

**MINUTES**

**MONTANA HOUSE OF REPRESENTATIVES  
53rd LEGISLATURE - REGULAR SESSION**

**COMMITTEE ON TAXATION**

**Call to Order:** By **CHAIRMAN BOB GILBERT**, on February 3, 1993, at 8:15 a.m.

**ROLL CALL**

**Members Present:**

Rep. Bob Gilbert, Chairman (R)  
Rep. Mike Foster, Vice Chairman (R)  
Rep. Dan Harrington, Minority Vice Chairman (D)  
Rep. Shiell Anderson (R)  
Rep. Ed Dolezal (D)  
Rep. Jerry Driscoll (D)  
Rep. Jim Elliott (D)  
Rep. Gary Feland (R)  
Rep. Marian Hanson (R)  
Rep. Hal Harper (D)  
Rep. Chase Hibbard (R)  
Rep. Vern Keller (R)  
Rep. Ed McCaffree (D)  
Rep. Bea McCarthy (D)  
Rep. Tom Nelson (R)  
Rep. Scott Orr (R)  
Rep. Bob Raney (D)  
Rep. Bob Ream (D)  
Rep. Rolph Tunby (R)

**Members Excused:** None

**Members Absent:** None

**Staff Present:** Lee Heiman, Legislative Council  
Jill Rohyans, Committee Secretary  
Louise Sullivan, Transcriber

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing: HB 360, HB 363, and HB 397  
Executive Action: HB 204, Tabled  
HB 207, Tabled  
HB 283, Do Pass As Amended  
SB 141, Be Concurred In  
SB 151, Be Concurred In  
HB 154, No Final Action

HEARING ON HB 360Opening Statement by Sponsor:

REP. BOB BACHINI, House District 14, Havre, read the title of the bill which is a constitutional amendment to cap the Coal Severance Tax Trust Fund in the amount of \$500 million for 10 years. He said for the first six years of those ten, the money normally going to the trust fund would be used for university maintenance and state parks, and for the remaining four years the money could be used at the discretion of the legislature. He said the trust fund balance would be less than that shown on the fiscal note. He said currently there is about \$492 million in the account. REP. BACHINI said presently there is about \$240 million of deferred maintenance in the university system alone, and if it is not addressed very soon, there will be nothing left to maintain. He thinks there is nothing wrong with capping the coal trust as it could be the solution to some of the state's problems. He felt the people of Montana would support the issue, however; the bill itself requires a three-fourths vote of the legislature to become a ballot issue. REP. BACHINI said there were several people present to give informational testimony to satisfy the bonding concerns.

Informational Testimony:

Ray Beck, Administrator, Conservation and Resource Development Division, Department of Natural Resources and Conservation (DNRC), also introduced Ann Miller, Financial Advisor for the Division, and said Ms. Miller deals with the bonds and loans that are backed by the coal severance tax. He said they would be glad to work with the Committee when they take executive action on the bill. He also submitted a memorandum from Mae Nan Ellingson, of Dorsey & Whitney, who is also the state's bond counsel. EXHIBIT 1 He said he was passing on Ms. Ellingson's concerns, as well as those of DNRC, and offered to work with the Legislative Council to see if they could work out the language. If the bill is approved as drafted, it would result in an unconstitutional impairment of the state's contractual obligations to the holders of outstanding loans secured by the coal severance tax. Mr. Beck referred to a Resource Indemnity Trust Tax (RITT) and coal severance tax flow chart. EXHIBIT 2

Proponents' Testimony:

Dennis Burr, representing the Montana Taxpayers Association, said the Constitution states that expenditures cannot exceed anticipated revenues. He said over the last several years revenues were not as high as had been anticipated and that was probably one of the reasons for the problems with the state budget. He said it is fundamentally wrong for the state to use current coal tax revenue for purposes other than providing public services. He said the concept of the trust is the investment of

those dollars as an endowment for the future. The state has been using the interest from the fund every year. The fund has been eroded because the interest expenditures have limited the investment potential in projects that will only become more expensive. Using money for infrastructure maintenance is a sound and prudent investment. He also believed the public would support the use of current coal tax revenue if it reduced taxes paid elsewhere. He said the concept of the bill was good.

**Opponents' Testimony:**

**Verner Bertelsen, private citizen,** said he was strongly opposed to HB 360 and read his written testimony. **EXHIBIT 3**

**Jim Jensen, Executive Director, Montana Environmental Information Center (MEIC),** reinforced **Mr. Bertelsen's** testimony and said it would be foolish to interrupt the flow of money into the fund. He said the general fund is made up of 8 - 10% coal tax trust fund monies. That percentage of the general fund would have to be made up in some other way.

**CHAIRMAN GILBERT** pointed out the issue is whether we put this to a vote of the people, not if the committee is going to rob the coal tax trust fund.

**Questions From Committee Members and Responses:**

**REP. HARRINGTON** said the state is faced with the possibility of cutting \$35-38 million from the K-12 program and \$28 million from the university program. He asked **Mr. Bertelsen** his opinion as to what could be done to solve the problem.

**CHAIRMAN GILBERT** reminded **REP. HARRINGTON** the questions must relate to the bill and the intent of the bill is whether or not the people will be allowed to vote on the trust cap and expenditures.

**MR. HARRINGTON** agreed but felt his question was pertinent and addressed the expenditure issues. He said **Mr. Bertelsen's** response was important.

**Mr. Bertelsen** said he had been asked the question before. He felt the people of Montana are capable and willing to pay for the infrastructure maintenance. \$20 million in tax revenue will make a significant difference in the trust without robbing the trust fund.

**REP. REAM** pointed out the fiscal note showed there would be a \$96 million windfall if the bill was passed and approved by the voters.. He asked **REP. BACHINI** the intent would be to use that \$96 million for maintenance.

**REP. BACHINI** replied that was correct. There would be a \$96 - \$97 million windfall the first year but the bond counsel said the balance in the trust fund is about \$496 million which differs from the fiscal note \$555 million.

**REP. RANEY** said the state has another major trust, school trust land, the revenue from which is earmarked for schools. He asked **Mr. Burr** if he also advocated getting rid of the school trust land? **Mr. Burr** replied he would not.

**REP. RANEY** asked **Mr. Burr** to explain the difference.. **Mr. Burr** said this bill proposes using current taxes for current expenditures. He said there was no analogy between selling state school land and using coal tax revenues.

**REP. RANEY** said the coal tax was established to compensate for the loss of that natural resource. He asked **Mr. Burr** if the state should no longer compensate for that loss. **Mr. Burr** agreed with the statement.

**REP. HARPER** said passage of the bill would not only endanger programs now being funded with revenue from the coal tax trust fund but would also endanger Montana's bond and credit ratings. He asked **Mr. Burr** if that is a concern. **Mr. Burr** said the remarks by the "no-ponents" should be taken into consideration. The Committee would have to look at that very carefully.

**REP. HARPER** asked **Mr. Burr** if his comments would apply to any savings account or rainy day fund. He asked **Mr. Burr** if he was advocating spending current year tax revenue on current year appropriations. **Mr. Burr** said a rainy day fund is different and should contain an ending fund balance. Rainy day accounts have been established when tax revenues have exceeded necessary expenditures. This rainy day fund was set aside to be used, and is used, when expenditures exceed revenues. The important difference is that only the interest is to be expended.

**REP. HARPER** said most hospitals and universities have endowment funds which they use for extra income capital expenditures. If the endowment was raided without a means of replacing the money the organization would fail. He asked **Mr. Burr** if there is a difference. **Mr. Burr** said endowments are funded by contributions and not by tax dollars.

**REP. HARPER** said the source of the money makes no difference. If the organization is to continue in perpetuity, the value of the fund cannot be spent. He said he failed to see the difference.

**Mr. Burr** said raising revenue for government expenditures through taxation is totally different than a private hospital or a university. They receive contributions from people who want that organization to be funded at a higher level than that provided by state tax revenue. He said the university does not deposit its state tax revenue appropriation in an endowment fund.

REP. ELLIOTT said when we look at \$250 million deficit and think about using income from another trust fund to bail us out, it appears we are just postponing the responsibility to cut spending.

REP. BACHINI said the money would not be used to do any budget balancing. This would be spent on projects that have been neglected and delayed during the last several years.

REP. HIBBARD asked Mr. Burr to respond to REP. HARPER'S question regarding robbing the trust fund.

Mr. Burr replied the intent is not to take money from the trust. It would use current tax revenue for deferred maintenance. It would not deplete the trust or raise expenditures above current revenues. It is matching expenditures with current revenue.

REP. RANEY asked REP. BACHINI to address the money in lost interest that would otherwise be going to the general fund and school fund. REP. BACHINI said the offset would be in jobs created in the state of Montana and the needed \$240 million would create a number of jobs.

REP. KELLER asked REP. BACHINI if there were other buildings in the state infrastructure needing maintenance and repair. REP. BACHINI said he would be open to any suggestions.

REP. HARPER said the fiscal note indicates \$96 million will be available for appropriations for the university system and parks. He asked REP. BACHINI if the bill passed, would it not set off a \$100 million spending spree by the next legislature?

REP. BACHINI said that was correct.

Closing Statement by Sponsor:

REP. BACHINI closed stating the bill would only cap the fund for 10 years, at which time interest would automatically go back into the permanent trust. A \$500 million balance would remain in the trust at all times. He said the trust belongs to the people of Montana, not the Legislature, and the people have an interest in this trust also. If the infrastructure continues to be ignored future costs will continue to increase. He said there are those who would rather raise taxes than use some of this money for a period of 10 years. He said he would consider using the revenue to address other infrastructure needs. He assured REP. HARPER that this would not impair the state's bonding capability or any other ongoing programs; however, he would confirm it with Mr. Petesch of the Legislative Council. He believed the people of Montana would pass this constitutional issue. He asked the Committee to delay executive action on the bill until the bonding concerns are resolved.

**HEARING ON HB 363****Opening Statement by Sponsor:**

**REP. JIM RICE, House District 43, Helena,** distributed a copy of the 1991 session law which this bill would amend. HB 363 would extend the termination date for another two years. Last session HB 312, which was an attempt to address District Court funding, failed on the House floor. This bill would change the termination date from June 30, 1993 to June 30, 1995 and seeks to extend the reallocation mechanism in the bill from last session. The \$1.5 million the bill generates for local government under the current allocation formula comes from the school foundation program and the university system. The local option tax would be a tax placed on the mills already existing for those programs, but we would reallocate that money and give it to the county. The schools would be the loser, however, there hasn't been a lot of objection to it because it is not a lot of money. He said this is a companion bill to one being introduced by Sen. Doherty which would set up a committee to study District Court funding and administration. **EXHIBIT 4**

**Proponents' Testimony:**

**Gordon Morris, Executive Director, Montana Association of Counties (MACO),** referring to **EXHIBIT 5,** said it could be clearly seen what was being proposed. He said extending the allocation is **MACO's** second highest priority item. **Mr. Morris** distributed a second handout which showed the 37 counties currently imposing up to .5% local option vehicle tax. **EXHIBIT 6** He asked for the Committee's favorable consideration of HB 363.

**Linda Stoll Anderson, Lewis and Clark County Commissioner, Helena,** expressed support for HB 363 because it gives counties a tool with which to pay District Court costs. She said she is willing to take the political risk of raising taxes to fund the courts but needs the sunset provision extended in order to do so.

**Dave Anderson, Jefferson County Commissioner,** agreed with **Ms. Stoll Anderson's** statements. He said when Jefferson County first imposed the tax they used the full .5% ; however, last June they realized they were not going to need the full amount and it was dropped to .25%. One reason for that decrease was the release of the protested taxes paid by Bonneville Power. He said it was a good mechanism for funding mandatory county responsibilities.

**Alec Hansen, Executive Director, Montana League of Cities and Towns,** appeared in support of the bill and said it was of vital importance to the cities and towns in order to keep their operations going. He said if the bill did not pass, it would not

change the amount of taxes but only the way the money is allocated. Silver Bow County uses this funding mechanism which is vitally important to the courts operations. He urged the Committee to extend this law for two years.

**Steve Powell, Ravalli County Commissioner**, expressed support for the bill. He said this is the first time they haven't had to borrow from the general fund to pay district court costs. He emphasized they have to hold public hearings every year and also answer to their taxpayers as to how the money is used. He urged the Committee to support the bill.

**Janet Kelly, Chairman, Custer County Commissioners**, also appeared in support of extending the local option vehicle tax for two years. Funding District Courts is a problem in all counties. She said she was on the 1990 committee to study this problem and make recommendations. Although HB 363 is not a long term solution it offers officials a way to handle existing funding problems. I-105 decreased contributions to District Courts. The inflation increases, lack of control over court budgets are some of the problems facing County Commissioners. Judges set wage levels for probation officers and court reporters. She said the Commissioners are responsible for paying the costs but the law does not allow them to control those costs. HB 363 allows local officials to address their overall funding problems as they see fit. In FY 92 Custer County did not impose this tax and by the end of the year they had a deficit of \$48,000. This year, since imposing the tax, they have reduced the court deficit to \$15,000 and hope to show a positive cash balance by the end of 1993. She urged a favorable consideration of HB 363.

**Harry Mitchell, Cascade County Commissioner**, also served on the study committee. He said if the law is not extended the schools will get the money instead of the counties and that will mean the Court will have to depend on the general fund, which doesn't have the money. He said they were simply asking for the Legislature's permission to allow them to address the court funding problem.

**Opponents' Testimony:** There were no opponents.

**Questions From Committee Members and Responses:**

**REP. RICE and REP. REAM** discussed the ramifications of extending the sunset provision for 4 years or perhaps making the funding provisions permanent. **REP. RICE** had no objections to any extensions.

**Closing Statement by Sponsor:**

**REP. RICE** closed.

HEARING ON HB 397

Opening Statement by Sponsor:

**REP. SCOTT McCULLOCH, House District 96, Billings,** said HB 397 improves the security of Montana drivers' licenses. He reviewed pertinent information contained in **EXHIBIT 7**. Present licenses are not secure and can easily be copied. The bill provides for an increase in fees and uses computer digital imaging for the pictures. The computers would also allow access to all the automated drivers' license systems in all counties using the system. The computers will be included in the price and there will be no additional cost to the state for information access.

**REP. McCULLOCH** distributed a proposed amendment to page 2, lines 23 and 24 which would delete the \$3 fee for each national driver register (NDR) inquiry, which is no longer needed. **EXHIBIT 8** He said any excess money raised from increased fees would go to the general fund.

Proponents' Testimony:

**Dean Roberts, Administrator, Motor Vehicle Division, Department of Justice,** spoke to the amendment on page 2, lines 23 and 24. He said there are about 400,000 national driver register inquiries (NDR) per year which is an electronic transfer of drivers license information to the insurance industry. He said they would also like to have authority to issue ID cards, saw no reason why the public shouldn't be able to have this form of identification, and asked for a price increase from \$1 to \$8. In the private market, i.e., passport pictures, the cost is anywhere from \$10-\$15. He explained the imaging process and the benefits and said many people have told them Montana's present license is the most easily duplicated in the U.S. He said this new license would be fake proof because of the magnetic stripe on the back. Law enforcement officials would be able to find a photo with this digitized license in less than 10 seconds.

**Kyle Cameron, Custer County High School, Miles City,** said he was a student who had been arrested for possession with a fake license. He said he had no idea it was a felony to use a fake license. He said the percentage of high school students using a fake license would be at least 5%. Anyone who has access to a local print shop can make a fake license. He said it was ludicrous not to have an ID such as that proposed.

**Tom Adamo, Chief, Criminal Investigation Bureau, Department of Justice,** said drivers license photos not only can incriminate someone involved in a crime but also can exonerate them. He receives many requests for drivers license photos but have no way of quickly and efficiently locating and reproducing them.

**Frank Cannon, Chairman of the Montana Beer Distributors and Manager of County Market, Helena,** expressed support for HB 397.



He said adding the magnetic stripe would be an immense help in controlling the sale of alcohol to minors. The hard part of being a checker is trying to decide whether an ID is fake or not. It would also aid in check identification.

**Bill Fleiner, Board Member, Montana Sheriffs and Peace Officers Association**, expressed support for the legislation. He said they had caught a group of young people who were manufacturing fake licenses in Lewis and Clark County. After further investigation, there was an indication that group, or another one, was traveling across the country doing the same thing because replicating Montana drivers licenses is so simple. Tavern owners and bartenders bear the brunt of the fake licenses and it would help them tremendously.

**Bill Stevens, Montana Food Distributors Association**, said if there was better identification their people would have more control. Pennsylvania and Arizona both have pilot programs for their food stamp program identification procedures and said his organization would be supportive of the system in Montana. He asked the Committee for a do pass.

Opponents' Testimony: There were no opponents.

Questions From Committee Members and Responses:

**REP. HARRINGTON** asked **Bill Fleiner** if he saw any problems with the fact that everyone would know everything about an individual through the use of these magnetic stripes. **Mr. Fleiner** said it was his understanding that would be limited. He maintained there was substantial value to law enforcement but that access can be limited to the general public. However, he did think **REP. HARRINGTON** had a valid concern. It would also be very helpful to travelers.

**REP. ELLIOTT** asked how the increased fees would be used. **REP. McCULLOCH** said the increased fees would pay for equipment which would amount to \$200,000 for FY 94 \$215,000 for FY 95.

**REP. FOSTER** asked **Dean Roberts** about ID cards for developmentally disabled persons. Would the fee increase also apply to them? **Mr. Roberts** said it would apply to them but there obviously could be exceptions made. He could see if it was used for the food stamp program down the road, low income and developmentally disabled could get an ID card at no charge.

**REP. FOSTER**, using the example of a person not wanting to use his social security number as a drivers license ID number, asked some other number could be used on the license? **Mr. Roberts** said present law does not mandate the use of social security numbers. In answer to a question by **REP. RANEY**, **REP. McCULLOCH** said the magnetic stripe would be an option and was not intended to be implemented in the next year or two.

**Closing Statement by Sponsor:**

REP. McCULLOCH said it is evident that there is a problem in Montana with easily faked drivers licenses. The bill is not intended to invade privacy but to make licenses more secure.

**EXECUTIVE ACTION ON HB 283**

**Motion:** REP. ELLIOTT MOVED HB 283 DO PASS.

**Motion:** REP. ELLIOTT moved adoption of all three sets of amendments. The sponsor indicated he had no problem with the amendments.

**Discussion:** REP. ELLIOTT said a tribal tax is a tax that is implemented by the tribe and the Department of Revenue has agreed to collect that tax for the tribe. The amendment drafted by Mr. Heiman on January 26 is to make sure that the tax is distributed back to the tribe on a proportionate basis. He understood a state/tribal agreement would take precedence over the formula.

**Vote:** Motion to adopt the amendments carried unanimously.

**Motion:** REP. ELLIOTT MOVED HB 283 DO PASS AS AMENDED.

**Motion:** REP. DRISCOLL moved to amend HB 283 on page 17, line 1, strike "July 1, 1993" and insert "when cooperative agreement negotiations are complete."

**Discussion:**

REP. DRISCOLL said the bill, as written gives the state a much superior position to the tribes. It is not fair to put the tribes in a position where they have to agree or they get nothing.

REP. ELLIOTT said the original bill, enacted by the 1991 Legislature, imposed a quota on all tribes in the state of Montana and also contained provisions for a study on state/tribal taxation. The quota was removed from the bill and the study was provision retained. During testimony on that bill the Salish-Kootenai Tribe asked that they only pass the portion of the bill which mandated that the state negotiate in good faith with the leaders to work on cigarette taxes, as well as other areas of taxation, and to delay the effective date on the levy of the tax to the next year. They were asking for a one year leeway to negotiate the tax. It was extended to two years. Nothing was forthcoming as far as an agreement on a cigarette tax. This bill

gives the tribes another five months to negotiate. This is not a tax on Indians but on non-enrolled members who are on the reservation illegally buying cigarettes. He said the state is within its rights to impose a quota to recover a tax that is legally imposed by the state and that can be legally recovered by the state.

**REP. REAM** asked **Judy Rippingale, Department of Revenue (DOR)**, how the negotiations are going with the three remaining tribes. **Ms. Rippingale** said the tribes are negotiating but are far from reaching an agreement. All agreements can be amended on 30 days notice. She said five months should be adequate time to reach a basic agreement.

**REP. HARPER** asked **Ms. Rippingale** if the tribes could unilaterally cancel the agreements? **Ms. Rippingale** said they would have one year on the cigarette agreements.

**REP. HARPER** asked if the bill is passed and they are not successful in negotiating the agreements, what would happen on July 1? **Jeff Miller, DOR**, said if no agreement was in place, as of July 1, DOR would calculate the supply of cigarettes to be distributed to a particular reservation based on national per capita consumption for enrolled members and would distribute those tax free cigarettes based on past consumption patterns of various smokeshops. He said there are four negotiated agreements in place which will run for one year and are not impacted by this bill. He said they need a tool to address the problem of excess supply now in place.

**REP. FELAND** said he lives close to a reservation and he sees van loads of cigarettes leaving the reservation. These negotiations have been going on for a long time, but it seems nothing is ever settled. He said the bill would at least allow a quota to be imposed. He supported the bill without **REP. DRISCOLL'S** amendment.

**REP. TUNBY** agreed with **REP. ELLIOTT** and opposed the amendment.

**REP. DRISCOLL** withdrew his amendment.

**Vote:** Motion that **HB 283 DO PASS AS AMENDED** carried 19-1 with **REP. DRISCOLL** voting no.

#### EXECUTIVE ACTION ON HB 207

**Motion:** **REP. HARPER MOVED HB 207 DO PASS.**

**Discussion:** **REP. ELLIOTT** asked if anyone could briefly explain the bill. **CHAIRMAN GILBERT** said the money is currently going into the general fund and **HB 207** will create a special revenue

account. The money now going into the general fund and any additional monies will go into the special revenue account and will cost the state general fund about \$438,000. That amount will have to be made up either through additional cuts or increased taxes.

REP. ELLIOTT said this money has gone to the general fund for the past 30 years. He said he was not sure why that money should now go to the special revenue account.

CHAIRMAN GILBERT said the Department of Justice is not happy with the Appropriations Committee.

REP. ELLIOTT said if the Department has been content for the past 30 years he sees no reason for the bill.

Motion:

REP. ELLIOTT MOVED A SUBSTITUTE MOTION HB 207 DO NOT PASS.

Discussion: REP. McCAFFREE responded that we have done to the Department of Justice the same thing we have done to everyone else - we've taken their money but added to their responsibilities.

REP. FELAND said he agreed with REP. ELLIOTT. If we have to make sure that every bit of that money in the general fund goes where it is supposed to, we'd have to do this with every little thing. He said to let the Appropriations Committee appropriate.

REP. RANEY agreed with REP. ELLIOTT.

REP. HARPER spoke against the motion because the bill was an impact on the general fund. He said if we endorse the bill and send it out, it will go to the Appropriations Committee. Someone has to bring statutory responsibilities together with the money and this has money implications.

REP. RANEY said the bill should be rereferred to Appropriations for a final decision. He said we are discussing putting money into a program without knowing what the program needs.

Motion:

REP. ELLIOTT agreed it was an appropriations bill and withdrew the do not pass motion. REP. ELLIOTT MADE A SUBSTITUTE MOTION TO REREFER THE BILL TO APPROPRIATIONS.

CHAIRMAN GILBERT stated the Committee cannot rerefer the bill. That motion has to be made on the floor with a three-fifths vote. He felt the Committee had a responsibility to take action on the bill.

REP. ELLIOTT said to disregard the withdrawal of the do not pass motion. As a result, the DO NOT PASS motion stands.

REP. FOSTER said this is earmarking and that is part of the problem. He agreed with REP. FELAND that the appropriations process should deal with this bill. He supported REP. ELLIOTT'S motion.

Vote: The Do Not Pass motion carried 16-4 with REPS. HARPER, McCAFFREE, T. NELSON AND TUNBY voting no.

Motion: REP. HARRINGTON MOVED THAT HB 207 BE TABLED. There being no objection, the vote from the Do Not Pass Motion was reversed with REPS. HARPER, McCAFFREE, T. NELSON AND TUNBY voting no.

EXECUTIVE ACTION ON HB 154

Motion: REP. HARPER MOVED HB 154 DO PASS.

Motion: REP. HARPER moved adoption of the proposed amendments by REP. WHALEN. EXHIBIT 9

Discussion: Lee Heiman explained the amendments on page 2, lines 19, 20, 22 and 23.

REP. TUNBY asked Jeff Miller, DOR, what effect the amendments would have on the bill.

Mr. Miller said the amendments would limit the information to a specific taxpayer and only release information pertinent to the specific inquiry.

REP. HARRINGTON said he had a real problem with the bill. He said the courts should remedy the situation.

REP. HARPER withdrew his motion to adopt the amendments proposed by REP. WHALEN, Exhibit 9.

CHAIRMAN GILBERT delayed executive action on the bill for another day until Mr. Miller could furnish adequate copies of DOR's amendments.

EXECUTIVE ACTION ON HB 204

Motion: REP. REAM MOVED HB 204 DO PASS.

Discussion: REP. RANEY asked if HB 204 adds 4 mills over and above current law. REP. REAM said it does.

**REP. BOHLINGER** said this is another attempt to circumvent I-105. He said he is opposed to the bill.

**REP. HARRINGTON** said it while it is true the people voted for I-105, almost every city in the last two years they have failed to fund the foundation program above 0-0. Most communities in the state have raised their mill levies to meet increased costs of education.

**REP. HARPER** said this question came up repeatedly during discussions on the Big Sky Dividend and the Treasure State Endowment. The Big Sky Dividend required a 50% local match which local governments said they did not have. He asked how local governments were going to raise the money now.

**REP. ORR** said the federal funds are coming from a government with no money. It is ludicrous for the state to try to match those non-existent funds with non-existent funds.

**REP. HARRINGTON** said the Legislature is stymied until tax reform is accomplished.

**REP. RANEY** said the sales tax is a big step towards tax reform, but this bill is needed should the sales tax fail.

**REP. HARRINGTON** said agreement must be reached because the Committee cannot keep putting back up plans on the table and take no action.

**CHAIRMAN GILBERT** said if **REP. REAM** feels this bill is part of the back up plan, the bill should be held until the package comes together. If not, then the Committee should take action on the bill.

**REP. REAM** said HB 204 is a tool for local governments to use to improve their infrastructure. They have tremendous problems that have to be addressed now. He said whether or not we like using federal funds, there are funds available, and if we don't use them, someone else will. He said it was amazing that 20 people on the House Taxation Committee seem to know better than city and county governments. He asked why we are afraid to give local governments the tools to do their work. They are elected officials that must answer to their constituents. He asked the Committee's help for cities and local governments.

**Vote:** Motion that HB 204 Do Pass failed 12-8, with **CHAIRMAN GILBERT** and **REPS. FOSTER, ANDERSON, BOHLINGER, ELLIOTT, FELAND, HANSON, HIBBARD, KELLER, NELSON, ORR, TUNBY** voting no.

**Motion/Vote:** **REP. REAM** MOVED THAT HB 204 BE TABLED. Motion carried unanimously.

EXECUTIVE ACTION ON HB 219

Motion: REP. FOSTER MOVED HB 219 DO PASS.

Motion/Vote: REP. FOSTER moved adoption of the amendments.  
Motion carried unanimously.

CHAIRMAN GILBERT stated they would take final executive action on HB 219 after receipt of a revised fiscal note.

EXECUTIVE ACTION ON SB 141


Motion/Vote: REP. HARRINGTON MOVED SB 141 BE CONCURRED IN.  
Motion carried unanimously.

EXECUTIVE ACTION ON SB 151

Motion/Vote: REP. REAM MOVED SB 151 BE CONCURRED IN. Voice vote  
Motion carried unanimously.

ADJOURNMENT

Adjournment: The meeting adjourned at 11:45 a.m.

  
BOB GILBERT, Chairman

  
JILL ROHYANS, Secretary

These minutes were written by Louise Sullivan and proofed for content by Jill Rohyans.

BG/jdr/lis





HOUSE STANDING COMMITTEE REPORT

February 3, 1993

Page 1 of 2

Mr. Speaker: We, the committee on Taxation report that House Bill 283 (first reading copy -- white) do pass as amended .

Signed: \_\_\_\_\_  
Bob Gilbert, Chair

And, that such amendments read:

1. Page 3, line 7.

Following: "made"

Insert: "or any other formula or amount agreed to in a state-tribal cooperative agreement"

2. Page 3, line 17.

Following: the first "agreement"

Insert: "providing for revenue sharing of cigarette taxes with the tribe or enlisting the tribe's assistance in enforcing the provisions of this chapter"

Strike: "The"

Insert: "An"

Following: the second "agreement"

Insert: "sharing revenue of cigarette taxes with a tribe"

3. Page 4, line 9.

Following: "16-1-111."

Insert: "A tribal tax must be distributed to the tribe as determined in a negotiated formula based on population."

4. Page 8, line 8.

Following: "quota"

Insert: ", as established in a cooperative agreement between the department and an Indian tribe or as set out in this chapter, "

5. Page 9, line 2.

Strike: "populations determined"

Insert: "as provided"

6. Page 10, line 16.

Following: "quota"

Insert: ", as established in a cooperative agreement between the department and an Indian tribe or as set out in this chapter,"

Committee Vote:

Yes \_\_\_\_\_ No \_\_\_\_\_

271230SC.HSS

February 3, 1993  
Page 2 of 2

7. Page 11, line 10.

Strike: "populations determined"

Insert: "as provided"

*Handwritten signature or initials*

HOUSE STANDING COMMITTEE REPORT

February 3, 1993

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that Senate Bill 141 (third reading copy -- blue) be concurred in.

Signed: \_\_\_\_\_  
Bob Gilbert, Chair

Carried by: Rep. Tunby

HOUSE STANDING COMMITTEE REPORT

February 3, 1993

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that Senate Bill 151 (third reading copy -- blue) be concurred in .

Signed: \_\_\_\_\_  
Bob Gilbert, Chair

Carried by: Rep. Ream

HOUSE OF REPRESENTATIVES

TAXATION

COMMITTEE

ROLL CALL VOTE

DATE 2/3/93 BILL NO. 204 NUMBER \_\_\_\_\_

MOTION: by Rep. Ream That HR 204 Do Pass

NAME	AYE	NO
REP. FOSTER		X
REP. HARRINGTON	X	
REP. ANDERSON		X
REP. BOHLINGER		X
REP. DOLEZAL	X	<del>X</del>
REP. DRISCOLL	X	
REP. ELLIOTT		X
REP. FELAND		X
REP. HANSON		X
REP. HARPER	X	
REP. HIBBARD		X
REP. KELLER		X
REP. McCAFFREE	X	
REP. MCCARTHY	X	
REP. NELSON		X
REP. ORR		X
REP. RANEY	X	
REP. REAM	X	
REP. TUNBY		X
REP. GILBERT		X

EXHIBIT 1  
DATE 2/3/93  
HB 360

**DORSEY & WHITNEY**

A PARTNERSHIP (INCLUDING PROFESSIONAL CORPORATION)

2200 FIRST BANK PLACE EAST  
MINNEAPOLIS, MINNESOTA 55402  
(612) 840-2600

201 FIRST AVENUE S. W., SUITE 240  
ROCHESTER, MINNESOTA 55902  
(507) 285-3126

1200 FIRST INTERSTATE CENTER  
BILLINGS, MONTANA 59102  
(406) 252-3900

307 DAVIDSON BUILDING  
GREAT FALLS, MONTANA 59401  
(406) 727-3622

801 GRAND, SUITE 3000  
DES MOINES, IOWA 50309  
(319) 263-1000

127 EAST FRONT STREET  
SUITE 310  
MISSOULA, MONTANA 59802  
(406) 721-6025  
FAX (406) 545-0863

MAE NAN ELLINGSON

330 PARK AVENUE  
NEW YORK, NEW YORK 10022  
(212) 455-2900

1030 CONNECTICUT AVENUE, N. W.  
WASHINGTON, D. C. 20006  
(202) 837-0700

3 GRACECHURCH STREET  
LONDON EC3V 6AT, ENGLAND  
44-71-220-2224

36, RUE TRONCHET  
75008 PARIS, FRANCE  
33-1-42-66-50-49

35 SQUARE DE MERUS  
B-1060 BRUSSELS, BELGIUM  
32-2-504.46.11

**MEMORANDUM**

TO: Ray Beck  
FROM: Mae Nan Ellingson  
DATE: February 3, 1993  
RE: House Bill No. 360

VIA FACSIMILE

As currently drafted, House Bill 360, if approved, would result in an unconstitutional impairment of the State's contractual obligations to the holders of outstanding bonds of the State secured by and payable from the State's Coal Severance Tax.

As you know, the State has issued and currently has outstanding some \$ 6.5 million of Coal Severance Tax Bonds, with maturity schedules extending through 2013. Section 17-5-709, MCA, specifies that the legislature shall provide of the continued assessment, levy, collection, and deposit into the coal severance tax bond fund (which is an account in the coal severance tax trust fund), sufficient coal severance taxes to pay principal and interest, along with other sources available therefor, on the coal severance tax bonds.

Subpart (3) of that section provides that the provisions of this section may not be modified so as to reduce the security for any coal severance tax bonds while such bonds are outstanding.

Similarly, Section 17-5-716 provides that "In accordance with the constitutions of the United States and the State of Montana, the State pledges that it will not in any way impair the obligations of any agreement between the state and the holders of notes and bonds issued by the state."

## DORSEY &amp; WHITNEY

Ray Beck  
February 3, 1993  
Page 2

Under current law, the bonds have a first lien on the coal severance tax revenues being deposited into the Coal Severance Tax Trust Fund. That is to say, the initial deposit of the coal tax revenues in the trust fund are placed in the bond account in an amount sufficient to pay one year's principal and interest on the outstanding bonds. The excess is then swept to various other funds and accounts established by the legislature before it goes into the permanent fund. By providing that the coal severance taxes will not be deposited in the trust fund once the trust fund has reached \$500 million, there would be no mechanism for funding the bond fund.

The intent of House Bill No. 360 could constitutionally be achieved by diverting coal severance taxes out of the trust fund before it goes into the permanent fund (once the permanent fund has reached \$500 million and once the obligations payable from the bond funds have been provided for each year throughout the term of the bonds).

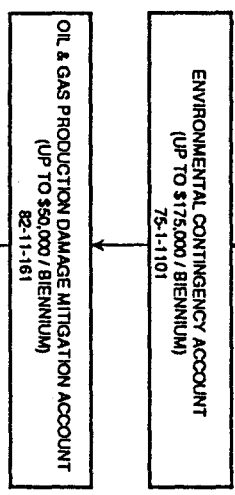
It should be noted, that not only are the coal severance tax water development bonds at issue, but the school bonds secured by the coal severance tax trust fund are as well.

We would be happy, if requested, to work with you or Legislative Council on appropriate language.

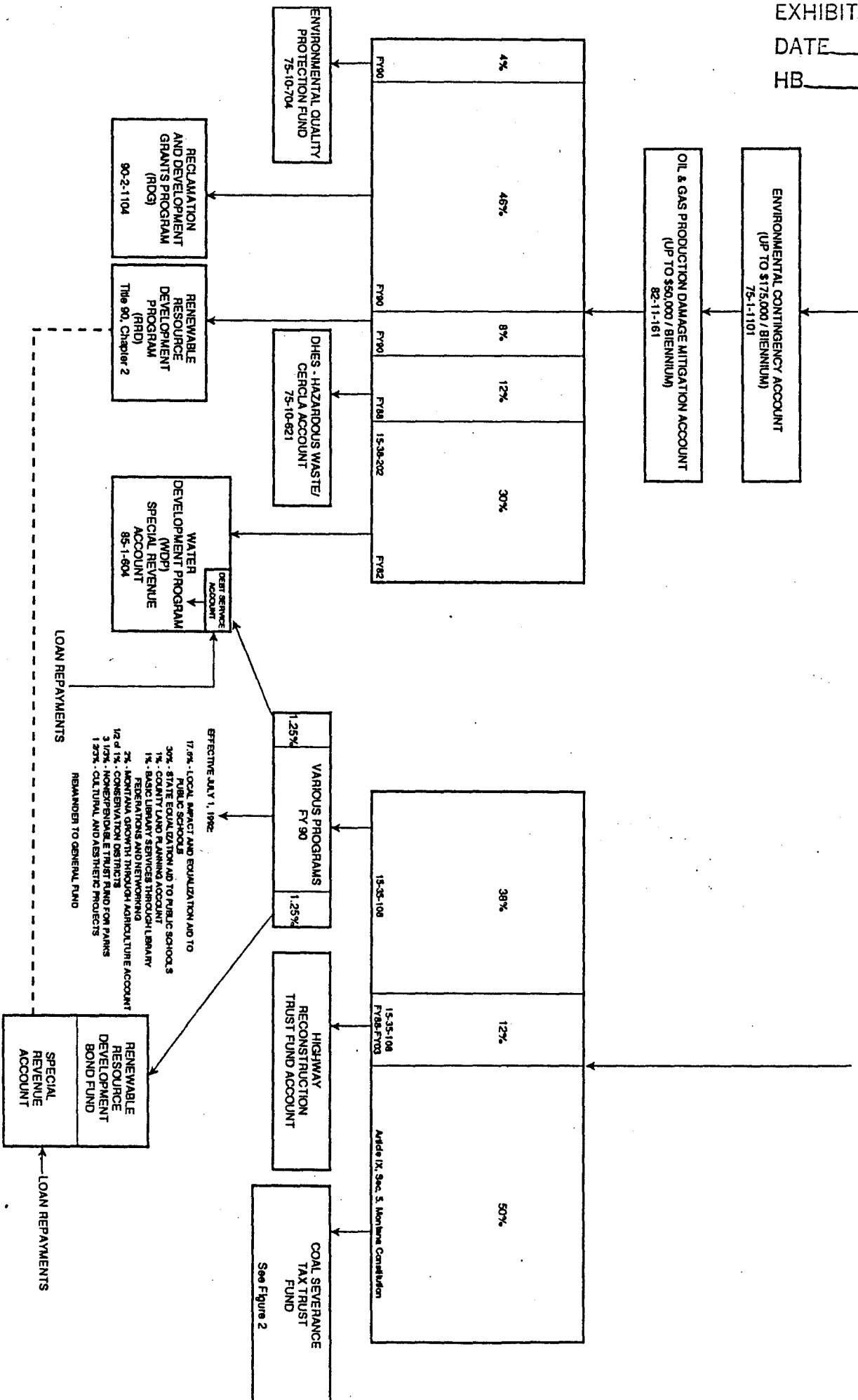
Dictated, but not read

EXHIBIT 2  
 DATE 2/3/93  
 HB 260

**RESOURCE INDEMNITY TRUST INTEREST INCOME**  
 (\$17.3 MILLION / BIENNIUM FY 94-95 ESTIMATE)



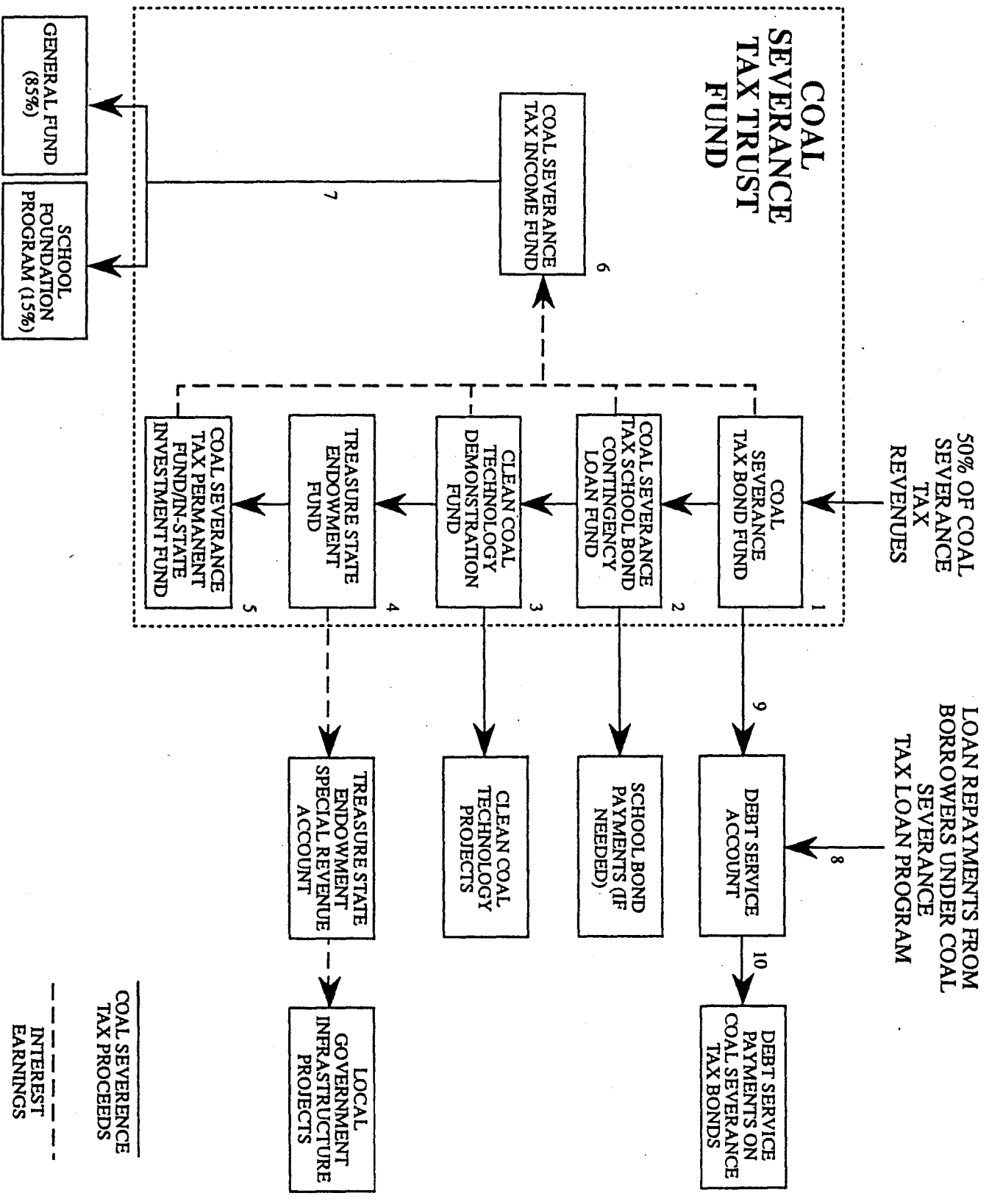
**COAL SEVERANCE TAX**  
 (\$82.3 MILLION / BIENNIUM FY 94-95 ESTIMATE)





# COAL SEVERANCE TAX TRUST FUND FLOW OF FUNDS SUMMARY

JANUARY 1993



COAL SEVERANCE TAX PROCEEDS

INTEREST EARNINGS

- (1) Within 30 days of the end of each calendar quarter, coal severance taxes are paid to the state, 50 percent of which are deposited in the **Coal Severance Tax Trust Fund (the Trust)**. Six accounts are established within the Trust: 1) the **Coal Severance Tax Bond Fund**, 2) the **School Bond Contingency Loan Fund**, the **Clean Coal Technology Demonstration Fund**, 4) the **Treasure State Endowment Fund**, 5) the **Coal Severance Tax Permanent Fund** (within which is established the **In-state Investment Fund**), and 6) the **Coal Severance Tax Income Fund**.

Coal tax revenues which flow in to the Trust are initially deposited in the **Bond Fund** and made available for payment of debt service on the **Coal Severance Tax Bonds** (see footnotes 8, 9, and 10). All amounts in excess of the amount needed to secure outstanding **Coal Severance Tax Bonds** for the next two ensuing semiannual payments shall be transferred to the **Coal Severance Tax School Bond Contingency Loan Fund**.

- (2) The January 1992 Special Legislative Session passed an Act creating the **Coal Severance Tax School Bond Contingency Loan Fund**. A total of \$25 million of School Bonds were authorized to be issued and secured by this fund. For as long as there are any outstanding school district bonds secured by the **Contingency Loan Fund**, an amount equal to the next 12 months of principal and interest payments due on any School Bonds will be retained in the **Contingency Loan Fund**. Any amounts in excess of the balance needed to secure outstanding School Bonds, shall be transferred to the **Clean Coal Technology Demonstration Fund**.
- (3) The 1991 Legislature passed an Act creating the **Clean Coal Technology Demonstration Fund**. On July 1, 1991, \$25 million was transferred into the **Demonstration Fund**. From July 1, 1991 through June 30, 1997, a maximum of \$5 million per year will be transferred into the **Demonstration Fund** from the **Contingency Loan Fund**. In total a maximum of \$55 million will be deposited in the **Demonstration Fund**. Any amounts in excess of the \$5 million retained in the **Demonstration Fund** will be transferred to the **Treasure State Endowment Fund**.
- (4) The **Treasure State Endowment Fund** was established when voters approved the measure on the June 2, 1992 ballot. All funds in excess of what is retained in the **Bond Fund**, the **Contingency Loan Fund**, and the **Demonstration Fund** will be deposited in the **Endowment Fund**. Annually, interest earnings required to meet the obligations of the state under this program are transferred to the **Treasure State Endowment Special Revenue Account**. Interest earnings not transferred to the **Revenue Account** are to be retained in the **Endowment Fund**. From time to time 50 percent of the principal transferred into the **Endowment Fund** will be transferred to the **Permanent Fund**.
- (5) Twenty-five percent of the receipts to the **Coal Severance Tax Permanent Fund** are segregated into the **In-state Investment Fund**. As the name indicates, the purpose of this sub-fund is making investments in Montana.

- (6) Investment income on the monies in the **Bond Fund**, the **Contingency Loan Fund**, the **Demonstration Fund**, and the **Permanent Fund** are periodically transferred to the **Income Fund**. The only exception to this is the **Endowment Fund** where any interest earnings are either transferred to the **Revenue Account** or retained in the **Endowment Fund**.
- (7) Eighty-Five percent of the balance in the **Income Fund** is transferred to the state's **General Fund**; the remaining 15 percent is transferred to the state's **School Foundation Program**.
- (8) Under the **Coal Severance Tax Loan Program**, the state sells coal severance tax bonds and loans the proceeds to local government entities for various water projects. The borrowers make semiannual loan payments, which upon receipt are credited to a **Debt Service Account**. The terms of the loans vary, but generally involve an interest rate subsidy for the first five years of the loan followed by a direct pass-through of interest rate on the Bonds for the remaining life of the loan.

The Act creating the **Endowment Fund** also expanded the loan authority from strictly water projects and now includes all local government infrastructure projects approved under this Act.

- (9) Debt service payments on the Bonds are due each June 1 and December 1. To the extent funds on hand in the **Debt Service Account** from loan repayments are insufficient to pay principal and interest on the Bonds when due, funds are transferred to the **Debt Service Account** from the **Bond Fund**.
- (10) On each June 1 and December 1, the state pays debt service on the Bonds from amounts on hand in the **Debt Service Account**.

Testimony on H. B. 360 To say the ~~revenue~~ <sup>EXHIBIT 3</sup>  
tax trust fund at 500 million for ~~10 years~~ <sup>DATE 7/3/95</sup>  
HB 360

Mr. Chairman, members of the Taxation Committee.

I am Vernon Bertelsen and this morning  
I am representing myself.

I rise in strong opposition to H.B. 360.  
~~Since~~ <sup>In</sup> 1978 ~~when~~ <sup>the first</sup> coal severance  
tax was collected for the Constitutional Coal  
Trust Fund. <sup>Since then</sup> I have ~~not~~ missed  
a session of the legislature in which I  
did not feel called upon to testify against  
efforts to invade the trust. The last  
effort was the so called "Big Sky Dividend"  
which the people of Montana also rejected -

The primary purpose of establishing  
the Constitutional Coal Trust Fund was  
to make sure that we would never again  
allow a natural resource to be extracted  
without putting a small percentage of its  
value aside to compensate present and  
future generations. Fortunately ~~to~~ we  
have been successful in protecting  
the Coal Trust Fund. The rewards have  
been great. This year our Coal Trust  
Fund will pass the \$500 million dollar  
point. The interest from the permanent  
Coal Trust Fund is distributed 85 per cent  
to the General Fund and 15 per cent to

EXHIBIT #3  
DATE 2-3-93  
HB-360

no great surprise that we want to use the best premier fund we have - The Constitutional Coal Tax Trust fund - our endowment for the present and the future.

For some time the fund grew by about 50 million dollars each year, this income has now fallen to 30 million dollars a year. This occurred because we cut the rate of taxation to stimulate the rate of production <sup>which was</sup> to make up for the loss. It didn't. But certainly we should protect the 30 million dollars we do receive. If we ever cut the flow of funds to the permanent Coal Tax Trust fund we will certainly destroy the Trust - Inflation will decrease ~~the~~ value of what we have left and if we ever start living off the full flow of taxes we will never give them up. Let's be satisfied with 50% -

I would like to add not only must we protect the flow of taxes to the trust but we must most certainly look more closely at the investments into which we are putting our funds. Only a fool would invest our funds into businesses with no equity and no return of interest to the state.

EXHIBIT #3  
DATE 2-3-93  
HB-360

no great surprise that we want to rob the last premier fund we have - The Constitutional Coal Tax Trust funds - our endowment for the present and the future.

For some time the fund grew by about 50 million dollars each year, this income has now fallen to 20 million dollars a year. This occurred because we cut the rate of taxation to stimulate the rate of production <sup>which was</sup> to make up for the loss. It didn't. But certainly we should protect the 20 million dollars we do receive. If we ever cut the flow of funds to the permanent Coal Tax Trust fund we will certainly destroy the Trust - Inflation will decrease the value of what we have left and if we ever start living off the full flow of taxes we will never give them up. Let's be satisfied with 50% -

I would like to add not only must we protect the flow of taxes to the trust but we must most certainly look more closely at the investments into which we are putting our funds. Only a fool would invest our funds into businesses with no equity and no return of interest to the state.

That amounts to an open invitation  
to steal from the state. Move on  
that later.

So I plead with you - for  
the good of Montana Today - tomorrow  
and forever don't steal the taxes  
from our Constitutional Coal Tax Trust  
Fund. Don't rob my Grandchildren  
and yours of the benefit of the small  
share of the coal revenue we have set  
aside for them - Let us protect  
our and their endowments and have  
pride enough to say "No" we do  
not want to stop the flow of ~~the~~ taxes  
to Montana's Constitutional Coal Trust Fund.

Thank you.

Yvonne Bartelrew  
1800 Winne Ave.  
Helena, Mont.  
442-2279

## CHAPTER NO. 749

[HB 312]

AN ACT TO PROVIDE STATE REIMBURSEMENT PAYMENTS FOR DISTRICT COURT EXPENSES TO COUNTIES THAT HAVE EXPENDED THE REVENUE FROM THE MAXIMUM PERMISSIBLE MILL LEVY FOR DISTRICT COURT FUNDING; TO AUTHORIZE THE COUNTY COMMISSIONERS TO USE A PORTION OF THE LOCAL OPTION VEHICLE TAX FOR COUNTY PURPOSES; TO PROVIDE FOR THE DISTRIBUTION OF A PORTION OF THE TAX TO THE COUNTY AND MUNICIPALITIES; AMENDING SECTIONS 7-6-2427 AND 61-3-537, MCA; AND PROVIDING AN EFFECTIVE DATE, AN APPLICABILITY DATE, AND A TERMINATION DATE.

*Be it enacted by the Legislature of the State of Montana:*

Section 1. Section 7-6-2427, MCA, is amended to read:

"7-6-2427. Special provisions for certain charges related to criminal prosecutions. (1) Notwithstanding 7-6-2426, all costs of a criminal prosecution, including ~~attorneys' attorney~~ fees, of an offense committed in the state prison are not charges against the county in which the state prison is located. ~~Such~~ The costs ~~shall~~ must be paid by the department of institutions.

(2) If a criminal action is removed before trial, the costs accruing upon ~~such~~ removal and trial must be a charge against the county in which the indictment was found or information filed, subject to ~~partial or total~~ reimbursement as provided in 3-5-901."

Section 2. Section 61-3-537, MCA, is amended to read:

"61-3-537. Local option vehicle tax. (1) A county may impose a local vehicle tax on vehicles subject to a property tax under 61-3-504(2) at a rate of up to 0.5% of the value determined under 61-3-503, in addition to the tax imposed under 61-3-504(2).

(2) A local vehicle tax is payable at the same time and in the same manner as the tax imposed under 61-3-504(2). ~~and The local vehicle tax is distributed in the same manner, based on the registration address of the owner of the motor vehicle as follows:~~

(a) 50% to the county; and

(b) the remaining 50% to the county and the incorporated cities and towns within the county, apportioned on the basis of population. The distribution to a city or town is determined by multiplying the amount of money available by the ratio of the population of the city or town to the total county population. The distribution to the county is determined by multiplying the amount of money available by the ratio of the population of unincorporated areas within the county to the total county population.

(3) The governing body of a county may impose a local vehicle tax for a fiscal year by adopting a resolution before July 1 of the fiscal year, after conducting a public hearing on the proposed resolution. *The resolution may provide for the distribution of the local vehicle tax.*"

Section 3. Effective date — applicability. [This act] is effective July 1, 1991, and applies to district court expenditures made after June 30, 1991.

Section 4. Termination. [This act] terminates June 30, 1993.

Approved May 15, 1991.



and June 15 without displaying the registration certificate of the current registration year if the owner, during that period, displays upon the motor home or travel trailer the number plates, plate, or decal assigned thereto for the previous registration year.

History: En. Sec. 1, Ch. 146, L. 1988; amd. Sec. 2, Ch. 450, L. 1991.

**Compiler's Comments**

1991 Amendment: Inserted third sentence concerning reregistration by mail.

**61-3-527 through 61-3-530 reserved.**

**61-3-531 through 61-3-534. Repealed. Sec. 38, Ch. 611, L. 1987.**

**Compiler's Comments**

*Histories of Repealed Sections:*

61-3-533. En. Sec. 3, Ch. 614, L. 1991; amd. Sec. 1, Ch. 115, L. 1983; amd. Sec. 2, Ch. 685, L. 1985; amd. Sec. 2, Ch. 702, L. 1985; amd. Secs. 1, 2, Ch. 1, Sp. L. 1985.  
61-3-534. En. Sec. 4, Ch. 614, L. 1981.

**61-3-535. Vehicle reregistration by mail — renewal cards and registration notice by mail. (1) Except as provided in subsection (2), an owner of the following types of motor vehicles may reregister by mail:**

(a) light vehicles, motorcycles, quadricycles, and other vehicles subject to under 61-3-504(2); and  
(b) travel trailers, campers, and motor homes subject to a fee in lieu of tax under 61-3-521.

(2) The option to reregister by mail need only be made available for vehicles, motor homes, and travel trailers registered at the close of the expiring registration period in the name of the applicant for reregistration and only if the value, age, length, or other criteria used to determine the tax fee is available to the department.

(3) The department shall develop a procedure to facilitate the reregistration by mail of the vehicles listed in subsection (1). The mail reregistration procedure developed by the department must include a procedure to facilitate automated handling of mail reregistration or recertification.

(4) In the case of light vehicles, the form to be returned to the county treasurer by the applicant, with the appropriate tax and fees, is to contain a statement that the applicant is in compliance with the financial liability requirements of 61-6-301.

(5) The procedure implemented by the department to permit reregistration or camper decal application by mail shall provide for a written reminder notice by mail to a vehicle owner of the requirement to reregister his vehicle with the county treasurer or to apply for the annual camper decal.

(6) The department shall adopt rules to implement the mail reregistration and decal application procedure.

History: En. Sec. 5, Ch. 614, L. 1981; amd. Sec. 1, Ch. 32, L. 1985; amd. Sec. 13, Ch. 614, L. 1985; amd. Sec. 1, Ch. 420, L. 1987; amd. Sec. 33, Ch. 611, L. 1987; amd. Sec. 3, Ch. 614, L. 1991; amd. Sec. 8, Ch. 604, L. 1991.

**Compiler's Comments**

1991 Amendments: Chapter 450 in (1), near middle of first sentence after "61-3-535(2)", inserted language concerning registration of motor homes and travel trailers and camper decal applications (language not codified because of rearrangement of section by Ch. 604; the substance of the language is contained in subsection (1)(b) inserted by Ch. 604); in (2), after "vehicles",

inserted "motor homes, and travel trailers"; at beginning of (4) inserted "In the case of light vehicles"; in (5), near middle after "reregistration" and at end, inserted language concerning camper decal application; in (6) inserted language concerning decal application; and made minor change in style.

Chapter 604 at beginning of (1) substituted excepted clause for "The department shall permit the reregistration of"; in (1)(a), after "light vehicles", inserted "motorcycles, quadricycles" and after "61-3-504(2)" deleted "with the county treasurer by mail at the option of the owner of the vehicle"; inserted (1)(b) regarding reregistration of travel trailers, campers, and motor homes; in (2), at end after "reregistration", inserted "and only if the value, age, length, or other criteria used to

**Cross-References**

Adoption and publication of rules, Title 2, ch. 4, part 3.  
Duties of County Treasurer, 7-6-2111.

**61-3-536. Repealed. Sec. 38, Ch. 611, L. 1987.**

History: En. Sec. 6, Ch. 614, L. 1981; amd. Sec. 2, Ch. 115, L. 1983; amd. Sec. 10, Ch. 708, L. 1983; amd. Sec. 3, Ch. 702, L. 1985; amd. Sec. 2, Ch. 1, Sp. L. 1985; amd. Sec. 7, Ch. 30, Sp. L. June 1986.

**61-3-537. (Temporary) Local option vehicle tax. (1) A county may impose a local vehicle tax on vehicles subject to a property tax under 61-3-504(2) at a rate of up to 0.5% of the value determined under 61-3-503, in addition to the tax imposed under 61-3-504(2).**

(2) A local vehicle tax is payable at the same time and in the same manner as the tax imposed under 61-3-504(2). The local vehicle tax is distributed as follows:

(a) 50% to the county; and

(b) the remaining 50% to the county and the incorporated cities and towns within the county, apportioned on the basis of population. The distribution to a city or town is determined by multiplying the amount of money available by the ratio of the population of the city or town to the total county population. The distribution to the county is determined by multiplying the amount of money available by the ratio of the population of unincorporated areas within the county to the total county population.

(3) The governing body of a county may impose a local vehicle tax for a fiscal year by adopting a resolution before July 1 of the fiscal year, after conducting a public hearing on the proposed resolution. The resolution may provide for the distribution of the local vehicle tax. (*Terminates June 30, 1993*—sec. 4, Ch. 749, L. 1991.)

**61-3-537. (Effective July 1, 1993) Local option vehicle tax. (1) A county may impose a local vehicle tax on vehicles subject to a property tax under 61-3-504(2) at a rate of up to 0.5% of the value determined under 61-3-503, in addition to the tax imposed under 61-3-504(2).**

(2) A local vehicle tax is payable at the same time and in the same manner as the tax imposed under 61-3-504(2) and is distributed in the same manner, based on the registration address of the owner of the motor vehicle.

DATE 2/6/93

1537

IMPOSITION OF .5% LOCAL OPTION VEHICLE TAX - FY 1993

EXHIBIT

2/10/85

6

COUNTY	5 TAKEN	RATE	PRIMARY COUNTY USE	SECONDARY COUNTY USE	DATE
BEAVERHEAD	No				HB 3/63
BIG HORN	No				
BLAINE	No				
BROADWATER	Yes	.5%	District Court		
CARBON	Yes	.375%	General Fund		
CARTER	Yes	.5%	General govt		
CASCADE	Yes	.5%	District Court		
CHOUTEAU	Yes	.5%	General Fund		
CUSTER	Yes	.5%	District Court		
DANIELS	Yes	.5%	District Court		
DAWSON	Yes	.5%	General Fund		
A-DEER LODGE	No				
FALLON	No				
FERGUS	Yes	.5%	District Court	Foster Care	
FLATHEAD	No				
GALLATIN	Yes	.4%	Libraries/Road	District Court	
GARFIELD	Yes	.5%	General Govt		
GLACIER	No				
GOLDEN VALLEY	Yes	.5%	General fund		
GRANITE	No back				
HILL	Yes	.25	General	District Court	
JEFFERSON	Yes	.25	District Court		
JUDITH BASIN	Yes	.5	General fund		
LAKE	Yes	.5%	District Court	General Fund	
LEWIS & CLARK	Yes	.5%	District Court		
LIBERTY	Yes	.5%	General distrib.		
LINCOLN	Yes	.5%	District Court	General Fund	
MADISON	No				
McCONE	No				
MEAGHER	Yes	.5%	General Fund		
MINERAL	Yes	.5%	General Government		
MISSOULA	Yes	.5%	District Court		
MUSSELSHELL	Yes	.5%	District Court		
PARK	Yes	.5%	Roads		
PETROLEUM	No				
PHILLIPS	No				
PONDERA	Yes	.25	District Court		
POWDER RIVER	Yes	.5%	District Court		
POWELL	Yes	.5%	General Government		
PRAIRIE	Yes	.5%	General Fund	Courthouse Operation	
RAVALLI	Yes	.5%	District Court	Captl Imp/Gen Fund	
RICHLAND	No				
ROOSEVELT	Yes	.5%	General Government		
ROSEBUD	No				
SANDERS	Yes	.5%	District Court		
SHERIDAN	No				
STILLWATER	Yes	.5%	General Fund		
SWEET GRASS	Yes	.5%	General Fund		
TETON	Yes	.5%	Salaries		
TOOLE	No				
TREASURE	Yes	.5%	General Government		
VALLEY	No				
WHEATLAND	Yes	.5%	District Court		
WIBAUX	No				
YELLOWSTONE	No				
R-SILVER BOW	Yes	.5%	District Court		

EXHIBIT 7  
DATE 2/3/93  
HB 397

#### WHAT IS DIGITAL IMAGING?

It is the technique of capturing an image in a format recognizable by a computer. The image is actually broken down into a series of numbers corresponding to the location of the image on a screen and stored in the computer memory or other storage device.

#### HOW DOES IT WORK FOR DRIVER LICENSING?

The image or picture of the driver is created through the use of a television camera, and the image is then reduced to digital format (numbers) on a personal computer using special software developed by the licensing contractor. The image is then projected onto a photographic paper by a type of television monitor. The photograph is developed and sealed in plastic much as a license is produced today.

#### WHAT HAPPENS TO THE IMAGE AFTER THE LICENSE IS PRODUCED?

The image is stored on the computer that produced the license until the end of the day, and then copied to a magnetic tape which is sent to Helena. The images then are read into and stored on a larger computer with a special storage device which keeps them indefinitely.

#### CAN THE IMAGE BE RECALLED?

Yes, the stored images are indexed on the computer by driver's license number, and can be recalled in seconds. The image can then be viewed, printed (in color or in black and white), faxed to any fax machine or another license can be produced.

#### WHO WOULD USE THESE STORED IMAGES?

The largest use of the stored images would be by the Motor Vehicle Division to produce duplicate licenses, but there would be considerable use by law enforcement agencies for identification purposes.

#### HOW ARE IDENTIFICATIONS MADE?

Normally, the law enforcement agency obtains several photographs of similar individuals and they are shown to a witness or victim of a crime who identifies the suspect from the group of pictures.

#### WHAT OTHER FEATURES WILL THE PROPOSED LICENSE HAVE?

There will be an opportunity to make Montana's driver's license almost impossible to duplicate or falsify. There is much existing technology in the way of holographic overlays, coding developed from the digital image and even the inclusion of a finger or thumb print within the digital record. No particular technology has been chosen at this point, as the Federal government has not at this time indicated a preferred technology for the protection of the Commercial Operator's license. This decision is expected soon, and will be covered in the protective features chosen for Montana.

Included in the production of the license will be a magnetic stripe on the back of the license document, which will allow for many additional uses in the future.

#### HOW DO MAGNETIC STRIPES WORK?

The magnetic stripe (the same as on most credit cards) has three "tracks" available for information storage. The use of this information can do many things, for example, the stripe

on your credit card identifies you to the card company system when it is read by a "point-of-sale terminal" used by a vendor and in a similar fashion, it identifies you when you utilize an automatic teller machine. On the stripe, "track" 2 is has been universally accepted as an identification storage area, and is used by all credit card and bank-card services, leaving "tracks" 1 and 3 available for any use needed.

#### **WHAT BENEFITS COULD BE GAINED BY HAVING MAGNETIC STRIPE ON THE LICENSE?**

There are a large number of benefits available now and in the future in the magnetic stripe technology, some would improve access to the automated system for both internal and external users, others could lead to innovative methods of handling other city, county, state and federal programs and still others could eventually create an income producing capability within the Motor Vehicle Division capable of generating very significant revenues. A partial list of possible uses of the magnetic stripe technology follows:

#### **WHAT IS AVAILABLE NOW?**

With minor update to existing equipment, access to the driver's record through the automated driver license system could be made without keying driver information. This would greatly speed renewal and office functions.

Equipment is available for use by law enforcement agencies to allow the printing driver's license information on summonses to appear and accident reports using an in-car computer and printer.

Access could be provided to external system users such as insurance agencies to obtain a copy of the drivers record for insurance purposes, allowing the agency to make an immediate decision on insurability and rate levels. Also, the stripe would allow liquor licensees to obtain a positive identification regardless of changes that may have been made to the license itself.

#### **WHAT FUTURE USES COULD BE MADE OF THE STRIPE?**

A state building security system could be established allowing access to secure areas or to buildings after office hours only to authorized employees, and recording such access.

The Montana employee health plan could utilize the magnetic stripe to access their information system to record and authorize treatments.

Welfare recipients could obtain many of the services of the system through use of the stripe technology, even including the use of the striped license or I.D card as a debit card to replace food stamps or other forms of assistance.

Merchants would be able to instantly verify the identity of a person wishing to cash a check, with the individuals description and other data printed on the back of the check by the system.

The striped license or I.D. card could replace many other forms of identification documents or permits now issued by state agencies, such as the fishing/hunting license, state employee identification, emergency medical technician I.D, etc.

**IT SHOULD BE NOTED THAT MOST IF NOT ALL OF THE ITEMS IN THIS LAST CATEGORY HAVE THE POTENTIAL FOR COST SAVINGS OR FOR GENERATION OF SIGNIFICANT REVENUES FOR THE STATE.**

EXHIBIT 8  
DATE 2/3/93  
HB 997

**Amendment to House Bill 397  
First Reading Copy**

**Prepared by the Department of Justice  
February 2, 1993**

**1. Page 2 , lines 23 and 24**

**Following: "requested."**

**Strike: "A fee of \$3,00 must be paid for each national driver register (NDR) inquiry."**

Amendments to House Bill No. 154  
First Reading Copy

EXHIBIT 9  
DATE 2/3/93  
HB 154

Requested by Rep. Whalen  
For the Committee on Taxation

Prepared by Lee Heiman  
January 21, 1993

1. Page 2, lines 19 and 20.  
Following: "information" on line 19  
Insert: "pertaining to the taxpayer"  
Strike: "to" on line 19 through "is" on line 20  
Insert: "or other person or entity"
  
2. Page 2, line 22.  
Strike: "employer"  
Insert: "name and"
  
3. Page 2, line 23.  
Following: "employer"  
Insert: " or other reporting person or entity"

~~EXHIBIT~~  
DATE 2-3-93  
~~Executive Act 10~~  
HB-283

Amendments to House Bill No. 283  
First Reading Copy

For the Committee on Taxation

Prepared by Lee Heiman  
February 3, 1993

1. Page 3, line 7.

Following: "made"

Insert: "or any other formula or amount agreed to in a state-  
tribal cooperative agreement"

2. Page 3, line 17.

Following: the first "agreement"

Insert: "providing for revenue sharing of cigarette taxes with  
the tribe or enlisting the tribe's assistance in enforcing  
the provisions of this chapter"

Strike: "The"

Insert: "An"

Following: the second "agreement"

Insert: "sharing revenue of cigarette taxes with a tribe"

3. Page 4, line 9.

Following: "16-1-111."

Insert: "A tribal tax must be distributed to the tribe as  
determined in a negotiated formula based on population."

4. Page 8, line 8.

Following: "quota"

Insert: ", as established in a cooperative agreement between the  
department and an Indian tribe or as set out in this  
chapter, "

5. Page 9, line 2.

Strike: "populations determined"

Insert: "as provided"

6. Page 10, line 16.

Following: "quota"

Insert: ", as established in a cooperative agreement between the  
department and an Indian tribe or as set out in this  
chapter, "

7. Page 11, line 10.

Strike: "populations determined"

Insert: "as provided"

Amendments to House Bill No. 283  
First Reading Copy

For the Committee on Taxation

Prepared by Department of Revenue and  
Lee Heiman  
January 26, 1993

1. Page 3, line 17.

Following: the first "agreement"

Insert: "providing for revenue sharing of cigarette taxes with  
the tribe or enlisting the tribe's assistance in enforcing  
the provisions of this chapter"

Strike: "The"

Insert: "An"

Following: the second "agreement"

Insert: "sharing revenue of cigarette taxes with a tribe"

2. Page 8, line 8.

Following: "quota"

Insert: ", as established in a cooperative agreement between the  
department and an Indian tribe or as set out in this  
chapter, "

3. Page 9, line 2.

Strike: "populations determined"

Insert: "as provided"

4. Page 10, line 16.

Following: "quota"

Insert: ", as established in a cooperative agreement between the  
department and an Indian tribe or as set out in this  
chapter, "

5. Page 11, line 10.

Strike: "populations determined"

Insert: "as provided"

These amendments have been proposed by counsel representing the Assiniboine and Sioux Tribes of the Fort Peck Reservation. The amendments clarify that Montana and Montana tribes may enter into cooperative agreements concerning the annual quota of tax free cigarettes entering Montana reservations. Montana currently has agreements imposing a quota with four tribes. The existing bill provides that the state and a tribe may enter into a cooperative agreement providing for a sharing of revenue generated by the tax. The department of revenue concurs in these proposed amendments.



Amendments to House Bill No. 283  
First Reading Copy

Requested by Department of Revenue  
For the Committee on Taxation

Prepared by Lee Heiman  
January 26, 1993

1. Page 4, line 9.

Following: "16-1-111."

Insert: "A tribal tax must be distributed to the tribe as  
determined in a negotiated formula based on population."

**Reason for amendment:** The department proposes this amendment to clarify that revenue sharing between a tribe and the state shall be determined in negotiated agreements and based on the number of tribal members residing on a reservation who are exempt from the state cigarette sales tax.

AMENDMENT TO HB 283

PROPOSED BY CONFEDERATED SALISH AND KOOTENAI TRIBES

January 27, 1992

On page 3, line 7, before the period, add the following:

" , or such other formula or amount agreed to in a state-tribal cooperative agreement"

*Pat Smith Amendment*

**HOUSE OF REPRESENTATIVES  
VISITOR'S REGISTER**

House Taxation COMMITTEE BILL NO. <sup>HB 360</sup> HB 363  
 DATE 1/3/93 SPONSOR(S) Bachini, J. R., Mr. Cullach <sup>HB 397</sup>

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Steve Powell Hamilton	Ravalli Co. Commissioner	363 ✓	
Ray Beale	DNPC		
Anna Miller	"		
DAVE Anderson	Jefferson Co/MACo	363	
Verner Bertelsen	Se 15		360
Dean Roberts	Deputy Justice, MVD	397	
Janet Kelly	Custer County	363	
Jim Jensen	METC		360
Harry Mitchell	Cascade Co. Com.	363	
Gordon Morris	MACo	363	
Larry Pasbygge	Cascade Co.	363	
Unik Still-Anderson	Lewis Clark County	363	
Bill Stevens	MT Food Dist Assoc	393	
TOM ADAMO	MT. DOJ	393	

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