

MINUTES OF THE MEETING OF THE HOUSE APPROPRIATIONS COMMITTEE
April 20, 1981

The meeting was called to order by Chairman Lund at 11:00 a.m. in Room 104, State Capitol. All members of the committee were present.

HEARING

HB 875

REP. JAY FABREGA, District 44, Great Falls, testified as sponsor of HB 875, explaining the bill to the members of the Committee section by section.

REP. HARRISON FAGG, District 63, stated that he feels the cities and counties are having problems and that it is time to get to the bottom of these problems via an interim study.

REP. FAGG stated that HB 875 is a four-pronged bill which would provide cities and counties with the answer to their problems. He urged the Committee to pass HB 875.

MR. DON PEOPLES, Vice President, Montana League of Cities and Towns, stated his support of HB 875. He stated that the bill would provide the opportunity for a study of problems and local option for income tax relief. He stated that he feels that if replacement revenue is not provided to cities and towns, there will be more problems.

REP. DAN KEMMIS, District 94, Missoula, stated that he feels opposition to the local option income tax will not be a subject of criticism, in that it can only be put on the people by the people themselves. He stated that he feels local option tax is much better than long term revenue sharing.

MR. MIKE STEPHEN, Montana Association of Counties, stated his support of HB 875. He stated that the property tax base has been eroded and that he feels counties will remain status quo and that the state has some responsibility in this situation.

MR. STEPHEN stated that payments in lieu of tax dollars and federal exemptions have made up for taxes in the counties.

MR. DENNIS TAYLOR, Budget Director, City of Helena, stated his support of HB 875, adding that it would replace anticipated lost funds.

MR. AL THELEN, Billings City Administrator, stated that he feels there is a need for options for local governmental problem solving and a need to recognize the health of the cities.

MR. THELEN stated that he feels schools were picked up by revenue sharing, but not cities and counties. He urged the Committee to pass HB 875.

MR. DALE HARRIS, Assistant to the Lt. Governor, stated that he feels the bill would prevent shifting of the tax burden to local homeowners. He stated that there are still nine measures alive in the legislature which would add a \$15,000,000 reduction in the property tax base and that he feels this bill is necessary.

MR. ALEX HANSON, Montana League of Cities and Towns, provided the members of the Committee with copies of EXHIBIT 1.

REP. JOHN VINCENT, District 78, Bozeman, stated that the original revenue sharing bill was introduced five months ago and heard four months ago and that it then laid in Committee. He stated that he feels it is up to the Committee to determine the best way to resolve the problem and that he feels the vehicle has been there, but that he is concerned that it has not been an issue until now.

REP. VINCENT stated that he received a sponsor notice that HB 73 would be heard in the Senate on April 21, 1981 at 9:00 a.m. He provided the sponsor notice to the Committee as an EXHIBIT. (Attached)

OPPONENTS TO HB 875

REP. PISTORIA, District 39, Great Falls, stated that he feels that by waiting until the last minute to replace these taxes, the Taxation Committee had not acted properly. He stated that he is only against the income tax portion of the bill.

REP. SPILKER, District 32, Helena, stated that the bill is a general revenue sharing bill and that \$15,000,000 does not replace lost taxes. She stated that the bill calls for more studies and that she feels more local government studies are not needed. She stated that the incentive is already there and that she feels there is no need for State incentive grants.

REP. SPILKER stated that she feels the Oversight Committee is an insult to local government, as there are no other oversight committees. She stated that with such powers in Montana, she would urge the Committee to consider the matter further.

REP. QUILICI asked Rep. Fabrega what would happen in the area where there is already a city-county consolidated form of government. Rep. Fabrega stated that Section 9 of the bill would not apply to that area.

REP. WALDRON stated that it appears to him that HB 73 was incorporated into HB 875 and that the name of the sponsor was changed.

REP. FABREGA stated that there was a 78% voter turnout last election. He stated that counties in dire need could vote for up to 10% increases through the income tax surcharge.

REP. WALDRON stated that he feels some voters may not be qualified as they have not been purged from the voter registration list.

REP. BENGTON asked if the bill would give some areas the incentive to consolidate. Rep. Fabrega stated that the amount of incentive would be the amount of savings via consolidation.

REP. BARDANOUVE asked why the counties get so much more than the cities in the formula. He stated that Blaine County has lost 10% of its valuations with the cut in the livestock tax. He added that Blaine County is better off than the cities of Harlem and Chinook, as Blaine County gets oil revenue, stating that he feels this is wrong.

MR. DAN MIZNER, stated that the counties get 60% and the cities get 40% across the state in the bill. He stated that if a population formula was used that the cities would get 58%, and that 50% of federal revenue sharing was used to get the formula. He stated that there is no even-handed formula and that funds were split according to population.

REP. SHONTZ stated that he doesn't see where this bill would provide relief to replace lost revenue. Rep. Fabrega stated that the formula is not directly pegged to loss impact to a particular city or county.

REP. SHONTZ stated that he does not see a need for an incentive payment. He asked Rep. Fabrega if the theory were that the more a local government spends, the more it would receive. He stated that he feels this would be an incentive to get mills as high as possible.

REP. BARDANOUVE stated that Big Horn County would be getting more assistance than Hardin and that this does not make sense.

REP. FABREGA stated that this happens when population is used versus tax efforts.

REP. BENGTON asked if this were stop-gap action. Rep. Fabrega stated that it was, for the 83 biennium, but that he does not believe in continued revenue sharing.

REP. CONROY stated that he feels there is a problem with the formula and that he agrees with REP. BARDANOUE.

REP. WALDRON stated that the four-year local government study has accomplished nothing. Rep. Fabrega stated that this bill is a small step toward correcting major problems to accomplish this goal.

REP. WALDRON asked why have voter option income tax, when the tax base is cut at the State level without the voters being asked.

REP. FABREGA stated that maybe we are getting around to a more democratic process by allowing the voters to decide.

The meeting was recessed at 12:30 p.m. and reconvened at 5:00 p.m.

HB 876

CHAIRMAN LUND stated that there was a problem with wording the Statue which must be changed.

REP. MOORE stated that the way the bill is worded any two judges could bill the State Treasurer and that new wording would provide that the judges can use only funds appropriated to the Supreme Court.

There were no opponents to the bill, which was sponsored by Chairman Lund and Rep. Moore.

REP. STOBIE moved that HB 876 DO PASS. The motion was UNANIMOUSLY APPROVED.

HB 73

REP. VINCENT sponsor of the bill, stated that the intent is still the same, which is to get support to local governments. He stated that he feels there is a need for the legislature to adopt the best bill within the next three days. He stated that the idea has been in for the past five months and that he feels that it is a sad commentary on the system, that the delay took place.

REP. KEN NORDTVEDT, District 77, stated that the bill was substantially amended in Taxation. He stated that between major business tax reductions and inventory revenue reduction, the cities and counties could raise the income tax or mill levies, or reduce mill levies or relax them.

REP. NORDTVEDT, stated that the approach is different than that heard for HB 875 in Committee earlier this date. He stated that it is not a revenue sharing bill and that it will avoid cash

transfer. He stated that funds would go to property taxpayers to reduce the county levy for all employees of school districts adding that the tax is unequal statewide. He added that the appropriation in the State general fund regulated by population, would reduce mandatory mill levies.

REP. NORDTVEDT stated that he took the impact of the latest vehicle tax bill and livestock bill and determined lost revenue per capita in the hardest hit counties, which averaged \$24.70 per capita for a total of \$28,000,000 for the biennium.

REP. NORDTVEDT stated that if this bill passes, he would strike a similar section in the revenue feed bill. He stated that both bills begin January 1, 1982, and that there would be no impact until November 1982 and May 1983, when taxes are due, and that the bill should therefore be in the amount of \$25,000,000 and not \$38,000,000. He stated that mandatory levies would be reduced by about 1/3 for the retirement levy.

REP. NORDTVEDT stated that in return, the bill would give local governments a permissive replacement mill levy to be determined by a formula. He stated that if replacement mill levies were added up in the worst hit counties, the mandatory levy reduction would just balance out.

REP. NORDTVEDT stated that on page 6, line 17 of the bill it is provided that the state general fund reduction of mandatory public retirement levy would be a step in the direction of equalizing the levy. He stated that no cash payments would be made to local government as state help goes to property taxpayers.

REP. SWITZER, District 54, stated that this won't be as popular as it will require the voters to raise the amount of the permissive mill levy. He stated that local government has untold problems enough, but that the desires of the taxpayers would be known when they voted on the levy.

OPPONENTS TO HB 73

BOB STOCKTON, Office of the Superintendent of Public Instruction stated that he was not in opposition to the bill, but that he had problems with language in the bill. He stated that local district levy amounts were not defined in the law. He stated that the retirement fund is equal county-wide right now and that loss of revenue affects local distribution where there is no equalization. He stated that as the tax base for school districts decreases, mill levies must be increased to compensate.

DON PEOPLES, Butte-Silver Bow and Montana League of Cities and Towns stated his opposition to the bill as it would compensate for only 75% of the reduction in vehicle taxes. He stated that

it appears that cities won't receive additional revenue and need to concentrate on replacing this revenue.

MR. PEOPLES stated that SB 355 would replace funds lost in motor vehicle fees on a dollar for dollar basis. He stated that HB 73 does not do this and will transfer the cost from vehicles to homes, in taxes. He stated that the problem with double taxation would be compounded if this bill passes. He added that in 1981, homeowners would be subsidizing tax relief for business, etc. He urged that HB 73 do not pass.

DENNIS TAYLOR, City Budget Director, Helena, stated his opposition to HB 73. He stated that revenue replacement would provide \$2,330,000 for Helena, which would be 70% short of the needed funds for a 30% loss. He stated that the 1980 tax base plus the permissive levy would still be short and that an additional \$2,680,000 base would be needed to maintain current status.

MR. TAYLOR stated that he feels the formula does not work and that the federal government has shifted away from taxes on ranching, businesses, etc. toward the homeowner, for tax revenue.

REP. BARDANOUVE asked if everyone were assuming that SB 200 and the vehicle replacement bill won't pass.

MR. STEVEN stated that the Montana Association of Counties oppose the bill and that it is not known what the vehicle fee bill is yet.

Both REP. BARDANOUVE and CHAIRMAN LUND stated that they disagree with the way the figures have been presented in testimony.

AL THELEN, Administrator, City of Billings stated that the bill would expand state revenue sharing by shifting to state funding but that he feels the method proposed is a mistake. He stated that it shifts the tax burden from suburban and rural taxpayers to city dwelling taxpayers. He stated that he feels the Committee should look for a solution to double taxation, rather than add to the problem.

MR. THELEN stated that in Billings, the city would lose about \$600,000 which would not be replaced by HB 73. He stated the in a charter city nothing can be done to correct this and that if Billings weren't a charter city, the levy could be raised.

REP. FABREGA stated that he is opposed to the bill as it would do away with SB 355 which is the Governor's feed bill for the refund mechanism. He stated that retirement liability already has been discussed on the House floor and didn't go anywhere. He added that HB 875 in combination with SB 355 or the original version of HB 73, would receive his support.

MR. DALE HARRIS, Aide to the Lt. Governor, stated that the amendments were shown to the Taxation Committee last Friday and adopted that date. He stated that Senate Bill 355 contains language for a dollar for dollar motor vehicle taxation loss and that if it is intended as a replacement in other bills, the formula is nowhere related. He asked why the issue has come up at the last minute, adding that the Committee could provide direct appropriation as in Senate Bill 355.

MR. HARRIS stated that mill levy authority could be increased or the committee could authorize local option taxes and that he feels it is unfortunate that a choice needs to be made, but that a choice still must be made to salvage local government.

MR. HARRIS stated that mill levies will need to be increased to 10 mills if the counties and cities are to remain at current level. He stated that he feels there are many technical areas in the bill, which include inaccurate language regarding schools and industry and that he feels the measure is too complicated for so late in the session.

MR. JOHN CLARK, Dept. of Revenue, stated that there is a wide variation in the mandatory mill levy reduction by the counties. He stated that House Bill 73 would not reimburse the lost tax base.

REP. NORDTVEDT stated that he feels Mr. Clark did a good job of explaining HB 73 and that the opponents tried not to understand the bill. He stated that the purpose of the bill is to even out the uneven tax base, as state general fund dollars would go out on a per capita basis in the bill.

REP. WALDRON stated that according to Missoula County figures provided by the Dept. of Revenue, Missoula Co. could have six more mills.

MR. CLARK stated that 40 mills were not factored in and will be picked up by the State. He stated that of the \$111,000,000 taxable valuation in Missoula County, without Livestock and Motor Vehicle taxes, there would be a \$700,000 disparity.

MR. CLARK stated that the point of the Revenue sheets (copies attached) is to show how short the tax base is.

MR. HARRIS stated that the bill was drafted to deal with motor vehicles, business inventory and livestock, and the loss to cities and counties, and that it does not deal with schools. He added that the net mill loss in Missoula County would be 6 mills.

REP. SHONTZ asked where replacement of business inventory and motor vehicle tax is in either bill.

MR. HARRIS stated that there is no direct relationship and that both bills have some type of formula.

REP. SHONTZ stated that he feels the loss should be addressed in the bills.

REP. BENGTON stated that she wanted to know where additional funds would come from for government relief for property tax reduction versus replacement. Rep. Nordtvedt stated that he is trying to give the funds to the people and not to government officials.

REP. STOBIE stated that he would like a breakdown of figures for 1 or 2 counties. REP. THOFT stated that he agreed with the request.

SPEAKER MARKS stated that he wondered if the committee were adding on the business inventory fee reduction, plus livestock, in speaking of replacement of the motor vehicle tax fee replacement of \$30,000,000. He stated that these were all included in \$38,000,000 set aside by the Summit. Rep. Nordtvedt replied affirmatively.

REP. NORDTVEDT stated that House Bill 73 and House Bill 875 were nearly identical except for \$5,000,000 and the oversight committee and the local option tax.

REP. QUILICI moved that the Committee adjourn until 7:00 a.m. in order to allow the Dept. of Revenue to meet Rep. Stobie's request and to evaluate information in HB 73 and HB 875.

The motion was unanimously approved and the meeting was adjourned at 6:20 p.m.



REP. ART LUND, Chairman

STANDING COMMITTEE REPORT

APRIL

1901

SPEAKER:
MR.

We, your committee on HOUSE APPROPRIATIONS

having had under consideration HOUSE Bill No. 876

A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION
3-2-304, MCA, TO REFLECT THE CURRENT NUMBER OF JUSTICES AND
~~TO CONFORM IT TO ARTICLE VIII, SECTION 14 OF THE~~
CONSTITUTION OF THE STATE OF MONTANA BY PROVIDING THAT
EXPENSES OF THE SUPREME COURT MAY BE PAID ONLY OUT OF FUNDS
APPROPRIATED THEREFOR."

Respectfully report as follows: That HOUSE Bill No. 876

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REP. ART LUND

Chairman.