

HOUSE TAXATION COMMITTEE MEETING MINUTES
March 4, 1981

A meeting of the House Taxation Committee was held on Wednesday, March 4, 1981, at 8:00 a.m. in Room 102 of the State Capitol. All members were present except Rep. Neuman, who was absent. SENATE BILL 30 was heard and EXECUTIVE ACTION was taken on HOUSE BILLS 653, 614 and 548 and SENATE BILL 47.

SENATE BILL 30, sponsored by Sen. Pat Goodover, was heard. A chart showing 1978 Montana income tax return statistics was distributed; see Exhibit "A." This bill repeals the temporary 10% surtax. The State Chamber of Commerce and the Great Falls Chamber of Commerce conducted a survey and the Legislative Campaign Committee did a 1979 survey; in addition, other sources have showed that 80 - 90% of people favor repealing the surtax. Repeal has been in the Republican platform for several years now. The comment that this gives tax relief to the rich and not the poor, according to the information contained in Exhibit "A," is not accurate. He urged favorable consideration of the bill.

Dennis Burr, Montana Taxpayers Association, then rose in support of the bill.

Janelle Fallan, Montana Chamber of Commerce, stated that when their survey was conducted, 91% supported repealing the surtax; she urged support of the bill.

Ellen Feaver, Director of the Department of Revenue, then rose in OPPOSITION to the bill, on behalf of the Governor. They oppose the bill because 1/3 of the relief goes to 10% of the taxpayers. She stated that they supported the Governor's proposal (HB 559).

Questions were then asked. Rep. Nordtvedt said that in 1979, 55,000 returns out of 400,000 showed no taxable income.

Rep. Nordtvedt stated that, regarding the bill giving more of the tax relief to the higher income taxpayers, the higher income levels paid the bulk of the income tax, and asked Ms. Feaver for her response. She submitted that philosophical differences led to two differing views of the situation.

Rep. Burnett asked Ms. Feaver if the schedule rather than the surtax shouldn't be used to make the determination between rich and poor. Ms. Feaver replied that that was another option.

Rep. Asay wanted to know if the purpose of the surtax was the re-distribution of wealth. Ms. Feaver submitted that it was put on as a revenue measure.

Sen. Goodover then closed. The bill passed the Senate Taxation Committee with two opposed; therefore, it has widespread support from both parties. He recommended favorable consideration of the bill. The hearing on SB 30 was then closed.

The Committee then went into EXECUTIVE SESSION; some proposed amendments for HB 653 were distributed; see Exhibit "B." The amendments

change the spending mechanism somewhat. The amendment to line 13 of page 3 provides that only General Fund surplus revenues would be turned back to the people. The earmarked accounts can only be spent for the earmarked purposes, so those funds shouldn't be returned. Regarding Amendment No. 4 spending vs. income in the biennium doesn't always agree even though the final balance does. The reserve account monies in excess of the target amounts would go to the tax relief account. Counties would be allocated money to reduce the mandatory mill levy for Teachers' Social Security and Retirement benefits and other benefits for the School District. This mandatory levy amounts to about \$30 million per year in the State.

Discussion then took place on the amendments. Rep. Bertelsen asked who the power would rest with in establishing the target budget. Rep. Nordtvedt replied that it would be the Legislature. These target surpluses are already in the budget, but the appropriations bill would just now mention them. They are adjusted every biennium. Rep. Nordtvedt exemplified what would take place under this bill: if the target surplus for the month of June was \$40 million, but was in reality \$60 million, the total number of students in the State would be taken and divided into the \$20 million and each County would be given money equal to the number of their students times the amount of their mandatory level.

Rep. Sivertsen wondered, regarding amendment No. 6, if there wasn't a better approach because declining enrollment wouldn't be treated equally. On the other hand, a school with increasing enrollment would have an advantage. The mandatory levy for the social security, etc., wouldn't be comensurate with declining enrollment. Therefore, a School District with a declining enrollment would be penalized. Rep. Burnett suggested that a percentile scoring system might accomplish what Rep. Sivertsen wanted. Rep. Nordtvedt said what distribution was based on depended on how the Committee wanted to allocate the surplus around the State. Possibly it could be based on a County's total population. The method of distribution should be roughly proportional to people so that everyone would get a comparable share of tax relief. Rep. Williams wanted to know if this was a different approach to revenue sharing which would come from the surplus. He wondered how the State would know each time what the amount to be shared would be. He added that with indexing and stabilization of interest rates, there won't be a large surplus in the future. Rep. Nordtvedt said that this was a secondary issue to the bill; the real emphasis was the statutory limit on spending.

Rep. Zabrocki spoke up in support of the Parochial schools also getting some of the funding. Rep. Nordtvedt said that if the amendment was changed to "proportional to the population of the County," this could be accomplished. Rep. Nordtvedt explained that the purpose of a spending limitation bill like this is to say that total spending that should be supported from taxes shouldn't grow faster than the income of the citizens. The Office of the Legislative Fiscal Analyst says it is fairly simple to define total State spending as it is

done in this bill, and it adds up to about \$1 billion per biennium, not quite twice the General fund spending.

Rep. Underdal wanted to know if the bill put a limitation on appropriations. Rep. Nordtvedt replied that it might, depending on how Montana income levels were doing. If income is stagnant, then State spending would be limited. The average of personal income for the past three years compared to the coming three years is used to figure the limitations, so that there are no abrupt changes.

Rep. Bertelsen said that the chance of the State picking up programs the Federal government had been carrying and dropped would be almost eliminated. Rep. Nordtvedt said, however, that the bill provides that juggling can still be done, but if the State picks up everything the Federal government has dropped, it has eliminated the reason why the Federal government has reduced their spending.

Rep. Nordtvedt rose in support of a percapita distribution. There would be 56 checks sent out to the Counties and the County would reduce the mandatory levies accordingly; he stressed that individual checks wouldn't be sent out. He moved to change the amendments to reflect this. The question was called for on the amendment to the amendments; motion carried unanimously. The question was then called for on the package of all the amendments, see Exhibit "C;" motion carried unanimously. Rep. Nordtvedt then moved that HB 653 DO PASS AS AMENDED. The main purpose of the bill is to give some discipline on State spending policy. In the past there was a 12-year trend of State spending growing at a faster rate than the personal income of the taxpayers. Therefore, the fraction of income going to taxes rose. This bill doesn't freeze the level of State spending in dollars, it limits it to a fraction of Montana personal income. Personal income grows according to (1) population level, (2) because of inflation, and (3) if there is real growth in the economy. The bill is saying that spending can grow for these three reasons. The philosophy in the bill says there should be a limit to the fraction of the taxpayers' output which goes to the State government. He pointed out that the Legislature, by 2/3 majority, can override the limits. He suggested that a statutory limitation might be acceptable to both political parties.

Rep. Oberg said he thought that a 2/3 majority was too severe a number, and favored a simple majority. Rep. Nordtvedt pointed out that long range building has to be approved by a 2/3 majority and this is done every session of the Legislature successfully. The 2/3 is saying that spending in excess of the growth of peoples' income is a serious business and if there is something of the magnitude to justify the excess growth of the government, then the cause will probably get a 2/3 support of the Legislature.

Rep. Dozier said he thought that a simple majority should be enough, also.

Rep. Bertelsen said he didn't think that if a simple majority is used anything would be accomplished. He expressed preference for State statutory limits rather than a constitutional limit.

The question was then called for on the motion of DO PASS AS AMENDED: motion carried, with Reps. Dozier, Hart, Oberg, and Harrington opposed. Rep. Harrington said he was in support of the bill, but had voted against it because he was in support of the simple majority provision.

Rep. Nordtvedt then moved that HOUSE BILL 614 DO NOT PASS, stating that the two changes to Initiative 86 which this bill makes would nullify the purpose of the Initiative. To suppress indexing would kill it.

Rep. Harp stated that Initiative 86 has been approved by more than 70% of the voters, and it should be left alone for at least two years.

Rep. Harrington rose in support of using the PCED. Rep. Nordtvedt submitted that he felt no better index could measure Montana's situation than the CPI, but this was not the overwhelming issue that he is concerned with in HB 614.

Rep. Sivertsen submitted that there was a difference in philosophy and he feels that the people who work should be able to account for inflation. The government has gotten out of line because spending has increased more than income. He feels that Initiative 86 should be left alone.

Rep. Oberg spoke up in support of the PCED. The CPI isn't reflective of Montana's situation. On this basis, he stated he would vote in favor of HB 614. Rep. Nordtvedt said the deflator was no more local than the CPI, and if a Montana CPI existed, he submitted that it would be used. Rep. Dozier said that if indexing got to a point where the multiplying factor worked too fast, revenues would be cut and services would have to be cut, and therefore programs would be cut without the vote of the Legislature; therefore, indexing would be reversing itself. Rep. Switzer said that his impression of indexing was that it doesn't do that; it prevents services from increasing but a reversing isn't experienced.

Rep. Underdal said that the question was, do we or don't we need the services that may have to be cut. He said he didn't think the State would be harming anyone by cutting services back. Rep. Nordtvedt said indexing doesn't stop the Legislature's ability to vote new taxes. Rep. Zabrocki brought up the question of what is wanted vs. what is needed.

The question was then called for on the motion of DO NOT PASS; motion carried 11 - 6; see roll call vote.

Rep. Burnett then moved that SENATE BILL 47 DO PASS. Rep. Oberg said that this bill would have a substantial impact on local government

and until he could be sure that it would be made up, he couldn't vote in favor of SB 47. The tax relief will be given to one group of people who probably need it, but the burden will have to be taken up by others unless it is made up by the State. Rep. Dozier expressed agreement with Rep. Oberg.

Rep. Burnett said that this tax is an unfair one because livestock is an inventory; they are not asking to do away with the tax; they are just asking for fair treatment. Rep. Roth pointed out that in 10 other States there is no tax at all.

Rep. Harrington stated that the tax had been cut substantially. He wanted to know the status of the bill to eliminate the inventory tax in the Senate. If it was passed, then livestock would be taken completely off the books.

Rep. Williams said he had trouble agreeing that a cow/calf operation and feeder livestock were in the same category. The former should be kept as a production item, in his opinion.

Rep. Vinger rose in support of the motion. In 1977, the market value concept was also adopted, and this wiped out the tax reduction which took place. Rep. Asay added that the end result was an increase in the tax on cattle. Rep. Roth said that this has been a windfall to the Counties, because of the increase in assessed valuation.

Rep. Switzer said that there was an inventory option on cattle taxes whereby the previous year's prices are used to determine the tax. Very often, the County ends up having to make a refund. Most Counties don't have a contingency fund set up for this, and a hardship is created sometimes. There has been a suggested amendment which will provide a tax credit instead of a refund. (See Exhibit "D.") Rep. Oberg said he didn't think there were very many Counties with surpluses of revenue. When taxes are being cut, he stressed that the Legislature make sure fat was being cut and not essential services.

Rep. Nordtvedt stated that it was almost impossible to make a general statement about the situations of local government. Taxable values per capita vary greatly and also the level of service varies drastically. This bill reduces local government revenues about \$6 million and State revenues about \$1 million, but it is highly localized. The thing that puzzles him about the bill is the lack of testimony from the government officials in the highly affected Counties. Rep. Zabrocki said that this was probably a voluntary tax on the part of the farmer because they say how many cattle they have, and if they are actually counted by the government they would probably be paying the same amount as they are paying now as under the new bill. Rep. Oberg pointed out that the reason there was no opposition from the County officials was because they weren't willing to go against what the majority of the local population wanted. Rep. Dozier pointed out that the tax is an ad valorem tax, and that is why it has gone up.

Rep. Sivertsen said that when one starts talking about equity, the

proponents of the bill had convincing testimony, but this bill will mean a tax shift, and he expressed the belief that if the Committee was going to be responsible, they had to address the question of the loss of revenue before the bill was voted on. He pointed out that motor vehicle fee legislation would also reduce local revenues up to 17% Statewide, and maybe more. Also, a repeal or reduction of the business inventory tax would mean a reduction in revenue of \$8 - 10 million per year. A reduction in the Livestock tax would mean \$6 million. He asked the Committee if it felt the Counties could get along if the tax was reduced, keeping in mind all other factors. If the answer was no, he wanted to know how the loss would be made up. He submitted that personal property is picking up 23% as compared to 12% of the burden in 1931. Rep. Burnett said he felt the discussion wasn't addressing what the bill addressed - the question of whether cattle were inventory or not. The tax should come from property and this would be equitable.

Rep. Nordtvedt offered a substitute motion that the bill be TABLED, until the Committee could get a better view of the total picture. Rep. Harrington rose in support of the motion. He pointed out that if the inventory tax was repealed, the passage of SB 47 would mean a complete repeal of the livestock tax.

Rep. Roth stated that there should be some equity and at present this tax is too high. The burden of running County government shouldn't be completely dependent on one segment of an industry.

Rep. Switzer pointed out that many of the cattle from eastern Montana have left the State and the eastern part of the State is almost empty of cattle this year. A reduction of 8% tax revenue to 0% because there are no cattle there to be taxed is not desirable, and would be more damaging than a reduction from 8% to 4%.

Rep. Underdal stressed that at present, the situation is not equitable.

Rep. Brand said rangeland taxes should be put on a more equitable basis to make up for the difference if this bill passed.

Rep. Sivertsen said that the Committee needed to remember that agricultural land assessment is based on productivity. If the livestock tax is eliminated or reduced the burden would go to personal property. Statewide, based on taxable valuation, agricultural land carries about 7.5% of the load and in 1931 it used to carry 29.54%. Even as recently as 1973 it was carrying 10.6% of the load. This is what is happening, and if no one has a problem with it, there is no problem. Personal property taxes have been increasing steadily, where agricultural land has been carrying less of the load. He said he didn't agree with the equity question, but feels it is the Taxation Committee's responsibility to address the entire situation.

Rep. Brand asked if the State would ever get to the point where the bigger companies paid their share of the taxes. Rep. Nordtvedt requested that the Committee restrict its discussion to the motion concerning

tabling the bill and leave the issue of the amendments till later.

Rep. Bertelsen said that what has happened in the inventory tax is the tax is based on the value of the item purchased, but on the cattle tax it is based on the top dollar value and this is an inequity. He said he would support tabling the bill if it would ultimately better its chances of passage. He said he wasn't in favor of leaving the tax question rest on whether or not how automobiles were going to be taxed. He stated that Counties would stay in trouble if they continued to base their valuation on cattle, because it is not a reliable source.

Rep. Dozier said: (1) Regarding showing the shift in taxes from 1931 - 1980, a lot of that has to do with the population shifts. The shift to property taxes should have occurred, because the population shift was to urban centers.

Rep. Bertelsen stressed that an inequitable situation had been created by the increase in valuation. Rep. Sivertsen said the Committee needed to look at the trends and total State valuation. Livestock carries no greater load today than a number of years ago. The problem with the livestock industry also is that the previous year's prices are used to determine the current year's taxes. He reiterated that the Committee needed to look at the overall impact.

Rep. Nordtvedt submitted that whatever is done with vehicles would have its greatest impact on the urban Counties. On the other hand, this bill will have its greatest impact on the rural Counties. The reimbursement scheme can be more equitable if there is a loss in both areas. A reimbursement scheme addressing only one will not be as equitable. In addition, he pointed out that there are no deadlines on this bill. Rep. Harrington wanted to know when revenue sharing was going to be addressed. Rep. Nordtvedt said that the Committee needed to know where it was on vehicles, etc., first.

Rep. Williams asked if it wasn't true that the calf as such was not taxed, but it was the produce from the cow which was taxed. The cow is being taxed on cows that don't have produce, if their calves die or they don't have milk. He said that it was his understanding that calves are marketed before they can be taxed. Rep. Asay said this was true, in some cases, but whoever buys the calves would have to pay the tax. Rep. Williams brought up the situation where the calf was slaughtered before it could be taxed. Rep. Devlin said that the owner couldn't flip-flop from reporting on a yearly basis, back to another method.

Rep. Williams submitted that no tax would have to be paid by the original owner if he used an annual inventory method and the calf is marketed; and the feeder who purchased the calf would have the option of avoiding the tax. Rep. Asay said that very few calves were slaughtered. Therefore, they would be taxed.

The question was then called for on the motion to TABLE the bill. Motion carried 14 - 4; see roll call vote.

HOUSE BILL 548 was then considered. Rep. Sivertsen distributed some handouts; see Exhibit "E." Rep. Dozier moved that the bill DO PASS. Discussion took place. Rep. Sivertsen said that the transportation industry in Montana was deteriorating rapidly, and more people were turning to air service. It has been since 1946 when the one cent aviation fuel tax was put on, and there hasn't been an increase since then. Revenue is needed to upgrade the airport system. While the airlines oppose the bill, they are not revealing to the Committee that the airport system in the State is vitally important to them. Upgrading the airport system will be helping the airlines out. They say this is a 100% increase in the tax, but from one cent to two cents is quite minimal. While the Great Falls airport opposes this bill, they have the highest landing fees in the State; also, the airlines saying they will start getting gas in other States is not valid. He doesn't think this will happen because if they fill up more than they need, they will not fly as efficiently. It costs about 30¢ a gallon to tank fuel into the State if they try to do this, and he doesn't believe this route will be used, either. The question is whether this users tax will be used to upgrade services in Montana.

Rep. Devlin wanted to know what was being done with the one cent tax currently being levied. Rep. Sivertsen said that some of the tax went towards operating the Board of Aeronautics, and the rest went for loans to the airports. The Board decides who gets the money, based on need; it is forced to establish priorities because of the amount of requests for money. He added that while the airlines say they are paying a disproportionate share, if it wasn't for them, the longer runways wouldn't be necessary.

Rep. Bertelsen said that it was unfortunate that airlines hadn't been put on some sort of percentage basis, because then the tax would increase with inflation.

Rep. Brand submitted that the smaller Counties were getting less. Rep. Burnett said that when an airport had a problem, a loan application could be made, but it had to be a priority situation. Matching funds allow the airport to do things that ordinarily they couldn't do. He pointed out that the Billings and Great Falls airports were able to borrow to get matching funds. He said the larger airports weren't getting the bigger share; all airports were getting their fair share. Rep. Sivertsen stated that the air carrier airports have received 64.4% of the funds.

Rep. Brand wanted to know who would really be paying the biggest portion of the tax, the airlines or the private owners. Rep. Sivertsen referred him to one of the handouts (Exhibit "E ") which said that the airlines would be paying about 54% of the tax.

Rep. Vinger said he would like to amend the bill so that the Boeings

at Glasgow wouldn't be subject to the increase. The Glasgow people are concerned that they will lose this service if the tax goes up. Rep. Nordtvedt pointed out that such an exemption wouldn't be legal. Rep. Asay pointed out that while this is an increase in the tax, the increase will be going entirely back into the aeronautics service.

Rep. Sivertsen said, regarding a possible increase in passenger rates, the increase would probably raise the cost of a ticket 6¢. He said that regarding the concern of Rep. Vinger's, he didn't think this would be a determining factor for Boeing.

Rep. Nordtvedt said that the tourist industry as a unit was opposed to this bill, but he felt this was done on behalf of the airlines. He expressed doubt that the tax increase would change an airline's decision on whether or not to serve a city. The tourist trade would support this tax. He said that if he decided that most of the revenue would be going to the smaller airports, he would try to get half the revenue put into the Tourist Promotion Bureau. Rep. Sivertsen agreed to get the information from his files to help support the bill before the Committee voted, if they wished him to do this.

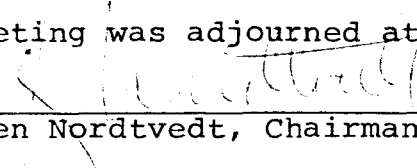
Rep. Zabrocki said that the increase in the fuel tax would be a safety factor because it would improve the quality of the airport facilities. He looks at this increase as a form of insurance.

Rep. Sivertsen distributed another handout from Frontier Airlines (See Pt. 1 of Exhibit "E") which showed that Frontier had record earnings.

Rep. Harp wanted to know why Frontier Airlines should be penalized for good management.

The question was then called for on the motion of DO PASS; motion carried with Reps. Vinger, Harp, and Nordtvedt, and Devlin opposed.

The meeting was adjourned at 10:15 a.m.



Rep. Ken Nordtvedt, Chairman

da

SB 30
SB 31

1978
EXHIBIT "A"

1978 MONTANA INCOME TAX RETURN STATISTICS

MONTANA ADJUSTED GROSS INCOME BRACKET	NUMBER OF RETURNS	% OF TOTAL RETURNS	COMPUTED TAX PAID	% OF TOTAL TAX PAID
LESS THAN 1,999	67,076	16.45%	\$ 533,282	0.38%
2,000 - 3,999	61,688	15.13%	2,724,490	1.94%
4,000 - 5,999	48,678	11.94%	4,887,334	3.48%
6,000 - 7,999	41,322	10.14%	7,083,552	5.05%
8,000 - 9,999	33,531	8.23%	8,252,594	5.88%
10,000 - 11,999	28,189	6.92%	9,080,142	6.47%
12,000 - 13,999	24,637	6.04%	9,875,421	7.04%
14,000 - 15,999	21,872	5.37%	10,606,457	7.56%
16,000 - 17,999	18,764	4.60%	10,800,915	7.70%
18,000 - 19,999	15,134	3.71%	10,194,295	7.27%
20,000 - 24,999	20,924	5.62%	19,647,072	14.01%
25,000 - 29,999	10,252	2.52%	12,028,790	8.57%
30,000 - 39,999	7,316	1.80%	12,061,266	8.60%
40,000 - 49,999	2,548	0.63%	5,994,705	4.27%
50,000 and over	3,666	0.90%	16,514,337	11.77%

11.47%

66,244

48%

52%

16%

36%

22%

23%

73,000,000



PROPOSED AMENDMENTS TO HB 653

INTRODUCED BILL

1. Title, line 7.
Following: "APPROPRIATIONS"
Insert: "; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE"
2. Page 2, line 22.
Following: "reserve"
Strike: "fund"
Insert: "account"
3. Page 3, line 10.
Following: "reserve"
Strike: "fund"
Insert: "account"
4. Page 3, line 13.
Following: "Any"
Insert: "general fund"
5. Page 3, lines 18 through 21.
Strike: subsection (4) in its entirety
Insert: "(4) The legislature through its budgeting process shall establish target reserve account balances for the end of the two fiscal years following a regular legislative session. Reserve account money in excess of the target amounts shall be transferred to the tax relief account."
6. Page 4, line 1.
Following: "the"
Strike: "following taxes:"
Insert: "mandatory county mill levy imposed under 20-9-501."
7. Page 4, lines 2 through 12.
Strike: lines 2 through 12 in their entirety
Insert: " (2)(a) Following the close of each fiscal year, the money in the tax relief account shall be allocated to the counties in the proportion that a county's population bears to the total population of the state to reduce the mandatory county mill levy imposed under 20-9-501. However, no allocation to a county shall exceed the total mandatory levy of that county under the provisions of 20-9-501. The balance in the tax relief account when a regular legislative session convenes shall be transferred to the general fund.
(b) The census taken under the direction of congress shall be the basis upon which the respective populations of the counties shall be determined; however, in the interim between censuses, the department shall use as such basis the most recent population estimates for counties published by the bureau of the census, United States department of commerce.

Section 5. Effective date. This act is effective on passage and approval."

BILL NO. _____

INTRODUCED BY _____

A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING SECTION 15-24-908, MCA,
TO SIMPLIFY THE PROCEDURE FOR ADJUSTING THE ASSESSMENT ON LIVESTOCK."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-24-908 is amended to read:

"15-24-908. Computation of estimated value of livestock. (1) If the owner's livestock are assessed on the average inventory basis of assessment, the estimated value of livestock in a county on assessment day is computed by adding the assessed value of all livestock more than 9 months of age owned by the taxpayer in the county on the last day of each month since the last assessment day and dividing the sum by 12.

(2) The taxpayer must file a current statement as of the last day of the year setting forth the number of all livestock more than 9 months of age owned by him in each county on the last day of each month during ~~the current tax~~^{that} year.

(3) ~~The taxpayer is entitled to an adjustment of the estimated assessed value of livestock and recomputation of any tax levied and a refund of taxes paid if the amount paid is higher than the estimate.~~

When the current assessed valuation of livestock is different than the assessed valuation estimated the previous year, the taxpayer is entitled to an adjustment. The assessor shall make the adjustment either by recomputation of the taxes owed as provided in 15-24-910, or the assessor may apply the adjustment in valuation to the current assessed valuation of livestock owned by the taxpayer.

(4) All remedies available to the taxpayer who owned livestock are available to him notwithstanding the fact that an estimated assessed value of livestock is submitted on or after the tax assessment day, subject to the end-of-the-year adjustment."

end

News

RECEIVED

FEB 6 1981

MONTANA AERONAUTICS DIVISION
MONTANA



Taxation 3/4/80
EXHIBIT "E"
FRONTIER AIRLINES

Corporate Communications
8250 Smith Road
Denver, Colorado 80207
Telephone (303) 398-4793

For Immediate Release

Contact: Larry A. Bishop

FRONTIER AIRLINES REPORTS RECORD EARNINGS FOR 1980

DENVER, Colo. (Feb. 2) -- Frontier Airlines today reported record earnings and revenues for 1980.

For the year ended Dec. 31, 1980, Frontier recorded net earnings of \$23,214,000, equal to \$2.76 a share, on total revenues of \$468,865,000. During 1979, the airline earned \$21,664,000, or \$2.58 a share, on revenues of \$389,655,000.

Record-setting revenues were 20 per cent higher than a year ago, but a 56 per cent increase in the company's tax rate held the net earnings gain to 7 per cent.

Earnings for the fourth quarter of the year were \$10,424,000, or \$1.23 a share, on total revenues of \$123,261,000. During the final period of 1979, earnings were \$5,942,000, or 71 cents a share; and revenues totaled \$106,038,000.

Glen L. Ryland, Frontier president and chief executive officer, noted that the airline was able to achieve record results for the fifth consecutive year "in a period that has been termed one of the airline industry's toughest years."

"While the region we serve held up stronger than the nation as a whole in last year's recessionary economy, we were not immune," Ryland said, noting that Frontier's record profits were achieved despite an 11.3 per cent dip in passengers and a decline of 1.4 per cent in revenue passenger miles in 1980.

"Extraordinary cost-control efforts, combined with prudent pricing and scheduling strategies, enabled us to increase revenues and operating earnings, even in the face of declining traffic," Ryland said.

"By tailoring our capacity to market demand, we were able to avoid the massive employee layoffs and service cutbacks that were characteristic of many airlines in 1980," Ryland said.

Looking to 1981, Ryland said he expects the economy to "remain sluggish throughout much of the first half," which will continue to limit traffic growth, although he is hopeful of traffic gains in the second half.

He said the fuel costs, which jumped nearly 50 per cent in 1980, will continue to escalate, particularly spurred by price decontrol of domestic petroleum.

"In the face of this highly competitive, high-cost environment, we continue to pursue a course that will maintain Frontier's profitability both for 1981 and in the longer term." Ryland said.

Frontier's route system extends from Denver to 82 cities in 26 states, Canada and Mexico. The company's securities are listed for trading on the American Stock Exchange.

Financial Summary

<u>Year Ended Dec. 31</u>	<u>1980</u>	<u>1979</u>
Total Revenues	\$468,865,000	\$389,655,000
Operating Expenses	\$432,478,000	\$356,392,000
Net Earnings	\$ 23,214,000	\$ 21,664,000
Earnings per Share (a)	\$2.76	\$2.58 (b)
Average Shares Outstanding (a)	8,484,000	8,465,000

Fourth Quarter

Total Revenues	\$123,261,000	\$106,038,000
Operating Expenses	\$112,094,000	\$ 96,262,000
Net Earnings	\$ 10,424,000	\$ 5,942,000
Earnings Per Share (a)	\$1.23	\$0.71 (b)

(a) Common and common equivalent shares

(b) Adjusted for 3% stock dividend, paid March, 1980

AVIATION FUEL TAXES

NORTHWEST AIRLINES	\$ 117,245
FRONTIER AIRLINES	49,610
WESTERN AIRLINES	43,980
REPUBLIC AIRLINES	<u>213</u>
TOTAL	\$ 210,835

NOTE: These figures were presented by the airlines and are NOT documented.

AERONAUTICS DIVISION TOTAL REVENUE \$ 386,094
for calendar year 1980
(Documented by the Dept. of Revenue)

NOTE: The airlines reported that the total tax revenue is \$388,866. This is a discrepancy of \$2,772.

54% of the total revenue is therefore paid by the four major airlines. (55% if Big Sky Airlines is included.)

It should be pointed out that those organizations requesting the 1¢ aviation fuel tax increase, represents not only aviation businesses but many businesses including agriculture and also many, many private individuals from all walks of life and all of whom pay taxes and live in Montana.

It is safe to say that the taxes that these people pay not only on their aircraft but their other property as well as income taxes would make the airline tax figure of \$759,750 look mighty small.

It is interesting to note that Great Falls has the highest airline landing fees in the state. Also Billings has the highest fees for the large charter airlines.

If these cities are so concerned over keeping down airline cost of doing business, then maybe they should explain why they charge the highest fees in the state.

NAME	PROJ. #	AMT OF LOAN	AMT. OF GRANT	BALANCE
BOZEMAN	122-5-59	ENG. GRANT	1,000.00	-0-
	183-2-63	LAND ACQUISITION		-0-
	219-5-65	RECONSTRUCT & EXTENSION	10,000.00	-0-
	241-5-66	LIGHT TOWER	3,000.00	-0-
	255-4-67	ENGINEERING GRANT	1,000.00	-0-
	289-5-69	"	1,000.00	-0-
	295-4-70	"	1,000.00	-0-
	306-2-71	MASTER PLAN	20,000.00	2,000.00
	324-4-74	TERMINAL BLDG	8,000.00	-0-
	333-2-75	TERMINAL BLDG	84,320.00	42,160.00
363-4-79	RUNWAY LIGHTING	20,400.00	13,600.00	
358-5-78	NOISE + LAND USE STUDY	1,000.00		
373-6-80	LAND ACQ + SNOW PLOW	20,000.00	2,000.00	
	<u>TOTAL</u>	<u>179,720.00</u>	<u>5,000.00</u>	<u>77,760.00</u>
Bridger	130-1-60	10,000.00	1,000.00	-0-
Broadus (GAU)	182-10-62	7,403.60	21,772.45	-0-
Browning (SO)	107-7-58		15,147.00	
Butte	150-11-61	CONSTRUCT TERMINAL	10,000.00	-0-
	252-9-66	LAND ACQ + RUNWAY EXTENSION + LIGHTING	10,000.00	-0-
	267-9-67	RUNWAY CONSTRUCTION	8,385.70	-0-
	275-1-68	APRON, TAXIWAY + RUNWAY	7,000.00	-0-
	277-3-68	EXTENSION + RUNWAY	8,016.00	-0-
	284-12-68	MARKING + OBSTRUCTION REMOVAL	8,385.70	-0-
	299-7-70	RUNWAY OVERLAY	10,000.00	-0-
	312-3-72	LAND ACQ + TAXI + APRON OVERLAY	10,000.00	2,000.00
	349-5-77	ENGINEERING GRANT	1,000.00	
		<u>TOTAL</u>	<u>71,787.40</u>	<u>2,000.00</u>

AERONAUTICS EXPENDITURES - LOANS, GRANTS, STATE-OWNED PROPERTY

NAME	PROJ. #	AMT OF LOAN	AMT OF GRANT	BALANCE
Anaconda	207-11-64	\$62,000.00	\$ 1,000.00	\$ -0-
	249-7-66	17,000.00		-0-
	276-2-68		1,000.00	
	350-6-77		1,000.00	
Arlee	154-4-62		250.00	
Augusta (GAU)	155-4-62	5,703.90	16,380.02	-0-
Babb (State Owned)	127-8-59		3,984.10	
Baker	230-7-65		1,000.00	
	359-6-78		1,000.00	
Benchmark (U.S.F.S.)	208-11-64		25,000.00	
Big Timber	261-8-67		1,000.00	
Billings	120-1-59	TAXIWAY - CONTROL POWER - LIGHTING PANEL	49,500.00	-0-
	172-9-62	RECONSTRUCT RUNWAY	100,000.00	-0-
	191-7-63	TAXIWAY LIGHTING WATER TANK	25,000.00	-0-
	237-2-66	RUNWAY LIGHTING	1,000.00	
	259-6-67	OVERLAY RUNWAY	100,000.00	-0-
	305-11-70	EXPAND TERMINAL APRON - APPROX LIGHTING	32,000.00	3,200.00
TOTAL		306,500.00		
Boulder (GAU)	156-4-62	6,052.10	12,591.43	-0-

NAME	PROJ. #	AMT OF LOAN	AMT. OF GRANT	BALANCE
Canyon Ferry (SO)	109-7-58		8,061.65	
Chester	121-3-59	10,000.00	500.00	-0-
	202-5-64	5,000.00		-0-
Chinook	162-7-62	10,000.00	400.00	-0-
	260-6-67	7,000.00		-0-
Choteau	184-5-63	15,000.00	500.00	-0-
Circle	223-6-65	25,000.00	1,000.00	-0-
	325-5-74		1,000.00	
Columbus	126-8-59	5,270.00		-0-
Conrad	113-6-58	9,999.68	600.00	-0-
	244-5-66	10,000.00	1,000.00	-0-
	273-12-67		300.00	
	362-3-79	40,000.00		-0-
Culbertson	185-3-63	21,000.00	1,000.00	-0-
	330-10-74	10,500.00		4200
Cut Bank	343-6-76	40,000.00	1,000.00	
Deer Lodge	142-4-61	23,988.00	1,000.00	-0-
	338-1-76	7,250.00	1,000.00	4350

NAME	PROJ. #	AMT OF LOAN	AMT. OF GRANT	BALANCE
Dell (SO)	119-12-58		16,555.52	
Dillon	110-7-58	9,999.00	500.00	-0-
(Adm. Bldg.)	174-5-62	77,809.37		-0-
	222-5-65	10,000.00	1,000.00	-0-
	262-9-67	5,000.00		-0-
	370-3-80	16,750.00		
East Poplar (SO)	118-12-58		9,735.31	
Ekalaka (GAU)	176-10-62	10,000.00	18,024.07	-0-
Elliot Field (SO)	103-8-57		13,759.70	
Ennis	300-8-70		1,000.00	
Fairfield	196-2-64		500.00	
Fairview (GAU)	264-3-68	5,280.80	37,937.19	-0-
Fort Benton	106-7-58	10,000.00		-0-
Galen (HH)	269-9-67		2,517.48	
Geraldine	140-1-61	10,000.00	1,000.00	-0-
Glasgow	123-5-59	TERMINAL BLDG 10,000.00	150.00	-0-
	136-11-60	CONCRETE 100,000.00	1,000.00	-0-
	246-5-66	WATER SYSTEM 150,000.00	1,000.00	-0-
	247-6-66	RUNWAY CONSTRUCTION	375.00	
	337-6-75	ENGINEERING GRANT		
	337-6-75	AFT MASTER PLAN	1,000.00	
	351-7-77	RUNWAY OVERLAY 40,000.00		32,000.00
Great Falls	TOTAL	300,000.00	3525.00	32,000.00
	135-9-60	RUNWAY EXTENSION 50,000.00		-0-
	148-9-61	WATER TOWER 50,000.00		-0-
	171-9-62	ELEC. VAULT 54,000.00		-0-
		LIGHTING SYSTEM 54,000.00		-0-

NAME	PROJ. #	AMT. OF LOAN	AMT. OF GRANT	BALANCE
Great Falls cont.	205-7-64	REAR. LIGHTS 100,000.00		-0-
	245-5-66	RECONSTRUCT RUNWAY + APRON 60,000.00		-0-
	254-12-66	GENERATOR + ALUMINE FINE PROT. 80,000.00		-0-
	281-12-68	RECONSTRUCT RUNWAY 70,000.00		-0-
	298-7-70	RUNWAY OVERLAY 82,000.00		-0-
	<u>TOTAL</u>	<u>546,000.00</u>		
Hamilton	161-6-62	41,988.00	1,000.00	-0-
	315-1-73		1,000.00	
Hardin	166-8-62	5,000.00		-0-
	291-5-69		1,000.00	
Harlem	163-7-62	6,000.00	250.00	-0-
	187-5-63	4,000.00		-0-
Harlowton	152-2-62		1,000.00	
	294-12-69		1,000.00	
	323-3-74	40,000.00		20,000.00
Havre	134-7-60	RECONSTRUCT RUNWAY + TAXIWAY 100,000.00	1,200.00	-0-
	228-7-65	TAXIWAY 100,000.00	1,000.00	-0-
	271-9-67	NAVIGATIONAL AID 50,000.00		
	318-4-73	ENG. GRANT 1,000.00		
	340-3-76	RECONSTRUCT RUNWAY + APPROX. LIGHTING 40,000.00	1,000.00	20,000.00
	<u>TOTAL</u>	<u>240,000.00</u>	<u>54,200.00</u>	<u>28,000.00</u>
Helena	132-1-60	ENG. GRANT	1,000.00	
	165-7-62	LAND ACQ + APPROX. LIGHTING 85,000.00		-0-
	186-4-63	COMPENS. 571.67		
	192-7-63	EXTEND GA RAMP 10,000.00		-0-
	193-12-63	RECONSTRUCT RUNWAY 500.00		-0-
	224-6-65	OVERLAY RUNWAY 25,000.00	472.50	-0-
	257-4-67	ENG. GRANT 1,000.00		-0-

(Compass Compens)

NAME	PROJ. #	AMT. OF LOAN	AMT. OF GRANT	BALANCE
Helena cont.	303-10-70	BLDG (FAR) EXPANTION 50,000.00		5,000.00
	307-10-70	LIGHTING IN RUNWAY	537.00	
	344-7-76	ENG. GRANT	1,000.00	
	<u>TOTAL</u>	180,000.00	5081.17	5,000.00
Hogeland	164-7-62	4,000.00	250.00	-0-
Hyslam (GAU)	169-8-62	5,461.65	44,315.87	-0-
Jordan	204-6-64	10,000.00	500.00	-0-
Kalispell (City)	131-1-60	28,000.00	816.00	-0-
			1,834.92	
(Heliport)	258-6-67	HELIPORT	5,142.96	
(County)	268-9-67	ENG. GRANT	1,000.00	
	297-7-70	LAMP DIE + TOWNING STUEN - ENG. GRANT	1,000.00	
(City)	365-6-79	MINI MASTER	6,914.00	6,222.60
	<u>TOTAL</u>	34,914.00	2,793.88	6,222.60
Laurel	124-6-59	2,000.00		-0-
	144-6-61		500.00	
	214-4-65	19,644.00	1,000.00	-0-
	279-6-68	11,000.00		
	367-8-79	40,000.00		
Lavina (GAU)	177-10-62	3,117.43	13,339.87	-0-
Lewistown	203-6-64	RUNWAY IMPROVEMENTS 9,080.00	250.00	-0-
			400.00	
	236-2-66	RUNWAY LIGHTING 30,000.00		-0-
	274-12-67	ENG. GRANT	1,000.00	
	334-3-75	ENG. GRANT	1,000.00	
	372-5-80	T-HANGARS 40,000.00		40,000.00
	<u>TOTAL</u>	79,080.00	2,650.00	40,000.00
Libby	200-3-64	10,000.00	1,000.00	-0-

NAME	PROJ. #	AMT. OF LOAN	AMT OF GRANT	BALANCE
Lincoln (SO)	108-10-57		83,902.96	
	71-32-01		81,399.92	
Livingston	143-4-61	20,000.00	1,000.00	-0-
	263-9-67	15,000.00		-0-
	296-5-70		1,000.00	
	307-3-71	20,000.00		-0-
Mac Operations Bldg. (SO)	(1958)		91,930.31	
	145-6-61		4,948.40	
	160-4-62		993.60	
	198-3-64		20,255.92	
	199-3-64		19,609.64	
	280-6-68		7,000.00	
Malta	112-7-58	9,900.00		-0-
	229-8-65	9,900.00	500.00	-0-
	328-8-74	40,000.00		28,000.00
Meadow Creek	125-6-59		5,000.00	
Miles City	117-12-58	RESURFACE ROADWAY	9,900.00	-0-
	149-10-61	HANGAR - SHOP BUILDING	10,000.00	-0-
	221-5-65	TAXI WAY OVERLAY	12,000.00	-0-
	251-8-66	OVERLAY TAXIWAY	35,000.00	-0-
	293-9-69	ENG. GRANT		1,000.00
	311-1-72	OVERLAY + LIGHT ROADWAY	48,890.00	-0-
354-1-78	APRON EXPANSION RELOCATE FUELING SYSTEM + HANGARS	38,000.00	1,000.00	30,400.00
TOTAL		153,790.00	3,000.00	30,400.00

NAME	PROJ. #	AMT OF LOAN	AMT OF GRANT	BALANCE
Missoula	194-12-65	EMERGENCY GRANT	1,000.00	
	216-4-65	"	550.00	
	256-4-67	"	1,000.00	
	286-1-69	"	1,000.00	
	292-7-69	LAND ACQ + RUNWAY IMPROVE	8,810.55	1,000.00
	<i>TOTAL</i>	<i>8,810.55</i>	<i>7,650.00</i>	
Ox Bow (SO)	153-4-60		9,424.14	
Phillipsburg (GAU)	137-1160		1,000.00	
	242-5-66	10,000.00	99,715.46	-0-
Plentywood	100-9-57	7,195.00		-0-
	218-4-65	14,700.00	1,000.00	-0-
	346-2-77	40,000.00	1,000.00	40,000.00
Polebridge (GAU)	167-8-62		21,847.48	
Polson	209-12-64	58,587.00	1,000.00	-0-
Pondera	362-3-79	40,000.00		
Poplar	159-4-62	20,000.00	1,000.00	-0-
Red Lodge	129-9-59	10,000.00	1,000.00	-0-
Richey (GAU)	201-3-64	4,286.30	12,480.94	-0-
Roosevelt County Culbertson	330-10-74	10,500.00		6300.00
Ross International (SO) (Sweetgrass)	105-5-58		16,126.27	
Roundup	153-4-62	4,795.00	400.00	-0-
	317-3-73		1,000.00	
	339-2-76	40,000.00	1,000.00	28,000.00

NAME	PROJ. #	AMT. OF LOAN	AMT OF GRANT	BALANCE
Ryegate (GAU)	178-10-62	3,561.47	18,673.93	-0-
Schafer Meadow (U. S. Forest Service)	146-6-61		7,500.00	
	227-7-56		1,500.00	
Scobey	128-9-59	10,000.00		-0-
	217-4-65	4,000.00		-0-
	342-5-76		1,000.00	
	342-5-76	40,000.00		36,000.00
Seeley Lake (GAU)	190-7-63	4,620.82	20,000.00	-0-
Shelby	141-1-61		1,000.00	
	243-5-66	10,000.00		-0-
	321-1-74	40,000.00	1,000.00	16,000.00
	347-3-77		1,000.00	
Sidney	215-4-65	100,000.00	1,000.00	(Supreme Court 1975)
	266-9-67	100,000.00		(Supreme Court 1975)
	331-11-74		800.00	
	<i>TOTAL</i>			
		200,000.00	1,800.00	
Stanford (GAU)	231-8-65	5,956.86	45,845.44	-0-
	287-4-69	5,700.00		-0-
Superior	116-10-58		500.00	
Terry	332-1-75		1,000.00	
Three Forks	115-9-58		500.00	
	366-7-79	1,600.00	1,000.00	1,600.00
Tiber Dam (SO)	114-8-58		6,737.10	
	151-11-61		7,600.00	

NAME	PROJ. #	AMT. OF LOAN	AMT. OF GRANT	BALANCE
Townsend	138-12-60	5,000.00	1,000.00	-0-
	206-9-64	14,000.00		-0-
	304-10-70	8,000.00		-0-
Turner	336-5-75	25,000.00		15,000.00
Twin Bridges	301-8-70		463.00	
Valier	278-4-68		1,000.00	
Whitefish (GAU)	168-8-62	7,310.43	13,076.29	-0-
White Sulphur Springs (GAU)	104-9-57		17,917.97	
	225-6-65		5,742.00	
	335-4-75		1,000.00	
	360-1-79	40,000.00	1,000.00	
Winifred	147-9-61	1,500.00	1,000.00	-0-
Wolf Point	226-7-65	60,000.00	1,000.00	-0-
	345-1-77	22,390.00	1,000.00	15,673.00
(Roosevelt Co.)	371-4-80	19,000.00		17,000.00
TOTAL		101,390.00	2,000.00	34,673.00

TOTALS LOANS (\$9 TO PRESENT) \$3,711,322.34
 TOTAL GRANTS (\$9 TO PRESENT) \$1,151,346.48
 TOTAL LOANS AND GRANTS (\$9 TO PRESENT) \$4,862,668.82
 TO AIR CARRIER AIRPORTS TO AIR CARRIER AIRPORTS
 \$2,367,077.95 \$208,790.17 \$2,575,868.12
 64% 18% 53%

WITNESS STATEMENT

NAME James D. Mackler BILL No. H.B. 791

ADDRESS Helena DATE 3/4/81

WHOM DO YOU REPRESENT Mt. Coal Council

SUPPORT _____ OPPOSE AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Hampton - Yes on 548

STANDING COMMITTEE REPORT

April 11, 19 21

MR. SPEAKER

We, your committee on TAXATION

having had under consideration SENATE Bill No. 30

A BILL FOR AN ACT ENTITLED: "AN ACT TO REPEAL THE INDIVIDUAL INCOME TAX SURTAX; AMENDING SECTIONS 15-30-105 AND 15-30-162, MCA; REPEALING SECTION 15-30-104, MCA; AND PROVIDING AN EFFECTIVE DATE."

Respectfully report as follows: That SENATE Bill No. 30

BE CONCURRED IN

DO PASS