

MINUTES OF THE APPROPRIATIONS COMMITTEE
HOUSE OF REPRESENTATIVES
State Capitol, Room 225

March 8, 1977

The meeting of the Appropriations Committee was called to order by Representative Bardanoue, Chairman at 7:00 P.M. Roll call taken (attached), and a quorum was present.

Also attending the meeting were Tom Gosnell, Fiscal Analyst, and Dave Leiws, Deputy Director for Budget, Office of Budget and Program Planning.

The Chairman apologized to those attending, stating that we would have scheduled a larger room if we had known so many would be attending.

H.B. 428: Provide minimum payments to police officers...who were receiving payments from police reserve funds prior to July 1, 1975...

Representative Helen O'Connell gave background of the bill, explaining the funding, and who would be affected by passage of this bill. It would require approximately \$200,000 per year, and the increase would go to only those people on police retirement who retired before July 1, 1975. As the number decreases of those left living, the funding requirements would go down.

Robert McPherson, State President of Retired Police Officers Association, rose in support, explaining that funding would come from a premium tax on insurance, encompassing seven types of insurance premiums. Very few of the people this bill would give assistance to are eligible for social security or medicare, and many are living now on \$146 - \$150 per month, or less.

Mr. Mike Morris, retired police chief of Anaconda, spoke, affirming what had been said before, thanking Representative O'Connell for her fine presentation, and adding that they are asking to be given the same consideration as the legislature gave two years ago to the fire departments - the bills are funded from the same source.

Mary Carrol, Great Falls, told the committee that as the wife of a police officer, she realizes the committee's need to set priorities in spending money. However, she explained that the people asking for this increase worked many years at low salaries and retired at half of that amount, which won't cover costs today. They are not asking for charity, but badly need the increase in pension.

Gerald Dunbar, representing Montana Police Chiefs' Association, and Mr. Martin, representing Montana Retired Fire Fighters' Association, rose in support.

Many others were present in support of the bill, but did not testify. (Visitors list attached).

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There being no opponents, Representative O'Connell said this is a "people for people" bill, and that there is emotion where it is concerned. She hoped the committee would give it a Do Pass.

In response to questions from the committee, it was brought out that the number who would benefit from this bill is about 180; that the funding comes from insurance premium taxes, which is general fund money; that portion not used for this purpose becomes part of the general fund.

Hearing closed on H. B. 428.

H.B. 708: Appropriate money to the Department of Administration for various projects under the renewable resource development program.

Speaker of the House, John Dirscoll, and Representative Fred Barrett, sponsors of the bill, were present to speak to the bill. Representative Dirscoll explained that this is the first manifestation of the use of renewable resource development fund by which the legislature will act on grant requests from various state entities, said projects to be administered by the Department of Administration.

Jack C. Crosser, Department of Administration, stated that the department has a complete file of grant applications that are recommended. The grant recommendations were predicated on estimated coal tax revenue left after servicing the debt of \$5 million for the two year period, plus deduction of operating expenses. The grant requests had to be cut, and the cut was applied in accordance with the total amount of the project.

The Chairman suggested that only the spokesman for each project speak for the project if possible, in the interest of saving time.

Boulder River Reservoir: Grant Request - \$2,500,000
Recommendation - \$250,000 FY 78 and FY 79

Paul Smith, rancher from the Boulder valley, spoke concerning the Boulder River Reservoir, stating their problem is that in the spring they have more water than they know what to do with; after the run-off, around August 1st each year, there is a water shortage lasting through September. He gave a brief history of the project, and mentioned that to build the dam, they have to have a certain amount of recreation money. Last summer the necessary papers were sent to Washington, D.C., and recent word from Senator Metcalf indicated that within the next two months the project would be heard there. There is very little opposition in the area to building the reservoir. (Summary data sheet attached).

Castle Creek Dam: Grant Request - \$250,000
Recommendation - \$80,000 FY 78 and FY 79

The Big Springs Creek Watershed Project concerns the need for assistance to purchase land for Big Springs Creek flood control

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and for assorted recreational facilities at the East Fork Site - the request for for \$200,000 to assist in land acquisition and for construction of the Castle Creek Dam in the amount of \$50,000. There are other bills that would alter the amount of the sinking fund, and that would alter these funds.

Representative Barrett explained that the entire project consists of 5 dams; the last to be completed is Castle Creek. The amendments allow flexibility of the use of the funds.

West Bench Irrigation: Grant Request - \$625,000
Recommendation - \$90,000 FY 78 and FY 79

This project is to replace transport ditches and canals with buried lines, and replace ditch and existing power sprinklers with a gravity sprinkler system covering 5,749 acres. The recommendation was based on the energy saving nature of the project and benefits to the habitat. It was also recommended that a loan from FHA at comparable interest or better rate be obtained. The recommendation on the loan was left open.

Solid Waste Management: Grant Request - \$500,000
Recommendation - \$200,000 FY 78 and
\$100,000 FY 79

Terrence D. Carmody, Department of Health, Solid Waste Management Bureau, spoke on the solid waste management grant. This grant request is the result of a study authorized two years ago. Local governments are required by law to dispose of solid waste, and at this time have no plan or way to implement the program.

Triangle Saline Seep: Grant Request - \$241,000
Recommendation: \$130,000 FY 78 and
\$ 90,000 FY 79

Jim Biggerstaff spoke on the Triangle Area Conservation Districts, stating this program is to appropriate \$220,000 to the Triangle Area Conservation Districts through the Department of Natural Resources for a team to delineate saline seep recharge areas. (Testimony attached).

Fish & Gam Stream Preservation: Grant Request - \$250,000
Recommendation - \$50,000 FY 78 and FY79

Jim Posewitz, Montana Fish and Game Department, spoke on Fish & Game Stream Preservation grant request, stating it is their objective to make funds available to make a contribution to land owners so good and valid projects would receive assistance. Creating a companion project to preserve habitat would be a better approach, which is one of the purposes of applying for this grant. Stream protection projects for private land owners is the purpose.

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Nevada Creek Dam Repair: Grant Request - \$189,000

Recommendation - \$17,000 FY 78 and FY 79

David Cochran spoke on the Nevada Creek Dam Repair Project, stating there are 14 water users; 3,000 acre feet of water in the lake is not sold. The storage dam is in good condition except for the spillway, which is almost unsafe. The original concrete was improperly prepared and set up. Since 1960, the association has paid for maintenance and operating costs. Replacement cost for the spillway is around \$200,000, and the association can't fund the whole bill. Federal cost sharing is available. He feels the water resource division should be obligated to cover the cost of replacing the spillway since it was responsible for the original construction, and will retain ownership.

The Chairman stated this will be referred to the Long Range Building Committee - this is just a preliminary hearing. Long Range Building can exercise the option to prioritize the projects in the package.

The committee indicated it would like to know how this bill was put together - who decided on these projects? Why it is administered through the Department of Administration - the recommendations were made by the Department of Natural Resources.

The proposal package and visitors' list are attached to these minutes.

Hearing closed on H.B. 708.

H.B. 779: Appropriate moneys to be used for the renewable resource development loan program.

Speaker of the House, John Driscoll, presented amendments to the bill (attached). This \$5 million would be appropriated to the Department of Natural Resources and Conservation. Mr. Ted J. Doney, Counsel for the Department of Natural Resources, and Mr. Richard Munger, of that Department, were present to answer questions.

Questions from the committee brought out that this money will be used to make private loans under the criteria that the borrowers have to be Montana farmers and ranchers; there is a \$100,000 limit; 80% of the security can be borrowed, which security may consist of real estate, cattle, mortgages, etc.

H.B. 345: To provide affiliated corporations the privilege of filing consolidated returns.

Representative Jack Ramierz, sponsor of the bill, explained that under Montana state law there are several restrictions on when consolidated returns can be filed; under the IRS Code, a corporation can file one tax return for all income and expense.

Among other benefits to the corporations, consolidated returns would allow corporations to be treated the same way as businesses not incorporated, such as partnerships; there would be a savings in administrative expenses with the corporation; there is a questions of double taxation under the present filings - dividends are taxed more than once. This bill would require Montana law to conform for Montana corporations, with federal law. It was stressed that the consolidated returns could be filed only by Montana corporations.

Ron Haugan, Peat, Marwick & Mitchell, CPA's, rose in support, stating present law inhibits investors in Montana because of double taxation. He further stated the need to have regulations conducive to businesses investing capital in Montana through more equitable tax laws.

Robert Corcoran, Counsel for the Department of Revenue, commented that filing of affiliated returns was only for Montana corporations; that the aim was purposely to exclude national and multi-national corporations doing business in the state. It is necessary to have this discretion with large corporations to see through disguises of income. The Department has several major cases in the Supreme Court on their ability to treat multi-national corporations. He submitted an amendment to the bill (attached), amending page 4, section 2, line 13.

After study, Mr. Corcoran said there is also concern that large corporations will be able to do separate accountings, so they are requesting that line 14 of section 2 not be stricken as shown on the third reading copy, but that it be reinserted.

Ray Dore, Deputy Director of the Department of Revenue, spoke in support of H.B. 345, stating filing of affiliated returns is not just in relation to large corporations, there are 13,000 corporations filing returns in Montana - small farmers, ranchers, etc. The Department doesn't want to be in the position of making tax policy so would prefer that the legislature address the problem of this bill.

Questions from the committee were asked concerning the fiscal note not showing a loss in 1977 - Representative Ramierz stated he did not know why the note was written that way, he had no objection to its being changed to the tax year ending some other time. The bill is written to become effective on passage and approval because tax returns would be coming due very soon, and you would want this effective soon or it would be effective after the filing date of many corporations.

In closing, Representative Ramierz stated that this bill would bring about uniformity under the law, attract risk capital to the state, save taxpayers expense by eliminating multiplicity of tax returns, and relieve the Department of Revenue from having to administer the law.

Hearing closed on H.B. 345.

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H.B. 292: Transferring the energy conservation and alternative energy tax incentives from property tax to income taxes as deductions.

Representative Mike Meloy, sponsor of the bill, explained the bill allows a deduction rather than a credit for energy conservation, and is more of an incentive than present law because it is more likely to be used. The Governor encouraged this type of incentive in his energy message. This bill has been through various committees and has passed second reading in the House with only 7 dissenting votes. This bill can be administered fairly and equitably and gives financial relief if energy is saved. The bill has fiscal impact of \$162,000 in FY 78 and \$189,000 in FY 79.

Questions from the committee brought out that energy conservation sources are defined in 84-7402; proof of the expense of installation of energy conservation measures would be required to obtain the deduction; this bill is primarily for older homes, the benefit is limited as to new construction.

Hearing closed on H.B. 292.

H.B. 295: Publishing 3 unpublished legislative journals.

Representative Howard Ellis, sponsor of the bill, introduced Mr. Tom Haines, Missoula, Montana, who spoke in support of the bill, stating that when these 3 territorial journals are published, all the territorial and state journals will be published. These are necessary tools for researching the history of the state.

Joan Woodgerd of the Secretary of State's office explained that the cost is based on the expense of publishing the last two journals; the ones remaining to be printed are hand-written and difficult to transcribe into form suitable for printing. It is not felt that the cost would be over the \$31,000 they are asking for.

In closing, Representative Ellis stated they have a firm bid for this work; 200 copies will be printed for sale and the proceeds from this will go back to the general fund. He feels we will never be able to do this for less money.

Hearing closed on H.B. 295.

H.B. 684: Appropriate funds for travel expenses for legislators during the interim.

Speaker of the House, John Driscoll, presented the bill to the committee, stating first that line 17 should read "\$17,000 set aside for the Senate" and line 19 should be \$33,000 for members of the House - 33% for Senate, and 66% for the House. Speaker Driscoll stated that MONTANA has not had representation at many important conferences held throughout the country due to lack of funds for travel, and that Montana has much to gain through

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attendance at at least some of these worthwhile conferences.

Representative Peter M. Meloy rose in strong support of the bill stating we can benefit from these conferences and are selling ourselves short if we cut ourselves off from them.

Representative Marks stated that as Chairman of the Legislative Council he was familiar with the number of times the Council has had to turn down people wanting to attend worthwhile meetings because there is no budget. He feels there should be participation in these meetings; that the leadership would have influence in selecting worthwhile conferences and in deciding who would go where.

Representative Moore stated he agreed with all that had been said, and felt the appropriation in this bill should be doubled. Representative Driscoll replied that double the amount requested in the bill would certainly be useful, but appropriating even this amount would be a start.

Hearing closed on H.B. 684.

H.B. 649: Provide additional reimbursement in certain cases for parents driving their children to a bus stop or to school. Representative Verner L. Bertelsen stated this bill would reimburse parents for more than one trip to a school bus stop, if more than one trip was necessary for that family due to a variance in the ages of their children. Around 100 families are affected. Fiscal impact is around \$24,000.

Hearing closed on H.B. 649.

The Chairman stated that the sponsor of House Bill 696 was not able to be present this evening, and hearing on this bill would be rescheduled at another time.

Meeting adjourned at 9:20 P.M.

FRANCIS BARDANOUVE, Chairman

Amendments to H.B. 345; (Robert Corcoran, Counsel for Department
of Revenue)

Amend page 4, section 2, line 13.

1. Following: "both"

Strike: "with"

Insert: "within"

also requested that line 14 of section 2 not be stricken as shown
on 3rd reading copy, but that it be reinserted.

Amendments to H.B. 779

1. Amend page 4, section 1, subsection (4), line 9.

Following: "million"

Strike: "\$3 million"

Insert: "\$2 million"

2. Amend page 4, Section 2, line 15 through 25.

Strike: Section 2 in its entirety