

MINUTES OF THE MEETING
FINANCE AND CLAIMS COMMITTEE
MONTANA STATE SENATE

April 6, 1981

The thirty-seventh meeting of the Senate Finance and Claims Committee met in room 108 on the above date. The meeting was called to order by Senator Hims1, Chairman at 9:12 a.m. The Roll Call was taken and all were present except Senator Thomas.

DISPOSITION OF HOUSE BILL 653: Senator Hims1 told Representative Nordvedt that we were having some trouble with House Bill 653 on the amendments and had waited until he was here to help. The question was on page 1, the definition of expenditures. Expenditures and income are different.

Representative Nordvedt: Some of the words are inadvertently left off. It should read general fund appropriation, the earmarked fund appropriations, and the cash protion of the appropriations in the bond proceeds and insurance clearance fund. We just left out the word appropriation.

Senator Keating: Should earmarked funds be plural? Nordvedt: Yes, because there are more than one.

Senator Hims1: Your recommendation that section 3 and 4 all be cut out because I don't think a distribution of surpluses will be a big issue. Leave it for the next legislature to deal with.

Senator Regan: The effective date is unfair. You must finish a biennium. Nordvedt: July 1, 1981 is okay.

Discussion was held on when to have an effective date and how it would effect the next legislature and this one. It was finally decided to leave the effective date off and it would automatically affect the budget for the next one. It would effect the planning time prior to the next session.

A copy of the amendments are attached.

MOTION by Senator Keating to adopt the first amendment. Voted, unanimous, Senators Smith, Van Valkenburg, and Haffey were absent.

MOTION by Senator Johnson to strike sections 3, 4 and 5 of the bill. Voted, passed, unanimous. Senators Smith, Van Valkenburg and Haffey were absent.

MOTION by Senator Regan to strike the effective date. Voted, passed unanimous. Senators Smith, Van Valkenburg, and Haffey were absent

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Motion by Senator Aklestad that House Bill 653 BE CONCURRED IN AS AMENDED. Voted, passed, unanimous of those present. Senators Smith, Van Valkenburg, and Haffey were absent.

CONSIDERATION OF HOUSE BILL 307: Representative Yardley, Livingston, said this bill was requested by the Department of Health, and specifically the Solid Waste Management Bureau. He said this would change the law to give start up money for solid waste energy programs in the state. He said presently they have incinerators that will produce energy while burning the garbage, and this is one of the things that might be done. He said Livingston is going to start up one to burn the garbage and sell the electricity to the railroad.

Questions from the committee were called for since there were no further proponents and no opponents.

Senator Etchart: This would be a significant savings. Is it on a permissive basis or not? Is the surrounding area forced to bring garbage there?

Representative Yardley: Livingston is talking about working a deal with Yellowstone Park, etc. That would not be considered voluntary. The changes in this bill do not really change that.

Senator Himsl: They have had a different system. The state would give the money at the front end to get something started. Green containers for collections or what?

Representative Yardley: It has to be something that creates energy or recycling. On page 2, line 21. It is limited to those types of projects.

Senator Smith: The question I have. The green boxes or some type of collection system. Something that would burn or provide energy. Could it mean one box for disposable and another for another type or what kind of problems will we see that have to be faced in the future?

Senator Himsl: I think I confused you on my question of solid waste programs. However, it would be related to producing energy.

Senator Keating: There are machines like incinerators for the burning of refuse around town and it is cost effective. Livingston is contracting to buy garbage. Big Timber will not need a land fill. There is some salvage, even with the burning process and is recovered as some silver, etc., that comes out of the bottom. It never comes back to the renewable fund, but is effective to the economy at the other end.

Senator Himsl: If they sell the energy, do they make a reimbursement to the state?

Senator Story: There are already grants and loans for planning. We think we are beyond the planning stage and we need the money for demonstrating.

Senator Johnson: You are putting this money back into the counties. What is the impact on private enterprise? Representative Yardley: The only ones I know about are the recycling places. You are talking about an incinerator. In Livingston they will agree to haul the garbage from the park. Maybe they will contract that to private haulers, now it is being hauled to the landfill.

Senator Keating: This will add to our electric supply. It is beneficial for two reason. We don't have to bury it in the ground and we need the supply on our grid.

Senator Johnson: We just passed through a bill on litter. It was Hager's bill, and private industry goes into it. Counties did a lot of planning, and all I see is that this is taking away from private industry.

Senator Regan: Private industry has had 25 years and haven't done anything yet. It's time we got our act together.

Senator Himsl: There is a plan going through to limit where this will be spent on renewable resources.

Senator Regan: How do you view 709? Representative Yardley: It is heartily alive and well. It could be amended with this program in it. There is another program on solid waste that was cut out.

Senator Smith: Do you have to have something to sort out the tin cans? Take out what is burnable etc. Not two sets of garbage?

Senator Boylan: It is such intense heat it can burn anything.

Senator Regan: Montana has an excellent film on this. It was taken in Iowa where they have done this. They have a high metal deal to get the cans out. It has been done.

Representative Yardley closed by saying up to now grants have been for planning. This would be start-up money. It costs about \$1.2 million for an incinerator, and all you are talking about is a small amount of start-up money. On the recycling, maybe a gigher percentage of it could be paid. If you spend all the money for planning and don't get something out of the plans it is very frustrating. I hope you will give this favorable consideration.

Senator Himsl said we would wait up on this bill since the sponsor was not present.

DISPOSITION OF HOUSE BILL 307: Motion by Senator Story that House Bill 307 be concurred in.

Senator Himsl: I am not sure there will be funds available in this renewable energy source.

QUESTION was called, the vote was taken, the motion passed, unanimous, except for Senator Johnson. Senator Story will carry this bill. Senator Thomas was absent.

DISPOSITION OF HOUSE BILL 675: This was Representative Harpers bill on traffic education. It would let the cities keep their portion of the traffic money. Discussion was held and it was decided there would be a loss to the general fund of over \$1 million.

MOTION by Senator Keating that House Bill 307 be not concurred in.

Senator Regan: I would like to speak to the motion. This session we as a legislature have been rather hard on local government in terms of decreasing their taxes or curtailing the amount of money they can collect. The "trending" bill cost the local counties a million dollars.

Senator Thomas: Only \$1 million. Many are not using the trending method. They are figuring on actual cost plus depreciation.

Senator Regan: \$2 million to the university fund went to the Universities, but out of the counties. We have in essence, routed their ability to tax. When they levy the mills, they will have to levy more mills.

Senator Keating: I asked several times if it was worth the amount of money that was being spent on it. No one from the committee here or those from the cities and towns said whether the program was worth the expenditure. If it is, I think the parents ought to pick up the tab.

Senator Himsl: This puts the state into the drivers training.

Senator Keating: We are not taking anything away from the counties when we do this, we are just not putting in. If we pass this bill we will give them an increase, if not, no difference.

Senator Jacobson: Where do the fees go?

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Senator Himsl: It goes to the school. Jacobson: It stays in the counties then? Himsl: That part, yes.

Senator Regan: If you look at the accidents experienced and at the insurance rates you will find that kids who have had drivers education are better drivers and more defensive drivers. It is not a part of private education. They pay a special fee to take it. If during a school year, it is part of the course, if in the summer time, they pay. It is part of the curriculum of the school districts. I don't think because it is part of the local district it changes. We looked for a source of funding and we had them pay, really it is a state obligation. It is not one to pass on to the schools. It would be nice to say teach our kids to drive. I would certainly have paid them to teach mine. If I had taught them we would not have been speaking to each other for weeks. I think the issue is to give them some relief. Representative Harper said not all counties participate in putting money into this.


Senator Thomas: There has never been an audit done to see if all the fines are turned into the state.

Senator aklestad: If I interpret the bill the counties could keep 35% more in the counties.

Question was called motion voted and failed.

MOTION by Senator Regan that House Bill 675 BE CONCURRED IN. Agreement by the committee to reverse the vote. Vote passed.

The meeting was adjourned at 9:52 a.m.


SENATOR HIMSL, CHAIRMAN

STANDING COMMITTEE REPORT

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April 7

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MR. **President**

We, your committee on **Finance and Claims**

having had under consideration **House** Bill No. **675**

(Regan)

Respectfully report as follows: That **House** Bill No. **675**

4/10
BE CONCURRED IN

~~DO NOT~~

~~Senator Himsel~~

Chairman.

SENATE COMMITTEE

FINANCE AND CLAIMS

Date

4/6

Bill No.

4

Time

7:45

NAME	YES	NO	ABSENT	EXCUSED
Senator Etchart	✓			
Senator Story	✓			
Senator Aklestad		✓		
Senator Nelson		✓		
Senator Smith	✓			
Senator Dover			✓	
Senator Johnson		✓		
Senator Keating		✓		
Senator Boylan	✓			
Senator Regan		✓		
Senator Thomas		✓		
Senator Stimatz			✓	
Senator Van Valkenburg		✓		
Senator Haffey		✓		
Senator Jacobson		✓		
Senator Himsl		✓		

Sylvia Kinsey
Secretary

Senator Himsl
Chairman

Motion:

Resolved

and
the
Resolved Vote for Himsl

ROLL CALL

FINANCE AND CLAIMS COMMITTEE

47th LEGISLATIVE SESSION - - 1981 Date

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NAME	PRESENT	ABSENT	EXCUSED
Senator Etchart	✓		
Senator Story	✓		
Senator Aklestad	✓		
Senator Nelson	✓		
Senator Smith	✓		
Senator Dover	✓		
Senator Johnson	✓		
Senator Keating	✓		
Senator Boylan	✓		
Senator Regan	✓		
Senator Thomas	✓		
Senator Stimatz		✓	
Senator Van Valkenburg	✓		
Senator Haffey	✓		
Senator Jacobson	✓		
Senator Himsl	✓		

STANDING COMMITTEE REPORT

April 6

19 81

MR. President

We, your committee on Finance and Claims

having had under consideration House Bill No. 653

(Hims1)

Respectfully report as follows: That House Bill No. 653, blue bill, be amended as follows:

1. Title, lines 1 and 2.

Following: "LIMITATION;"

Strike: "TO PROVIDE FOR SCHOOL LEVY RELIEF WHENEVER EXCESS REVENUES ARE COLLECTED;"

2. Title, lines 8 and 9.

Strike: "; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE"

3. Page 1, lines 19 through 21.

Following: "means the"

Strike: "total amount of money generated from state resources that is spent by any agency of state government,"

Insert: "general fund appropriations, the earmarked fund appropriations, and the cash portion of the appropriations in the bond proceeds and insurance clearance fund,"

XXXXXX
XXXXXX

(continued)

April 7

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4. Pages 3, 4 and 5.

Following: Page 3, line 11

Strike: all of section 3, section 4 and section 5 in their entirety.

W.C.

And, as so amended,
BE CONCURRED IN

STANDING COMMITTEE REPORT

April 6

1981

MR. President

We, your committee on Finance and Claims

having had under consideration House Bill No. 307

(Story)

Respectfully report as follows: That House Bill No. 307

4/c.
BE CONCURRED IN

DO PASS

FRONT-END IMPLEMENTATION GRANTS FOR SOLID WASTE MANAGEMENT

CAPITAL EQUIPMENT

History

- * In 1977, the Montana Legislature enacted the "Solid Waste Management Act" which directed the department to provide planning grants and organizational loans to units of local government for waste management activities.
- * Organization loan funds were to be secured through use of coal tax severance funds but did not become available because of litigation on the tax.
- * The department did provide grant monies to units of local government to conduct detailed areawide planning for solid waste management.
- * To date, the following entities have jointly participated in this planning effort:
 - 23 counties
 - 230 municipalities
 - the National Park Service
 - a military installation
 - an Indian reservation
 - a large private company
- * Most of these areas have recently completed or are nearing completion of their planning efforts and are now considering implementation of their areawide plan.
- * It is at this point where the application of state financial assistance will be of most importance in implementing planned waste management systems throughout the state.
- * In addition, there are numerous existing county-wide waste management programs in the state. Many of these programs are considering making modifications to be compatible with new waste management systems such as resource recovery and recycling.
- * The department has applied for a \$400,000 grant under the Renewable Resource Development program. These monies will be passed on to local governments for the development of resource recovery and recycling programs.
- * During the next two years, there is a possibility that federal funds will become available to the state to pass on to local governments for the purposes of implementing waste management systems.
- * Provisions in the bill are required so that the department will be able to release these funds for implementation purposes on the local level.

Provisions of Bill

- * The proposed bill provides for the following provisions:
 - * make grants available to local governments for planning or front-end implementation of solid waste management systems

- * provides the terms of agreement for grants between the department and local governments and includes the following:
 - * grants cannot exceed 50% of reasonable purchase price of capital equipment
 - * local government must agree to operate and maintain a waste management system in accord with a plan that conforms to the state solid waste management plan and has been approved by the department
 - * local government must agree not to discontinue or terminate a waste management system funded under this bill without approval of the department
 - * local government must certify that grant funds will be used solely for purposes stated in the agreement
 - * local government must maintain adequate financial records.
- * The above provisions will assure that any public funds spent under this grant program will be used solely for the purposes that they were intended.

Benefits

- * Providing front-end implementation assistance will have a considerable impact upon the development of waste management systems including resource recovery facilities in Montana.
- * Benefits to be realized:
 - * The establishment of areawide waste management systems substantially reduce the amount of land required for disposal of solid wastes.
 - * Significant energy savings are realized with the replacement of numerous small disposal sites with one areawide disposal facility.
 - * There is a great potential for recovering significant energy from municipal wastes by incineration to produce steam and/or electricity.
 - * Past areawide planning has identified numerous localities in the state where the development of resource recovery facilities to recover energy is an economically attractive alternative to current practices.
 - * Numerous counties and municipalities are now at the point where they can begin implementing resource recovery systems.
 - * There is a good potential for the further development of relatively small scale recycling efforts in the state such as:
 - * the current Helena Newspaper Recycling Program
 - * community recycling centers reclaiming materials such as:
 - * aluminum cans
 - * steel cans
 - * newspapers
 - * cardboard
 - * select office paper

- * recycling centers that employ developmentally disabled persons such as are located in Kalispell and Havre
- * Front-end implementation assistance will be of considerable support for these smaller programs as well.

Amendments to House Bill 653

Page 1, Lines 6-7

Strike "to provide collected"

Page 3, Line 12 to Page 5, Line 11

Strike in entirety

This above amendment would eliminate the mechanism for distribution of surplus revenue. The surplus would stay in the general fund to be dealt with by the legislature as they saw fit. This is not an important part of House Bill 653. With passage of Initiative 86 there will tend to be substantially less surplus in coming years.

Page 1, Lines 19-21

after "means the" strike "total amount ... government"

insert "general fund,^Q the earmarked funds,^Q and the cash portion of the bond proceeds and insurance clearance fund" *Q - 1*

This amendment simply define total state expenditures in a way simply administerable.

leave by 1/1

Don. Huen

MONTANA STATE BALLOT



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Dear NFIB Member:

Please take a few minutes and complete the following questions which pertain to small business issues in your state.

We are interested in your answers to the questions in this survey, and any comments you may have.

Please **return the entire** survey for processing.

Thank you.

Wilson S. Johnson, President

TAXES/FISCAL

1. QUESTION

Should the state phase out the inventory tax over a five-year period by providing an income tax credit as an offset against tax paid on business inventories?

Favor Oppose Undecided

87% 5% 8% 11

BACKGROUND

Montana is one of the few states that still levies a business inventory tax. The most difficult aspect of repealing this tax is the loss of revenue to local units of government. This proposal would phase out the inventory tax over a five-year period by increasing the tax credit in increments 20% each year until a full credit could be taken.

2. QUESTION

Should local governments be allowed to levy local option taxes if they are approved by the voters of the city or county involved?

Favor Oppose Undecided

49% 46% 5% 12

BACKGROUND

The most recent economic recession has made local governments look for new sources of revenue. The state Legislature will consider legislation which allows cities and counties to impose local sales and/or excise taxes. This proposal provides residents with the opportunity to decide whether their local governments should operate within the amount realized from existing sources of revenue or whether cities and counties should be able to expand their tax base, upon approval of the voters.

3. QUESTION

Should capital gains, interest income and depreciation for capital investments be indexed for inflation?

Favor Oppose Undecided

85% 12% 3% 13

BACKGROUND

Inflation causes taxpayers to pay taxes on gains from the sale of property which are not, in fact, real gains and it causes distortions in interest income. It also causes businesses depreciating capital investments over a number of years to receive allowances in less valuable dollars, which results in an overstatement of earnings and overpayment of income taxes.

Small business, which has been and should continue to be vital to the economy of Montana, is being severely squeezed as inflation weakens its capitalization structure. The average small business person is not blessed with an abundance of financial resources and, therefore, is highly dependent upon outside financing to the continuity of his business operation. He finds himself being crowded out of the money market as more and more of these funds are drawn away from the private sector to support increased levels of government spending.

In addition, and as a result of the inflationary spiral, small businesses are caught, for all practical purposes, on a perpetual treadmill as it requires an increasing percentage of profits just to maintain the same level of inventory on their shelves and to cover inflated overhead and related service expenses. This leaves little opportunity to realize any expansion potential and job creation ability. The financial incentive is rapidly disappearing for the independent-minded individual to remain in business or assume the risks now associated with the high cost of new business formation.

Inflation has made it impossible to turn back the clock to the time when a business could be started on shoe string. It is doubtful that anyone would want to return completely to those days. However, neither can this state or nation afford to see the time come where independent, inventive entrepreneurs are priced out of the marketplace in their endeavors to launch new innovative products which offer potential advancements to our standard of living as well as additional job opportunities within the private sector.

State government has had more than sufficient time to grab the initiative on this issue. However, it has chosen not to do so. Therefore, it is respectfully urged that this committee give favorable consideration to House Bill 653.