

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

January 20, 1981

The eighth meeting of the Taxation Committee was called to order at 8:00 a.m., Chairman Pat Goodover presiding, in Room 415 of the State Capitol Building.

ROLL CALL: All members were present.

CONSIDERATION OF SENATE BILL 7: Sponsoring Sen. Tom Towe stated that this bill, as well as the next he will introduce, are interim bills recommended by the Revenue Oversight Committee. Senate Bill 7 simply gives to the Coal Board the independence of staffing and budgeting. The Coal Board is presently attached to the Dept. of Community Affairs for administrative purposes only. What that means is that the DCA provides the staff and approves the budget and the Coal Board has no control over either. Sen. Towe said the Board has done a good job but are hampered by the fact that they do not have authority over their own staff making the system very unworkable. Under this bill the Board would still be attached to the Dept. of Community Affairs but would have authority to hire and fire and to determine all manners of policy regarding its budget. Sen. Towe urged support of this bill which is so important in effective operation of the coal board.

PROPONENTS: Mr. Jack Cohn, former chairman of the Montana Coal Board, spoke in support of SB 7, stating that because the Coal Board does not have authority to hire its staff real problems arise because the first loyalty of employee is to DCA. This has led to conflicts, mistrust, lack of confidence, etc. Also doesn't allow the Board to fire incompetent personnel. He stated the Board had been told that the budget is none of their business, and he urged a do pass on SB 7.

Sen. Severson said he had been on the Coal Tax Council for the last two interims and on a subcommittee last session. He concurred with Mr. Cohn's request for support of SB 7.

There were no opponents, and the Chairman called for questions. Sen. Elliott asked Murdo Campbell, Montana Coal Board, what the present staff and budget are for the board. Mr. Campbell said the budget was \$170,000 and the staff was two.

CONSIDERATION OF SENATE BILL 13: Senator Towe said this bill was a product of the Coal Tax Oversight Committee and also the Revenue Oversight Committee. Sen. Towe said he had been very close to the Coal Board, felt they had done a good job, and that this bill should not be interpreted as dissatisfaction with them. The bill limits the discretion of the coal board somewhat to make sure money that the board has authority over does not go to areas where there is an abundance of money to deal with impact.

Sen. Towe stated that this bill changed something that the House had changed last session. He referred to page 1, para. 3: "Millage rates for the present fiscal year which are lower than the average millage rate levied during the 3 years immediately preceding coal development in that area or 1970, whichever is later, shall be deemed by the board to indicate the lack of local effort. The application under such circumstances shall be rejected." The House changed word may to shall. With word "shall" that says if the mill levy is lower than before coal development, there is no eligibility.

Paragraph 4 sets up a standard, said Sen. Towe, and he quoted: "In determining adequate local effort, the board shall apply the following standard. Mill levies of the applicant should be equal to a percentage of the average mill levy for comparable local government units which percentage is determined by calculating the percentage that the applicant's average mill levy during the 3 years prior to coal development in the area, or 1970, whichever is later, differed from the average mill levy for comparable local government units during the same period." Sen. Towe said this says means if a particular county or town was 7 percentage points below average before coal, the standard is 7 percentage points below now. He continued, "Applicants shall not be eligible for grants from the board if their mill levies deviate from the above standard by more than 10%." If they were below average before coal development they should find out what that level should be now 7 percentage points below average of comparable government limits and then they can deviate 10% from that figure. If more than 10%, they would not be eligible.

Para. 5: "Whenever all or part of a governmental service or facility that is needed as a direct consequence of coal development could be funded by a local government unit through its bonding capacity, the board must require that the local government unit's bonded indebtedness be at least 90% of the average bonded indebtedness of comparable local government units prior to awarding any grant to such an applicant." In other words, continued Sen. Towe, if it is a bonded item like schools, they have to be at 90% of local government units of that size before they are eligible by coal board grant.

Para. 6: There is a discrepancy fund allowed the Coal Board which does not have to apply to those items, and cannot exceed 1%. Page 3, line 18, section 2, "governing body" has been interpreted by the Attorney General to mean sewer districts, water districts, or any other organization which has a board of directors. This language would strike "or any other local." The only ones eligible would be cities, counties, towns and school districts. This would eliminate eligibility for local districts. An example, Colstrip has been vastly affected in growth and had substantial impacts. The coal tax was passed in part to deal with the impact. Population is expected to grow greatly in population. Colstrip is a

January 20, 1981

company town and was owned by Western Energy. They are now trying to sell some houses and half have been sold. Montana Power has come to support separate incorporation for Colstrip, but the people voted incorporation down. This bill is somewhat a reaction to that vote: if you don't want to incorporate, don't expect money. Sen. Towe felt that this language would have to be discussed at some length.

Sen. Severson recommended do pass on this bill.

OPPONENTS: James Mockler, executive director of the Montana Coal Council, felt the bill contained ironies connected with coal impact. He felt this bill made it impossible for any area with coal development to get money. He admitted that areas in which mines operate have a lower mill levy but questioned that these people shouldn't be allowed some benefit for the cost of impact on them.

David Kasten, McCone and Prairie County rancher, President People for Economic Progress, and Vice President of the Circle Chamber of Commerce, said he was against SB 13. Attachment #1, testimony, is made a part of these minutes.

James Harrison, Jr., representing Association of Oil and Gas Producing Counties, felt their concern has been the lack of discretion this puts on the coal board, seeing it as an attempt to tie their hands.

Doris Shepherd, Montana Association of Counties, agreed with Mr. Harrison. She felt the counties have had a good relationship with the coal board, and don't want to see their hands tied in any way.

Sen. Towe said there were two more bills coming. One would authorize the coal board to make loans and another which is a formula bill. That provides that if new impact occurs that present monies will not cover, the formula will allow monies to be withdrawn from the constitutional trust fund.

After some further questions, the hearing was closed on Senate Bill 13.

Chairman Goodover informed the committee of bills scheduled for hearing for the remainder of the week. He entertained a motion to re-open consideration of Senate Bill 41. The motion was made and SB 41 again discussed.

CONSIDERATION OF SENATE BILL 41: After many suggested amendment languages, Senator Elliotts amendment was considered as follows: To take out the date and leave it open and then if the date is a problem we can consider later. He moved to amend line 5, page 2, after words "that it", strike the words "has been" and insert "is".

January 20, 1981

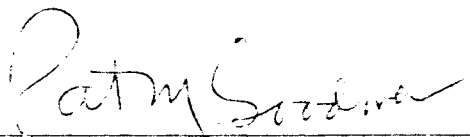
Line 6, after word "organization" strike the rest of the sentence and insert "as of the assessment date." Strike "establish prior to July 1, 1981, and put period after organizations. In title strike words after "ORGANIZATIONS" and put a period there.

Sen. Elliott moved that the amendment to SB 41 be adopted as proposed. Motion carried and it was so ordered.

A motion was made to adjourn. Then the Chairman re-opened the meeting and Senators Steve Brown, Bruce Crippen, and Thomas Towe were called on to see what recommendation they had come up with on possible committee sponsorship of Dennis Burr's Montana Tax Association bill.

Senator Crippen moved that this bill be adopted as a committee bill. The motion carried and the 13 members present concurred. Senator Healy indicated that he wished to have a yes vote recorded. This made the vote unanimous for adopting as a committee bill.

The meeting was adjourned.



Pat M. Goodover, Chairman

ROLL CALL

TAXATION COMMITTEE

47th LEGISLATIVE SESSION - - 1981

Date 1/20/81

NAME	PRESENT	ABSENT	EXCUSED
Goodover, Pat M., Chairman	✓		
McCallum, George, Vice	✓		
Brown, Bob	✓		
Brown, Steve	✓		
Crippen, Bruce D.	✓		
Eck, Dorothy	✓		
Elliott, Roger H.	✓		
Hager, Tom	✓		
Healy, John E. "Jack"	✓		
Manley, John E.	✓		
Norman, Bill	✓		
Ochsner, J. Donald	✓		
Severson, Elmer D.	✓		
Towe, Thomas E.	✓		

Each day attach to minutes.

Jan. 20, 1981

Check One	
Support	Oppose

(Please leave prepared statement with Secretary)

STANDING COMMITTEE REPORT

January 20

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PRESIDENT:

MR.

TAXATION

We, your committee on

Senate

41

having had under consideration Bill No.

Senate

41

Respectfully report as follows: That Bill No.

Be amended as follows:

1. Title: Lines 6 and 7
Following: "ORGANIZATIONS"
Strike: "ESTABLISHED PRIOR TO JULY 1, 1981"

2. Page 2, line 5
Following: "that it"
Strike: "has been"
Insert: "is"

3. Page 2, line 6
Following: "organization"
Strike: "continuously from July 1, 1981"
Insert: "as of the assessment date"

And, as so amended

DO PASS

McCone & Prairie County Rancher
President People for Economic Progress
Vice President Circle Chamber of Commerce & Agriculture

I am against Senate Bill #13 if
passed ~~it would~~ I feel it would work

Similar To The way some Emergency Funds do.
In Feb of 79 most McCone County roads
were closed Due To A severe Blizzard

The County could not receive Any Emergency
funds unless They had already used All
of Their Road Funds This Condition lasted
over 2 weeks And many Ranchers lost livestock
~~As In Eastern Montana we are having a hard~~
~~Time trying to supply the very few services~~
~~we have.~~

In Eastern Mont The point has been reached when
it is too costly for the present Agriculture based economy to
bear the cost of services required in a community
to be able to even keep up, much less Advance to
meet new services

The people in coal impact Areas should have full
Benefit of Coal Board Grants To provide Services
And TAX Relief