

A BILL FOR AN ACT ENTITLED:

“AN ACT AUTHORIZING A FIRST-CLASS OR CHARTER MUNICIPALITY TO WITHDRAW FROM A RURAL FIRE DISTRICT; ESTABLISHING A TWO-YEAR TRANSITION PROCESS FOR WITHDRAWAL, ASSET DISSOLUTION, AND DEBT TRANSFER; AUTHORIZING THE WITHDRAWING CITY TO LEVY MILLS EQUAL TO THE DISTRICT’S MILLAGE FOR OPERATION, DEBT SERVICE, AND MAINTENANCE; AMENDING SECTIONS 7-33-2101 AND 7-33-2121, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.”

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

SECTION 1. SECTION 7-33-2101, MCA, IS AMENDED TO READ:

“7-33-2101. Definitions.

(10) “Withdrawing municipality” means a city or town that elects under [section NEW] to terminate its participation in a rural fire district.

[Renumber subsequent subsections]

SECTION 2. SECTION 7-33-2121, MCA, IS AMENDED TO READ:

Insert a new subsection (3):

“(3) A first-class or charter city may withdraw from a rural fire district only as provided in [section NEW].”

SECTION 3. NEW SECTION. WITHDRAWAL OF A FIRST-CLASS OR CHARTER CITY FROM A RURAL FIRE DISTRICT.

1. Initiating Resolution.

A first-class or charter municipality may, by majority vote of its governing body, adopt a resolution declaring its intent to withdraw from the rural fire district in which it is located.

2. Notice and Filing.

Within 10 days after passage, the municipality shall file the resolution with:

- the county governing body;
- the rural fire district board of trustees; and
- the department of revenue.

3. Two-Year Transition Period.

(a) Withdrawal becomes effective on July 1 of the second full fiscal year following the filing date.

(b) During the transition period the municipality and the district shall:

- (i) negotiate equitable division of all district-owned real and personal property located within the municipal limits;
- (ii) determine proportional assumption of outstanding district indebtedness, including bonded debt and other obligations; and
- (iii) execute an interlocal agreement detailing the asset distribution, debt transfer schedule, and continuity of service provisions.

4. Asset Dissolution Default Procedure.

If no agreement is reached within 12 months:

- (a) real property within the municipality transfers to the municipality;

- (b) movable property is apportioned based on the three-year average of district taxable value inside versus outside the municipality;
 - (c) outstanding debt is assumed by each party in the same proportion; and
 - (d) either party may petition the district court for enforcement.
- 5. **Mill Levy Authority After Withdrawal.**
 - (a) Beginning on the effective withdrawal date, the municipality may, by ordinance, levy a property tax rate in mills not exceeding the total mills last levied by the rural fire district for operation, debt service, and maintenance within the municipal boundaries.
 - (b) The levy is deemed an authorized mill levy under Article VIII, section 17, of the Montana Constitution and is not considered a new mill levy for purposes of 15-10-420.
- 6. **Service Continuity.**

The municipality shall provide fire protection inside its boundaries upon the effective withdrawal date and may contract with any entity, including the former district, to meet response-time standards set by state law.
- 7. **Effect of Annexations or Boundary Adjustments.**

If the city annexes additional land during the transition, the annexed territory is deemed part of the withdrawing municipality for purposes of this section unless the annexation ordinance specifies otherwise.

SECTION 4. CODIFICATION INSTRUCTION.

Sections **3** and **4** [if needed for subsequent new material] are intended to be codified as an integral part of Title 7, chapter 33, part 21, and the provisions of Title 7, chapter 33, part 21, apply to sections **3** and **4**.

SECTION 5. SEVERABILITY.

If any provision of this act or its application to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications that can be given effect without the invalid provision.

SECTION 6. IMMEDIATE EFFECTIVE DATE.

This act is effective on passage and approval.

BILL NOTES (not part of legislation)

- **Purpose.** Fills the statutory gap that currently allows only second- and third-class cities to exit rural fire districts.
- **Two-Year Window.** Aligns with existing timelines for district financial planning and bonded debt disclosure.
- **Mill Parity.** Prevents a funding cliff by allowing the city to mirror district millage without triggering 15-10-420 caps.
- **Asset Rule.** Provides a default formula if negotiations stall, offering certainty to both parties and reducing litigation risk.