	**Eliminate community councils**
		2,098	**2,647**	**Partisan to nonpartisan co. attn.**
		1,244	**3,561**	**Duties defined - police chief**
Beaverhead	Com		No election	
Big Horn	**Com**			**Amend Com**
		1,517	**2,152**	**Nonpartisan elections**
Blaine	Com		No election	
Broadwater	**Com**			**Amend Com**
		649	**888**	**Nonpartisan elections**
Butte/Silver Bow	**Com Ex (C)**			**Amend Charter**
		4,093	**7,804**	**Delete archaic language**
		6,957	5,510	Retain or eliminate auditor
		7,210	5,198	Retain or eliminate assessor
		6,679	5,653	Retain or eliminate supt. of schools
		7,404	4,983	Retain or eliminate public administrator
Carbon	**Com**			**Amend Com**
		2,052	**2,071**	**Nonpartisan elections**
Cascade	Com	19,642	12,886	Mgr (C)
		8,321	23,033	Nonpartisan elections
Custer	Com	3,780	1,337	City/County consolidation Charter
Dawson	Com	3,130	1,221	Mgr (C)
Fergus	**Com**	**1,220**	**1,880**	**Com (C)**
		1,110	**1,590**	**Create community councils**
		561	**2,311**	**Term limits - advisory boards**
Flathead	Com	29,177	19,177	Mgr (C)
Gallatin	Com	15,408	10,727	Amend Com
		9,778	15,502	Districted elections
		11,484	13,928	Appoint the surveyor
		10,332	15,364	Appoint the coroner
Glacier	Com		No election	
Granite	Com		No election	
Hill	Com		No election	
Jefferson	**Com**			**Amend Com**
		1,153	**1,398**	**Nonpartisan elections**
		1,117	**1,454**	**Combine sheriff/coroner**
		1,010	**1,548**	**Combine pub. admin/co. attn.**
		1,303	1,272	Combine supt./clerk & recorder

Lake	Com		No election	
Lewis & Clark	Com	7,844	5,903	Charter
		8,843	4,114	Elected or appointed executive
		3,817	8,998	Partisan or nonpartisan elections
Lincoln	Com	2,848	1,538	Com (C)
		945	2,972	Partisan or nonpartisan elections
Madison	**Com**			**Amend Com**
		744	**1,358**	**Nonpartisan elections**
		1,113	**1,119**	**At large or districted elections**
		1,707	526	4 or 6 year terms - commissioners
Mineral	Com	934	578	Com (C)
Musselshell	Com		No election	
Park	Com		No election	
Pondera	Com	1,716	899	Amend Com
		733	1,745	Nonpartisan elections
		356	2,217	Four year commissioner terms
Powell	Com		No election	
Ravalli	Com	4,880	2,974	Com (C)
		1,428	4,720	Partisan or nonpartisal elections
		3,327	3,615	3 or 5 commissioners
Richland	Com	2,619	1,387	Mgr (C)
Rosebud	Com	1,777	1,747	Amend Com
				Nonpartisan elections
Stillwater	Com	1,255	572	Alternative Com
Teton	Com	2,133	1,349	Mgr (C)
Toole	Com	1,546	820	Mgr (C)
Yellowstone	Com	32,236	17,348	Com (C)

Attachment 2

LOCAL GOVERNMENT REVIEW
1994-1996
COMPLETED STUDIES
Prepared by Local Government Center, Montana State University, Bozeman

Municipal Study Commission Proposals and Election Results

(Bolding indicates proposal was adopted.)
(C) = Charter

Municipality	Existing Form	Vote for Existing Form	Vote for Proposed Form	Proposed Form
Alberton	Com Ex	53	26	Com Ch
Bainville	Com Ex		Study commission not appointed	
Baker	Com Ex		No election	
Belt	Com Ex		No election	
Billings	**Mgr (C)**	**4,143**	**11,896**	**Amend Charter**
Boulder	Com Ex		No election	
Bozeman	Mgr	5,836	4,109	Mgr (C)
Bridger	Com Ex		No election	
Brockton	Com Ex		Study commission not appointed	
Browning	Com Ex		No election	
Cascade	Com Ex		No election	
Chinook	Com Ex		No election	
Choteau	Com Ex		No election	
Circle	Com Ex (C)		No election	
Clyde Park	Com Ex		No election	
Columbus	Com Ex		No election	
Conrad	Com Ex		No election	
Cut Bank	Com Ex			Amend Com Ex
		746	704	At-large elections
Darby	**Com Ex**	**131**	**141**	**Com Ex (C)**
		167	**80**	**Increase council to 5**
		165	**86**	**Mayor's term 2 years**
		145	**106**	**Elect new council**
Deer Lodge	Com Ex		No election	
Dillon	**Com Ex**	**657**	**974**	**Com Ex (C)**
		406	**1,180**	**Partisan v. nonpartisan elections**
Drummond	Com Ex	72	62	Town Meeting (C)
East Helena	Com Ex		No election	
Ennis	**Com Ex (C)**			**Amend Charter**
		156	**231**	**Require notice of election**
		161	**248**	**Advisory board members town residents**
		182	**237**	**Town employees town residents**
Fairfield	Com Ex		No election	
Fairview	Com Ex		No election	
Forsyth	**Com Ex**	**366**	**569**	**Com Ex (C)**
Fort Benton	**Com Ex**	**322**	**326**	**Amend Com Ex**
				Self government powers
Fromberg	Com Ex		No election	

Geraldine	Com Ex		No election	
Glasgow	Com Ex		No election	
Glendive	Com Ex		No election	
Great Falls	**Mgr (C)**			**Amend Charter**
		16,767	7,697	4 or 6 commissioners
		14,609	10,442	2 or 4 year term - mayor
		7,682	**15,775**	**Create community councils**
Hamilton	Com Ex	471	363	Com Ex (C)
Hardin	Com Ex	676	325	Com Ex (C)
		282	629	Partisan v. nonpartisan elections
Harlem	Com Ex		No election	
Harlowton	Com Ex		No election	
Havre	Com Ex	1,578	802	Mgr (C)
		777	1,438	Partisan or nonpartisan elections
		1,065	1,248	Employees live in city
Helena	**Mgr (C)**			**Amend Charter**
		2,666	**3,541**	**Change preamble**
		2,491	**4,581**	**Eliminate cap on property taxes**
		2,607	**4,771**	**4 year term for mayor**
		3,141	**3,250**	**Edit language community councils**
		2,435	**3,318**	**Delete transition language**
Hysham	Com Ex		No election	
Joliet	Com Ex		No election	
Judith Gap	Com Ex		Study commission not appointed	
Kalispell	Mgr	3,044	1,924	Mgr (C)
		2,849	1,910	8 or 4 council members
		2,830	1,987	Districted or at large elections
		2,778	1,906	Cap property taxes or not
Kevin	Com Ex		No election	
Laurel	Com Ex	1,483	1,231	Com Ex (C)
Lewistown	**Com Ex**	**615**	**1,020**	**Mgr (C)**
Libby	Com Ex (C)		No election	
Livingston	Mgr	1,492	1,390	Mgr (C)
Lodge Grass	Com Ex		Study commission not appointed	
Malta	Com Ex		No election	
Miles City	Com Ex	3,780	1,337	City /County Consolidation Charter
Missoula	**Com Ex**	**3,956**	**5,080**	**Com Ex (C)**
		2,717	**6,264**	**Partisan or nonpartisan elections**
		3,188	**5,803**	**Create community councils**
Pinesdale	**Com Ex**	**70**	**136**	**Town Meeting (C)**
Polson	Com Ex	753	739	Mgr
Poplar	Com Ex		Study commission not appointed	
Red Lodge	Com Ex	276	241	Amend Com Ex At large elections
Rexford	**Com Ex**	**6**	**34**	**Amend Com Ex At large elections with 3 council members**
Richey	Com Ex		No election	
Ronan	Com Ex		No election	

Roundup	Com Ex		No election	
St. Ignatius	Com Ex		No election	
Scobey	Com Ex		No election	
Shelby	Com Ex	967	384	Com Ex (C)
Sidney	Com Ex		No election	
Stevensville	**Com Ex**		**Amend Com Ex**	
		124	**192**	**Partisan or nonpartisan elections**
		228	85	Districted or at large elections
Sunburst	Com Ex (C)		No election	
Superior	**Com Ex**	**32**	**35**	**Com Ex (C)**
Terry	Com Ex		No election	
Three Forks	Com Ex		No election	
Thompson Falls	Com Ex		No election	
Twin Bridges	Com Ex		No election	
Valier	Com Ex		No election	
Virginia City	Com Ch		No election	
Walkerville	Com Ex		No election	
West Yellowstone	Mgr (C)		No election	
Whitefish	Mgr (C)		No election	
Wibaux	Com Ex		No election	
Winnett	Com Ex	56	53	Com Ch (C)
Wolf Point	Com Ex		No election	

Attachment 3

MONTANA LOCAL GOVERNMENT CHARTERS

Prepared by Local Government Center, Montana State University, Bozeman

The number of local government charters has gradually increased since the legislature authorized their creation in 1976. Most local government charters have been created by study commissions during the local government review process. This traces the history of the development of these charters.

Local Government Review Period	County	City
1974 - 1976	Anaconda/Deer Lodge Butte/Silver Bow Madison*	Billings Bridger Circle Ennis Helena Poplar* Sunburst
1984 - 1986	None	Belgrade Great Falls
1994 - 1996	Fergus	Darby Dillon Forsyth Lewistown Missoula Pinesdale Superior

* These jurisdictions have since abandoned their charter form.

Charter governments may also be approved by the voters outside of the local government review process. The following cities in addition to those mentioned above have adopted charter forms of government: Libby, Troy, West Yellowstone, and Whitefish.

Twenty charters have been adopted during the local government review process. Two charters have been abandoned. Four charters have been adopted outside the review process. At the conclusion of the Local Government Review process in 1996, there are currently 22 charter governments in Montana.

Endnotes

1. The first round of Voter Review in 1974-76 required that all Montana counties and incorporated cities and town had to elect study commissions to undertake the review process. A 1978 constitutional amendment altered the mandatory Voter Review process to require only that each local jurisdiction conduct an election every ten years starting in 1984 to determine whether to undertake the review process and to elect a study commission to do so. See 7-3-173, MCA.

2. The two consolidated counties of Anaconda-Deer Lodge and Butte-Silver Bow are included here as counties to avoid double counting the results of these two jurisdictions, both of which conducted the Voter Review process in 1994-96.

3. See **Montana Local Government Review 1994 - 1996: Study Commission Handbook**, Local Government Center, Montana State University-Bozeman (1994) for a list of all elected and appointed study commissioners and ex-officio members.

4. See "Pacific Northwest Survey of State Government Issues: 1994", (February 1995) conducted by mail during the Fall and Winter of 1994 by the Division of Governmental Studies and Services, Washington State University; The Program for Governmental Research and Education, Oregon State University; and the Local Government Center, Montana State University for comparative attitudes of respondents in Montana, Oregon, and Washington toward national, state and local government.

5. The boundary selected to differentiate eastern from western counties is defined by the western boundary of Blaine County southward following the western boundaries of Fergus, Wheatland, Sweet Grass and Carbon counties. As a result, the 28 counties to the east of this line literally are the eastern most counties and those 28 counties to the west are literally the western most counties, irrespective of any crosscutting economic, political, cultural or physiographic affinities.

6. We note that the ballot language in Missoula County departed somewhat from the statutory guidelines so as to include the anticipated property mill levy required to fund the Voter Review process. The measure was narrowly defeated by a vote of 5,743 to 5,434.

7. See James J. Lopach and Lauren S. McKinsey, "Montana Local Government Review: Reflections on Product and Process", **National Civic Review**, July 1977, pp. 339-345 for a summary of the results of the first round of Voter Review. See also Kenneth L. Weaver and Judith A. Mathre, **Montana's Voter Review of Local Government: A Summary of the Results of 1976 and 1986"**, (Bozeman: Local Government Center, Montana State University, 1988) and James J. Lopach, "Voter Review of Local Government", **National Civic Review**, November-December 1987, pp. 501-503.

8. Only six study commissions failed to schedule the mandatory election and to complete the review process by placing a choice on the ballot enabling the voters to choose between the present form and a proposed alternative. Lopach, 1977, p.341.

9. See Lopach and McKinsey, "Montana Local Government Review: How It's Shaping Up", **National Civic Review**, September, 1975, pp.393-395 for an analysis of the constitutional origins of the Voter Review provision of the 1972 Constitution.

10. Lauren S. McKinsey and James J. Lopach, "A State Mandates Local Government Review: The Montana Experience", Institute of Government Affairs, University of California-Davis, January 1979, p.11.

11. See 7-3-184(2), MCA.

12. It is important to note that the Montana county classification system is based upon taxable value and not upon population. However, Montana municipalities do base classification upon population.

13. The relationship between spending and ballot success was significant at the .05 level for combined county and municipal outcomes (X2 = 5.47). For county study commissions the relationship was significant at the .001 level (X2 = 13.89), and for municipalities at the .10 level (X2 = 3.21).

14. See Peter Koehn and James J. Lopach, "Profile of Montana Local Government Study Commissioners", Bureau of Government Research, University of Montana, 1976. There were no survey data collected from the study commissioners elected in 1984.

15. The difference between county and municipal study commissioners perceptions of needed change in their unit of local government was significant at the .001 level (X2 = 19.068).

16. The relationship between the respondents' reported degree of attention paid to local government and the perception of needed change in local government was significant at the .001 level (X2 = 39.101). No other study commissioner characteristic achieved the .05 level of statistical significance.

17. The relationship between the level of formal education of the study commissioners and their assessment of the worthwhileness of the Voter Review process was significant at the .01 level of statistical significance (X2 = 37.444).

MONTANA
Policy Review

FISCAL IMPACTS OF ALTERNATIVE DEVELOPMENT PATTERNS: BROADWATER AND GALLATIN COUNTIES

Mark Haggerty
Greater Yellowstone Coalition

INTRODUCTION

The Greater Yellowstone Region is one of the fastest growing rural areas in the country. The twenty counties that make up the ecosystem grew in population by over 12% from 1990 to 1996, while individual counties grew by as much as 50%[1]. As staggering as these statistics are, they are becoming commonplace around the Rocky Mountain West. The real impacts of growth however, are not just in the numbers. We are finding that the *pattern* of development may have the largest impact on local communities, economies and environments. While growth rates and statistics may seem irrelevant, rush hour traffic, loss of farmland and rising property taxes remind us of the very real impacts of growth.

One major impact is clear: poorly planned growth stresses taxpayer and community budgets. This report is the first in a two part series examining the cost implications of alternative growth patterns. This paper details two fiscal impact studies completed in Gallatin and Broadwater Counties in Southwest Montana. In both studies, the findings are clear: farmland and open space provide local governments with a surplus of revenue from property taxes and other revenue sources while residential development drains local government coffers. In fact, studies completed around the country show the same trend: residential land and property demands from $1.02 to $3.25 in facilities and direct services for every dollar contributed in revenue. Agricultural, commercial and industrial land and property on the other hand, only demand on the order of seven to seventy-nine cents from the local government for every dollar provided in tax revenue.

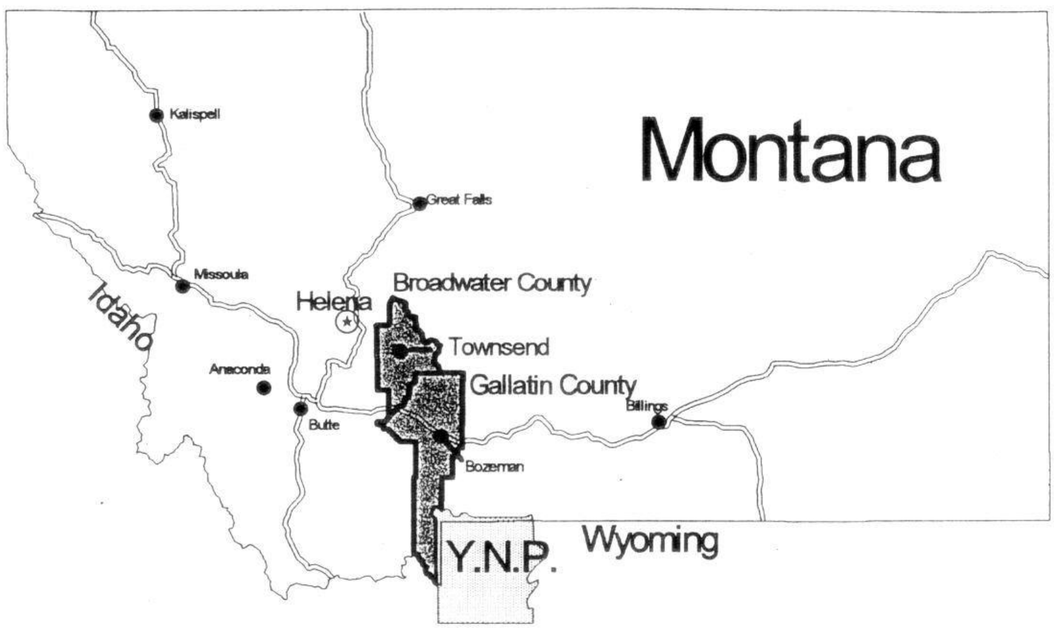
This paper details two fiscal impact studies completed in Gallatin and Broadwater Counties in Southwest Montana. In both studies, the findings are clear: farmland and open space provide local governments with a surplus of revenue from property taxes and other revenue sources while residential development drains local goverment coffers.

Further, communities that have proportionately more agricultural land making up their tax base also have *lower* tax rates. This is contrary to the conventional thinking that expanding the tax base by converting agricultural land to urban uses lowers taxes. The increase in revenue comes with a cost, the high cost of new services. Agricultural land helps offset the costs of residential services and keeps taxes down. Industrial and commercial property also provide a surplus of revenues, but the associated residential development likely offsets the cost benefits of these land uses.

But the problem is not as simple as farmland versus residential land. Growth is not intrinsically bad and when done properly it can add value to communities without unduly raising taxes. There is an expanding body of research that suggests patterns of development that avoid low density, single use, dispersed development and maintain agricultural land help keep the cost of public facilities and services down. The question Westerners should be asking is not whether to grow, but *how* to grow. To begin an exploration of this question this shortened version of the final report is presented in two parts.[2] The first part describes the fiscal impact studies completed in Gallatin and Broadwater Counties and the second interprets the results and compares the findings with similar studies around the country.

GALLATIN AND BROADWATER COUNTY FINDINGS

A fiscal impact study was completed for Gallatin County in 1996 by the Greater Yellowstone Coalition and the Local Government Center at Montana State University in Bozeman[3]. Broadwater County was chosen for a second study to compare a relatively rural county with more developed Gallatin County. Gallatin County has a population of over 60,000 and is experiencing tremendous growth pressures. Broadwater County's population is only 3,800 and it is still very agricultural. Its small pleasant communities and access to outdoor recreation opportunities make it a desirable place to live. It too is experiencing increasing growth pressures.



This study, commonly known as a "cost of services" study, determines the fiscal impacts of land use on the county government and school districts. This is accomplished by reorganizing local financial data to show the demand for services by different land uses in each county. This study follows a methodology defined by the American Farmland Trust to help communities quantify the difference between annual income and the expense of providing services[4].

The five main steps involved are:

1) Defining land use categories
2) Collecting Data
3) Allocating revenues to land use categories
4) Allocating expenditures to land use categories
5) Calculating land use ratios.

The fiscal impact studies in Southwest Montana described in this report focus only on county government and school district services. Municipal government services and special district services such as fire districts, lighting districts, and capital improvement districts are not included in this analysis. The rest of this section details the five steps listed above.

DEFINING LAND USE CATEGORIES

Four land use categories were identified based on those suggested by the American Farmland Trust. They were adapted for this report using the State of Montana's property tax class-code report and interviews with local officials. The land use categories are defined as follows:

Residential: Property used as dwellings including houses, mobile homes, apartments, and farm houses. All forms of residences are included in this category based on the *type* of services they demand, and no distinction is made between the *amount* of services different kinds of residential developments demand or about the occupations of those who live in them.
Commercial: Property actively used for business purposes other than agricultural or forestry. Includes railroads and utilities based on the state of Montana's property tax class code definitions.
Industrial: Property actively used for wholesale production.
Agricultural and Open Space: Farm and range lands, designated forest lands, open lands, property used for recreational purposes, and unimproved (undeveloped) tract land.

The commercial and industrial land use categories were combined in the Broadwater County study.

DATA COLLECTION

Nearly all of the data collected came from just four sources in each county. They are the County Property Class Code Report, the County Revenue Status Report, County Expenditure Preparation Worksheets and School District Trustees Reports. Other data sources came from interviews with local officials and from the State Department of Revenue.

ALLOCATING REVENUES TO LAND USE CATEGORIES

The heart of this study is the allocation of revenues and expenditures to the land use categories.

Revenues are grouped into six revenue categories that reflect the main sources of revenue for both the county government and school districts. They are:

1) Property Taxes
2) Licenses and Permits
3) Intergovernmental Transfers
4) Charges for Services
5) Fines and Forfeitures
6) Miscellaneous Revenues

Property is classified by use in the Property Class Code Report and was allocated to the appropriate land use category. For example, class 03, code 1101 property is defined as Tillable Irrigated Land and was allocated to the agricultural and open space land use category. Class 04, code 2107 property, defined as Commercial Tract Land was allocated to the commercial land use category. Actual property tax revenues were simply allocated to land use categories at the same proportion as taxable value.

It was expected that Broadwater county, being more rural in character, would have a larger proportion of its tax base in agricultural land and have a smaller proportion in residential land than Gallatin County. However, the commercial and industrial category is proportionally higher in Broadwater County because of several large industrial sites.

All other revenues were allocated to land use categories based on the direct source of the revenue. For example, revenue from poker machine licenses and concealed weapon permits were allocated to the commercial and residential land use categories respectively. Revenue from restaurant inspection charges were allocated to the commercial land use category, and revenue from a fine for prosecuting a home burglary was allocated to the residential land use category.

Schools receive income from the same revenue categories as the county government with a few exceptions. The school districts receive state and county equalization property tax revenues and state aid to transportation. These revenues are generated from property tax state-wide and redistributed to the counties. These revenues were allocated to land use categories at the same proportions as other property tax revenues.

Some intergovernmental transfers such as the corporate license tax were attributable to land use categories and were allocated to the appropriate land use category. However, revenues that both the county and schools receive as transfer payments from state and Federal governments not generated in the county were not considered revenues attributable to a land use category and were left out of this analysis. This was done so that the land use categories were not unfairly biased and so that transfer payments don't mask the contributions of county revenue sources. To balance the omission of transfer revenues, an equal amount of expenditures were left out of the analysis.

Some county revenues, such as miscellaneous and prior period revenues, could not be attributed to a land use category. In these cases, fall-back percentages were used to allocate revenues to land use categories. Fall-back percentages simply allocate revenues to land use categories at the same proportion as taxable value.

Tables 1 and 2 show total revenues for the county government and school districts in Gallatin and Broadwater Counties.

Table 1. Total County and School District Revenues, FY 1994, Gallatin County, MT.

	Ag/Open	Residential	Industrial	Commercial	Total
Property Tax	$692,608	$4,061,193	$179,929	$1,554,663	$6,488,393
Licenses & Permits	$1,856	$521,743	$246	$48,562	$572,407
Intergovernmental	$20,596	$177,768	$50,899	$370,978	$620,241
Charges For Services	$84,080	$3,496,905	$26,702	$319,680	$3,927,367
Fines & Forfeitures	$9,477	$111,482	$3,459	$173,797	$298,215
Miscellaneous	$55,606	$227,700	$15,809	$96,370	$395,485
Education	$2,874,712	$17,332,733	$1,707,294	$8,334,294	$30,249,033
Total	**$3,738,935**	**$25,929,524**	**$1,984,338**	**$10,898,344**	**$42,551,141**
Percent	**8.79%**	**60.94%**	**4.66%**	**25.61%**	

Source: Gallatin County Revenue Status Report, FY 1994; School District Trustees Reports, FY 1994.

Table 2. Total County and School District Revenues, FY 1996, Broadwater County, MT.

	Ag/Open	Residential	Comm/Ind	Total
Property Tax	$178,710	$239,220	$479,059	$896,989
Licenses & Permits	$8,631	$35,907	$5,140	$49,678
Intergovernmental	$12,801	$40,235	$92,425	$145,461
Charges For Services	$13,271	$65,462	$50,368	$129,101
Fines & Forfeitures	$11,949	$13,387	$32,166	$57,502
Miscellaneous	$98,873	$64,483	$266,525	$429,881
Education	$608,051	$621,479	$1,644,114	$2,873,645
Total	**$932,286**	**$1,080,173**	**$2,569,797**	**$4,582,257**
Percent	**20.4%**	**23.6%**	**56.0%**	

Source: Broadwater County Revenue Status Report, FY 1996; School District Trustees Report, FY 1996.

These data show that 60% of all revenues in Gallatin County accrue from residential land while 26%, 9% and 5% accrue from commercial, agricultural and industrial land and property respectively. In Broadwater County, 56% of all revenues come from commercial and industrial property, 24% from residential property, and 20% from agricultural property.

ALLOCATING EXPENDITURES TO LAND USE CATEGORIES

Expenditures are grouped into six expenditure categories reflecting the major public service categories. They are:

1) General Government
2) Public Safety
3) Public Works
4) Social Services
5) Debt Service
6) Education

Expenditure data were taken from county expense summary worksheets and school district trustees reports. Most expenditures are made to provide services directly to certain land use categories.

In these cases the allocation of expenditures is straightforward. For example, health and education services are residential services. Other expenditures were harder to allocate, and in some cases no allocation could be made. For example, general government expenditures for the commissioners could not be allocated to a land use category. In these cases, expenditures were allocated using fall-back percentages that allocate expenditures to land use categories at the same proportion as revenues. In the case of the commissioners, revenues come from the general fund, so the expenditures were allocated to land use categories at the same rate that the general fund revenues were allocated. This insures that no land use category is unfairly biased when no determination can be made.

Public safety services include the sheriff's department, search and rescue, civil defense and the county coroner. The sheriff's department expenditures were allocated to land uses based on a review of incident reports, ticketing data and interviews with sheriffs department officials. Allocations were made after determining what percentage of activities were attributable to each land use category and based on employment figures. For example, a burglary or trespass at a business was considered commercial, domestic abuse was considered residential, and livestock or agricultural equipment damage was considered agricultural. It was found that much of the sheriff's budget is spent protecting homes and businesses.

Public works consist of road, bridge and noxious weed services among others. Neither Gallatin nor Broadwater counties keep records of road use by the categories we are looking for, essentially agricultural vs. commercial vs. residential use. Additionally, some of the road use is attributable to out of county users. For these reasons, no land use allocations could be made for road and bridge expenditures. Half of the noxious weed expenditures were allocated to the agricultural land use category to recognize that agriculture reaps many of the direct benefits of spraying. The remainder were allocated using fall-back percentages to recognize that other land uses benefit as well, and some expenditures are made for education and activities other than spraying.

Social services include health services, social and economic services, and culture and recreation. Most of the social services were allocated to the residential land use category, but some services were allocated to other land use categories. For example, restaurant inspections and some extension agent services were allocated to the commercial and agricultural land use categories respectively. Debt service expenditures were made in Gallatin County to retire bonds for the county rest home and detention center. Tables 3 and 4 detail the total expenditures in Gallatin and Broadwater Counties.

Table 3. Total County and School District Expenditures, FY 1994, Gallatin County, MT.

	Ag/Open	Residential	Industrial	Commercial	Total
General Government	$267,994	$2,527,584	$53,522	$918,167	$3,767,267
Public Safety	$162,095	$1,778,180	$32,084	$524,293	$2,496,652
Public Works	$272,511	$1,169,360	$56,720	$362,380	$1,860,971
Social Services	$206,663	$4,204,305		$96,772	$4,507,740
Debt Service	$9,647	$257,700	$6,208	$35,903	$309,458
Education		$27,587,343			$27,587,343
Total	**$918,910**	**$37,524,472**	**$148,534**	**$1,937,515**	**$40,529,431**
Percent	**2.27%**	**92.59%**	**0.37%**	**4.78%**	

Source: Gallatin County Expenditure Preparation Worksheets, FY 1994; Gallatin County Expense Summaries, FY 1994; Gallatin County School District Trustees Reports, FY 1994.

Table 4. Total County and School District Expenditures, FY 1996, Broadwater Co., MT.

	Ag/Open	Residential	Comm/Ind	Total
General Government	$87,237	$211,100	$275,999	$574,336
Public Safety	$82,295	$149,645	$224,092	$456,032
Public Works	$104,469	$104,357	$268,846	$477,672
Social Services	$18,870	$207,407	$11,826	$238,103
Education		$2,842,836		$2,842,836
Total	**$292,871**	**$3,515,345**	**$780,763**	**$4,588,979**
Percent	**6.38%**	**76.60%**	**17.01%**	

Source: Broadwater County Expense Summaries, FY 1996; School District Trustees Report, FY 1996.

These data show that of all expenditures made to provide county government services and education in Gallatin County, 93% went for residential services, 5% for commercial services, 2% for agricultural services and less than 1% for industrial services. In Broadwater County, 77% went for residential services, 17% for commercial and industrial services and 6% for agricultural services.

CACULATING LAND USE CATEGORIES

The land use ratios are calculated by dividing total expenditures by total revenues. In both Gallatin and Broadwater counties these ratios clearly show that residential land and property does not pay its way while agricultural, commercial and industrial land and property provide the local government with a surplus of revenues. Residential land demands $1.45 and $3.25 in direct services for every dollar contributed in revenue to the county government and school districts in Gallatin and Broadwater Counties respectively. Conversely, agricultural, commercial and industrial land only demands $0.25, $0.18 and $0.07 respectively in Gallatin County and $0.31 and $0.30 for combined in Broadwater County for every dollar provided in revenue to the county government and school districts. Tables 5 shows the land use ratios for Gallatin and Broadwater Counties.

Table 5.

Gallatin County

	Ag/Open	Residential	Industrial	Commercial	Total
Total Revenues	$3,738,935	$25,929,525	$1,984,337	$10,898,344	$42,551,141
Total Expenditures	$918,909	$37,524,472	$148,533	$1,937,515	$40,529,429
Ratio	**$1.00 : 0.25**	**$1.00 : 1.45**	**$1.00 : 0.07**	**$1.00 : 0.18**	

Broadwater County

	Ag/Open	Residential	Comm/Ind	Total
Total Revenues	$932,286	$1,080,173	$2,569,797	$4,582,256
Total Expenditures	$292,872	$3,515,345	$780,764	$4,588,981
Ratio	**$1.00 : 0.31**	**$1.00 : 3.25**	**$1.00 : 0.30**	

INTERPRETING THE RESULTS

These data clearly show that residential land does not "pay its way" while farms and ranches provide a surplus of revenues to the local government. This is simply because most services, like education and health services, are for people. Education is the single most costly service accounting for 62% of total expenditures in Broadwater County. Considering residential property only contributes 24% of total revenues, it is clear that farmland is paying the costs of residential development in Broadwater County.

Many other "cost of services" studies around the country have found the same thing. A recent cost of services study completed in Idaho by the University of Idaho Department of Agricultural Economics and Rural Sociology found that in Canyon County "residential property received an average of $1.08 in services while residential property in Cassia County received an average of $1.19 in services for every $1.00 provided in revenues.[5]" Agricultural and commercial property in those same counties only demanded between 41 and 87 cents on the dollar. A similar study completed in three Utah counties by the Utah State University Economics Department for the Utah Department of Agriculture found that residential development demanded from $1.11 to $1.27 in services for every dollar provided in revenue while farmland and commercial property only demanded from 25 to 99 cents[6].

In every case the findings are the same. Residential property always demands more in services than it provides in revenue... while farmland, commercial and industrial property consistently provide a surplus of revenues.

The American Farmland Trust has completed numerous cost of services studies as well, and even though the ratios vary, in every case the findings are the same[7]. Residential property always demands more in services than it provides in revenue, ranging from $1.02 to $3.25 demanded in services for every dollar contributed in revenue, while farmland, commercial and industrial property consistently provide a surplus of revenues[8].

A second significant finding of these studies is that counties with a higher proportion of their tax base in agricultural land have lower taxes. Gallatin County has nearly 60% of its tax base in residential property meaning high tax revenues. The value of a mill in Gallatin County is nearly ten times the mill value in Broadwater County[9]. Additionally, Gallatin County has lower per capita costs than Broadwater County meaning economies of scale are in effect. It costs nearly double the amount to provide county services for each resident in Broadwater County than in Gallatin County. All this should point to lower taxes in Gallatin County, but the opposite is true[10]!

This is most likely due to two factors. First, Broadwater County still has much of its tax base in agricultural property that off-sets the cost of residential land use. Gallatin County, with more residential land and a higher tax base, has little agricultural land left to subsidize residential services. Second, most new growth in Gallatin County is low density, dispersed development that is more costly to provide services to than compact development.

A study in the state of Connecticut revealed the same pattern: larger more developed areas consistently have higher taxes than rural areas[11]. Cassia County in Idaho has an average tax rate 29% lower than more urban Canyon County[12]. Similarly, the cost of services study in Utah states that agricultural land in rural areas subsidize residential land to a greater extent than in larger areas and when the scope of the study was expanded out of rural areas, "the degree of subsidization is reduced, sometimes significantly." The conclusion is this: *if Broadwater County loses its agricultural base by converting farmland into residential subdivisions, property taxes will rise.*

However, it is important to note that these fiscal impact studies do not predict the future impact of new growth, or distinguish between different types of growth within each land use category. They simply give a clear picture of the current contributions of existing land uses. Because of this, "cost of service" studies have been criticized for their lack of ability to suggest alternative development options. However, the affect of the pattern of development on the cost of providing local government services is the subject of many studies around the country. The results again are consistent: communities can protect agricultural land and keep taxes down by encouraging the right *pattern* of development.

..results are consistent: communities can protect agricultural land and keep taxes down by encouraging the right pattern of development.

For example, the state of New Jersey found that if new growth were planned (compact, mixed use development) rather than following current development trends (low density, dispersed development) the state could save 400 million dollars in municipal and school costs, $740 million in road costs, $440 million in water supply and sewer infrastructure costs, and save 130,000 acres of farmland by the year 2010[13]. Additionally, the American Farmland Trust found that California's Central Valley could save nearly $29 billion by the year 2040, as well as reduce farmland loss by over 2 million acres with efficient compact growth instead of low-density urban sprawl[14].

It follows that if low density dispersed development is more costly than compact development, then towns that don't find ways to curb sprawl will end up with higher taxes. But simply limiting growth, or making it pay its full costs through impact fees, benefit assessments and other creative means of raising revenues may not be effective in producing the desired outcomes. Finding sustainable, efficient ways of dealing with the cost implications of development requires addressing the *pattern of new development*. Ironically, most existing regulations and development trends nearly mandate sprawl. Zoning ordinances, subdivision review processes, federal subsidies and property taxes all influence the choices landowners and communities make about the mix of uses, location, and rate of new development. Like most markets, development too is a governmentally regulated activity. The impacts of present land use regulation upon development patterns will be the subject of a third paper in this series dealing with the costs of development. It is our hope that the series will contribute to a clearer understanding of the cost implications of different development patterns enabling communities to better able to plan for the future.

Endnotes

[1] US Bureau of Census, 1997.

[3] Mark Haggerty, *The Fiscal Impacts of Different Land Uses on County and School District Services In Gallatin County, Montana*. Local Government Center at Montana State University, 1996.
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[5] Martha Hartmans and Neil Meyer. *Financing Services for Residential, Commercial, and Agricultural Parcels: The Cases of Canyon and Cassia Counties*. A.E. Extension Series No. 96-13, University of Idaho College of Agriculture, January 1997.
[6] Donald L Snyder and Gary Ferguson. *Cost of Community Services Study: Cache, Sevier, and Utah Counties*. ERI Study Paper #94-19. Economics Department, Utah State University, Logan, Utah. December 1994.
[7] The American Farmland Trust, *The Cost of Community Services in Deerfield, Agawam and Gill, Massachusetts*. 1991. *Farmland and the Tax Bill: The Cost of Community Services in Three Minnesota Cities*. Cornell Cooperative Extension; American Farmland Trust, *Cost of Community Services Study: Dutchess County*. 1989. See Also, *Steven Miller, The Economic Benefits of Open Space*. 1992 and Darryl F. Caputo, *Open Space Pays, the Socioenvironomics of Open Space Preservation*, New Jersey Conservation Foundation.
[8] For a more thorough examination of the literature see; Luther Propst and Mary Schmid, *The Fiscal and Economic Impacts of Local Conservation and Community Development Measures, A Review of the Literature*. Commissioned by the Greater Yellowstone Coalition, Feb. 1993.
[9] A mill is a unit of taxable value equal to one one thousandth of the total taxable value of the taxing unit. Therefore, a high mill value is indicative of high taxable value, or a large tax base, in the county.
[10] The Local Government Center, Montana State University, *Montana Local Government Profiles Fiscal Year 1996.*
[11] The Trust for Public Land, *The Effects of Development and Land Conservation on Property Taxes in Connecticut Towns*. May, 1995.
[12] Idaho State Tax Commission 1995 Annual Report, *1995 Average Property Tax Rates*.
[13] Rutgers University Center for Urban Policy Research. *Impact Assessment of the New Jersey Interim State Development and Redevelopment Plan*. February 1992.
[14] The American Farmland Trust. *Alternatives for Future Urban Growth in California's Central Valley: The Bottom Line for Agriculture and Taxpayers*. October 1995.

UNDERSTANDING MAINTENANCE OF EFFORT REQUIREMENTS AND STATE OPTIONS

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On August 22, 1996, President Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act. This Act reforms many of the long standing welfare programs. One of those programs is Aid to Families with Dependent Children (AFDC). AFDC was the entitlement welfare program which gave open-ended cash assistance to eligible families. In addition to cash assistance, AFDC provided families with child care, education, and training. These services were accessed through the Job Opportunities and Basic Skills Program (JOBS). The new Act caps the open-ended AFDC entitlement, and gives the State a fixed block grant. This block grant is titled Temporary Assistance to Needy Families (TANF).

...states must not feel intimidated to take advantage of opportunities the block grant offers. The purpose of welfare reform is "to increase the flexibility of States." States now have the opportunity to build on Federal Welfare Policy ...creative utilization of MOE money will fill the gaps left by the federal Act and improve opportunities for Montana families. This paper discusses options for spending MOE money.

The old AFDC program required states to match state revenues to federal funding at a specified percentage, this was called a "match rate". With TANF there is no longer a Federal match rate. The state now must meet a *maintenance of effort* (MOE) requirement in order to receive federal money. In 1994, Montana spent \$20.9 million for above welfare services and therefore our minimum MOE is \$16.7 million. The 1997 Montana legislature chose to set its MOE at 83% (minimum acceptable MOE is 80%), which is approximately \$17.3 million.

This summary outlines three options the State of Montana has for spending MOE money. Due to recent warnings from the United States Department of Health and Human Services (HHS), these options should be studied and acted on with deliberation. Four policy question are also included for decision makers to follow. These questions will aid in designing a State program that is guided by the goals and intentions of Montana welfare policy. The final section consists of considerations decision makers may want to take into account when designing a state funded program.

State Options for Spending Maintenance Of Effort Money

Once a State satisfies the 80% minimum requirement it has considerable flexibility in spending that money. Montana can spend it's $17.3 million MOE money in three ways; State and Federal funds combined in a TANF program, State and Federal funds segregated in a TANF program, and/or State MOE money in a State Only program. Each option will satisfy different state needs and will result in varied service delivery systems. Determining how to distribute MOE money will be a significant factor on advancing the state's welfare policy.

Option 1 State and Federal funds in a single TANF Program.

- Must meet all the requirements of TANF; time limits, participation and work requirements, child support requirements, and other prohibitions.
- State must send Federal share of Child Support collected to the Federal government.

Option 2 State and Federal funds segregated under a TANF program.*

- Some families receiving Federal money and others receiving State money.
- State Only Families: no time limits, TANF participation and work requirements, and Child Support requirements do apply.
- Segregated State TANF program could be used to support working poor families. These families would be included in the work and participation requirements, but the time clock would not start.
- State must send Federal share of Child Support collected to the Federal government.

Option 3 State funds in a Separate State Only Program.*

- State can assist "eligible families" in any way they wish.
- No time limits, no work and participation requirements, and no TANF child support requirements.
- Allows a broader range of activities as participation. Scholarships for Post-Secondary Education (PSE) could be operated out of this program.
- Families which need counseling (e.g., anger management or addiction) before they are job ready could utilize this program without starting their time clock. Then shift them into the TANF program when job ready.
- Use for families where the head of household is incapacitated or needed at home to care for a disabled family member.
- Operate an Unemployment Insurance Program for short term assistance out of a State Only program.
- Operate a Child Support Assurance program out of a State Only program.
- Provide assistance to legal immigrants which are ineligible for TANF funding due to Federal regulations.

*State programs should support the intent of Federal Law. States can set the rules of participation and work requirements, time limits and any other appropriate prohibitions. However, expenditures must meet statutory requirements for "qualified state expenditures" or "eligible families" (including services to families up to 200 percent of poverty and the prohibition of using state Medicaid expenditures toward TANF MOE). See "Temporary Assistance for Needy Families Policy Announcement" for further detail.

Policy Questions For Designing State Only MOE Programs

The State's welfare policy should serve as a guide in spending MOE money and designing State Only programs. The following four points will help decision makers identify service gaps in the Federal TANF program. Identifying service gaps in federal reform will reveal areas of State need.

1. Program Eligibility - Does the State want to provide services to any groups which TANF excludes?
   - Legal immigrants, grandparents caring for grandchildren, teen parents not participating in education, or any others. A separate State Only program would be appropriate if the answer is yes.

   Options: Design State Only program to serve those identified not eligible for TANF.

2. Time Limits - Does the State feel there should be exemptions to a 60 month time limit? If so what situations would call for extension of the time limit?
   - Legal immigrants, families caring for disabled individuals, victims of domestic violence, teen mothers, grandparents caring for grandchildren, education.

   Options: Provide assistance in separate State TANF program or State Only program. This will not start the clock running for family. Offer a program during the assessment phase of a case to determine if family would be appropriate for the TANF program or the State Only program. Design a State Only Unemployment Insurance program for families needing short time assistance which wouldn't start a time clock or enter them into the welfare system, but would put them under work requirements.

3. Work and Participation Rates - Does the State agree with the federal participation rates? If other work and participation rates are desired would it be appropriate to fill those needs through a State Only program?

   Options: A state wishing to enhance access to education and training activities for low-income families might use a State program to fund stipends for parents participating in JTPA-approved activities or to extend unemployment compensation for low-income parents engaged in education and training activities. Set up a scholarship fund with MOE money to serve eligible families and allow them to attend school. One program could be set up in the segregated State fund TANF program giving a scholarship to assist parents in attending vocational or PSE, while on this scholarship the time clock would not be counting, but education would count towards a work activity. Allow care for a disabled family member as a work activity in State Only program.

4. Child Support Assignment and Distribution - Should single parents unwilling to discuss paternity/maternity rights be penalized? Should Child Support be an assurance to every child, even the children of the working poor?

Options: Under a State Only program participants that are unwilling to discuss paternity would not be penalized and the state is not subject to TANF support requirements. Design a State Child Support Assurance program which would expand services to low-income families and allow families to retain their child support. State provides supplemental payment to those families where child support is not sufficient to reach the guarantee level set by the state. This would function as an alterative to the TANF system.

Considerations

There are several considerations the state should take into account when making decisions about spending MOE money and designing a State Only program.

1. Access to the Contingency Fund

   The Welfare Reform Act set up a Contingency fund available to States in case of high unemployment and growth in caseload. For States to be eligible for this fund they must spend 100 percent of their MOE money *in a TANF program*. In other words, separate state MOE expenditures cannot be counted toward the 100 percent requirement. The MOE contingency fund may only be accessed by meeting the TANF requirements at 100% of its historic spending during the year which the state seeks Contingency Fund access. MOE funds can be shifted to a TANF only program if there is evidence of economic downturn in the fiscal year. Currently the National Conference of State Legislatures is seeking legislation to accommodate separate state program expenditures in gaining access to the contingency fund.

2. HHS Warnings

   In a Policy Announcement, HHS has warned that states wanting to run State Only programs should have a clear understanding of their motives. HHS does not want state programs to avoid TANF participation rates or "retain what would otherwise be the appropriate Federal share of child support collections". A second consideration is the reduction of federal incentive payments the state would receive as a result of transferring Child Support cases to a State Only program. The Welfare Reform Act clearly allows the funding of State Only Child Support Programs with MOE money however, HHS warnings must be considered.

Summary

When making decisions concerning whether to utilize MOE money for State segregated or State Only Programs, decision makers should take into account all of the factors surrounding policy questions. The intent of welfare reform is to allow for local flexibility and restrict HHS authority. It is up to the State to determine where HHS' preferences exceed statutory authority and what the motives are for establishing State Only programs.

If State Only Programs are designed with a genuine intent to serve those returning to work the above policy choices are allowable, regardless of HHS' agreement. State choices should be made based on advancing State welfare reform policy, and states must not feel intimidated to take advantage of opportunities the block grant offers. The Act states one purpose of welfare reform is "to increase the flexibility of States." States now have the opportunity to build on Federal Welfare Policy and create

State policy that better serves Montanans. Creative utilization of MOE money will fill the gaps left by the Federal Act and improve opportunities for Montana families, thus advancing the welfare reform goals of Montana.

Source Documents:

Center For Law and Social Policy. "The New Framework: Alternative State Funding Choices Under TANF", March 1997.

Center on Budget and Policy Priorities, "Maintenance -Of-Effort Requirements Included in the New Welfare Law", November 15, 1996.

United States. Cong. "Personal Responsibility and Work Opportunity Reconciliation Act of 1996". Public Law 104-193. August 22, 1996.

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LEGISLATIVE CRACKER BARREL

REFLECTIONS AND OBSERVATIONS FROM THE "NEW KID ON THE BLOCK"

Vic Miller

Blaine County Commissioner

At the winter Montana Association of Counties Conference in Helena in February 1997, MACo Executive Director Gordon Morris addressed the new, incoming commissioners at their "new commissioners banquet." To paraphrase Gordon, "this is the largest incoming class of county commissioners in the history of the State of Montana and quite frankly, I am not sure why."

...a few observations and reflections on why the county commissioner turnover in 1997 was so large. Hopefully these observations will spark further dialog and debate particularly in light of what appears to be a growing cynicism between state and local government officials.

As a new commissioner, I have had time to reflect on Gordon's statement and to observe county government. I have also had some time to visit with other county commissioners, old and new, and form some impressions. Not being a stranger to local government, having spent seven years as mayor prior to my election to the county commission, I have had an opportunity to watch state government make decisions and then see the impact on citizens at the local level.

What follows are a few observations and reflections on why the county commissioner turnover in 1997 was so large. Hopefully my observations will spark further dialog and debate, particularly in light of what appears to be a growing cynicism between state and local government officials.

Having attended and graduated from three campuses in the university system in our great state, I have taken most of the Montana history classes offered. I am also an avid reader of Montana history. When dealing with local government, Montana historians are in general agreement that when the counties split and then split again to create our present 56 counties, it was done in a period of expansive migration in the early part of the 20th century leaving Montana with 47 of its 56 counties serving populations of less than 20,000 people; 21 of these 47 counties serve less than 5,000.

To generalize, there is a belief that county government is an antiquated system with very little to do. There are a number of critics and historians who argue even today that perhaps consolidation of some counties with others is something worthy of debate. I suspect that no one county really wishes to give up its identity or this would have already taken place. Nonetheless, debate continues.

My concern in all this is a simple one. If the prevailing attitude is that local government is inept and needs babysitting by the state, local government will continue to be the target of bad government jokes, and future leaders and decision-makers may grow up with this belief. The truth needs to be told that local government is a bargain. Local elected officials are in touch with their constituents on a daily basis; they are responsive to local needs. As local government leaders, we experience, understand, and best try to deal with the impacts of federal, state and local policy and law to best serve our constituents.

In discussions with other new commissioners, I find that, by and large, we share certain common characteristics. The demographics of the past suggested that the typical commissioner was white, male, married, and usually over 50 years old. Today the age of new commissioners appears to be somewhere between 35 to 45 with an increasing number of women commissioners. I believe that this shift is due in some part to two factors. First, this lower age group is representative of one of the nation's most significant population phenomena - the baby boom. In the period roughly between 1946 - 1964, the nation experienced more infants being born than at any time in the history of the country. These "boomers" are now coming of age and represent a block of voters who are familiar and at ease with this younger group as their elected officials. Secondly, I suspect that because we are a product of the baby boom period, we grew up with the nightly news on television. This has spawned a generation that is aware of public affairs and many sincerely want to be part of solutions; not part of the problems.

While federal and state government seems to mire itself in partisan politics, I find that local politicians, while leaning one way or another, really do not have much involvement in the two-party political system. A common comment I hear from my counterparts is "I am really a (insert political party) at heart, but my county is (insert other political party), so I filed and ran as that." Or, "it does not matter what party I join because my county votes for the person anyway." Comments such as these lead me to believe that political parties have little influence on local politics.

The truth needs to be told that local government is a bargain. Local elected officials are in touch with their constituents on a daily basis, they are responsive to local needs.

I have also noticed a commonality of conservative thought that is shared by a majority of commissioners and the citizens that we represent, which means that we try to be both fiscally and socially responsible. Hence, we are in a constant balancing act between watching taxpayer dollars and maintaining some level of government service for all citizens, especially the most needy.

It seems to me that we fought a civil war between 1861 - 1865 thinly veiled as a fight against slavery. In retrospect, the true battle of the Civil War was a clash between federalism and state's rights. Certainly after this war, the lingering argument about who knows what is best for its citizens has centered on this argument between federal and state government. This battle has intensified in recent years and our federal lawmakers, commencing somewhere in the late 1970's, finally shrugged their shoulders and in earnest began to transfer greater responsibilities to the states, but not always with the funds necessary to get the job done.

I have observed a new clash beginning with local government telling the state that perhaps local government is better equipped to handle certain responsibilities. The outcome has been obvious. Responsibilities are again being pushed down to local government but not always with the funds necessary to meet the mandates.

While this may seem like old hat to some, I suspect that these battles have more to do with turf and money than they do with ideology. Therefore, I hope that as a starting point, open and frank dialogue occurs among local and state leaders on how we can get the job done, and that job is to serve the people to the best of our respective abilities given the constraints of fewer dollars. Our job is at the local level. For instance, I do not believe that I, as a county commissioner, should concern myself with maintaining national security and international negotiations any more than I would want national or state representatives to worry about getting my county bridges fixed.

As a new commissioner, I hope that the more experienced commissioners will share with me and my colleagues their seasoned perspectives. I hope as the "new kids on the block" that we will bring new energies to maintaining the dignity of our courthouses and through efficient and responsive county government action conduct the business of providing services for our constituents.

Thank you.

Victor (Vic) J. Miller is the newly elected Blaine County Commissioner. Prior to this office, Commissioner Miller served seven years as Mayor of the City of Harlem, and thirteen years as an Instructor at Fort Belknap College.

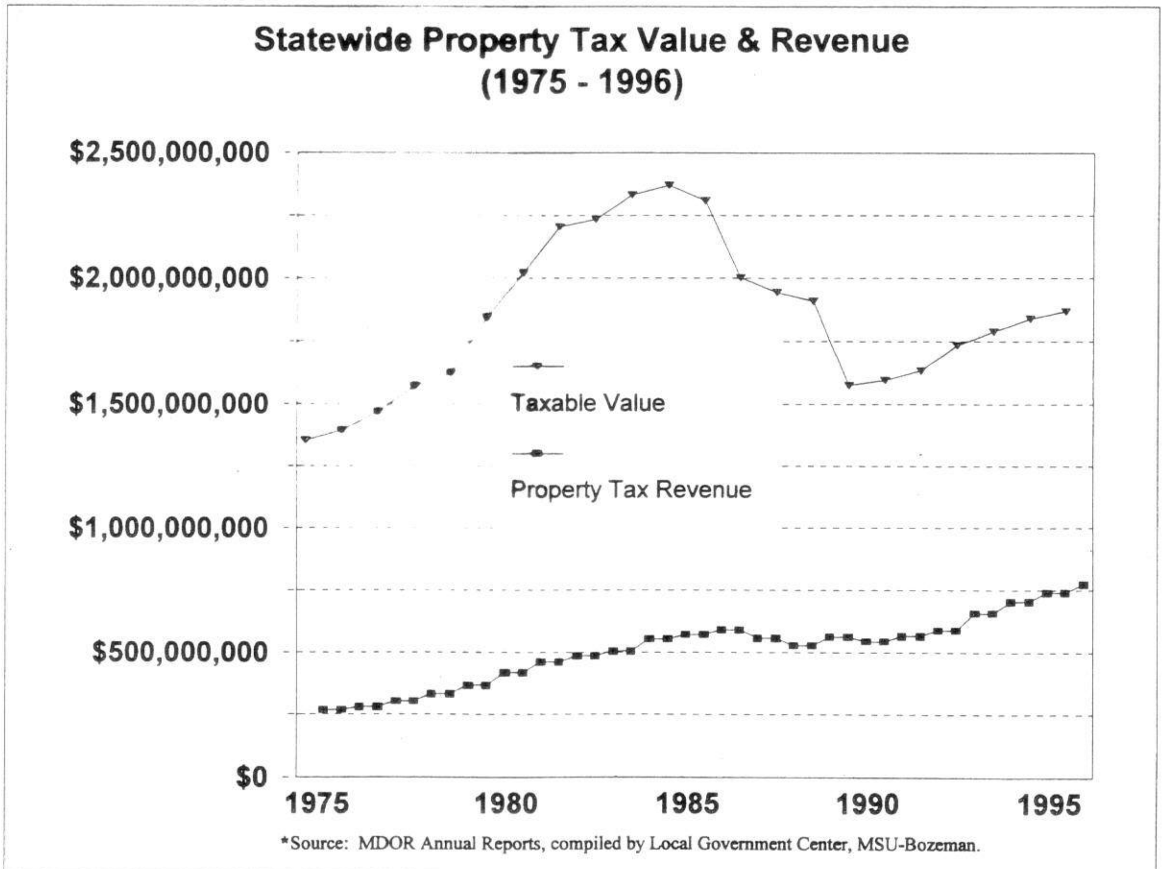
MONTANA
Policy Review

PROPERTY TAX TRENDS IN MONTANA

Kenneth L. Weaver
Director of the Local Government Center

The Local Government Center was recently asked to convert the past twenty years of property tax data, as reported by the Montana Department of Revenue, to a set of graphic representations that would more readily communicate the statewide trends. We believe the following series of charts rather clearly demonstrate the reality of the property tax situation in Montana and may help point the way to a more balanced remedy for unevenly escalating property valuation than enacted as SB195 during the most recent legislative session. Each graph is accompanied by a brief assessment of the significance of the graphic data.

Chart 1



1. Following a dramatic rise in taxable valuation during the early 1980s the 1985 legislature acted to reduce the tax rate (percentage of market value subject to taxation) from 8.55% to 3.56% for Class 4 (residential property), largely explaining the sharp decline in taxable value from a high of $2.37 billion in 1985 to a low of $1.57 billion in 1990, which was almost exactly the same taxable value as in 1978.

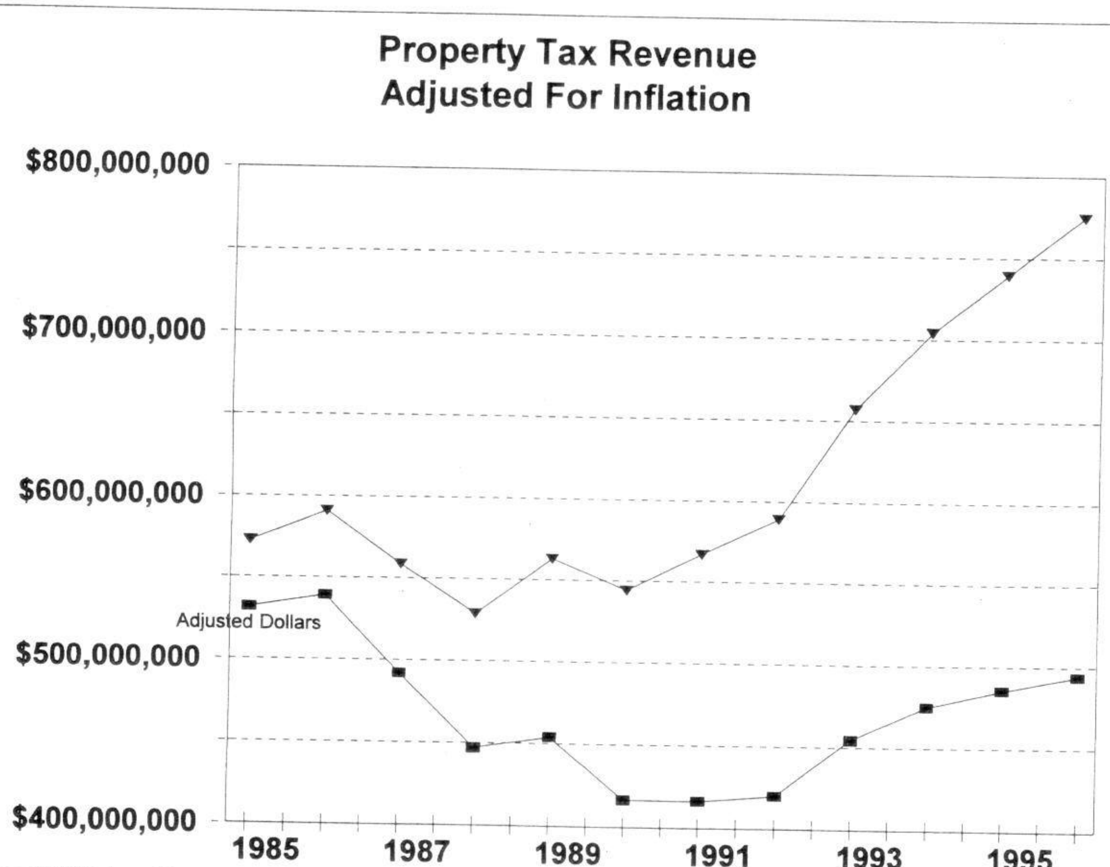
2. Total property tax revenue generally tracked the sharp reduction in taxable value and fell from a 1986 high of $591 million to a low in 1990 of $544 million.

3. The 1997 legislature further reduced the tax rate on Class 4 property from 3.86 percent to 2.78% by subtracting .022 percentage points per year until the new tax rate is achieved. The result will, of course, offset any increase in the market value of Class 4 property.

4. The 1997 legislature also froze local government property tax mill levies to those in effect as of tax year 1996.

5. There has been no property tax "windfall" for local governments as a result of rising assessed property valuation.

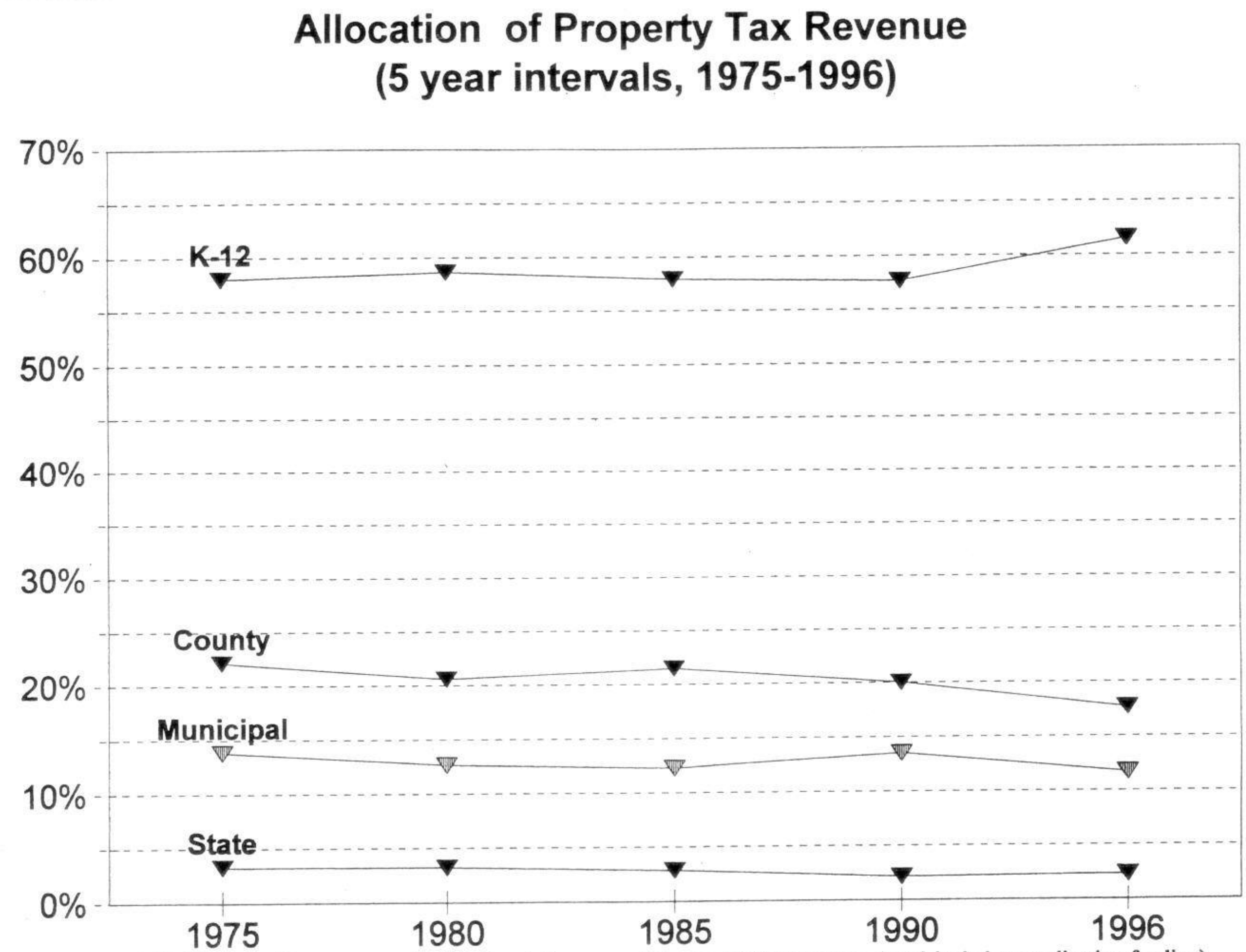
Chart 2



*Source: MDOR Annual Reports, compiled by Local Government Center, MSU-Bozeman. Adjusted Dollars based on CPI-U.

1. Even though total property tax revenue increased during the period 1975-1996 from $267 million to $775 million, the purchasing power of 1996 property tax dollars was equivalent to less than $500 million.

Chart 3

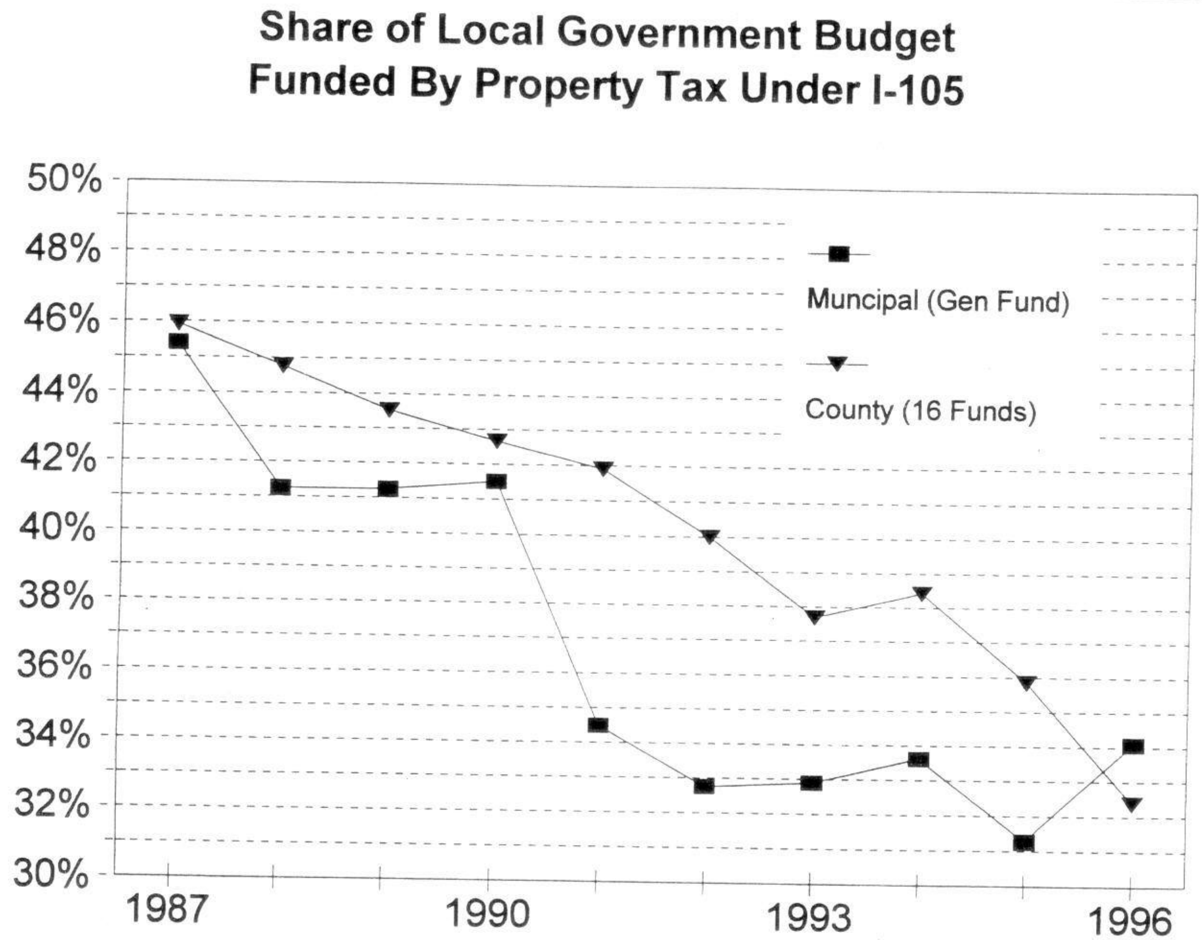


*Source: MDOR Annual Reports, compiled by Local Government Center, MSU-Bozeman. (K-12 includes equalization funding)

1. Local government's share of property tax revenue has declined significantly since 1975 when counties received about $59 million, or 22% of the tax revenue and municipalities received about $37 million or 14% of the property tax take. By 1996 county revenues had increased to $137 million but its share had declined to 18%. Municipalities also saw an increase in total property tax revenues to $91 million and a parallel decline in share to 12%.

2. The declining share of property tax revenues allocated to local governments when combined with the effects of inflation demonstrated in the preceding chart means that the actual purchasing power of both county and municipal government is less in 1996 than it was in 1986, when I-105 froze local government property tax levies.

Chart 4



*Source: County and Municipal budgets compiled by Local Government Center, MSU-Bozeman.

1. From 1987 to 1996 the share of county and municipal general fund budgets derived from property taxes declined significantly. In 1986 approximately 45% of county general fund revenues were property tax dollars. By 1996 property tax revenues comprised only 32% of county general fund receipts. Similarly for cities and towns, in 1986 property tax revenues comprised about 45% of municipal general fund revenues. By 1996, only 34% of municipal general fund revenue was derived from property tax revenues.

2. In general, the changing mix of general fund revenues was the result of frozen property tax under I-105 and the sharp rise in video gambling revenues returned to the jurisdiction of origin by the state. In 1988 approximately $7 million was returned to county and municipal government, which was two thirds of the gambling revenues collected by the state. By 1997 video gambling tax receipts for local government had risen to $22.5 million.

Conclusions

With respect to local governments, at least two obvious conclusions may be drawn from these charts:

1. The share of local government property tax revenues has been declining and the purchasing power of that diminished share has been eroded by inflation. As a result, municipal and county governments in Montana have become increasingly dependent upon gambling tax revenues to sustain the essential functions of county and municipal government and that dependence will probably deepen as the purchasing power of frozen property tax revenue continues to decline; and

2. Some local governments, especially those county and municipal governments confronting either: (1) Continuing population decline and a corresponding erosion of taxable valuation; or (2) rapidly growing populations but with now frozen property tax bases to pay for consequent increasing service demands, will face extremely difficult fiscal problems by the new century requiring significant reductions in local government service levels.

As a result, municipal and county governments in Montana have become increasingly dependent upon gambling tax revenues to sustain the essential functions of county and municipal government and that dependence will probably deepen as the purchasing power of frozen property tax revenue continues to decline.