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HOUSE TAXATION COMMITTEE

46th Legislature

Rep. Herb Huennekens, Chairman, called the hearing to order at 8:30 a.m., March 8, 1979, in room 434, Capitol Building, Helena. All members of the committee were present. Randy McDonald was present.

Bills to be heard today were House Bills 344, 395, 884.

Rep. Thomas R. Conroy, District #58, Hardin, chief sponsor, explained HB 395 which authorizes an energy stamp program to assist the elderly and disabled of lower income in paying utility bills for winter heating and providing a continuous appropriation by changing the coal severance tax allocation from

HOUSE BILL 395
the alternative energy research development and demonstration account to the energy stamp account. The grant program has not done what it was supposed to do. The gist of this bill is to channel that money into 25,000 households. With the increased utility rates including gas, it would be channeled into each household. Provides stamps for four months.

There are many, many retired people in this state living wholly on social security - those people have to because of economic reasons stay in their own homes and have to utilize more fuel. Persons will have to apply for this grant.

Gene Phillips, Pacific Power & Light, Kalispell, supports HB 395, has taken the position that the energy stamp program channels to the persons needing it.

Opponents -

Gail Stoltz, Montana Human Resources Development Councils, Helena, opposes HB 395.

Walter Foster, Chairman, Montanans in Action for People, Carter, MT, opposes HB 395 which diverts funds to pay utility bills. Bills are picked up that students do not pay. Solar power is the only way to deliver the lowest price energy. \$30 per month, 26.8% rate being asked by Montana Power wouldn't be covered. See testimony attached. Does not want funds diverted from SB 86.

Gerry Knudsen, Department of Natural Resources, Helena, opposes HB 395. One of the side effects of this plan would destroy the important plan in regard to SB 86 which is an alternative renewable energy plan which has been under way for three years. Have a long experience in research and development forms, both large and small. Alternative renewable energy is one of the most promising. It deals with geothermal, etc. There are some real accomplishments from that program. Have had some temporary setbacks but have seen some entrepreneurs who have started new businesses. 40% of all the new jobs are by companies having less than 10 employees and are less than 10 years old. Solar programs that have sprung up is very encouraging.

This is not a subsidy of home owners, it is establishing of new industry. Expanded research at universities has developed architectural skills. The department has prepared a program plan diverting activities to establish industries that relate to agriculture. It utilizes crop residues, etc. Montana can develop renewable energy which is cost effective. Have to have an alternative for petroleum. To draw funds from such a program would be the height of folly.

Patricia Sias, Helena, representing Senior Citizens, opposes HB 395. She is chairman of the Senior Citizens legislative committee, and is very familiar with government projects in her generation. Very much against this program. She does not feel this kind of stamp is going to solve any problems. This is not going to stop the increase of rates for other people. Want something done for everyone - not just senior citizens.

Ted J. Doney, Director of the Department of Natural Resources, does not really oppose, but it does away with the renewable energy program. Have had some criticism, but have taken care of problems. Their program has a new direction starting to exercise commercialization. Ten more grants for \$433,000 for commercial buildings, wind development, utilization of waste straw. It is a good program and it is working. Hate to see junking of the program for energy stamps.

Mary Clear, Opportunities, Inc., Housing and Energy, Montana Power to People, Great Falls, opposes HB 395. They deal with the low income and their particular problems. Upon reviewing this energy stamp proposal, they don't feel this is the way to go. Seems a particular program takes funds away from the energy program. Seems that it is a direct subsidy for the utility companies. Energy stamps could not possibly affect the high rate structure. Would be increasing profits to the utility companies. Suggests finding an alternative. Utilities should be more responsible for energy bills.

Donna Eldridge, Helena, Senior Citizens. Senior citizens would not use energy stamps if they were available. The emergency energy systems plan - had money left because senior citizens would not use it. There was 12% usage by retired people. In this community there are about 12,000 - 7 senior citizens used the plan. Senior citizens have been offered programs, but they will not accept assistance. Do not think energy stamps are the solution.

Rena Sullivan, Senior Citizens, Helena, opposed HB 395. She lives in subsidized housing and her utility bills are paid for. Reduced rates for those who do not need that much energy - give small users a break. Robbing Peter to pay Paul. Does not approve of the energy stamp.

Tom Ryan, Montana Senior Citizen Association, Glendive, opposes HB 395. As a member of the IBW he was able to get a job at the utility. Every Thursday was his day to go back and talk to people whose lights had been turned off. Many people were in trouble - 50¢ would provide electricity for a week. The rate book tells you that Joe Jones is a resident customer and his rate is such and such and others have a different rate. There is no problem at all and no bookkeeping involved. This is my category and as I go down the road, I cannot cope with your increased utility rates, so I prefer to be on this rate and I think this could be established much more cheaply than this bill. See testimony attached.

Marshall Shelden, Montanans for Action for People, Ekalaka, acting chairman for Action for Eastern Montana, Glendive, opposes HB 395. See testimony attached.

Steve Doherty, Northern Plains Resource Council, opposes HB 395. See testimony attached.

Ronald Pogue, Alertnative Energy Resources Organization, Helena, opposes HB 395. See testimony attached. Thinks the bill is a joke.

Michael Barton, Energy Project Director for District Eleven Human Resource Council, Missoula, is against HB 39 because of past experience with similar proposals. See testimony attached.

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Torian Donohoe, Environmental Information Center, Helena, opposes HB 395. She asked that the committee give this bill a Do Not Pass.

Jean M. Schaurien, Montana's Power to the People, Great Falls, MT, opposes HB 395 very strongly. See testimony attached.

Gail Stoltz said there are problems in the bill structure - it is on a first come, first served basis. Most needy may not be able to get this help. It is addressed to land. Income level structure does not coincide with the number of people in different categories. Crisis intervention money, low income and senior citizens run to two different things. Thinks it best to go through a front door approach on an appropriations basis.

Jim Mallard, Montana Coalition for Human Services, Helena, opposed to HB 395. Doesn't oppose the concept, but of doing it in this manner. See testimony attached.

Mike Dahlen, Associated Students of Montana, Missoula, is against HB 395.

Jan Brown, Montana Association of Churches, Helena, opposes HB 395, saying it isn't the best way to achieve goals. See testimony attached.

David Acberswerth, Helena, as a citizen, is opposed HB 395.

Rep. Conroy closed saying it takes a long time for solar systems to pay back their installation costs. What happened to private investment and free enterprise? Case of supply and demand - we are not only talking to the problem of high utility rates. Propane and fuel oil have gotten very high. Montana Power has available now money to lend on a low interest basis for winterization - to say they are not doing anything is wrong. He did not solicit support. Did this on his own, nobody else needs to try to imply that it was done for the energy companies. Aero got about \$100,000 out of the renewable energy grants.

Questions from the committee:

Rep. Reichert asked how long it takes to pay off solar investments. Mr. Plunkett said it is a question that cannot be answered because some are paid off in three years, and some others don't pay off in forty years. We have to have better answers. It is going to take some up front money.

Mr. Pogue said talking about one single type of system out of a multitude of possible systems.

Rep. Lien asked if the energy stamp program would tend to increase use of utilities. Ms. Stoltz said she didn't know if it would or not, but would doubt it. She thinks the low income people are trying to conserve energy - they will pay their energy bills. Thirty dollars a month is ridiculous. Rep. Lien asked if it would tend to increase consumption. Walter Foster said he wouldn't make a statement. The winterization conservation program going on was first started in 1975 and they winterized homes. Watched money being siphoned off - more interested in setting up programs for utility companies. Rep. Lien thinks this money would be better channeled into a winterization program. Mr. Foster said many devices have paid off.

Rep. Harrison Fagg, District #63, Billings, chief sponsor, explained HB 884 would provide property tax incentives for energy savings practices and penalties for energy wasting policies. There are two basic systems - passive or active.

HOUSE BILL HB 884 tries to provide incentives to reward people for energy saving winterization. Pretty much following California law.

884 On active systems, it moves into the income tax field. Standards are set out in two tables showing reduced taxable values for using either passive or active energy saving procedures.

This would stimulate builders to conform with better buildings and will help the economy of Montana overall. Recommends this bill be placed in a subcommittee.

Ronald Pogue, Alternative Energy Resources Organization, Helena, (AERO) supports HB 884. Very small tax credit in the state and federal applied to solar. How come we have to subsidize this? Very limited supplies of natural gas. Rapid escalation in electrification. Have to have electricity for many purposes, but do not have to have it for space heating. Front end costs are much easier and cheaper. Coming up with standards is going to be difficult. Suggests lessening of restrictions and let the department make these adjustments. See testimony attached. Suggest Section 6, subsection (1) be deleted.

David Acberswerth, Helena, supports many of the concepts. Ambitious bill. Section 5 - think it is a good idea that tax credits are provided, and that they apply to dwellings other than family dwellings - wants to see it expanded to other buildings.

W. James Kembel, Building Codes Division, Department of Administration, Helena, very much interested in alternative energy. Tax credits are almost essential to make this work. The tax incentive is for value that is not going to occur if you do not get the tax incentive. If you don't have the tax incentive, you do not have the cost incentives. Would like to create jobs - this will create many, many jobs. Administration can be resolved so that a reasonable amount of money will be spent for evaluation. See testimony attached.

A representative of the Department of Administration supports the bill, but to effectively administer it will require more funding and more staff. On an average it takes 4-16 hours to do an analysis of buildings. Can see at least from their interpretation, there will be significant needs for staffing and funding.

Donna North, Montana League of Women Voters, supports HB 884. They are very much in favor of the use of tax incentives. See testimony attached.

N.J.Campeau, Campeau & Crennen Architects, support HB 884. See testimony attached.

Jan Brown, Montana Association of Churches, Helena, supports the concept of HB 884. See testimony attached.

Rep. Fagg closed saying you can't give a tax credit on something that doesn't exist. Has an amendment to take care of the problem of financing the office of the Department of Administration.

Questions from the committee -

Rep. Reichert asked if the states allowing tax credits have a maximum. Mr. Pogue said there is a \$3,000 maximum in California. Some other states have some maximums.

Mr. Campeau said the more of a person's money he puts in, the more incentive he gets. Increased evaluations are one main reason. Will take a couple of years of trial and error in the field and some adjustments will have to be made later.

Rep. Fabrega told Mr. Campeau he agrees on the active system, but on the passive system the increase in taxable valuation - are those reflected in the process? Mr. Campeau said it will increase the value. Many costly installations will soon be noticed by the appraisers. Rep. Fabrega asked, presently appraised at market value, if the assessor says \$200,000 even though sales relationship would be at \$100,000, should it be appraised at \$100,000? The Savings and Loan people in Great Falls and Helena and Kalispell are very much interested in this today. Get more of a broad-based evaluation. These buildings will have a higher valuation because of less cost of operating in heating, etc.

Rep. Dassinger said he could not find electrical plans in 1971. Could not change the roof structure, the size of the windows, for fear the electrical lines would be too high. Will this change that? Rep. Fagg said on a totally energy efficient home it would.

Rep. Huennekens said the penalty section might cause court actions. It is really a very new concept. Where else are we applying this sort of penalty? Rep. Fagg answered no where. Rep. Huennekens thought the \$5,000 is actually to some extent not a major element in this bill because many of the passive improvements will be more expensive than that. Could be dealing with more on the 75% - equal to the lesser of \$5,000 or 75%. Then you would have an inequity between building a duplex or a single home dwelling. Mr. Fagg said you could get 55% by putting two separate systems in a multiple family dwelling and 75% in a single family dwelling.

Rep. Reichert said in looking at the fiscal note there was a surprising number of mobile home hookups last year - 2,000 out of 4,000. Would this bill completely ignore mobile homes? Rep. Fagg said it would ignore as far as passive but not as active.

Rep. Fabrega said there is nothing in there to determine an energy conservation effect. Need to look at the continuous performance; if you don't use it properly, you have lost the whole thing. Could put in an evaluation clause. It is a matter of personal discipline to try to save energy. Wouldn't go into a monitoring pattern that will cost \$15 million.

Rep. Jack Ramirez, District #64, Billings, chief sponsor explained HB 344 would exempt solar energy systems from going on the tax rolls for 5 years after the date of installation.

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344

Ron Pogue, AERO, supports HB 344, but would prefer 10 years before installation goes on tax rolls. See testimony attached. Feels HB 344 is encompassed in HB 299.

N.J. Campeau, C&C Architects, would amend the bill to 20 years exemption.

Rep. Ramirez is willing to amend the 5 years, willing to amend to include other types of energy sys. willing to amend dwellings to include other types of buildings.

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EXECUTIVE SESSION:

HOUSE BILL 639 - Rep. Lien moved that HB 639 be reconsidered for the purpose of amending. There were no Noes, Rep. Vinger was absent.

HOUSE BILL 869 - Rep. Hirsch moved HB 869 DO NOT PASS. Rep. Williams said the big problem is that there is no system for record keeping. Rep. Harrington mentioned the amount of money picked up as far as mineral rights is concerned is very small - \$29. There should be something done in this area.

Rep. Huennekens said since the oversight committee spent 18 months and found no answer, he thinks it will take a genius to resolve this problem.

Motion that HB 869 DO NOT PASS was adopted unanimously. Rep. Vinger was absent.

HOUSE BILL 852 - Rep. Harrington moved HB 852 DO PASS. A letter of intent was brought to the committee by Rep. Gould. Rep. Lien thinks there is a need for a board of gaming control. Rep. Johnson wasn't sure about the need for a board, but thinks there is need for some state control. Rep. Fabrega would put a fee on manufacturers and that is a substantial business in Montana.

Rep. Dassinger believes gambling should be controlled at the local level otherwise might lose local control. Rule making authority to the gaming board and letter of intent would deal with this.

Rep. Williams is opposed to any further laws in regard to gaming in Montana. Thinks there is plenty of control through the attorney general's office.

Motion that HB 852 DO NOT PASS was made as a substitute motion by Rep. Williams. Motion to DO NOT PASS was adopted by a roll call vote of 14-4. Rep. Vinger was absent.

Rep. Fagg moved that action on HB 852 be reconsidered. This motion failed by a roll call vote of 7-11.

HOUSE JOINT RESOLUTION 44 - Rep. Dozier moved HJR DO PASS. Action was postponed because of more amendments to be proposed.

Meeting adjourned at 11:30 a.m.

Herb Huennekens
REP. HERB HUENNEKENS, Chairman

Josephine Lahti
Josephine Lahti, Secretary