

TAXATION COMMITTEE  
45TH LEGISLATURE

The Taxation Committee was called to order by the Chairman, Rep. Herb Huennekens, at 8:00 a.m., March 9, 1977, in room #434, Capitol Building, Helena. All members were present except Reps. Harrison Fagg and Edward Lien who were excused. Bills to be heard were Senate Bills 102 and 44.

Senator Greg Jergeson, District #3, Blaine County, sponsor of SB 102, explained this bill establishes a method of assessing swine which would be effective after 1976 as requested by the Montana Pork Producers Council, which is the only representative of the industry in the state. This bill provides that

SENATE BILL            swine shall be assessed on the average of USDA Omaha quotation  
102                    prices for the last 5 years, less \$2 per hundredweight in the  
                         case of market hogs and breeding sows times their presumed  
                         weight. The bill exempts swine that are not 3 months old on  
January 1 from taxation for that year.

Swine had been assessed from one day old. The Senate felt they shouldn't be. A six month's age date was considered, but the Senate felt the dates in HB 102 were proper.

The department of revenue feels there would be no problems with this bill, and feels that a 5-year average valuation was acceptable.

The committee recessed to an expanded executive session since Senator Towe could not be present until later.

Rep. Joe Tropila explained the purposes of House Bill 627 to the Taxation Committee. This bill had been heard in the Highway Committee and was referred to the Taxation Committee for action.

HOUSE BILL            Rep. Sivertsen said Mike Murray, chief of the Alcohol and Drug  
627                    Division of the Department of Institutions, advised there are 20  
                         separate programs dealing with alcohol that Montana contracts  
                         for now. One program could serve up to 12 counties.

Rep. Fabrega asked Rep. Tropila why reduce the 15% tax to 10%. Rep. Tropila said they didn't need \$9 million. He wanted this money to go into the general fund as a line item. This division has asked for 16 staff members to be funded by federal grants and will not request additional staff members if HB 627 passes. They have used a portion of the money coming to the state as earmarked funds as the highway committee has done. Small rural counties in the state do not have adequate programming and the state will not have adequate funds to continue. If you intend to pay for all services, the program will have to be funded from the general fund for Galen instead of from the users' tax.

It will take approximately \$5.2 million to fund these programs on a regional basis as per HB 627. Region 1 - \$481,532; Great Falls, region 2 - \$1,021,087; Billings, region 3 - \$600,000; Southwestern Montana, region 4 - \$675,197; Missoula, region 5 - \$914,683; the Addictive Disease Bureau will need for administration, training, auditing, \$185,681; Galen Alcohol Program - \$2.2 million.

Regions 1 - 5 are identified needs in each area. Part would be funded from what goes directly to counties and the balance would be financed by the state. Residential treatment in Southwestern Montana would require \$600,000 per year for the biennium. This would gradually be made into a selfpaying treatment center. If the tax is amended lower, can't afford this residential treatment center and can't forecast the cost for Galen. Administrative expense is currently being funded by the state fund for administrative purposes. The regions don't have the expertise to administer this much money and it would take a year or so for training.

House bill 627 would amend certain provisions of the Uniform Alcoholism Intoxication Act, establish a Division of Alcohol and Drug Dependency; increase the tax on alcoholic beverages to create funding for authorized programs. If this bill does not indicate the Legislature's intentions, it is Mr. Murray's opinion that if say region 2 cannot spend \$1 million dollars in the next fiscal year, the money that was not spent could be applied to facilities. He prefers a lease-purchase agreement with the seller of a suitable building. The question of whether there are any suitable buildings existing that could be used for these purposes arose. More than 5 detoxification centers are needed. These centers would provide somewhat of a hospital staff to work with an alcoholic while he withdraws from alcohol. Trained personnel should be under the supervision of a physician.

Based on a needs assessment, using DWI arrest records and hospital admittance records, the number of people treated last year was 8.5% of the population. Residents in Eastern Montana would like to have a residential center in Miles City having 15 beds, and one in Glasgow with 15 beds. Several other places are asking to have new programs established. Three counties are now receiving services.

The budget does not reflect a new center in Eastern Montana. The question of larger cities having an ongoing program arose. Lewistown is receiving services from other sources at the moment.

The 16 staff members will be housed in Helena, but the staff works at least 10 days a month out of the Helena office. No mental health center has been approved as a treatment center for alcoholics.

Other funds going into this program other than what this funding provides is \$200,000 in federal formula funds that is not utilized on a state level, but is dispersed to local governments. There is a possibility of \$200,000 available to implement the detox centers provided for in this act. They can be applied for each year with a 6-year eligibility. \$5,000 is retained by Mr. Murray's office for Law Enforcement Academy in Bozeman to train community officers on how to work with alcoholics.

Rep. Tropila advised the bill doesn't state where the money will be used. There were 7,000 alcoholics treated - less than one per day for each center - in Montana last year. This money is to be used strictly for alcoholism treatment. The budget shows where this money is to be used.

The sponsors of SB 44 were present, so the committee continued with hearing this bill.

Senator Dave Manning, District #25, Treasure County, sponsor of SB 44, gave the committee the report of the Coal Tax Oversight Committee. Roger Tippy wrote SB 44 in accordance with the Coal Tax Oversight Committee's recommendations.

SENATE BILL        The Oversight Committee used a presumed \$100 million figure  
44                   to illustrate how proposed division of coal tax funds was to  
                     be recommended. \$25 million goes to the coal tax trust fund  
                     leaving \$75 million to be distributed under the formula that  
basically was established last session. Some minor changes have been made -  
40% of the 75% goes to a trust fund, 10% for education, 17.5% for local govern-  
ment. Big Horn and Rosebud county taxable valuations have risen so much, the  
committee didn't think they needed any more money, so the county share was re-  
duced to 1%, but the money was left in those counties in the highway fund. They  
have been trying to get federal matching money by using these funds for highway  
money.

Senator Towe explained changes in the bill in detail. See the "Statement of Intent - Senate Committee on Taxation" written by Roger Tippy, which is attached and explains what HB 44 intends to do in detail.

Senator Manning said when valuations go up there is a need to have automatic and well-considered allocations of money to the cities and towns - one part of government or one governing body cannot be favored. Local people need money for each department. County Commissioners can go to the Coal Board if they need more money.

It will cost \$47 million to build 301 miles of state roads. Enough money will be accumulated for matching funds from the federal government (about \$16,500,000) when money will be available from the federal government. Since the government owns 88% of the mineral of the state, Senator Manning feels they will match these funds and help Montana in this way. This is a "one-shot" deal for really good roads. The Senate voted 48-1 for this bill. Refer to the reports attached.

Steve Turkiewicz, MACo, does not oppose SB 44, but he wants some housekeeping amendments, copy of which proposed amendments is attached. County land planning will get 1% instead of the previously allocated 2½% as shown on page 3, line 14.

Fletcher E. Newby, Fish and Game Department Deputy Director, approves the park allocation. In an effort to develop an effective system, the F&G allowed some of their money to go to the Parks Division. They asked for the support of a state park system, and are very much in support of the amendment allocating money to be used for acquisition until fiscal 1979 when this allocation would be affected by these amendments. Other bills propose other uses for this money, and he feels the committee should look at them. See his testimony attached.

Pat Stewart, Assistant Director of the Montana Coal Council, is neither a proponent nor an opponent. To alleviate the impact he can see Senator Manning's requests which address impact. He can see needs in the counties. He questions whether the division of the funds as it is introduced addresses impact first.

Jon Larson, City/County Health Department, Great Falls, supports SB 44.

Jim Mockler, Montana Coal Council, Helena, supports HB 44 with proposed amendments.

OPPONENTS:

Orrin Ferris, Department NR&C, thinks HB 44 should be amended.

Rep. Esther Bengtson, District #59, Yellowstone County, opposes the section on page 3 which establishes a coal utilization research account from renewable resource development account money. There are 7 projects involved which have to be funded out of this resource development program on encouraging off-stream water sites. She opposes taking this money and channeling it into the coal utilization program. Page 13 is not clear on what coal utilization projects will entail. She suggests looking very closely at the part of the bill deleting reference to all coal utilization research. Amendments she offers will take care of all reference to deleting funds from the renewable resource development program which was designed to help agriculture put land and water to use for Montana. She doesn't want these funds tampered with.

Ted Doney, Chief of the Department of Natural Resources, said they oppose not using all the money for the renewable resource development program. It is not getting off the ground, and if this tax is cut back, they will not have the program. One program is to develop renewable resources, and the other is to develop coal uses. See his testimony attached.

Pat Smith, Northern Plains Resources, Billings, is concerned; Northern Plains is not opposed to this bill, but has problems with it. They oppose 1% being allocated out of the renewable resource funds. Coal is not a renewable resource. The level of funding should remain at the current level of 2½%. Renewable energy helps agriculture, creates jobs. Financial assistance through loans and grants is particularly useful at this time. The program has not been given a chance to prove itself. They also object to the language in section 8, page 13, lines 3-15, as coal gasification could be included in this description. This coal tax money could certainly be used for this purpose. \$718,000 would be allocated over the biennium. They are opposed to taking money out of the coal research program, and are in full support of Rep. Bengtson's proposed amendments. They also feel local governments should have the discretion as to how they use their money.

Phil Tonne, Environmental Information Center, feels this program would allow the State of Montana to help farmers and ranchers in connection with irrigation and he feels this would be better than what the coal utilization program would provide. Conservation districts can go to this fund for help. He approves Rep. Bengtson's amendments.

Pat Bins believes the coal tax trust fund should be invested differently than what is currently on the books. At present they have to invest this fund according to the "prudent man" rule and 80% of this fund is going into out-of-state investments. He recommends that different management practices be imposed, giving priorities to investments within the state. Montana can use this trust fund to better advantage by keeping it in the state where economic and other benefits would accrue to Montana.

Senator Manning opposes 3½% going back to the counties.

Senator Mathers opposes 3½% going back to the counties. He feels all the revenues from coal moneys that have been invested in the coal impacted counties should be taken into consideration. The original intent was to help impacted counties meet their needs. He doesn't think the big utilities need this tax break which would be given to them if this 3½% is given back to the coal mining counties.

Nothing has been done with the renewable resource program because of a pending court decision. Renewable resource programs that were requested were for sprinkler irrigation systems and one trout farm. Sprinklers are one of the most energy-using forms of farm operation. ASCS planners are doing substantially the same type of work. Should ask Mr. Birche, member of the Natural Resources Department, that it be changed. The DNR established a loaning program of its own. The Oversight Committee thought they were getting into trouble since they were getting loan requests that had been rejected by other lenders, and a loan committee was appointed. Mr. Birche, Dave Drum, and Hanson were on this loan committee. The program was established to develop renewable resources besides irrigation systems.

Because of natural gas users having to go to coal, Montana will have a tremendous demand for coal. Development of other than strip mining may have to be done. Coal might be able to be burned in the ground to produce gas. This might make coal more efficient. He thinks tax money should be used to establish research such as this, perhaps by the university system.

This meeting recessed to Room #436 because of schedule conflicts.

Senator Towe advised he feels that the 1% should go into county planning rather to the two counties. The bill originally was written allocating 2%. He suggested incorporating language into SB 44 that would exclude coal gasification programs from receiving any funds from the renewable resource program. He agrees with Pat Bins regarding the investment problem. He thinks there is a need to encourage investment in Montana and this should be studied by an interim committee.

He said he feels the county amendment proposal could do more harm than any of the other comments received. Rosebud County received \$1,027,048 and Big Horn County received \$2,105,841 from gross proceeds tax on coal, which is a 1,000% increase in their revenue income. These substantial increases makes for millage drop. There is \$11.7 million in the coal board fund. Rosebud County has been awarded \$6,341,439 and Big Horn County \$3,866,060 for impact needs. He thinks they have adequate funding for any impact purposes. They cannot get money for roads from the coal board however.

The question was raised of whether the other 54 counties could get a bigger share of this money since those two counties don't need the money - also the question of whether this money could be used for other than planning purposes. Sen. Towe advised he thought the money should be distributed to counties only for specified purposes.

There is a low investment from the coal tax fund in Montana. By investing out-of-state the interest rates are higher - 8% on long-term money at the present time. Montana loans would return 6-7%.

Rep. Bertelsen expressed fear that a huge fund will be collected and invested out-of-state, which would not benefit Montana as it might. He supports a study to take a real hard look at this problem to see what can be done. He also sees a problem with such a huge fund allocated to purchase so much land to be in the public domain, that it will create a problem of taxation and immunity. Sen. Mathers thinks there could be a problem here, but the Oversight Committee is to keep track of this and the Fish and Game Department is having to report to them. Rep. Huennekens advised funds are paid to the county as if the land were in agriculture, but the county does lose tax revenue from loss of livestock, etc.

Rep. Dassinger proposed 1/56 of this fund would be spent in the counties in which the coal is mined.

Sen. Manning feels these funds should be used to take care of impact problems. This money should go into the general fund or to the impacted areas. He wants all money possible to go to the highway accounts. He thinks 1% to the counties is plenty.

Senator Towe advised that no money has been spent by the F&G anywhere for any purchases in Rosebud or Big Horn counties, or other counties as yet. Roads are the only possible thing that are not covered by the coal money under the impact requirement. He advised services and other factors, taxation, mill levies, schools, etc., were all taken into consideration for allocation of coal trust fund moneys.

Mr. Newby advised bonds can't be sold without a decision by the court as to the constitutionality of the renewable resource energy fund. SB 48 takes this into consideration and should be considered in conjunction with SB 44.

Mr. Mockler said there are 38 loan applications requesting just under \$2.5 million. He is with the Montana Coal Council.

Rep. Steve Waldron thinks the timber people in Western Montana should be helped as well as the farmers. A study of the headwaters for storage of Big Horn water off-stream should be made. Have to check what the government is doing so as not to duplicate federal effort.

Mr. Montebeller, Administrative officer of the Montana Coal Board, studied the property tax situation on individual taxpayers as well as county-wide, school district, and in every area of taxation, when looking at applications for the use of coal tax funds. Administrative services has a \$1 to \$5 million budget to provide these services. The county tax due on a home in 1975 was higher than is now due because the county tax has dropped. However, city home dwellers are being taxed higher on their homes. The impact is on the city dweller.

Rep. Fabrega advised Mr. Tonne there hasn't been any tentative approval of anything. Forestry is one they are going to try to emphasize. Out of \$1 million allocated, approximately \$390,000 was approved for expenditure by the program handled by them. They have approval of 5 FTEs, but they are not on board at the moment.

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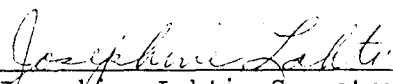
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The loan officer works with loan applications.

Rep. Dassinger asked if the state could build dams with some of this money.  
It was not known if it could or not.

The committee adjourned at 11:45 a.m.

  
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REP. HERB HUENNEKENS, CHAIRMAN

  
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Josephine Lahti, Secretary

There is a brief summary prepared by Teresa Cohea at the request of the Chairman, Rep. Herb Huennekens, comparing bills in the House and Senate concerning allocation of coal tax funds, which is attached.