

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
52nd LEGISLATURE - 2nd SPECIAL SESSION**

COMMITTEE ON TAXATION

Call to Order: By Chairman Dan Harrington, on July 13, 1992, at 4:00 p.m.

ROLL CALL

Members Present:

Dan Harrington, Chairman (D)
Bob Ream, Vice-Chairman (D)
Ben Cohen, Vice-Chair (D)
Ed Dolezal (D)
Jim Elliott (D)
Orval Ellison (R)
Russell Fagg (R)
Mike Foster (R)
Bob Gilbert (R)
Marian Hanson (R)
David Hoffman (R)
Jim Madison (D)
Ed McCaffree (D)
Bea McCarthy (D)
Tom Nelson (R)
Mark O'Keefe (D)
Bob Raney (D)
Ted Schye (D)
Barry "Spook" Stang (D)
Fred Thomas (R)
Dave Wanzenried (D)

Members Excused: None

Members Absent: None

Staff Present: Lee Heiman, Legislative Council
Jill Royhans, Committee Secretary

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

Announcements/Discussion: None

HEARING ON HOUSE BILL 44Presentation and Opening Statement by Sponsor:

REP. REAM, District 54, Missoula, said he had a 10% income tax surcharge bill ready to submit, however, it would have to be raised to 20% to cover the escalating deficit problem. Under the provisions of HB 44 everyone has to "bite the bullet" and pay a 7% surcharge on the various taxes already in effect. REP. REAM submitted a estimate of revenues from the Legislative Fiscal Analyst (LFA) (Exhibit #1). He said the bill imposes a 7% surtax on all taxing entities except personal property tax for a one year period. He noted the gasoline tax, the diesel tax, and the GVW tax will continue to go into the Highway Fund. He said we are dealing with a serious problem, we must get serious about it, and find a serious solution. He noted there are some technical drafting errors in the bill on page 28, line 17, following "12", insert "31, and 32", page 9, line 8, strike "32" and insert "30", line 11, strike "20 and "23" and reinsert on line 14. Another technical correction is to be made on page 3, striking lines 2 and 3, and inserting the language in lines 10, 11, and 12.

Proponents' Testimony:

SEN. TOWE, District 46, Billings, said the bill is not his first preference. He said the legislature should cap federal deductibility instead of singling out any group of taxpayers or businesses. He pointed out this is a 7% surcharge, not a 7% tax increase. It is a surtax on the percentage of tax already applied to a specific entity. For example, the video gaming tax increases from 15% to 16.05% with the surtax applied, not from 15% to 22% if it were a 7% tax increase. Sen. Towe said the oil and gas severance tax and local government severance tax had been eliminated on all stripper wells. The change was not reflected in the estimates (Exhibit #1), but figures would be available for the Committee. He said there is no surcharge on driver license and car registration fees. He then reviewed the bill section by section for the Committee. He noted the retroactivity and termination section states that the surtax terminates upon receipt of all collections.

REP. DRISCOLL, District 92, Billings, said the bill is a good idea but it needs to be amended to be retroactive if corporations and income are taxed this late in the year. He suggested amending the bill to extend for two years rather than one year. In the first year there would be a 2.3% surcharge with the withholding at 7%. As the bill is written, the withholding would have to be at least 21% beginning September, 1992. In the second year, the surtax would be 4.66%. Consumables such as gasoline, cigarettes, and coal cannot be taxed retroactively as those taxes are already paid and the consumables are gone. The surtax on consumable items would have to begin July 1 and continue for four quarters. He said Section 4 would have to be amended also.

It would be called the General Fund Stabilization Tax and would be equal to 7% of the tax liability computed under 15-35-103, MCA, (severance tax). It would total \$2.9 million over the four quarters and would go into the General Fund, nothing being deposited to the Trust Fund. He suggested removing inheritance taxes from the bill altogether as there would be no revenue derived from them in this biennium. The liquor tax is a compounding tax and therefore the surtax should be applied only to the 16% liquor excise tax. He said the bill can work, but only if it is applied to the broadest section of the populace possible with the least pain possible.

Eric Feaver, President, Montana Education Association, (MEA), expressed support for the bill saying the piecemeal approach will not work. The surtax is the least painful and fairest way to approach the funding problem. He said schools will take a hit no matter what solution is found. This is an excellent way to share the responsibility.

CHAIRMAN HARRINGTON asked for opponents and asked them to make suggestions for other solutions to the funding problem.

Opponents' Testimony:

Dennis Burr, Montana Taxpayers Association, expressed opposition to the retroactivity provision and agreed with Rep. Driscoll's suggestions re corporate income tax and withholding. The bill is full of different fiscal year and calendar year dates. He said, as closely as possible, the surcharge should be paid in the same year. He agreed the inheritance tax section should be stricken as well as gross proceeds of coal and local government severance tax which are local property taxes, not state taxes. There are two problems to be addressed in this session. First, is the ongoing deficit problem which has occurred 9 out of the last 11 years. The second is the cash flow problem. This bill addresses the cash flow problem but does not solve the deficit problem. One of the problems of using this bill to solve an ongoing structural deficit is taking the same tired tax system we have endured for the past 20 years and "lagging it up" by 7%. The same system that cannot keep up with the demand for services at the current rate certainly cannot keep up if it is lagged up 7% for the next year. It simply builds in an extra 7% spending component for one year over what the tax system will produce. The resultant funding problem next January and for the years to come will simply be that much larger. Some of the problem must be solved from the budget side. Larger cuts must be made in the budget than have been made the first week and a half of the special session if any progress is to be made on a \$100 million problem. With the deficit at the current level, the surtax would have to run far into the next biennium in order to pay off the debts of this biennium. He said looking at the budget more closely in combination with this bill would be his suggestion for solving the problem.

John Lahr, Montana Power Company and Entech, submitted a statement of taxes paid to the state in 1990 and 1991 (Exhibit #2). He said the companies he represents have the same problem as the legislature. The budgets are not being met by the income generated. Their Boards of Directors are meeting to reduce expenditures also. He said in FY 1991, Montana Power/ Entech paid \$73,600,000 in taxes to state and local governments. That is 5.5% of the total revenues collected by those entities which seems to be an excessive amount. The cost of HB 44 would be an additional \$2.4 million which is 5% of the total collections anticipated by REP. REAM in Exhibit #1. He said that seems to be an excessive amount also. They would appreciate a reduction in the amount of surtax.

Jerome Anderson, Shell Oil Company and Shell Exploration and Production, the largest producer of crude oil in Montana, opposed the bill because it only exacerbates the problem and adds to the existing inequity. Shell is reducing its work force and selling a lot of its domestic holdings. The surtax hits Shell in five different areas. Shell pays the highest state taxes in the United States; this bill just makes it more inequitable. He said there is no fiscal note with the bill which just adds to the uncertainty. Further, he said consideration of this bill is premature until the budget trimming is completed and finally adopted. He ended with the familiar phrase, "Pay more? What for?".

Dan Walker, US West, presented his testimony in opposition to the bill (Exhibit #3).

Russ Ritter, Washington Corporation, said they pay \$13 million in taxes now. This bill would add another \$1 million to their tax burden. He said the accounting problems would be difficult as they have 10 different companies all of which are affected differently by the surcharge.

James Mockler, Montana Coal Council, said he agrees with the testimony provided by the oil and gas industries. He said taxes on gross proceeds are taxes on personal property which are not to be taxed under the provisions of this bill. Gross proceeds, RITT, and severance taxes have nothing to do with profitability. They are paid whether there is a profit or loss. He asked the Committee to carefully review page 3 of the bill re the oil and gas severance tax. He said he did not believe half of that tax could be put into the permanent coal tax fund if the purpose of the tax is to solve the current deficit problem.

Jim Tutwiler, Montana Chamber of Commerce, submitted a poll of 800 voters conducted in March, 1992, regarding economic issues in Montana (Exhibit #4). He reviewed the survey with the Committee and asked them to take the results into consideration as they consider the bill.

Riley Johnson, National Federation of Independent Business, said his organization is opposed to any tax increase imposed to meet the budget deficit. The solution is to make cuts in the budget and institute across the board tax reform. A poll of the Federation membership showed 59% favor a sales tax if there needs to be a tax. He said the surtax, if it passes, should not be extended into the next biennium. This bill is only a continuation of the spending policies of the past. The state needs cuts in spending and true tax reform.

Gary Langley, Executive Director, Montana Mining Association, said he realizes what a tough job the legislature is facing. He said this bill is not equitable and does not expand the tax base. He said it asks industries that are already paying millions and millions of tax dollars to do even more. They are impacted several different ways in this bill. Any profits the mining industry will make will be very minor. As it is, the state makes more money in severance taxes than the mining companies make in profit. It is not possible to pass a tax increase on to the consumer in the mining industry. This bill does not encourage productivity. He urged the Committee to adopt legislation that would expand the Montana tax base.

Gloria Paladichuk, Richland County Commissioner and representing the Oil and Gas Counties, said the bill indicates there is no stability in Montana tax policy, especially as it impacts the oil and gas industry. There are several problems with the bill, notably the local government severance tax (LGST). That tax is collected at the state level for the exclusive use of local governments. There is no provision for local government on the program computer charges that will have to be administered by the counties. The surtax would be very detrimental to new car sales as there is a month allowance for driving on the new car sticker. If a car is bought in the FY without the tax, but licensed in the FY the tax is in effect, there would be a question about the imposition of the surtax.

Ben Havdahl, Montana Motorcarriers Association, said he agrees with the previous testimony regarding the various ways the surtax will impact the companies he represents. Of particular concern is the application of the surtax to highway user taxes, e.g. fuel tax increases and gross vehicle weight fees which are earmarked taxes. The Federal Highway Act has just been passed with additional revenue to Montana of approximately \$178 million per year. Fees and fuel taxes are going to be needed to meet those matching funds. A surtax increase would compound the problems truckers are facing with a 31% increase in workers' compensation insurance premiums that went into effect July 1, 1992. That is a 92% increase in workers' compensation premiums in the last two years. He said raising highway taxes to put into the highway fund so that they can be borrowed by the general fund as a bailout is futile as there is no revenue available to the general fund to pay back those borrowed funds.

Janelle Fallon, Montana Petroleum Association, said Montana's composite taxes on oil and gas are the highest in the nation. The tax on natural gas wells drilled before 1985 would be 20%, an insurmountable burden for those companies selling to the east coast. She echoed concerns previously expressed about the LGST and other earmarked taxes going into the general fund instead of to local communities and other specific entities.

Roger Tippy, Beer and Wine Wholesalers, said he agreed with the previous testimony. He said this is a typical end of session bill, however, it is a little early as the Senate has not made its cuts and the budget bill is not final. He felt the surtax might have to be as high as 8%-10% after that process is complete.

Jim Paladichuk, Montana Dakota Utilities, said he agreed with Mr. Lahr's testimony and opposed the bill.

Tom Hopgood, Health Insurance Association of America, Air Transport Association, Montana Association of Realtors, and GTE of the Northwest, said this bill is only a temporary solution to an ongoing problem. He feared there would be an extension of the surcharge beyond the one year limit.

REP. KASTEN, District 28, Brockway, said the people have said they do not want any more taxes, they want jobs. She urged the Committee to quit pushing business out of the state.

SEN. TVEIT, District 11, Fairview, said the bill sends a "Don't Come" message to businesses interested in locating in Montana.

Informational Testimony:

REP. ELLIOTT, District 51, Trout Creek, said the Montana taxpayer is conspicuous by his/her absence. He, therefore, said he represented the taxpayer both as a Representative and as an individual. He said he feels the absence of the taxpayer is not to imply that they do not care. He felt sure that the taxpayers will dig deep if they have to to support the state. He said the state has forgiven millions of dollars to many of the groups who opposed the bill. They have been the recipients of very hefty tax breaks, some of which are still in effect. The state gave away money it did not have to give away. **REP. ELLIOTT** said if taxpayers are not protesting this surtax, businesses should be willing to do their fair share also.

Questions From Committee Members:

REP. WANZENRIED, District 7, Kalispell, asked **Denis Adams, Director, Department of Revenue (DOR),** if the administration has a position on the bill.

Mr. Adams replied the administration has no opinion at this point. They are watching the bill as it progresses. The

administration recognizes the need for revenue and has taken a position on that need. DOR has been working on an analysis for the fiscal note. The full determination has not been made because the information on budget cuts is not yet available.

In reply to a question by **REP. SCHYE, SEN. TOWE** said this bill represents vertical equity. Everyone pays approximately the same amount proportionately. Montana taxes are slightly progressive until you get to the top 1% of taxpayers. Montana has a very equitable tax system. He rebutted **Mr. Lahr's** testimony saying the total taxes paid by all the companies that pay similar taxes to Montana Power/Entech do not total \$2.4 million. **Mr. Anderson** said the surtax hits his companies 6 times, **REP. DRISCOLL** indicated it impacts some individuals 16 times. Perhaps the companies should be paying even more if we are to be equitable. He said his information indicates that there are other states with higher oil and gas severance taxes than Montana. He would be willing to share that information with anyone who is interested. The large revenues on the chart in Exhibit #1 are coming from the individual income tax category. Large cuts in education mean school districts will increase mill levies and then the opponents will certainly pay taxes higher than those in HB 44. He noted all taxes on GVW and highway user fees will be deposited to the highway fund so the state can then borrow from that fund.

Closing by Sponsor:

REP. REAM closed saying he came into the session willing to compromise and work with the Republicans in order to solve some of the tremendous problems facing the state. He said listening to the opponents made him alternately sad and angry. There was not a single suggestion from a single opponent for an alternative solution to the revenue shortfall. There were some constructive suggestions such as **REP. DRISCOLL'S** amendments and **Mr. Burr's** comments which **REP. REAM** said he would agree to adopt. He agreed this bill does not solve the structural deficit. He said since tax indexing began in 1981, the state has lost \$73 million a year. He noted Montana Power paid \$2.2 million less in tax revenue in 1991 than they did in 1990 and \$1.8 million less in corporation license taxes for a total \$4 million reduction in taxes to Montana Power and the state in one year. He noted a \$4 million increase in dividends paid in 1991. He said will naturally show that no one wants to pay more taxes. All he heard during the hearing was greed oozing all over the room. He said if everyone is so opposed to this bill, then where is the plan? The gaming tax was defeated, the administration has no plan. He asked if this bill is not a compromise, if it is not equitable, what is? He said he now determined not to introduce his 10% income tax surcharge bill. It is time to do what the legislature was called into special session to do. Realistically, there will probably be no more than \$20 million in budget cuts. He said the Committee should support this bill or find a better alternative.

ADJOURNMENT

Adjournment: 6: 00 p.m.



Rep. Dan Harrington, Chair



Jill D. Rohyang, Secretary

DH/jdr

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL

DATE

7/13/92

NAME	PRESENT	ABSENT	EXCUSED
REP. BEN COHEN, VICE-CHAIRMAN	X		
REP. ED DOLEZAL	X		
REP. JIM ELLIOTT	X		
REP. ORVAL ELLISON	X		
REP. RUSSELL FAGG	X		
REP. MIKE FOSTER	X		
REP. BOB GILBERT	X		
REP. MARIAN HANSON	X		
REP. DAVID HOFFMAN	X		
REP. JIM MADISON	X		
REP. ED MCCAFFREE	X		
REP. BEA MCCARTHY	X		
REP. TOM NELSON	X		
REP. MARK O'KEEFE	X		
REP. BOB RANEY	X		
REP. BOB REAM, VICE-CHAIRMAN	X		
REP. TED SCHYE	X		
REP. BARRY "SPOOK" STANG	X		
REP. FRED THOMAS	X		
REP. DAVE WANZENRIED	X		
REP. DAN HARRINGTON, CHAIRMAN	X		

Office of Legislative Fiscal Analyst
Fiscal Impact of House Bill 44

DRAFT REPORT
SUBJECT TO REVISION

Amounts in Millions

Source of Revenue	HJR 2 Estimate	Total Estimate	Adjmts.	Adjusted Total	Surtax 7.0000% Proportion	Cash Proportion	Accrual Proportion	Fiscal 1994 Proportion	Available Cash	Accrued Revenue	Fiscal 1994 Revenue	GF Revenue
Individual Income Tax	211.449	336.702	(43.871)	292.831	20.498	1.000	0.000	0.000	20.498	0.000	0.000	20.498
Corporation Income Tax	36.186	59.321	(3.486)	55.835	3.908	1.000	0.000	0.000	3.908	0.000	0.000	3.908
Coal Severance Tax	11.461	41.844	(20.922)	20.922	1.465	0.750	0.250	0.000	1.099	0.366	0.000	1.465
Oil Severance Tax	15.796	15.796	0.000	15.796	1.106	0.750	0.250	0.000	0.830	0.277	0.000	1.107
Insurance Premiums Tax	20.025	30.861	0.000	30.861	2.160	1.000	0.000	0.000	2.160	0.000	0.000	2.160
Liquor Excise Tax	6.128	6.128	0.000	6.128	0.429	0.917	0.083	0.000	0.393	0.036	0.000	0.429
Liquor License Tax	3.830	3.830	0.000	3.830	0.268	0.917	0.083	0.000	0.246	0.022	0.000	0.268
Metal Mines Tax	3.654	6.300	0.000	6.300	0.441	1.000	0.000	0.000	0.441	0.000	0.000	0.441
Electrical Energy Tax	4.131	4.131	0.000	4.131	0.289	0.750	0.250	0.000	0.217	0.072	0.000	0.289
Telephone License Tax	4.283	4.283	0.000	4.283	0.300	0.750	0.250	0.000	0.225	0.075	0.000	0.300
Beer License Tax	1.342	3.206	0.000	3.206	0.224	0.833	0.083	0.083	0.187	0.019	0.019	0.206
Natural Gas Severance Tax	1.241	1.241	0.000	1.241	0.087	0.750	0.250	0.000	0.065	0.022	0.000	0.087
Freight Line Tax	1.268	1.268	0.000	1.268	0.089	1.000	0.000	0.000	0.089	0.000	0.000	0.089
Wine Tax	0.796	1.343	0.000	1.343	0.094	0.833	0.083	0.083	0.078	0.008	0.008	0.086
Video Gaming Net Income Tax	8.360	25.080	0.000	25.080	1.756	0.750	0.250	0.000	1.317	0.439	0.000	1.756
Resource Indemnity Tax	4.555	4.555	0.000	4.555	0.319	1.000	0.000	0.000	0.319	0.000	0.000	0.319
Accommodations Tax	7.016	7.016	0.000	7.016	0.491	0.750	0.250	0.000	0.368	0.123	0.000	0.491
Cigarette Tax	8.274	11.672	0.000	11.672	0.817	0.833	0.083	0.083	0.681	0.068	0.068	0.749
Tobacco Tax	1.035	1.035	0.000	1.035	0.072	0.833	0.083	0.083	0.060	0.006	0.006	0.066
Inheritance Tax	10.678	10.678	0.000	10.678	0.747	0.000	0.000	1.000	0.000	0.000	0.747	0.000
LGST	29.277	29.277	0.000	29.277	2.049	0.000	0.000	1.000	0.000	0.000	2.049	0.000
Coal Gross Proceeds	12.689	12.689	0.000	12.689	0.888	0.000	0.000	1.000	0.000	0.000	0.888	0.000
Micaeous Mines Tax	0.000	0.000	0.000	0.000	0.000	0.750	0.250	0.000	0.000	0.000	0.000	0.000
Cement & Gypsum Tax	0.130	0.130	0.000	0.130	0.009	0.750	0.250	0.000	0.007	0.002	0.000	0.009
Gasoline Tax	88.759	88.759	0.000	88.759	6.213	0.833	0.083	0.083	5.177	0.518	0.000	0.000
Diesel Tax	26.723	26.723	0.000	26.723	1.871	0.833	0.083	0.083	1.559	0.156	0.000	0.000
Aviation Fuel Tax	0.317	0.317	0.000	0.317	0.022	0.917	0.083	0.000	0.020	0.002	0.000	0.022
Natural Gas Fuel Tax	0.000	0.000	0.000	0.000	0.000	0.500	0.250	0.250	0.000	0.000	0.000	0.000
GWV Tax	18.465	18.465	0.000	18.465	1.293	0.833	0.083	0.083	1.077	0.108	0.108	0.000
New Car Sales Tax	6.913	6.913	0.000	6.913	0.484	0.833	0.083	0.083	0.403	0.040	0.040	0.443
Totals	\$544.781	\$759.563	(\$68.279)	\$691.284	\$48.389	\$41.424	\$2.359	\$4.607	\$35.188	\$41.424	\$4.607	\$35.188

EXHIBIT
DATE
HB

Testimony of:
Dan L. Walker, U S WEST Communications
House Bill 44
Before the House Taxation Committee
July 13, 1992

U S WEST Communications must appear today in opposition to HB 44. While we recognize the financial difficulty of the State of Montana, we believe that U S WEST Communications is presently paying an inordinately high rate of taxes in Montana.

As the Committee may know, U S WEST Communications provides local telephone exchange service in 14 western states. By way of comparison, our state and local taxes in Montana are the highest of the 14 states. This comparison is of the total state and local taxes paid divided by the total network access lines served.

U S WEST - Montana		
Total State and Local Taxes - 1991		\$22.6 Million
Total Divided by Lines Served - 1991		\$75.30/Line
Monthly Tax per Line Served - 1991		\$ 6.30/Line/Month
U S WEST		
Average Annual Tax in U S WEST Area		\$40.44/Line
Average of 13 Other States Served		\$37.75/Line

Our argument against increasing the burden of taxation on U S WEST Communications is simply that the taxes levied on our operations in Montana are not in line with taxes in the other states in which we operate. This bill does not affect property taxes which represent the greatest share of the taxes we pay in Montana. However, it does provide for a surtax on our Corporate License Tax and a surtax on the Telephone License Tax.



**MONTANA POWER COMPANY CONSOLIDATED
TAXES PAID TO THE STATE OF MONTANA**

	1991	1990
PROPERTY TAX	\$ 39,700,000	\$ 38,700,000
SEVERANCE TAX	17,500,000	19,700,000
CORPORATION LICENSE TAX	8,900,000	8,700,000
OTHER	9,500,000	9,200,000
TOTAL MONTANA TAXES	\$ 73,800,000	\$ 74,300,000

AS A % OF MONTANA STATE
AND LOCAL REVENUE FROM
TAXES, FISCAL YEAR 1990/1991
(\$1,349,000,000)

5.5% 5.5%

HOUSE TAXATION EXHIBIT 2
DATE 7/13/92
HB 44

**MONTANA POWER CONSOLIDATED
MISCELLANEOUS**

	1991	1990
TOTAL MONTANA PAYROLL	\$126,600,000	\$122,000,000
COMMON DIVIDENDS PAID	\$ 75,300,000	\$ 71,300,000
TOTAL ELECTRIC CUSTOMERS	251,000	249,000
TOTAL GAS CUSTOMERS	114,000	111,000



MONTANA POWER COMPANY

**MONTANA POWER COMPANY UTILITY DIVISION
TAXES PAID TO THE STATE OF MONTANA**

	1991	1990
PROPERTY TAX	\$ 38,300,000	\$ 35,500,000
CORPORATION LICENSE TAX	4,900,000	6,100,000
ELECTRIC ENERGY PRODUCERS TAX	2,000,000	1,800,000
SEVERANCE TAX	1,000,000	1,500,000
PUBLIC SERVICE COMMISSION, CONSUMER COUNSEL AND OTHER	1,800,000	1,700,000
TOTAL MONTANA TAXES	\$ 48,000,000	\$ 48,600,000



**ENTECH, INC. AND SUBSIDIARIES
TAXES PAID TO THE STATE OF MONTANA**

	1991	1990
SEVERANCE TAX	\$ 18,500,000	\$ 18,200,000
GROSS PROCEEDS TAX	5,000,000	5,000,000
CORPORATION LICENSE TAX	2,000,000	2,600,000
PROPERTY TAX	1,400,000	1,200,000
OTHER	700,000	700,000
TOTAL MONTANA TAXES	\$ 25,600,000	\$ 27,700,000

Montana Statewide Survey

800 Voters

May 1992

House members
EXHIBIT 4
DATE 7/13/92
HB 44

Executive Summary

In the late 1970's, Marketing Research Institute developed its proprietary P-Base technology for the purpose of identifying State Legislative Districts most likely to elect pro-business legislators. P-Base, which stands for Power Base, involves three distinctive research phases. First, issues important to key business leaders are identified. The Montana State Chamber of Commerce convened a special panel of government affairs representatives for this purpose. Second, voter opinion on key business issues is measured by a statewide telephone survey. MRI developed a comprehensive questionnaire utilizing Montana's key business issues for the purpose of determining how various voter groups support major business issues. This report summarizes basic findings of that survey. Third, MRI completes a statistical analysis of business support indicators in the statewide survey for the purpose of developing a P-Base formula which is applied to each Legislative District in the state. The P-Base formula uses census demographic data and precinct by precinct election results to determine which Legislative Districts in Montana should elect stronger business legislators.

In March of 1992, MRI completed a statewide telephone survey of 800 registered voters in Montana. Survey results provide a sampling error factor of plus or minus 3.5% at the .95 level of confidence. The statewide voter survey examined a number of important issues.

Several demographic items, including geographical location of residence address, voter political party identification, voter age, occupation for the highest wage earner in each household, voter education level, annual household income, home ownership, and voter gender, were included in the statewide survey of 800 registered voters. Montana voters were about equally divided in thinking of themselves as Republicans and Democrats. The typical voter was 44 years old with an annual household income of \$31,000. About half of all respondents worked in white-collar occupations and about half were employed in blue-collar positions or worked in agriculture.

Major top-of-mind issues for Montana voters centered around ways to improve the state economically including providing more and better jobs, lowering taxes, and strengthening the economy. In fact, 52.0% of all responses were economically related. In addition, voters were concerned about the environment 10.9%, politics in Montana 7.3%, and schools 5.4%.

Much like the rest of the country, Montana voters are less than satisfied with State Government and the State Legislature. A strong plurality of voters, 39.8%, said that State Government in Montana was less effective than State Government in surrounding states. Only 28.2% of voters concluded that Montana State Government was more effective than elsewhere. As indicated in the following two tables, Montana voters were very dissatisfied with the State Senate and State House of Representatives. In fact, a majority of voters said they were dissatisfied with both branches of the State Legislature.

State Senate Satisfaction		
5	Very Satisfied	2.4%
4	Mildly Satisfied	32.6
3	Neither/Nor	13.0
2	Mildly Dissatisfied	29.9
1	Very Dissatisfied	21.6
Total Satisfied		35.0
Total Dissatisfied		51.5
Ratio Sat/Dissat		-1.5:1
Mean Score		2.64

State House Of Representative Satisfaction		
5	Very Satisfied	3.1%
4	Mildly Satisfied	31.9
3	Neither/Nor	12.8
2	Mildly Dissatisfied	29.2
1	Very Dissatisfied	22.3
Total Satisfied		35.0
Total Dissatisfied		51.5
Ratio Sat/Dissat		-1.5:1
Mean Score		2.64

Montana voters were not as dissatisfied with their local State Senators and Representatives. However, voters were less satisfied than generally required to provide a 50% probability of re-election success for the incumbent State Legislators. MRI has employed the five-point job satisfaction question used in this statewide study in over 1,000 campaigns nationwide. Typically, incumbents with less than 64% total satisfied responses have less than a 50% likelihood of re-election success.

Local State Senate Satisfaction		
5	Very Satisfied	12.9%
4	Mildly Satisfied	44.3
3	Neither/Nor	11.4
2	Mildly Dissatisfied	17.6
1	Very Dissatisfied	13.4
Total Satisfied		57.2
Total Dissatisfied		31.0
Ratio Sat/Dissat		1.8:1
Mean Score		3.26

Local State Representative Satisfaction		
5	Very Satisfied	11.6%
4	Mildly Satisfied	44.0
3	Neither/Nor	11.4
2	Mildly Dissatisfied	19.3
1	Very Dissatisfied	12.5
Total Satisfied		55.6
Total Dissatisfied		31.8
Ratio Sat/Dissat		1.7:1
Mean Score		3.23

Can Democrats or Republicans manage State Government better? Montana voters concluded that political party makes no difference in the ability to manage State Government. In fact, 66.5% held that opinion while 18.0% believe Democrats do a better job and 12.0% conclude that Republicans do a better job.

How should State Government solve the \$150 million budget deficit? When given the choice between higher taxes and deeper cuts, 43.8% favored deeper cuts, 26.1% wanted higher taxes, and 14.5% recommended doing both. If taxes must be raised, voters prefer enacting a sales tax rather than increasing property or income taxes.

The statewide survey included a number of questions which examined business support characteristics among voters. For example, 47.1% of voters favor a legislative candidate supported by business leaders while 34.4% prefer an opponent endorsed by labor leaders. When business endorsement was compared to support by the State Education Association, 43.4% of voters favored the state education candidate while 42.0% wanted the business candidate. When business and environmental support were compared, 56.5% favored the business candidate and 27.1% the environmental candidate. Montana voters show strong identification with business leaders compared to labor leaders. One question asked: "On most political and economic issues, do you agree with the opinions held by business leaders or labor leaders in your area?" Responses were 44.8% business leaders and 28.8% labor leaders.

The survey examined voter opinion on ten key business issues. The issues included voter opinion on the share of taxes paid by business, should business provide health insurance to all employees, the designated wilderness issue in Montana, reintroduction of the Grey Wolf, how business is regulated in the state, taxes on the production of minerals, timber production in Montana, economic growth for the state, development of natural resources, and how employee benefits should be determined. The following tables summarize voter opinion on these issues.

(tables on following page)

Business Share Of State Taxes	
Too Large	20.4%
Too Small	22.6
Fair Share	42.9
Uncertain	13.8

Should Business Provide Health Insurance	
Required	60.1%
Not Required	33.6
Uncertain	6.0

What About Montana Wilderness	
Has Enough	56.1%
Not Enough	24.6
Too Much	15.8
Uncertain	3.4

Reintroduce Grey Wolf	
Favor	39.4%
Oppose	46.5
Uncertain	13.5

(tables on following page)

State Regulation Of Business	
Over Regulated	27.5%
Under Regulated	14.1
Appropriate	44.6
Uncertain	13.4

Mineral Taxes In Montana	
Higher	13.2%
Lower	10.9
Same	67.5

Limit Timber Production	
Yes	39.0%
No	54.4
Uncertain	7.5

(tables on following page)

Opinion On Economic Growth		
5	Strongly Encourage	68.3%
4	Encourage	21.6
3	Neither/Nor	4.0
2	Discourage	1.8
1	Strongly Discourage	4.4
Total Encourage		89.9
Total Discourage		6.2
Ratio Encourage/Discourage		14.5:1
Mean Score		4.47

Development Of Natural Resources		
5	Strongly Encourage	57.8%
4	Encourage	22.5
3	Neither/Nor	8.3
2	Discourage	3.5
1	Strongly Discourage	8.0
Total Encourage		80.3
Total Discourage		11.5
Ratio Encourage/Discourage		7.0:1
Mean Score		4.18

(table on following page)

How Determine Employee Benefits	
Government Regulations	11.6%
By The Employer	6.1
Employer/Employee	78.8
Uncertain	3.5

Overall, Montana voters take business' position on most issues. When voter opinion in Montana is compared to other areas of the country, MRI concludes that Montana voters are more supportive toward business issues than most voters elsewhere. On the issue of providing health insurance to all employees, most Montana voters, 60.1%, do want to require all businesses to provide health insurance for all employees. Across the country, 70% of voters would like to require all businesses to provide health insurance for all employees. Montana voters are less likely to favor requiring health insurance than voters elsewhere. It is significant that 89.9% of voters think Montana State Government should encourage economic growth and development and that 80.3% of voters want the state to encourage the development of Montana's natural resources.

Montana voters are more satisfied with public education than voters in most states. Most states show less than 50% voter satisfaction with public education. In Montana, 65.5% of voters were satisfied and 29.1% dissatisfied. Montana voters hold a strong opinion, 75.3%, that teacher pay raises should be based on merit, rather than length of service. In addition, a majority of Montana voters conclude that the major problem with public education is not too little money going into education but the organization and management of the existing system.

HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

1062

House Taxation

COMMITTEE

BILL NO.

44

DATE 7/13/92

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GENE PHILLIPS	PACIFIC POWER & LIGHT		✓
RON ASHABRAUER	State Farm Insurance		✓
DAN WALKER	USWEST Communications		✓
Ronna Alexander	MT Petroleum Marketers		✓
Tom K. Hopgood	GTE Mt. Assn Realtes Health Ins. Assn Air Transport Assn.		✓
Riley Johnson	NFIB		✓
Ben Karcher	MT Motor Carriers Assn		✓
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Jim Mockler	MT Coal Council		✓
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HOUSE OF REPRESENTATIVES
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House Taxation COMMITTEE BILL NO. 44
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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Janette Fallan Helena	Mt Petroleum		<input checked="" type="checkbox"/>
Don Allen	Mt. Wood Products Assoc		X
Rogert Yopy	Mt Beer & Wine Wholesaler		X
Gina Paladichuk	Richland Co- Oil & Gas Counties		X
JEROME ANDERSON	SMALL WESTERN EXP INC		X
Russ Ritter	Wash Corp		<input checked="" type="checkbox"/>

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