

## MINUTES

### MONTANA SENATE 51st LEGISLATURE - SPECIAL SESSION

#### FREE CONFERENCE COMMITTEE ON HB 20

Call to Order: By Chairman Delwyn Gage, on July 12, 1989, at 2:20 p.m., Room 331, Capitol

#### ROLL CALL

Members Present: Representative Fritz Daily, Representative Ted Schye, Representative Ed Grady, Senator Delwyn Gage, Senator J. D. Lynch, Senator Gene Thayer

Members Excused: None

Members Absent: None

Staff Present: Lee Heiman

#### Discussion:

Chairman Gage recognized Senator Rapp-Svrcek.

Senator Rapp-Svrcek noted that he likes the concept of what the committee is doing, and indicated that he has been working on ways to reduce personal property tax and has a couple of ideas which might lessen the black hole they might be creating in doing what Senator Lynch has talked about. He pointed out that one of the things he looked at, and talked with Representative Rehberg about, is taking the accelerated collections from individuals, noting that they are not using that for university buildings, which raises \$32 million. He indicated that, if they roll that into an interest-bearing account, they can raise about \$3.2 million, minimum, a year. He added that the Highway Trust Reconstruction Account phases out in fiscal year 1994, which is about \$6.7 million, and is on the south side of the coal trust, which would certainly help when they get out that far, and the committee may want to look at that.

Senator Rapp-Svrcek pointed out that, as the committee members know, he has also talked about doing away with the local impact account, the county land planning and conservation districts, noting that they all have their various constituencies but that all of those things combined raise about \$5 million a year, which could certainly lessen the black hole, adding that he guesses that is the buzz word of the session. He pointed out that it could certainly lessen the deficit, down the line.

Senator Lynch indicated that Representative Quilici is in the room, but that he missed Senator Rapp-Svrcek's presentation that one of the ways they could fund this in lieu of the coal severance tax, which he guesses they are going to end up doing anyway, is that the accelerated tax bill of Senator Crippen's which is presently in the House could raise \$32 million, excluding the workers compensation part of it. Senator Rapp-Svrcek stated that it is a \$32 million one-time shot but, if they roll that into an interest account, Legislative Council tells him that the minimum they will raise per year is about 10%. Senator Lynch asked Representative Quilici if the House would be interested in that, or should they even pursue it. He added that he thinks they are getting down to some real good stuff.

Representative Quilici responded that he can not speak for the House right now, just hearing it, that he does not know exactly how it would work and would have to look it over. He indicated that he would have to bring it over to the House but, as for himself, he could say that it seems logical, that it will help them get out of here and do a job they have all looked to get done. He added that he thinks there is a possibility, yes.

Representative Grady indicated that Senator Rapp-Svrcek also mentioned the Highway Trust. Senator Rapp-Svrcek stated that the Highway Reconstruction Trust Fund is encumbered, in essence, until fiscal year 1994, and then it goes off. He added that, as he understands it, they are looking at phasing this out over a period of several years, which would bring several million dollars into play at that time. Representative Grady asked what that would do to highway reconstruction. Chairman Gage responded nothing, at that phase-out point, because it will be phased-out anyway.

Chairman Gage then thanked Senator Rapp-Svrcek, and called the meeting of the Free Conference Committee to order. He stated that what they are trying to accomplish is to reconsider their action in the previous report, although it has not been filed.

Motion: Senator Lynch offered a motion that the committee reconsider their action of the past conference committee report.

Vote: Motion passed unanimously.

Motion: Senator Lynch offered a motion that the committee rescind the amendments to HB20 previously adopted by the committee.

Vote: Motion passed unanimously.

Chairman Gage indicated that they are back to HB20 as it came to conference committee.

Senator Thayer indicated that he thinks everyone has a copy of the proposed amendments, a copy of which is attached as Exhibit 1. He explained that this takes away the coal severance tax money as a mechanism for funding. He added that it also eliminates the need for passage of HB50, which was the funding mechanism for HB20, and blends HB50 into this bill, so this will also be both the bill and authorization for funding rolled into one. He then reported that it removes the severability and all those things they talked about last time, that personal property tax classifications will all go down to 9% and, in each subsequent year, go down 1% a year until they reach 4%.

Senator Thayer then stated that he would also propose, if they adopt this, that the canola bill portion of HB20 be established at a rate of 4%, rather than the 3% already in there. He pointed out that Senator Lynch has indicated that they do not really have to go all the way to 3%, anyway, and 4% would be consistent with what they eventually want all classes of business to be at, at the same time. He added that he would also like to include the same amendment which gives the other canola processing plants the same treatment if the new one comes in, that it would be consistent and fair.

Representative Rehberg indicated that he thinks that pretty well completes it, and stated that he is excited about the potential of this passing because he thinks they have now eliminated the opposition to personal property tax relief by taking out the coal tax trust capping. He noted that he thinks it has finally come to a point, he guesses in all legislatures, when they perhaps admit that something is not going to pass unless they make some major changes. He stated that he is prepared to go down to the Governor, and say, "Governor, I carried your bill, Senator Gage carried your bill, in both bodies as far as we could, that we have finally come to the conclusion that your bill, as written, isn't going to make it, that we think we can get this through the Legislature and we hope you will sign it. Please, take our word for it, we believe the capping of the coal tax isn't going to make

it all the way through the process but we've got to do personal property."

Representative Rehberg indicated that he stands ready to answer any questions on this, noting that the only thing he would add is that this bill keeps canola in and gives personal property tax relief, not at rates they wanted, that they wanted 4% or they wanted 6%, that it starts it at 9% and it starts it at 8% but, if future legislatures see that it is not working, not doing what they believe is going to happen, which is economic recovery because of lower personal property taxes, all the legislature has to do is write a bill and stop it, that they can cut this off at the knees any time they want to.

Senator Lynch indicated that he believes Representative Cohen has a bill in which is trying to do some of these same ends, and asked Representative Cohen if he has a comment to make on what they are doing now. Representative Cohen responded that he does not know where they are going to get the money to go down to 9%, or lower than that, that the money is not there for school funding and he does not see how it will be there for property tax relief. He added that he thinks there are some problems with HB50 with the re-distribution scheme, that he hopes they will take a careful look at it because there are some questions about funding, and he thinks it might be more sensible to consider having a study, adding that he hopes they are addressing tax increment districts in there. Senator Thayer responded yes, they are.

Representative Cohen asked what are they doing about new industrial property. Representative Rehberg responded that, in all of the amendments presented to him, all of the concerns either the counties or the cities said to him, he has addressed. He added that, if there is something else out there which the counties or cities have not presented to him, he can not speak to that, but he has worked with these guys as much as he can to do everything they wanted so, if there is some additional problem, then maybe Representative Cohen should point that out, not only to him, but to them. Representative Cohen indicated that some of the amendments concern new industrials, but they are presently at 3% and, when they lose their new industrial classification, they will go up to 9% or 8%. He added that, the way the amendments read, the amendments they were talking about earlier, it sounds like the state is going to be liable for making up the difference to the local community between 11% and 8%, when, in fact, they are actually going from 3% to 8%, and he wonders if that is

the intent of this committee, or the intent of state government.

Representative Rehberg responded that he would say it is the responsibility of state government because they have, all along, said to the counties and cities that it is our responsibility to replace the revenue, that the economic development which occurs as a result of this reduction, they will make up that difference, that it is the state's responsibility. He added that, if they see it is creating a black hole they did not anticipate, then cut it off, stop it. Representative Cohen indicated that he does not want to take a position on this issue, one way or the other, that he is just pointing out these are issues the committee might want to address and give a little thought.

Senator Lynch stated that he is prepared to vote on Senator Thayer's motion, and then asked if Senator Thayer has made a motion. Senator Thayer responded that probably they should be made one at a time.

Motion: Senator Thayer offered a motion that the amendments contained in this document be adopted.

Representative Schye asked what is the cost, noting that somebody mentioned the cost of going from whatever it is to 9% and then to 8%. Representative Rehberg responded that the numbers the Legislative Auditor's office ran for him are: In 1990, the cost at 9% is \$14,465,382; in tax year 1991 at 8% it is \$20,306,795; in 1992 at 7% it is \$26,148,209; in 1993 at 6% it is \$31,989,622; in 1994 at 5%, \$37,800,000; in 1995 at 4% it is \$43,600,000. He added that the 4%, \$43 million, is what is anticipated would be brought in originally by the coal severance, the video poker, when the Governor's original bill came in, that this is the number. He then indicated that the bill is written fiscal year, but this is written tax year, so the first year is \$14 million plus half of 1991 so, for fiscal year 1990, it is \$24 million.

Senator Lynch asked if they need a severability clause, if this is constitutional. Senator Thayer responded that they do not need it.

Representative Schye indicated that he understands they are going down the steps, 9%, 8%, 7%, 6%, and so on, and he understands that the next legislature can look it, but asked why not just go down the first couple of steps this year, and then go the other way, instead of the legislature having to make a bill. He asked why do it this way instead of just

going 9%, 8% this time, then revisit it at the legislature next time. Representative Rehberg responded that he does not believe they will ever have the same either pitch or desire for personal property tax relief that they do have, right now. He pointed out that, any time they lessen the burden on somebody, they kind of forget that itch they had. He added that there will always be that itch to raise it back, if it is creating a problem but, once they set in their mind, let's say an 8% rate, they will come back next time and there will be no real desire to continue it, perhaps, because maybe things are improving. He then stated that he just believes it is easier for the legislature to come in and stop something they do not like than to promote something they do want.

Senator Lynch stated that he thinks this ties in with what Senator Thayer wanted to do to begin with, to make a commitment. He indicated that his choice is to use the coal money, but that will be the decision of the 1991 legislature, and will be a decision which requires a three-quarters vote, if they choose to do it. He added that he thinks the commitment by the legislature will be that they want to compete with Idaho, Utah, Wyoming and the Dakotas, that they want to compete, that they have to start in that direction to compete, they are making a commitment to compete, and it is going to cost dough. He then stated that he is not going to vote for sales tax, regardless, if they think that is the solution, but, by God, this state is going to make a commitment that Montana wants to do business.

Senator Thayer indicated that he thinks it is the message they send out, that this bill does contain that message, if you will. He noted that he would have much preferred that they could have gotten yesterday's conference committee report through this Legislature but, if it is politically impossible to do that, at least this is sending a message to business that they are making this commitment, as lighthearted as this is at this particular time. He added that those who believe in this, in the future will be here to try to find the funding mechanism to keep this in place, or accelerate it up to 4%, or whatever. Senator Lynch responded not necessarily, they will not all be here.

Representative Schye indicated that he has not had a chance to go through all the amendments, or look at them, and asked where does the money come from now to replace it, is it just a general fund appropriation. Senator Thayer responded that it is a general fund appropriation, and indicated that they can call it the ending balance fund, at this particular time,

although he does not know if they can identify exactly where it is, but it would be a general fund appropriation.

Representative Grady asked what would be the projection of the black hole when they come back in the next session, what would they be faced with, what are they going to be short. He noted that they are going to fund this out of the general fund extra money in this biennium, and asked if there is enough money there, now. Representative Rehberg responded that there currently is enough money there, now. Representative Grady asked if they would not be creating a black hole. Senator Lynch responded not until 1991. There was general discussion that they could change it in 1991, that they could freeze it, if they wanted to, or they could raise it again.

Representative Dave Brown indicated that he got involved in this because of House concerns, noting that he recognizes all the statements here, and reported that he voted for the coal tax three-quarters vote to do whatever they needed to do with it on a given case-by-case basis. He stated that this is something they can pass this legislature, that it is something they can do, net effect, the same thing they have done before, and indicated Representative Schye had a good question, that the \$24 million comes out of the general fund. He pointed out that there will be some people on their side of the aisle who will worry about that, but he is willing to stand up on this, along with anybody else. He added that he thinks they have something they can deal with, that they have something the next legislature is going to have to deal with anyway and, if they make the decision that they can not handle it, cash wise, for whatever reason, they can stop it where it is or mess with it again, whoever the players are in the 1991 session, but that they have a chance here to get number two out of three done, and get out of here.

Representative Daily indicated that, as he sees this, they need \$34 million to do the 9% and the 8%, and asked if that is correct. Representative Rehberg responded no, and then indicated eventually, yes, but, in this biennium until they meet again, they need \$14 million plus \$10 million, which is \$24 million. Representative Daily asked Representative Cohen if the \$24 million is what he had in his bill, roughly \$24 million or somewhere around there. Representative Cohen responded no, that it was \$11.2 million at 9.6% per year. He added that he does not disagree with the numbers, that each percentage point they drop is about \$5.5 million. Representative Rehberg indicated that he believes the confusion is that Representative Cohen's bill is 9.6% for two years, and this is 9% and 8%, which is where the difference comes in.

Senator Lynch indicated that he will call the question, with the understanding that the funding is not yet determined. He then stated that he still thinks Senator Rapp-Svrcek has some excellent ideas.

Vote: Motion by Senator Thayer that HB20 be amended as proposed, passed with Senator Gage, Senator Thayer, Senator Lynch, Representative Daily and Representative Grady in favor, and Representative Schye opposed.

Representative Daily asked Mr. Heiman whether they need the severability clause. Mr. Heiman responded that he does not believe they do, now. Representative Daily further asked if they have the \$24 million to do it, indicating that he thinks that is a pretty legitimate question. Chairman Gage pointed out that he thinks a lot of that hinges on what happens in the education bill, how much of that ending fund balance they are planning to use. Senator Lynch stated that he also thinks they have accelerated tax to look at, that he thinks that is a serious thing to look at.

Representative Rehberg indicated that the one point Dave Darby made to him is what assurances do they have, ever, that anything is going to balance, that there is going to be \$20, \$30 or \$40 million, or they are going to be short \$10, \$20 or \$30 million, and he said they can not make him tell them that because nobody knows. He indicated that, in their best estimate, they believe there will be an ending fund balance, and the money is there, now.

Motion: Senator Thayer offered the same amendment the committee made relating to the existing processing plants in Montana.

Chairman Gage asked if everybody understands what Senator Thayer is talking about. Senator Lynch indicated the Walker amendment. Senator Thayer indicated it is the Walker amendment which is being re-done.

Vote: Motion passed unanimously that the amendment to HB20 relating to the existing processing plants in Montana be adopted.

Motion: Senator Thayer offered a motion that the language in HB20 be amended regarding the new canola plants, the amendment they just made, and to establish that at 4% rather than 3%.



Vote: Motion passed unanimously.

Representative Grady pointed out that Representative Cohen mentioned setting up a legislative select committee, and asked if there is interest among the committee members in doing this, noting this has not been done for years and years, that it sets up an 11 member committee appointed by the Governor to study the classifications, and there is a \$75,000 appropriation. Senator Lynch stated that he would be opposed to that only because he thinks that, between Revenue Oversight and the Finance Committee, they should be able to handle it. He added that they are forming so many study committees with their own appropriation that it is getting out of hand, and he is comfortable with the Revenue Oversight or the Finance Committee handling this. He pointed out that, if they want to put a new study in they can do it, but that they have the mechanism to start looking at personal property tax relief.

Representative Grady pointed out that the Revenue Oversight Committee, he understands, is pretty well loaded up now, and this would be a time-consuming effort. Senator Lynch indicated that, to him, it would be a priority issue. Representative Grady added that, if they are going to get into this, start lowering all the valuations, maybe they want to take a look at these classifications.

Representative Daily indicated that he would agree with Representative Grady, that he thinks it is a serious issue, and is the only issue which will get them out of here, at least one of the issues, and he thinks it is worthy of a study. He added that he thinks they really need to take a hard look at this, and especially since they are changing the rates so drastically over a five-year period. Senator Lynch asked Representative Grady if he wants it in this bill. Representative Grady responded yes, and Senator Lynch stated that he will not go for it in the bill.

Motion: Representative Grady offered a motion that a study committee be set up.

Chairman Gage pointed out that this is amendment number 23 of HB50.

Senator Thayer indicated that he agrees with Senator Lynch, and would just add that he does not think they need a study to tell them that they are way out of line with all of the states around them. He pointed out that they are here to try to get Montana competitive, so they can get some jobs and

retain the jobs they have here, to have people out there making some money to pay some taxes to fund the schools with. He indicated that they do not need a study to tell them that 9% is still going to leave Montana higher than any other state around them, and he is opposed to the study commission on those grounds. He added that they already know what the answer is.

Representative Schye suggested they call the question and vote. Representative Grady indicated that he does not think the study was to say if they are out of reason as far as the overall rates go, that he is saying maybe they should do some changes within the overall property classifications. Senator Thayer indicated maybe they should eliminate the whole damn bunch of them.

Vote: Motion failed in a tie vote with Representative Daily, Representative Grady and Representative Schye in favor, and Senator Gage, Senator Lynch and Senator Thayer opposed.

Motion: Senator Lynch offered a motion that HB20, as amended, be concurred in.

Representative Schye indicated that he thinks there are a lot of things they need to look at, when they come to the floor, that they have talked about the education bill, and so on, about what this does to valuations, and pointed out that, when they talk guaranteed tax base, and a lot of that stuff, they have to remember, if this passes, this lowers guaranteed tax bases, this lowers the state-wide mill levies and these things should be brought out.

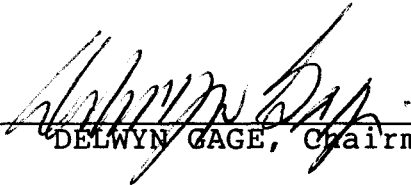
Senator Lynch stated that he does not think it does. Chairman Gage indicated those are folded back into the guaranteed tax base. Representative Schye stated that it will lower the taxable valuation all across the state and that will lower the guaranteed mill levy. Chairman Gage pointed out that, for guaranteed tax base purposes, this will be folded back into it, as is local government severance tax, automobile fees, tailor grazing, interest earnings, and all of those things will be phased back in. Representative Schye asked if that amendment will be on the education bill. Chairman Gage responded that it will be presented. Representative Schye again indicated that those are things which should be brought out.

Vote: Motion to adopt the conference committee report that HB20, as amended, be concurred in passed with

Senator Gage, Senator Lynch, Senator Thayer,  
Representative Daily and Representative Grady in  
favor, and Representative Schye opposed.

ADJOURNMENT

Adjournment At: 2:50 p.m.

  
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DELWYN GAGE, Chairman

DG/mhu  
FCCHB20.712

ROLL CALL

FREE CONFERENCE COMMITTEE ON HB 20  
51ST LEGISLATIVE SPECIAL SESSION

DATE:

July 12, 1989

NAME	PRESENT	ABSENT	EXCUSED
SENATOR DELWYN GAGE	✓		
SENATOR J. D. LYNCH	✓		
SENATOR GENE THAYER	✓		
REP. FRITZ DAILY	✓		
REP. TED SCHYE	✓		
REP. ED GRADY	✓		

Amendments to House Bill No. 20  
Reference Reading Copy

For the Free Conference Committee

Prepared by Lee Heiman  
July 12, 1989

1. Title, page 1, lines 14 through 16.  
Strike: "REVISING" on line 14 through "DISTRICTS;" on line 16  
Insert: "PHASING IN A REDUCTION IN THE TAX RATE FOR CLASS EIGHT PROPERTY;"
2. Title, page 1, lines 18 through 21.  
Strike: "IMPOSING" on line 18 through "PERCENT;" on line 21  
Insert: "PROVIDING AN APPROPRIATION TO SCHOOL DISTRICTS AND LOCAL GOVERNMENTS TO REIMBURSE MONEY LOST THROUGH PERSONAL PROPERTY TAX REDUCTIONS; INCREASING SCHOOL DISTRICT BUDGET SCHEDULES;"
3. Title, page 1, lines 22 through 25.  
Strike: "7-1-2111," on line 22 through "7-34-2131," on line 25
4. Title, page 2, line 1.  
Following: "15-24-1102,"  
Insert: "17-7-502, AND 20-9-343,"
5. Title, page 2, lines 2 and 3.  
Strike: "15-35-103," on line 2 through "20-9-502," on line 3
6. Title, page 2, line 5.  
Following: "AND"  
Insert: "AN"  
Strike: "DATES"  
Insert: "DATE"
7. Page 2, lines 7 through 15.  
Strike: Statement of intent in its entirety
8. Page 2, line 20 through page 41, line 21.  
Strike: sections 1 through 39 in their entirety  
Re-number: subsequent sections
9. Page 52, line 24.  
Strike: "6%"  
Insert: "the following percentage"
10. Page 52, line 25.  
Following: "value"  
Insert: ":"
  - (a) for the tax year beginning January 1, 1990, 9%;
  - (b) for the tax year beginning January 1, 1991, 8%;
  - (c) for the tax year beginning January 1, 1992, 7%;
  - (d) for the tax year beginning January 1, 1993, 6%;
  - (e) for the tax year beginning January 1, 1994, 5%;

(f) for the tax year beginning January 1, 1995, and for subsequent tax years, 4%"

11. Page 54, line 25 through page 64, line 23.

Strike: sections 48 through 54 in their entirety

Insert: "NEW SECTION. Section 9. Appropriation for

reimbursement to school districts, local governments, and tax increment entities. (1 ) The following amounts are statutorily appropriated, as provided in 17-7-502, from the general fund to the state special revenue fund for state equalization aid, provided for in 20-9-343, to reimburse school districts and local governments for reductions in tax rates on personal property:

(a) for fiscal year 1990, an amount equal to the decrease in property tax revenue for fiscal year 1990 based upon nondiscretionary property tax mill levies set in [House Bill No. 28], to the state special revenue fund for state equalization aid as provided for in 20-9-343;

(b) for fiscal year 1991 and for each fiscal year thereafter, an amount equal to the decrease in property tax revenue for fiscal year 1991 based upon nondiscretionary property tax mill levies set in [House Bill No. 28], to the state special revenue fund for state equalization to public schools, as provided for in 20-9-343; and

(c) for fiscal year 1990 and for each fiscal year thereafter, an amount equal to the decrease in property tax revenue for that tax year based upon the property tax rate decrease as enacted in [section 5], to the account in the state special revenue fund for local government reimbursement, as provided for in [section 10].

(2)(a) If taxable personal property within a school district is located within an urban renewal area or industrial district containing a tax increment financing provision, a proportionate amount of the money received by the school district in each fiscal year pursuant to this section must be treated as reimbursement for lost personal property tax revenue levied against the incremental taxable valuation of the property within the meaning of 7-15-4282 through 7-15-4292. The department of revenue shall compute for tax year 1989 the portion that the incremental taxable valuation bears to the total taxable valuation of personal property within the school district.

(b) The department shall remit to the county each year for the benefit of the municipality creating an urban renewal district or industrial district the portion of the school district's reimbursement computed in accordance with subsection (2)(a). One-half of the amount must be remitted before December 1, 1990, and before December 1 each year thereafter, and one-half of the amount must be remitted before June 1, 1991, and before June 1 each year thereafter.

NEW SECTION. Section 10. Local government reimbursement account. There is a local government reimbursement account in the state special revenue fund. The funds in [section 9(1)(c)] are statutorily appropriated to the account.

NEW SECTION. Section 11. Reimbursement to local governments -- duties of department and county treasurer.  
(1) (a) On or before May 1, 1990, the department of revenue shall remit to the county treasurer of the county 30% of the reimbursement amount specified in subsection (1)(b) as computed by the department. The department shall base the reimbursement on the reduction in personal property tax revenues due to the reduction in personal property tax rates for class eight property, as provided for in 15-6-138. The reimbursement basis must also include loss of personal property tax revenue due to the reclassification of new industrial property from class five to class eight with the reduced tax rate. The determination of the reimbursement basis must be made in the year in which the reclassification is made.

(b) The reimbursement revenue must be based on the county's taxable value and mill levies for tax year 1989.

(2) Prior to September 1, 1990, the department's agent in the county shall supply to the department for each taxing jurisdiction, except for school districts, within the county and for each municipality with a tax increment financing provision:

(a) the number of mills levied in the jurisdiction for taxable year 1989;

(b) the number of mills levied in the jurisdiction for taxable year 1990;

(c) the total taxable valuation for taxable years 1989 and 1990, reported separately for each year, of all personal property not secured by real property; and

(d) the total taxable valuation for taxable years 1989 and 1990, reported separately for each year, of all personal property secured by real property.

(3) After receipt of the information from its agent, the department shall annually calculate the amount of revenue lost to each taxing jurisdiction, except school districts, within the county and for each municipality with a tax increment financing provision, due to the annual reduction in personal property tax rates set forth in 15-6-138. The department shall total the amounts for all taxing jurisdictions, except school districts, within the county and for each municipality with a tax increment financing provision.

(4) For taxable year 1990 and for each year thereafter, the department shall remit to the county treasurer the base amount of revenue reimbursable, determined pursuant to subsection (3), as follows:

(a) on or before November 30, 1990, and on or before each November 30 thereafter, the department shall remit 50% of the base amount of the revenue reimbursable to the county; and

(b) on or before May 31, 1991, and on or before each May 31 thereafter, the department shall remit 50% of the base amount of the revenue reimbursable to the county.

(5) Upon receipt of the reimbursement from the department, the county treasurer shall distribute to each

taxing jurisdiction and each municipality with a tax increment financing provision the appropriate proportionate amount of the funds received from the department.

**NEW SECTION.** Section 12. Elementary and high school schedule increases. The superintendent of public instruction is instructed to increase the dollar amount of rate schedules, 20-9-316 through 20-9-319, as amended by the 51st legislature in special session beginning June 19, 1989, by a fixed percentage rate for each year for the purpose of allocating the reimbursement provided in [section 9] to the school districts.

Section 13. Section 17-7-502, MCA, is amended to read:

"17-7-502. Statutory appropriations -- definition -- requisites for validity. (1) A statutory appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the need for a biennial legislative appropriation or budget amendment.

(2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both of the following provisions:

(a) The law containing the statutory authority must be listed in subsection (3).

(b) The law or portion of the law making a statutory appropriation must specifically state that a statutory appropriation is made as provided in this section.

(3) The following laws are the only laws containing statutory appropriations: 2-9-202; 2-17-105; 2-18-812; 10-3-203; 10-3-312; 10-3-314; 10-4-301; 13-37-304; 15-25-123; 15-31-702; 15-36-112; 15-37-117; 15-70-101; 16-1-404; 16-1-410; 16-1-411; 17-3-212; 17-5-404; 17-5-424; 17-5-804; 19-8-504; 19-9-702; 19-9-1007; 19-10-205; 19-10-305; 19-10-506; 19-11-512; 19-11-513; 19-11-606; 19-12-301; 19-13-604; 20-6-406; 20-8-111; 23-5-306; 23-5-409; 23-5-610; 23-5-612; 23-5-1016; 23-5-1027; 27-12-206; 37-51-501; 39-71-2504; 53-6-150; 53-24-206; 61-2-406; 61-5-121; 67-3-205; 75-1-1101; 75-5-1108; 75-11-313; 76-12-123; 80-2-103; 82-11-136; 82-11-161; 90-3-301; 90-4-215; 90-4-613; 90-6-331; 90-9-306; and section 13, House Bill No. 861, Laws of 1985; and [section 9].

(4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing, paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory appropriation authority for such payments. (In subsection (3), pursuant to sec. 10, Ch. 664, L. 1987, the inclusion of 39-71-2504 terminates June 30, 1991.)"

Section 14. Section 20-9-343, MCA, is amended to read:

"20-9-343. Definition of and revenue for state equalization aid. (1) As used in this title, the term "state



equalization aid" means ~~these moneys~~ the money deposited in the state special revenue fund as required in this section plus any legislative appropriation of money from other sources for distribution to the public schools for the purpose of equalization of the foundation program.

(2) ~~The legislative appropriation~~ legislature shall biennially appropriate money for state equalization aid shall be made in a single sum for the biennium. The superintendent of public instruction ~~has authority to~~ may spend ~~such~~ the appropriation, together with the earmarked revenues provided in subsection (3), as required for foundation program purposes throughout the biennium.

(3) The following ~~shall~~ must be paid into the state special revenue fund for state equalization aid to public schools of the state:

(a) 31.8% of all money received from the collection of income taxes under chapter 30 of Title 15;

(b) 25% of all money, except as provided in 15-31-702, received from the collection of corporation license and income taxes under chapter 31 of Title 15, as provided by 15-1-501;

(c) 100% of the money allocated to state equalization from the collection of the severance tax on coal;

(d) 100% of the money received from the treasurer of the United States as the state's shares of oil, gas, and other mineral royalties under the federal Mineral Lands Leasing Act, as amended;

(e) interest and income money described in 20-9-341 and 20-9-342;

(f) income from the education trust fund account;

(g) reimbursement from the general fund as provided in [section 9]; and

~~(g)~~ (h) in addition to these revenues, the surplus revenues collected by the counties for foundation program support according to 20-9-331 and 20-9-333.

(4) Any surplus revenue in the state equalization aid account in the second year of a biennium may be used to reduce the appropriation required for the next succeeding biennium."

Renumber: subsequent sections

12. Page 65, lines 1 and 2.

Strike: "(1)" on line 1 through "[this" on line 2

Insert: "[This"

13. Page 65, lines 4 through 6.

Strike: subsection (2) in its entirety

14. Page 65, lines 7 and 8.

Strike: "-- contingency"

15. Page 65, lines 8 through 22.

Strike: "(1)" on line 8 through "1990" on line 22

Insert: "[This act] applies to tax years beginning after December 31, 1989"

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16. Page 65, line 23 through page 66, line 10.  
Strike: sections 58 through 60 in their entirety

Add Study to HB

required to be registered in Montana are subject to a fee. The registration fee is in lieu of property tax.

(2) The department shall issue a decal to the owner of the aircraft required to be registered at the time of payment of the registration fee in lieu of tax, as provided in 67-3-201. No aircraft subject to a fee in lieu of tax may be operated in this state unless there is displayed on the aircraft a decal as visual proof that the fee in lieu of tax has been paid for the aircraft and that the aircraft is registered for the current year.

(3) Aircraft that meet the description of property described in ~~15-6-147~~ 15-6-145 are exempt from the fee imposed by subsection (1). Aircraft subject to the fee in lieu of tax are exempt from all other taxation."

Renumber: subsequent sections

23. Page 58, line 12 through page 68 line 10.

Strike: sections 46 through 52 in their entirety

Insert: "NEW SECTION. Section 15. Legislative select committee on property taxation -- composition and appointment -- vacancies -- appropriation -- termination. (1) There is a legislative select committee on property taxation attached to the legislative council.

(2) The committee consists of 11 members, including:

(a) four members of the house of representatives appointed by the speaker of the house;

(b) four members of the senate appointed by the committee on committees of the senate; and

(c) three members appointed by the governor. (non-voting)

(3) A committee member shall serve until the committee terminates. A vacancy on the committee must be filled in the same manner as the original appointment.

(4) The committee terminates on June 30, 1991.

(5) There is appropriated \$75,000 to the legislative council from the general fund for the operation and study to be conducted by the select committee. The funds may used for staff, consultants, and equipment in addition to ordinary expenses incurred in conducting the study.

NEW SECTION. Section 16. Duties of committee. The duties of the select committee on property taxation include but are not limited to an analysis of issues related to the taxation of property, including incentives and disincentives of taxation of property, classes and types of classification of property, valuation and revaluation of property, and exemptions from property taxation."

Renumber: subsequent sections

24. Page 68, line 12.

Strike: "and"

Insert: "15-6-142,"

Following: "15-6-146"

Insert: "through 15-6-148, 15-6-150, and 15-6-155"

Gov's appointed  
Public members?  
Voting members?

25. Page 68.

Following: line 12