

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 5, 1979

The forty-first meeting of the committee was called to order on the above date in Room 415 of the State Capitol Building by Chairman Turnage.

ROLL CALL: Roll call found all the members present. Witnesses presenting testimony are listed on attached Register.

CONSIDERATION OF HOUSE BILL 63: Representative Dassinger presented the bill which was submitted by the Department of Highways. The bill would increase the tax on gasoline and diesel fuel by 1¢, he stated, in an effort to obtain matching funds from the federal for completion of the interstate highway system in Montana. He said there would be \$27 million as a result of the tax and this, together with the Federal match, could help to have the system completed, perhaps by 1988. Ron Richards of the Highway spoke also in support of the bill and said there were 175 miles of interstate to go, within the state. He told the committee that a number of eastern states had been holding some of the Federal funds, but a recent governmental decision had freed some of these funds and Montana, with matching funds, would be eligible to receive such funding.

Other supporting witnesses were Mr. Manion of the Montana Automobile Association; Mr. Paulsen, who distributed a map showing the interstate system yet to be completed in the state, see Exh. #1, attached. Mr. Huss spoke also as a proponent and stated the average cost of \$10 per vehicle seemed a small amount to pay for the improvements. Mr. Williams, AFL-CIO, also distributed testimony, see Exh. #2, attached, in support of the bill. Mr. Boles of the Montana Chamber of Commerce was also a supporter of the bill.

Representative Sivertson spoke also as a proponent of the bill. He had attended a meeting in Washington, D.C., and said there would be more moneys available for the completion of the interstate system, and if Montana could come up with the match-funds, the project could be completed sooner due to the fact the funds are being released to states that are ready to begin such construction.

The Chairman called then for other proponents, or opponents, and there being none, permitted questions from the committee. Senator Manley asked if the state had lost funds because of the failure of the state to enforce the 55 mph speed limit rigidly enough. He questioned the Highway representatives and Mr. Beckert replied the state had never lost any Federal funds allocated for road purposes. There followed additional discussion and the hearing on HB63 was then closed.

CONSIDERATION OF HOUSE BILL 60: Representative Fagg introduced his bill which is a 1¢ tax levied on aviation fuel, 1 1/4¢ to go to Department of Community Affairs and 3/4¢ to the Department for loans, grants, other aids to local governments. He distributed copies of a map, see Exh. #3, attached, showing the states around Montana and the taxes levied in each. He said he did not believe an addition 1¢ tax would curtail people from buying fuel in the state. He also distributed a letter regarding fuel costs in the state, see Exh. #4, attached. He said the tax moneys would basically be used in the smaller towns at those airports where the installation of H-Markers, needed for the air strips, are sorely needed, see Exh. #5, 6 and 7, attached. On his exhibit #5 he explained that the fuel tax income was not affected during the strike of Northwest Airlines and exhibit #6 showed fuel flowage for the two calendar years 1977 and 1978. He said he did not believe general aviation industry in Montana would feel a large impact from this tax; he said however, that small planes would note some of the result.

Next to speak as a proponent was Mr. Sammons who said he represents some 800 members. He said the State Board of Aeronautics had been making loans and grants across the state, including a loan to Great Falls for \$546,000 and a \$12,000 grant. He also said the airlines are experiencing their highest profit margin ever. Mr. Munger distributed a copy of his written testimony, see Exh. #8, attached. He said the pilots in the state felt it was unfair to ask the state to provide airport facilities and said the tax is the same now as it was in 1959. The association would tax themselves for the improvements they needed through the addition of the 1¢ tax. Senator Mathers appeared in support of the bill as well, and submitted an amendment, see Exh. #9, attached, which he favored. Mr. Boher spoke next and said the Air Base at Great Falls no longer brings in a large amount of revenue as it once did. Mr. Patenaude presented testimony also, see copy attached, Exh. #10, a and b.

Richard O'Brien of the Montana Aero Board then distributed folders containing background information for the committee to review. The committee also received booklets entitled "Update to the Montana State Airport System Plan" dated February, 1979. He then introduced Mr. Ingalls of the Airport Development Administration Program, who he said was a neutral insofar as the legislation was concerned, but would be available for answering committee questions. Mr. Merrick also spoke as a proponent of the bill saying the Gallatin Airport had been able to use funds for the development of their airport, both grants and loans and without these, he continued, the airport would not have been able to undertake the improvement projects. He said they favored the bill as it was a 'users' tax' and wanted the committee to consider the point that people should pay their own way, and would do so with this legislation.

(The folders and booklets filed with the committee have been labeled Exhibit #11.)

Representative Sivertson then appeared as a proponent and presented extensive testimony in Exh. #12, attached. The Chairman was apprised of a phone call during the meeting also, from

Walt Anderson who asked to be recorded as a proponent of HB60.

Senator Goodover was in charge of the meeting at this point during temporary absence of Chairman Turnage, and after a call for other proponents, asked for opponents.

Mr. Kelleher of the Helena Airport was first to appear in opposition and said the Airport Board of Helena feels there is sufficient tax at this time. He said the majority of the tax paid comes from commercial airlines and they are already paying a great deal to support airports with rentals, landing fees, as examples. Mr. Utter of the Great Falls Airport spoke next as an opponent. His testimony is contained in attached Exhibit #13. Mr. Vanica of Northwest Airlines also spoke as an opponent and said he believed there was sufficient revenue coming in now to continue present programs.

Marvin Beck said he had been flying for 30 years and when he first looked at the bill he neither favored or objected to it, but he had since decided the 100% increase was excessive. He agreed also, the people who use most of the fuel would fly across the state without refueling, as a previous witnesses had stated. Mr. Murray of Missoula appeared as an opponent as well, and said the tax would affect that Airport Board greatly. He said if the large users of turbine fuel were to obtain it elsewhere that airport would lose a great deal. He further rebutted an earlier statement, appearing also in written testimony, that the Northwest Airline strike had not affected fuel consumption in Montana. He said the fuel consumption went from 421,000 gallons to 263,000 gallons during the year of the strike.

Mr. Erickson distributed testimony next, see Exh. #14, attached. He stated he did not believe there was a need for an increase. The airlines at present pay 56% of the tax raised and another 1¢ tax would raise another \$350,000, as stated in his testimony, attached.

Mr. Woolley also had testimony to distribute, the map that was entered as Exh. #3, and referred to the various taxes paid on aviation fuel in surrounding states. Mr. Slighter distributed a chart showing fuel used in the state during the past five years and said when the tax is increased by 100% the airlines company were taking a closer look to determine if such an increase was warranted. He distributed Exh. #15, attached.

Following his testimony Representative Fagg was given an opportunity to make his closing statements. He responded to the statement made by one of the witnesses about flying over the state before refueling and said the planes could not haul the extra weight in fuel for 1¢ a gallon, the amount of the tax increase. He made the point also that the Billings Chamber of Commerce was in support of the bill. He also said small planes do pay landing fees which are included in their flowage fees, in rebuttal to a statement by one of the witnesses.

After his closing the committee members were permitted to ask questions. Senator MacCallum referred to the surplus as noted by one of the witnesses and proponents said the bill was

introduced last session of the Legislature. The budgets then were in and this was before the Board found out the increase was not going to go through. They therefore stated there was an apparent surplus. They stated they would have enough money to finance the Board for another year without the increase.

The Chairman asked how the tax was levied and if was noted the tax went on at the refinery and then was passed down, as with other similar revenues. Senator Goodover reminded the assemblage that the state is desirous of new industries and anxious to keep the business we have, therefore he wondered about the wisdom of additional taxes.

Following the questioning the Chairman ruled hearing on the bill was closed.

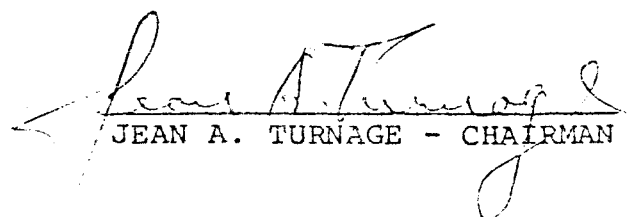
CONSIDERATION OF HOUSE BILL 318: Representative Lien presented his bill briefly, which was at the request of the Department of Revenue. He said it would require the summons and complaints concerning protested taxes be served on both the Department and the agent or officer who collects the tax. It would also lengthen the escrow time from 60 to 90 days. Mr. Groff of the Department appeared also in support of the bill. Following several questions, hearing on HB318 was ended.

CONSIDERATION OF HOUSE BILL 466: Representative Hirsch presented this bill, also for the Department of Revenue, which provides a uniform collection procedure for various companies. The bill was an effort to standardize the penalties and interest and codifies those sections into the law. Mr. McGee of the Department agreed with the presentation and said it is basically a 'housekeeping' bill and would consolidate four taxes into one bill, or statute.

The Chairman called for further proponents or opponents and hearing no questions, asked the committee to move the bill:

Senator Watt Moved HB466 Be Concurred In. The motion carried unanimously.

The committee then heard discussion on Senate Bill 135 by Senator Lockrem, who presented some possible amendments to the bill, see Exh. #16 a and b attached. The members discussed the bill, and asked a number of questions. It was noted that Local Government committee had amended the bill from 80-20 split of the revenue, to 70-30 split. Following a brief discussion the committee voted to take the bill up again. Meeting adjourned.


JEAN A. TURNAGE - CHAIRMAN

1B.60.03

DATE APR 5, 1979318, COMMITTEE ON TAXATION

466

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Opp
John R. French	Highways	63	✓	
Ronald P. French	Highways	HB 63	✓	
H. L. Holman	Holman Aviation	60		
H. L. Holman	Holman Aviation	60		
Herb Sammon	State Board of aeronautics	60	✓	
Hugh K. Kellner	Helena Airport	60		
Georg Teslovich	Northwest Airlines	60		
Martin C. Beck	I. O. M. A.	60		
James T. Marion	Montana Auto Ass'n	HB 63	✓	
Gerald Paulsen	Highway Users	63	✓	
JAMES Menger	Montana Pilots Assoc.	60	✓	
Ray C. Woolley	Western Airlines	60		
Roy K. Erickson	NORTHWEST AIRLINES	60		
BOB SLICHTER	FRONTIER AIRLINES	60		
BILL UTTER	GREAT FALLS AIRPORT	60		
Jack R. Backout	Dept of Hwy	63	✓	
Bob McGee	" " Revenue	466	✓	
Norris Nichols	" " Revenue	63		
Larry Huss	Mont Contractors Assoc (AEC)	63	✓	
AL WILLIAMS	MONTANA AFL-CIO	63	✓	
BILL MURRAY	MSC APT BD	60		
F. W. Bales	Montana	63	✓	
LEE BAKER	Montana	60	✓	
A. J. PATENANK	Red Lodge Airways	60	✓	
Richard Brien	MONT AGRO GROUP	60	✓	
HARRISON FARR	STAR REP	60	✓	

DATE 3-5-79

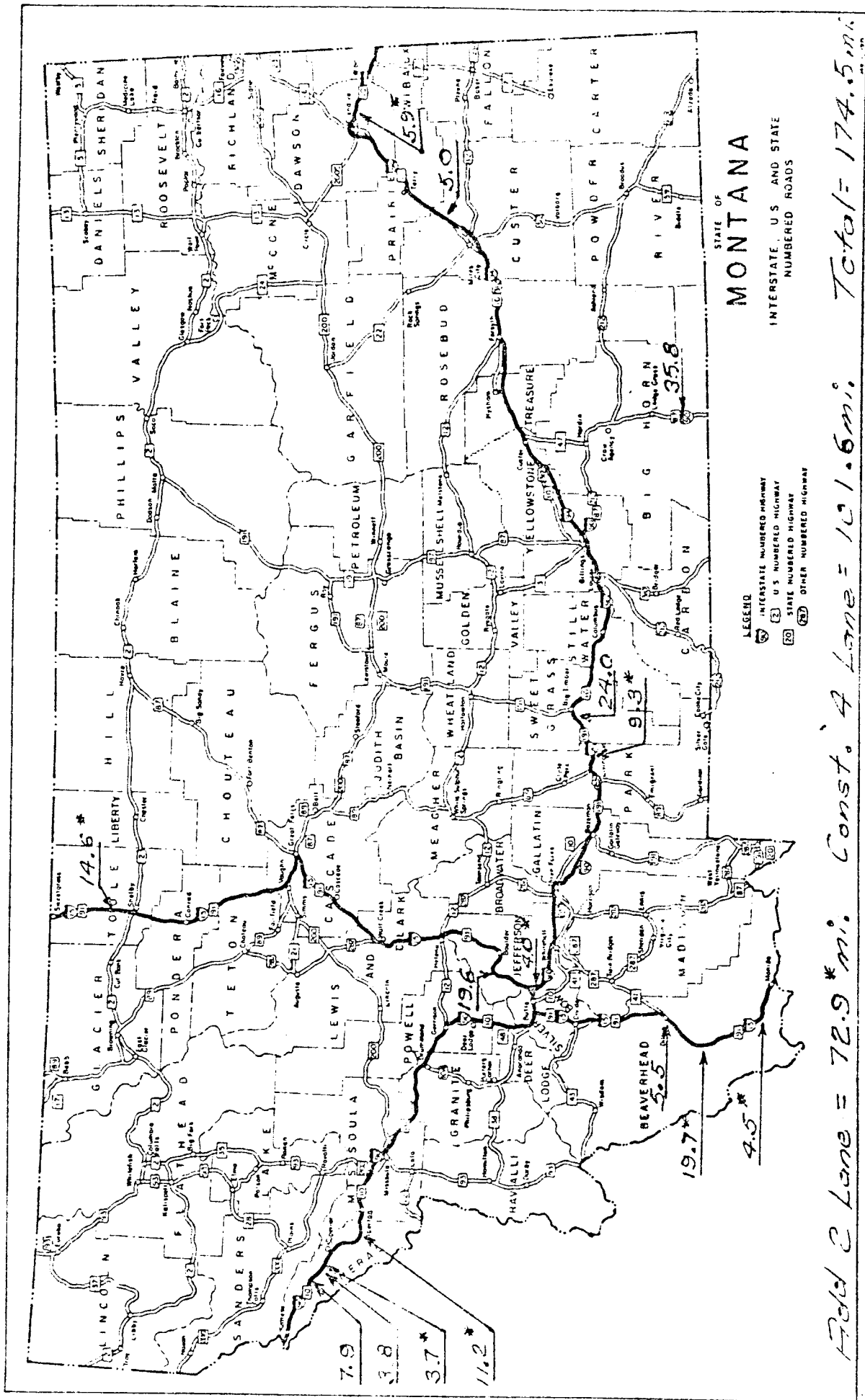
COMMITTEE ON

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Robert K. Vernon	Western Air Lines	H B 60		✓
Eric W. Vines	NORTHWEST AIRLINES	H B 60		✗
Larry Stanley	Western Airlines	H B 60		✓
C E Engdahl	Fed Aviation Admin.	H B 60		
Carl R. Kirkland	Mt. Petroleum Assoc	H B 63	✓	
W. H. Merrick	Mt. Aeronautics Comm	H B 60	✓	
Robert J. Jackson	Leg -	H B 60	✓	
Pat M. Hendrick	-			✓
Ed Nelson	Mount. Taxpayers Assoc	H B 63	x	
Mont. Tiegen	Mount. Taxpayers Assoc	"	x	
Bob Gilbert	Mount. Taxpayers Assoc	"	x	

(Please leave prepared statement with Secretary)

Est. H. 1





Box 1176, Helena, Montana

JAMES W. MURRY
EXECUTIVE SECRETARY

ZIP CODE 59601

LUNDY SHOPPING CENTER
MISSOULA HIGHWAY

24472
TESTIMONY OF JAMES W. MURRY, EXECUTIVE SECRETARY FOR THE MONTANA STATE AFL-CIO, AT HEARING BEFORE HOUSE TAXATION COMMITTEE ON HB 63, 8:00 a.m., JANUARY 12, 1979

I AM JIM MURRY, EXECUTIVE SECRETARY FOR THE MONTANA STATE AFL-CIO. I APPEAR BEFORE THIS COMMITTEE TODAY IN SUPPORT OF LEGISLATION THAT WOULD RAISE THE TAX ON GASOLINE ONE CENT PER GALLON. PASSAGE OF HOUSE BILL 63 WOULD ENABLE THE STATE OF MONTANA TO FINISH SOMETHING IT STARTED A LONG TIME AGO-- ITS INTERSTATE SYSTEM.

ACROSS THIS BEAUTIFUL STATE ARE VAST DISTANCES WHICH HYPNOTIZE THE IMAGINATION. ECONOMICAL, RAPID, AND SAFE PASSAGE ACROSS SOME SECTIONS OF THIS STATE ARE NEXT TO IMPOSSIBLE AT ONE TIME OF THE YEAR OR ANOTHER.

MOVEMENT OF GOODS AND FAMILIES FROM ONE END OF THIS STATE TO THE OTHER IS SOMETIMES CUMBERSOME AND DANGEROUS THROUGH HAPHAZARD COMPLETION OF THIS NATIONAL ROADWAY WHICH SERVES TO MAKE US PART OF ONE GREAT NATION.

EVERYDAY, WE CAN EXPECT THE MEDIA TO GREET US WITH NEWS OF SOME TRAGEDY OCCURING ON OUR ROADWAYS, SOME WHICH COULD HAVE BEEN TOTALLY AVOIDABLE IF THE INTERSTATE SYSTEM HAD BEEN COMPLETED, OR IF EXISTING ROADS HAD BEEN MAINTAINED.

I AM OF THE OPINION THAT ANY ONE DEATH THAT COULD HAVE BEEN AVOIDED THROUGH COMPLETION OR UPKEEP OF AN INTERSTATE SYSTEM IS A LIFE SAVED.

MONTANA'S INTERSTATE SYSTEM CONSTRUCTION HAS FALLEN BEHIND THE REST OF THE NATION. FUNDS ARE NEEDED TO COMPLETE AND UPDATE THIS VIABLE FLOW OF COMMERCE AND LIVES INTO AND OUT OF OUR STATE.

I AM SURE MANY OF US HERE TODAY AT THIS VERY MOMENT CAN ENVISION SOME STRETCH OF NIGHTMARISH HIGHWAY THAT IS IN DESPERATE NEED OF COMPLETION, IF FOR ONLY SAFETY'S SAKE.

BUT MONTANA DOES NOT HAVE THE MONEY FROM PRESENT ESTIMATES TO COMPLETE THIS PROJECT BY 1986, WHEN FUNDING FOR THE NATIONAL PROJECT IS EXPECTED TO END. FEDERAL MATCHING FUNDS, ON A NINE TO ONE RATIO ARE AVAILABLE-- NOW-- IN THIS ONE-SHOT OPPORTUNITY TO FINISH A LONG-NEEDED PROJECT.

WE NEED THIS PROJECT, NOT JUST TO BIND THE EAST AND WEST ENDS OF THIS HUGE STATE, BUT FOR PROTECTION OF STATE FUNDS CURRENTLY BEING USED FOR OTHER CONSTRUCTION WORK, SUCH AS PRIMARY AND SECONDARY ROADS.

NOT TO COMPLETE THIS TREMENDOUS ENGINEERING TASK THAT WOULD MAKE AN ANCIENT ROMAN ENVIDIOUS OVER THE TREMENDOUS DISTANCES IN THIS STATE WOULD BE A TRAGEDY. NOT ONLY IN THE COST OF LIVES, BUT TO OUR ECONOMIC WELL-BEING.

IT HAS BEEN ESTIMATED THAT THE COST TO A MOTORIST WHO TRAVELS ABOUT 12,000 MILES PER YEAR AND AVERAGES 12 MILES TO THE GALLON, WILL BE ABOUT \$10 PER YEAR.

PAYING ONLY A PENNY PER GALLON OF GAS WILL ALSO HELP TO KEEP INTACT EXISTING HUMANITARIAN PROGRAMS THAT WOULD OTHERWISE PAY THE BRUNT OF THEIR EXISTENCE FOR MAINTAINING SAFE AND EFFICIENT ROADS.

I THINK PAYING \$10 PER YEAR FOR SAVING ONE HUMAN LIFE IS REALLY BUT A SMALL PRICE TO PAY.

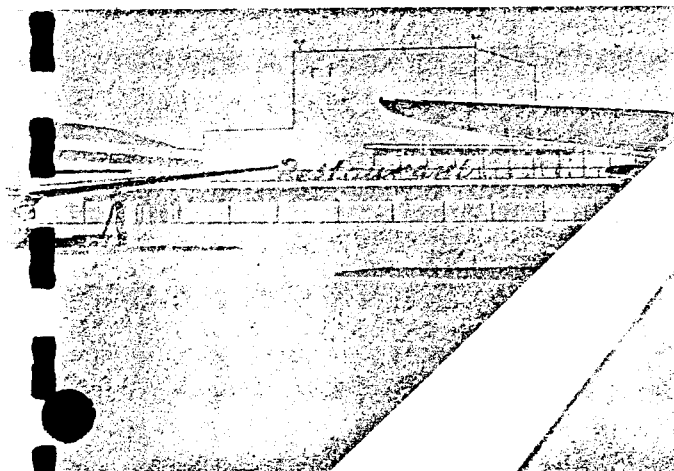


around the state borders keeping
airport and aircraft operators
with those in surrounding tax free
fly over the tax state

resident in the tax state are most
their fuel but they also lose their

EXH.#3

aviation under the excuse
Instead, these taxes discourage
established industry to relocate
more favorable.



ALL
AVIATION
MAKES
PROGRESS

when fuel
taxes are
eliminated



NORTHWEST ORIENT

Minneapolis-St. Paul International Airport St. Paul, Minnesota 55111

April 27, 1977

The Honorable E. N. Dassinger
Representative, District 50
Montana State House of Representatives
Helena, MT. 59601

Dear Sir:

Your letter of April 4, 1977, regarding fuel costs in Montana has been forwarded to the undersigned for handling.

Your first question addresses fuel costs in Montana. Northwest Airlines serves six locations within your state and aircraft fuel costs, including transportation, storage, into-plane fees, and taxes range as follows:

Billings	between \$.37 and \$.38
Great Falls	between \$.42 and \$.43
Missoula	between \$.48 and \$.49
Helena	between \$.50 and \$.51
Bozeman	between \$.58 and \$.59
Butte	between \$.72 and \$.73

As a comparison, Northwest Airlines' overall domestic fuel costs during March, 1977, were between \$.34 and \$.35 a gallon.

We believe that the higher than normal aircraft fuel costs in Montana are the result of:

1. Geographical refining capability, which falls far short of requirements.
2. Severely limited transportation facilities (pipe-line). Most of the fuel available at these locations is trucked with the attendant higher transportation costs.

Northwest Airlines does not fill all plane tanks to capacity whenever fuel is available.

AERONAUTICS AVIATION FUEL TAX INCOME

	<u>Fiscal 1972</u>	<u>Fiscal 1973</u>	<u>Fiscal 1974</u>	<u>Fiscal 1975</u>	<u>Fiscal 1976</u>	<u>Fiscal 1977</u>	<u>Fiscal 1978</u>	<u>Fiscal 1979</u>
July	\$31,842.17	\$30,301.98	\$32,744.59	\$37,701.40	\$31,371.54	\$30,839.05	\$34,580.86	\$28,187.64
August	32,457.59	30,369.46	33,960.26	33,924.58	28,640.96	35,877.85	33,341.26	20,641.04
September	9,879.80	31,244.27	36,109.73	33,146.77	45,612.09	18,461.44	36,992.70	37,413.19
October	53,389.17	26,395.43	None	17,318.25	29,992.42	44,016.42	29,865.54	28,855.25
November	28,380.64	None	29,786.32	47,307.96	4,547.19	31,546.39	27,811.66	
December	23,808.43	13,124.03	30,400.26	27,284.10	39,548.01	14,133.88	27,537.86	
January	30,880.73	47,117.47	56,751.64	31,348.49	25,615.65	42,892.87	27,963.83	
February	24,335.88	15,290.76	24,731.82	None	28,365.93	20,891.17	23,327.95	
March	27,030.10	25,316.71	38,171.42	57,478.58	37,207.95	22,716.47	23,128.50	
April	25,750.48	24,947.78	23,962.90	20,450.00	28,683.12	36,430.70	26,261.15	
May	27,100.78	31,342.67	16,098.81	38,612.52	28,239.04	26,309.85	28,480.09	
June	26,503.83	36,483.74	40,455.10	30,594.00	27,854.91	28,430.76	21,572.43	

Annual Total \$341,359.60 \$311,934.30 \$363,172.85 \$375,166.65 \$355,678.81 \$352,546.85 \$340,863.83 \$115,097.12

Monthly Average

\$28,446.33 \$25,994.53 \$30,264.40 \$31,263.89 \$29,639.90 \$29,378.90

\$28,405.32 \$28,774.28

Note: Monthly Average

NOT EFFECTED DURING STRIKE OF N.W.

COMMERCIAL AIRLINE FUEL FLOWAGECalendar Year 1978

Northwest Airlines	6,739,000	gallons
Frontier Airlines	4,720,069	gallons
Western Airlines	<u>4,633,500</u>	gallons
TOTAL	16,092,569	gallons

TOTAL TAX REVENUE
FOR 1978 \$ 292,705.75

54.98% REVENUE CONTRIBUTED
BY THE COMMERCIAL AIRLINES

* * * * *

Calendar Year 1977

Northwest Airlines	11,740,000	gallons
Frontier Airlines	3,741,448	gallons
Western Airlines	<u>5,357,400</u>	gallons
TOTAL	20,838,848	gallons

TOTAL TAX REVENUE
FOR 1977 \$ 367,801.70

56.66% REVENUE CONTRIBUTED
BY THE COMMERCIAL AIRLINES

*** H-MARKERS ***

#7

Baker	Jordan
Broadus	Malta
Choteau	Plentywood
Circle	Polson
Conrad	Red Lodge
Eureka	Roundup
Forsyth	Scobey
Glendive	Shelby
Hamilton	Sidney
Harlowton	Wolf Point
Havre	Yellowstone

Ed. #8

TESTIMONY OF THE MONTANA PILOT'S ASSOCIATION

March 5, 1979

HEARING ON HOUSE BILL # 60

This testimony was prepared by James H. Monger Belgrade, Montana, Treasurer of the Montana Pilots' Association for presentation at the hearing in Room 415 of the Senate, at the Capital Building in Helena, Montana regarding House Bill #60.

The Montana Pilots' Association has gone on record as supporting the increase of the Aviation Fuel Tax from its present 1¢ level to a doubling or 2¢ per gallon. The following statement gives background and justification for this action.

The Montana Pilots' Association is an organization consisting of businessmen, ranchers, farmers, industry, and anyone else in Montana who owns or flies an airplane. The organization is the oldest and largest flying organization in Montana having its creation in the late 1930's, prior to the creation of the Montana Aeronautics Commission in 1945. At the time the original Montana Aeronautics Commission was created by the Legislature, the law read that one of its commissioners be from the

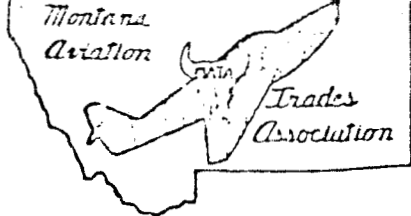
Ex 449

All loan repayments, including interest, shall be deposited
into this account.

(5) Of the 2 cents per gallon proceeds, there shall be $\frac{1}{4}$
cent per gallon earmarked for the sole purpose of carrying
out the loan, grant, navigational aid, and other airport
development programs.

1

John Smith



24 Feb 10

(C)

RR 4 Box 242B
Great Falls, MT 59405

February 13, 1979

Senator Jean Turnage
Chairman, Senate Tax Committee

Dear Chairman Turnage,

As President of the Montana Aviation Trades Association, I would like to make our position clear in House Bill 60. In the house, we testified that our group could only support the 3/4¢ for the revolving trust fund.

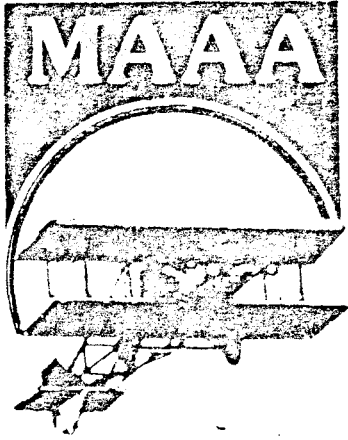
However, since then, our Board of Directors have met again and now feel that we could support the whole 1¢, if the extra 1/4¢ is line itemed for the Airport and Airways Bureau of the Aeronautics Division.

Your consideration in this matter is appreciated.

Sincerely,

RICHARD A. VAN LUCHENE, PRESIDENT
MONTANA AVIATION TRADES ASSOCIATION

Vice President	Andre Morris	Dillon Flying Service
Director	Wayne Turner	Triangle Aviation
Director	Clyde Fredrickson	Clyde Fredrickson Aviation
Director	Ted Rieke	Gillis Aviation
Director	Jim Stroh	Hensley Flying Service



MONTANA CHAPTER
of the
National Antique Airplane Association



Star Route
Moore, Mt. 59164
March 5, 1979

#10
E. L.

Jean A. Turnage, Chairman
Senate Taxation Committee
Capitol Building
Helena, MT 59601

Dear Chairman Turnage:

The members of the Montana Chapter of the Antique Airplane Association support HB 60, the proposed increased tax on aviation fuel for the following reasons:

Since corporations are reluctant to locate in towns inaccessible by air, no community can grow and attract businesses without first having an adequate airport. An adequate airport is not necessarily a huge one since most business aircraft can operate safely from runways not over 5,000 feet in length.

Throughout the years, Montana airports have been built and improved using loans provided by the Aeronautics Division and repaid at a minimal rate of interest. Some of the facilities provided have been: all of the Unicom radio stations in the state, lighted navigation beacons, taxiway and runway building and resurfacing, hangars, airport markers and lights. Fourteen airports have been completely built with Division assistance.* Without this source of low interest and long time money, most Montana communities would have been unable to have brought the airports around Montana up to such high standards.

The Aeronautics Division has been operating on a fixed 1¢ per gallon tax on aviation fuel for the last 34 years, since its inception in 1945. We, as part of the aviation public, are now asking to pay an additional 1¢ per gallon tax so that Montana will continue to benefit from the services provided by our Aeronautics Division. Passage of HB60 will allow us to pay this tax.

Sincerely yours,

Frank E. Bass
Frank E. Bass
President

*Augusta, Boulder, Broadus, Ekalaka, Fairview, Hysham, Lavina, Phillipsburg, Rimini, Ryegate, Seeley Lake, Stanford, Whitefish, Benchmark.

Notes:

Exhibit #11. Testimony in
Support of H.B. 60. In
File. Booklet. Folders

Exh. #12

In considering H.B. 60, and in an attempt to consider the bill objectively, I was able to obtain the following information.

The commercial airlines contend that they would be paying the greatest share of the 1 cent additional fuel tax. Let us review those figures:

COMMERCIAL AIRLINE FUEL FLOWAGE

Calendar Year 1978

Northwest Airlines	6,739,000 gallons
Frontier Airlines	4,720,069 gallons
Western Airlines	<u>4,633,500 gallons</u>

TOTAL	16,092,569 gallons
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TOTAL TAX REVENUE FOR 1978	\$292,705.75
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54.98% REVENUE CONTRIBUTED BY THE COMMERCIAL AIRLINES

Calendar Year 1977

Northwest Airlines	11,740,000 gallons
Frontier Airlines	3,741,448 gallons
Western Airlines	<u>5,357,400 gallons</u>

TOTAL	20,838,848 gallons
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TOTAL TAX REVENUE FOR 1977	\$367,801.70
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56.66% REVENUE CONTRIBUTED BY THE COMMERCIAL AIRLINES

AVIATION FUEL USAGE

Calendar Year 1978

General Aviation	13,178,006 gallons
Commercial Aviation	<u>16,092,569 gallons</u>

TOTAL	29,270,575 gallons
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Calendar Year 1977

General Aviation	15,941,322 gallons
Commercial Aviation	<u>20,838,848 gallons</u>
TOTAL	36,780,670 gallons

Then I thought it would be interesting to compare the taxable value of commercial airplanes and general aviation aircraft in Montana.

The commercial airplanes are centrally assessed in Montana at a 16% rate. Taxable value for 1978 was as follows:

Assessed Value	x	Rate	=	Taxable
13,680,585	x	16%		2,188,893

The general aviation aircraft are locally assessed in Montana. Taxable value for 1978 was as follows:

No.	Assessed Value	x	Rate	=	Taxable
1,528 aircraft	39,896,057		11%		4,391,532

The reason for H.B. 60 is to raise additional revenues for airport development loans and preliminary grants. The following is some history on loans and grants.

In comparing the figures of airport development loans and preliminary engineering grants issued to Montana's air carrier airports during the period 1961 to December, 1976, to the

division total loan and grant fund history, provides significant statistics. Since 1961 the division has made airport development loans totaling \$2,575,662 and preliminary engineering grants of \$33,847. The 11 air carrier airports availing themselves of the loan program (Glendive, Missoula and Kalispell have not) received a total of \$1,913,468 or 74.3% of all loans made. A sum of \$18,297 representing 54.1% of all engineering grants made, went to the 10 air carrier airports requesting them (Great Falls and Kalispell did not).

It is further interesting to note that in calendar year 1975 (the last year for which accurate figures are available) when the division's total fuel tax income was \$375,166, figures received from Northwest Orient Airlines indicate that the four air carriers serving Montana paid a total of \$207,653 in aviation fuel taxes. This represented 55% of the division's income. The figures received indicate that of the \$207,653 paid, 53.6% was by Northwest Orient, 25.8% by Western, 19.1% by Frontier, and 1.5% by Hughes Airwest.

The fact that nearly 75% of available money has benefited the air carrier airports of Montana demonstrates the Aeronautics Division's past and continuing support of those airports. It also confirms the division's traditional policy of making funds available where the greatest needs exist:

1. Since 1961, \$2,575,662 in loans has been made. \$1,913,468 (representing 74.3%) went to Montana's air carrier airports.

2. Since 1961, \$33,847 in preliminary engineering grants has been distributed. \$18,297 went to air carrier airports.

3. Montana's ADAP allocations for FY 79 are:

General Aviation*	\$1,055,589 (19%)
Air Carrier	\$4,391,206 (81%)

*Highest in Rocky Mountain Region

4. Cost comparison of runway construction* (general aviation vs. air carrier):

Engineer's estimates, on file, for construction at Missoula are approximately \$30 per square yard. Bid prices for runway construction currently underway at Roundup were \$3 per square yard.

*It should be noted that unit prices will vary widely depending on soil conditions, time of year bids are called for, etc. However, the prices quoted are considered representative.

A statewide system of airports will continue to be a vital factor in Montana's economic health including that of the aviation industry. There is an increasing need for positive action on the part of the division in development of such a statewide system of airports and airways.

The impact of a 1 cent per gallon increase on aviation fuel would have a minimal effect on airfares. For instance, the Northwest Airline fare from Helena to Billings is \$38. There were 765,318 airline boardings in Montana in 1977. 56.66% of aviation fuel tax was paid by the airlines in 1977. (56.66% of \$367,801 is \$208,396.) If a 1 cent per gallon was assessed

against each boarding airline passenger in Montana, the result would be an increase of seven-tenths of one percent (.7%) on this ticket.

It would raise approximately \$660,000 in the 1980-81 biennium and would be used solely to provide loans, grants and navigational aids to local governments.

Considering the above information, I am of the opinion that it wouldn't be a discriminatory tax for the airlines and would provide necessary funds to improve our airport systems in the state.

great falls international airport authority

INTERNATIONAL AIRPORT
GREAT FALLS, MONTANA 59404

Ex. #13

TELEPHONE 406 / 727.3404

February 28, 1979

The Great Falls International Airport Authority, at their meeting on February 22, 1979, voiced their opposition to House Bill #60 and directed this letter.

The Airline Deregulation Act passed by Congress on October 24, 1978, allows the airlines serving Montana the right to serve only those cities that are profitable for them. The additional one-cent fuel tax would cost Western Airlines, Northwest Airlines, Frontier Airlines and Hughes Airwest over \$40,000 per year at the Great Falls International Airport alone. When profit margins are slight for any of these air carriers at any of the 14 air carrier airports in Montana, one cent per gallon could be the difference between serving a community or putting their aircraft in a route that is more profitable. Airline deregulation is a "whole new ball game" that we in Montana cannot ignore. Montana supplies less than one percent of all passengers boarding aircraft in the United States.

A few facts:

1. Scheduled airlines contribute 58 percent of aviation tax revenue to the Division of Aeronautics (1977). General aviation and the military combined contribute 42 percent of aviation tax revenue to the Division of Aeronautics (1977). A reasonable estimate of the military contribution to this 42 percent is approximately 25 percent, leaving only about 17 percent of the contribution by general aviation.
2. Division of Aeronautics records from 1957 to 1979 show that general aviation airports received \$540,560 in grants (about 94 percent) and air carrier airports received only \$36,906 (about 6 percent).
3. Air carrier airports provide more passengers, mail, air freight, and air express to more people in Montana than do general aviation airports, by an overwhelming amount.

February 28, 1979

4. Loans to airports are only worth the difference in interest between the Division of Aeronautics loan rates and current prime rates at banks and other lending institutions.
5. Loan money to be repaid to the Division of Aeronautics as of January, 1979, equals \$423,466. All of this loan repayment money is available under House Bill #60 to be used for the administration of the Division of Aeronautics in the future. (When this is gone, what money will finance the Division of Aeronautics operations--another one cent per gallon increase?)
6. Under House Bill #60, the loans and grants fund available to airports would start at zero dollars.

The Great Falls International Airport Authority acknowledges that the Division of Aeronautics has contributed greatly to forwarding aviation in the State of Montana. Because of the Airline Deregulation Act of 1978, the Division of Aeronautics in each of the states (especially those states with sparse population) will be required to take on a progressive and leading role to insure that their state is provided with adequate air transportation. These are exciting times that will afford Montana a great deal of opportunity for improved air service. The Great Falls International Airport Authority will in the future support additional tax revenue to the Division of Aeronautics at such time that it reassesses the function of each of its bureaus and seriously assumes its rightful role in the promotion of a strong system of third-level carrier service to all of its communities. If in four years the Civil Aeronautics Board ceases to exist, the Division of Aeronautics will represent the responsible organization for scheduled air carrier service in Montana.

Mike Ferguson and all of his people in the Division have done a fine job in representing their state, and we take this opportunity to thank him and the Aeronautics Commission. The aviation industry is in a complete state of flux, and it is time to look at the functions of the Division of Aeronautics. If for example the highline and lowline airports in Montana receive a favorable report on what is "essential air service" (by the CAB), and with the assistance of the Division of Aeronautics and other communities, are able to justify a high level of subsidy; then the state will have an efficient scheduled commuter carrier providing excellent service to 14 or 15 cities in Montana. If this goal is achieved, then it is quite possible that the activities of the Air Transportation Bureau, which have taken so much effort to defend lately, might be reduced or abandoned.

The Great Falls International Airport Authority, during rates and charges negotiations, has assured the airlines that all reasonable efforts will be made to keep operating costs in Great Falls to a minimum. Consistent with that pledge, the Authority must oppose House Bill #60. Thank you.

Sincerely,

GREAT FALLS INTERNATIONAL
AIRPORT AUTHORITY


William F. Utter
Airport Director

TESTIMONY AGAINST H. B. 60
BY THE SCHEDULED AIRLINE INDUSTRY

Eph. #19
Erickson

Thank you, Mr. Chairman, for the opportunity to appear before the Taxation Committee today.

My name is Roy Erickson and I am vice president of public relations for Northwest Airlines. I appear today on behalf of the Air Transport Association, representing the scheduled airlines serving Montana.

The Aeronautics Commission has requested an increase from 1¢ to 2¢ in the aviation fuel tax.

The reason for the increase, as stated at least, is to raise additional revenues for airport development loans and preliminary grants.

This increase would mean \$200,000 added annual expense to the scheduled airlines serving Montana.

Any new tax -- or proposed tax increase -- should be challenged on the central point:

CAN IT BE JUSTIFIED?

Let's examine that point.

1. The present 1¢ tax raised \$352,546 in 1977.

Of that, the airlines paid \$207,000 -- or 56% of the total (NWA alone \$110,740).

2. The additional 1¢ tax would raise another \$350,000:

Of that, 25% of \$87,500 -- would be added to the present \$775,000 fiscal year budget of the Aeronautics Commission.

This despite a surplus in last year's budget of \$141,000.

Why?

The remaining 75% -- or \$262,500 per year -- would go into a revolving loan fund for airport development loans and preliminary grants.

Why is this needed? The Airport and Airways Account had a surplus of \$189,693 in fiscal year 1977.

And, interestingly, the commission has voted not to transfer these funds into the proposed new revolving loan fund.

Why not?

The scheduled airlines serving Montana are opposed to any increase in their aviation fuel tax for several valid reasons:

1. The airlines -- and their passengers -- would be most affected since we pay 57% of the total
2. The great majority of the Aeronautics Commission programs do not benefit the airlines -- or their passengers.

Let me list the programs as outlined by Administrator Ferguson in his last newsletter:

- . Flight instructor refresher courses
- . Aviation mechanics refresher seminars
- . College workshops
- . School education programs & workshops
- . Search & rescue
- . Veteran's Administration flight school programs
- . 22 non-directional radio beacons
- . 19 VFR airway beacons
- . 10 state owned airports
- . 55 unicom
- . Technical assistance on airport engineering & planning
- . Aeronautical charts & directories
- . Pilot registrations
- . Aeronautics commission meetings
- . Salaries, airport inspections, utilities, insurance

I believe it's obvious that almost all of the above items are neither needed nor used by the scheduled airlines.

3. The airlines -- who already pay the majority of the present 1¢ tax -- also make substantial payments to Montana, and its airports, in other forms. For example, using NWA alone:

- . Landing fees & rentals of \$817,958 in 1977 to our six airport cities.
- . Taxes paid by NWA alone in 1978
 - Flight property tax \$248,208
 - Income tax \$51,405
 - Property tax \$13,905
 - Total -- \$312,000

Some of the house taxation committee membership suggested that the proposed tax increase was 'fair' to the airlines since scheduled air carrier airports had benefitted by getting nearly 75% of available airport development loans in the period from 1961 to 1976.

It is worth noting that:

1. This is a loan program. Loans must be paid back -- and it is the payments made by airlines in terms of landing fees and rentals that, for the most part, represent the payback.
2. Of the total of \$1,913,468 made in loans to air carrier airports in the period 1961 to 1976, NWA alone would have paid nearly that amount in a 1¢ fuel tax to Montana during this period. (\$873,430 from 1970-1978 alone).
3. The bulk of Aeronautics Commission airport loans should have gone to scheduled service airports since these are the airports that serve most of Montana's citizens (NWA alone boarded 765,318 passengers in 1977 at our six Montana cities).

In summary, there is a substantial question as to the need -- and an even greater lack of specific documentation of how funds would be used -- for a doubling of the present fuel tax.

There is no question that the scheduled airlines are -- and have been -- paying their 'fair share' of the Aeronautics Commission budget.

If there is a need for added loan funds to develop general aviation airports, then it seems fair to limit any proposed fuel tax increase to the general aviation segment. The present House Bill 60 could

easily be amended to accomplish this fair and equitable treatment. Or, as an alternative method of raising the additional funds, the Air Transportation Bureau could be eliminated with a reduction in expense of \$266,734 based on fiscal year 1977 expenditures.

This is the single largest expense account in the Aeronautics Commission budget.

There is no legislative mandate in the statutes for the Aeronautics Commission to operate a fleet of aircraft to carry executive branch officials. Montana's air taxi operators are in business to perform that very function.

Whichever of these alternatives is selected, we submit that the scheduled airlines serving Montana -- and their passengers -- should not be subject to any increase in the present 1¢ per gallon fuel tax.

The great majority of states -- 33 of the 50 -- do not impose any tax on fuel used by the scheduled airlines.

I believe that I've covered the reasons why in this presentation -- and I hope that you will oppose the passage of any increased fuel tax on the airlines such as that proposed in House Bill 60.



204.15

FRONTIER AIRLINES

- Frontier Airlines, Inc.
8250 Smith Road
Denver, Colorado 80207
Telephone (303) 398-5151

FUEL BOARDED IN MONTANA PER YEAR

<u>STATION</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
Billings	2,109,622	2,084,475	1,872,743	1,524,483	2,247,526
Bozeman	491,403	819,365	1,021,251	840,117	1,429,557
Great Falls	490,670	411,931	576,200	834,294	525,201
Glasgow	67,028	58,044	49,156	40,777	46,641
Glendive	180	371	496	635	503
Havre	---	---	13,878	9,102	10,538
Kalispell	---	27,748	268,349	328,242	341,592
Lewiston	---	---	90	---	426
Miles City	41,081	33,083	22,347	14,004	18,703
Missoula	48,721	108,149	125,716	149,402	81,382
Sidney	---	---	---	108	---
Wolf Point	---	---	---	284	---
<u>TOTAL</u>	<u>3,248,705</u>	<u>3,543,166</u>	<u>3,950,226</u>	<u>3,741,448</u>	<u>4,702,069</u>

TAX INFORMATION

<u>TYPE</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>TOTAL</u>
	\$	\$	\$	\$	\$	\$
Property Tax	66,634	68,009	81,067	101,827	111,114	428,651
Income Tax	35,111	16,976	33,220	43,122	7,400	135,829

MONTANA LANDING FEES & RENTS

<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>TOTAL</u>
\$	\$	\$	\$	\$	\$
185,054	226,947	284,514	315,723	391,662	1,403,900

E/d. #16
(a)

ALLOCATION OF COAL TAX REVENUE
TO COUNTIES UNDER THE PROVISIONS OF THE PROPOSED
"MONTANA RURAL & URBAN STREET AND ROAD ACT"
To Be Introduced by Sen. Lloyd C. Lockrem, Jr.

County	1980	1981	County	1980	1981
Beaverhead	12,824	14,781	Madison	8,973	10,349
Big Horn	14,866	17,136	Meagher	5,445	6,281
Blaine	15,361	17,707	Mineral	5,569	6,423
Broadwater	4,950	5,910	Missoula	32,388	37,340
Carbon	7,983	9,207	Musselshell	5,817	6,709
Carter	6,931	7,993	Park	8,725	10,063
Cascade	24,891	28,698	Petroleum	4,022	4,639
Choteau	17,032	19,634	Phillips	13,257	15,281
Custer	9,158	10,563	Pondera	8,539	9,849
Daniels	5,631	6,495	Powder River	8,106	9,349
Dawson	9,839	11,348	Powell	7,487	8,636
Deer Lodge	6,621	7,637	Prairie	4,827	5,567
Fallon	5,384	6,209	Ravalli	15,671	18,064
Fergus	14,433	16,637	Richland	10,025	11,562
Flathead	31,388	36,192	Roosevelt	11,463	13,211
Gallatin	15,547	17,922	Rosebud	13,319	15,352
Garfield	9,220	10,634	Sanders	11,138	12,847
Glacier	10,520	12,133	Sheridan	8,539	9,849
Golden Valley	3,651	4,211	Silver Bow	16,970	19,563
Granite	4,703	5,424	Stillwater	8,044	9,278
Hill	20,745	23,917	Sweetgrass	4,765	5,495
Jefferson	6,683	7,708	Teton	10,396	11,990
Judith Basin	7,240	8,350	Toole	8,354	9,635
Lake	13,752	15,852	Treasure	2,723	3,140
Lewis & Clark	15,114	17,422	Valley	16,970	19,563
Liberty	8,106	9,349	Wheatland	4,084	4,710
Lincoln	20,064	23,132	Wibaux	3,589	4,139
McCone	11,077	12,775	Yellowstone	25,881	29,840
				618,800	713,700

	1980	1981
Projected Coal Tax Revenue (From Office of Fiscal Analyst)	47,600,000	54,900,000
** 6½% as Proposed in Draft Legislation	3,094,000	3,568,500

*The proposed bill allots 80% to Cities and 20% to Counties based on population data.

(2)

ALLOCATION OF COAL TAX REVENUE
TO CITIES UNDER THE PROVISIONS OF THE PROPOSED
"MONTANA RURAL & URBAN STREET AND ROAD ACT"
To be introduced by Sen. Lloyd C. Lockrem, Jr.

City	1980	1981	City	1980	1981
Alberton	2,228	2,569	Ismay	1,238	1,427
Anaconda	42,116	48,673	Joliet	3,218	3,711
Bainville	2,723	3,140	Jordan	4,950	5,710
Baker	16,831	19,413	Judith Gap	1,733	1,998
Bearcreek	1,485	1,712	Kalispell	61,917	71,512
Belgrade	10,144	11,705	Kevin	3,218	3,711
Belt	4,703	5,424	Laurel	27,512	31,831
Big Sandy	7,794	8,850	Lavina	1,980	2,284
Big Timber	13,116	14,845	Lewistown	40,878	47,246
Billings	340,631	392,968	Libby	21,077	24,407
Boulder	11,262	12,847	Lima	4,703	5,424
Bozeman	100,530	115,761	Livingston	39,641	45,818
Bridger	6,064	6,852	Lodge Grass	4,703	5,424
Broadus	5,940	6,852	Malta	16,089	18,556
Broadview	1,857	2,141	Manhattan	6,683	7,708
Brockton	2,599	2,998	Medicine Lake	3,465	3,997
Browning	8,787	10,135	Melstone	2,970	3,426
Butte	126,643	146,136	Miles City	60,185	69,513
Cascade	6,311	6,472	Missoula	174,044	200,834
Chester	8,416	9,706	Moore	2,475	2,855
Chinook	13,489	15,530	Nashua	4,208	4,853
Choteau	12,870	14,816	Neihart	2,970	3,426
Circle	7,549	8,679	Opheim	2,970	3,426
Clyde Park	3,218	3,711	Outlook	1,485	1,713
Columbia Falls	19,554	22,553	Philipsburg	8,416	9,706
Columbus	10,395	11,962	Plains	6,683	7,708
Conrad	19,059	21,982	Plentywood	14,109	16,272
Culbertson	5,693	6,566	Plevna	2,228	2,569
Cut Bank	22,685	26,234	Polson	18,564	21,411
Darby	3,713	4,282	Poplar	7,921	9,135
Deer Lodge	26,770	30,973	Red Lodge	13,861	15,987
Denton	5,074	5,852	Rexford	1,238	1,427
Dillon	27,760	32,115	Richey	3,218	3,711
Dodson	2,970	3,426	Ronan	9,653	11,134
Drummond	2,723	3,140	Roundup	15,346	17,700
Dutton	3,960	4,568	Ryegate	2,723	3,140
East Helena	10,396	11,990	Saco	4,455	5,139

STANDING COMMITTEE REPORT

March 5 19 79

MR. President

We, your committee on Taxation

having had under consideration House Bill No. 466

HOUSE BILL 466 - Hirsch (Turnage)

Respectfully report as follows: That House Bill No. 466

BE CONCURRED IN

XX BY PASS
DO PASS

90

Date MAR. 5, 1979

ROLL CALL

SENATE TAXATION COMMITTEE

46th LEGISLATIVE SESSION - 1979

NAME	PRESENT	ABSENT	EXCUSED
SEN. GOODOVER (Vice Chairman)	✓		
SEN. BROWN			✓
SEN. HAGER			✓
SEN. MANLEY	✓		
SEN. MANNING	✓		
SEN. McCOLLUM	✓		
SEN. NORMAN	✓		
SEN. ROSKIE			✓
SEN. SEVERSON	✓		
SEN. TOWE	✓		
SEN. WATT	✓		
CHAIRMAN TURNAGE	✓		

Each Day Attach to Minutes.