

MINUTES OF THE JOINT MEETING OF THE HOUSE HIGHWAYS  
AND TRANSPORTATION AND TAXATION COMMITTEE,  
JANUARY 29, 1983

The meeting was called to order by Chairman Abrams on Saturday, January 29, 1983, at 8am, in the SRS Auditorium. All members of the Committee were present with the exception of Representatives Howe, Lybeck, O'Connell and Shontz, who were absent.

CHAIRMAN ABRAMS introduced Rep. Dan Yardley, Chairman of the House Taxation Committee. All members of his Committee were present.

CHAIRMAN YARDLEY assumed the position of presiding Chairman for the remainder of the meeting and explained the hearing procedure to those present and said House Bill 11 would make permanent the 1 cent motor fuels tax increment enacted in 1979 and raise the motor fuels tax rate 3.5 cents per gallon to increase the allocation to counties, cities and towns.

HEARING

HOUSE BILL 16. REP. JOHN HARP, District 19, Flathead County, testified as chief sponsor of the bill, which is a Joint Subcommittee on Highways proposal to assist highway funding via a 3.5 increase in taxes on gas, diesel fuel and volatile liquids, of which .5 cents go to local governments. He said consumer use of fuels peaked in 1980 and is declining, citing a 13% drop in consumption since then and advised a 1977 dollar is worth only 61 cents today. He told the Committee the State has a problem and needs to direct its resources toward the primary system of which over 1,500 miles are critical, adding more than 50% of Montana highways are 25 years old and more than 25%, 40 years old.

REP. HARP said transportation needs have changed in areas which have not yet seen the impact of such changes and he is concerned with the 4,700 miles of secondary highways of which only 2,500 are paved. He told the Committee the system needs to be improved for the sake of the marketplace, safety and jobs created by construction and said people are concerned with federal tax increases recently passed which will add to the present \$19 million level for a total of \$21 million. He advised primary system funds available for 1984 through 1986 will be \$23.5 million, \$25.8 million and \$27.5 million, respectively.

REP. HARP explained funds for the secondary system will change from \$9 million to \$11.7 million annually, through 1986 and said emphasis will be placed on the I-4R Program

to repair existing interstate and funds will increase from \$12.3 million to \$29.8 million, with bridge replacement funds increasing from \$5 million to \$10 million during the same four year period. Rep. Harp said the Interim Subcommittee recognizes the funding problems indicated in 1985 and 1986 and future years, as earmarked funds were at a \$10 million deficit during the last biennium, adding with the 21 cent decline in gas prices, the projected price is 85 cents per gallon by September, 1983.

PROPONENTS

MR. GARY WICKS, Director, Department of Highways, testified in support of the bill and read from prepared statements amendments proposed by the Department (exhibits).

MR. ILERT HELLEBUST, Havre, Chairman of the Montana Highway Commission, said the State's primary and secondary roads are in need of attention, citing the highway between Havre and Great Falls as an example. Mr. Hellebust told the Committee he supported the proposals made by Rep. Harp and those of the Department, adding Montana cannot afford to lose its investment in the highway system. He said with the present recommendation of a \$5 increase on imported crude oil, gas prices would be certain to increase accordingly.

MR. ROY DUFF, Whitefish, Montana Highway Commission member, said his community must depend upon primary and secondary roads in Western Montana, as there is no interstate system. He told the Committee the people are willing to pay for highways if it means they will be able to drive on decent roads and urged the Committee to support the bill.

MR. LARRY HUSS, Chairman, Montana Highway Users Federation and Governor's Transportation Council member, said no one on the Council objected to the amount of funds needed by the Department to improve primary and secondary highways. He informed committee members the solution presented in House Bill 16 was an interim measure which would resolve the situation until a permanent solution could be proposed. Mr. Huss said the Governor's Transportation Council opted for the use of Permanent Coal Tax Funds and he was concerned about how much general funding would be available for the program, as it is proposed, adding the general fund would be feed for other uses if coal tax dollars were used for this purpose.

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MR. HUSS told committee members he opposed the use of earmarked revenue funds for cities and towns since they have an optional two mill gas tax for this purpose.

MR. BEN HAVDAL, Montana Motor Carriers Association, stated his support of the bill in prepared testimony (exhibit).

MRS. GLENNA PHILLIPS, Montana Logging Association, concurred with Mr. Havdal's statements in support of the bill.

MR. GARY BUCHANAN, Director, Department of Commerce, told the Committee he participated in meetings of the Governor's Transportation Council and he believes it crucial the program be dedicated to economic development in the State, adding the bill would create 1,900 new jobs for Montanans and urging the Committee to support the bill.

MR. MIKE RICE, Transystems, Inc., Great Falls, told the Committee he was involved in interstate transportation of grain, sugar beets and fuel. He stated his support of the Department's proposed amendments, adding as a result of recent federal legislation, the average tax of \$6,800 on a truck would increase by more than \$3,300. He said with the projected State increase of approximately \$900 per vehicle, state and federal taxes combined would come to nearly \$11,000 per vehicle by 1986, an increase of 50%. He explained there is a 40% idle capacity within the trucking industry at this time and his own business is experiencing layoffs for the first time. Mr. Rice suggested non-user fees as an alternative to increased taxation and reaffirmed his support of the bill.

MR. CHRIS JOHANSEN, Montana Farmers Union, stated his support of the bill and that of MFU members.

MR. MIKE FITZGERALD, Montana International Trade Commission, explained to the Committee the Commission is a private economic development corporation and during the past year, has been compiling information for the Montana Economic Development Project, based on markets, supplies, capital, transportation and labor, which is being incorporated into a report to be made available during the coming week. He said transportation in the State

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is of primary importance and every other state in the U.S. is at least 500 miles closer to a major market area than Montana, adding this fact drastically indicates the importance of highways to the State. Mr. Fitzgerald said the investment requested in the bill is an investment in the future of the State, since transportation is a vital link to every industry in Montana, including tourism. He stated his support of the bill and other transportation bills offered by the Department.

MR. GENE FENDERSON, Laborers Union, Local 254, read from a prepared statement in support of the bill (exhibit).

MR. ROBERT HELDING, Executive Director, Montana Wood Products Association, stated his support of the bill and urged the Committee to consider use of coal tax funds for funding.

MR. KEITH ANDERSON, Montana Taxpayers Association, said he agreed with the proposed increase in motor fuels tax and the utilization of the coal tax fund, and expressed his support of the bill on an interim basis, with a full legislative review in 1985.

MR. JIM MAYES, Local 100, Operating Engineers, provided committee members with a prepared statement in support of the bill (exhibit).

MR. JOHN BRAUNBECK, Montana Chapter, Intermountain Oil Marketers Association, provided members with amendments to the bill, adding his support of the use of coal tax funds and requesting the Committee consider a statewide increase of 1 cent per gallon on the price of gasahol.

MR. JOE ROBERTS, Montana Public Employees Association, stated his support of the bill.

MR. LARRY TOBIASON, Montana Automobile Association, told the Committee a survey of members indicated clear support of the bill, leading away from dependence upon user taxes and toward sharing of the highways funding burden.

MR. MIKE STEPHEN, Montana Association of Counties, said there is a need for a safe and reliable highway system in the State and told the Committee there are presently 63,000 miles of rural roads in Montana, adding 29 of the 56 counties are presently at their maximum in road mill levies. He said the system should be referred to

as a transportation system, in stating his support of the bill.

MR. BILL OLSON, Montana Contractors Association, said he supports the bill and the Department's proposed amendments, which would create 40 to 50 jobs per mile of highway constructed.

MR. ALEC HANSEN, Montana League of Cities and Towns, said his organization was against the amendments proposed by the Intermountain Oil Marketers Association, which would exchange the 1 cent tax for the 2 mill levy, but did support the bill and the amendments proposed by the Department of Highways.

MR. BILL VERWOLF, City of Helena, proposed page 6, line 12, be amended to change the bidd limit to \$10,000 from \$4,000, adding his support of the bill and stressing the need for increased allocations to cities and towns, who utilize the tax for immediate repair situations rather than long term preventive maintenance programs.

#### OPPONENTS

MRS. JO BRUNNER, Women Involved in Farm Economics, read from a prepared statement in opposition to the bill and stated her concern with the increased tax at the federal level on diesel fuel, which she said would ultimately reach into consumer's pockets. She told committee members House Bill 16 would create yet another burden for the consumer.

REP. HARP closed his testimony without further comment.

#### QUESTIONS

REP. DOZIER asked what percentage of highway bids were contracted to out of state firms. Mr. Wicks replied Montana is limited to a 3% acceptance preference ratio only when federal funds are not involved in actual construction, and at which time contracts can be awarded to Montana contractors, and said it is the Department's responsibility to award the contract to the lowest bidder.

REP. NORDTVEDT asked what position would be assumed if the bill were to pass through the Legislature and fail in a referendum before the people of the State of Montana. Mr. Wicks replied a referendum would not resolve all

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the State's highway funding problems and would not become effective until 1985, if the bill did pass. He cited this possibility as the reason the Governor and the Department proposed an increased fuel tax for the present and coal tax funding as a future option.



REP. NORDTVEDT asked if the State had ever been at a \$100 million federal funding level in the past. Mr. Wicks replied it had, however the funds had been assigned to interstate construction, which are now I-4R funds, adding the primary system has been ignored for some time and needs to be addressed now.

The hearing on House Bill 16 was closed.

CHAIRMAN YARDLEY explained the bill would be acted on in Highways and Transportation Committee executive session prior to being referred to Taxation Committee. He advised no action was contemplated on House Bill 6 and the bill would probably be tabled by the Highways and Transportation Committee.

CHAIRMAN YARDLEY requested minutes from the hearing be distributed to all committee members at the request of Rep. Brown.

The meeting was adjourned at 9:45am.

  
REP. HUBERT ABRAMS, CHAIRMAN  


Joann T. Gibson, Secretary

WITNESS STATEMENT

Name Gary Buchanan Committee On Highways  
Address \_\_\_\_\_ Date 1-29-83  
Representing Director Montana Dept. of Commerce Support ☒  
Bill No. HB 16 Oppose \_\_\_\_\_  
Amend \_\_\_\_\_

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. Proponent
2. Critical part of Build Montana program
3. Critical to economic development in the State
4. Short term stimulus for 1900 jobs.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name CHRIS JOHANSEN Committee On Highways  
Address Box 2447, Gr. Falls, Mt. 59403 Date 1-29-83  
Representing MONTANA FARMERS UNION Support ✓  
Bill No. HB 16 Oppose \_\_\_\_\_  
Amend \_\_\_\_\_

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. Because of the deteriorating condition of our highways, especially in the rural areas, our membership at their last annual meeting passed a resolution favoring increased gasoline taxes. We favor favorable consideration of HB 16
- 2.
- 3.
- 4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.



WITNESS STATEMENT

Name Jim Mays Committee On HB 16  
Address 2737 Airport Rd Helena Date 1-29-33  
Representing local 400 LUOE. Support X  
Bill No. HB 16 Oppose \_\_\_\_\_  
Amend \_\_\_\_\_

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1.

2.

3.

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name John J. Brennan

Committee On Transportation

Address 1217 W. 1st Ave

Date 1-24-55

Representing Chicago T.R.C.

Support W.H. [unclear]

Bill No. 45-16

Oppose \_\_\_\_\_

Amend \_\_\_\_\_

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. First time heard of it
2. I will go to [unclear]
3. Amend to [unclear]
4. \_\_\_\_\_

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name Larry A. Tobiasson Committee On Highways  
Address 607 N. Lombard Date 1-29-83  
Representing Mont. Auto Assn. Support \_\_\_\_\_  
Bill No. HB 16 Oppose \_\_\_\_\_  
Amend \_\_\_\_\_

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. Support Highway Users position
2. Oppose Diversion of gas tax money to  
Cities & Counties.
3. Committee should look at all sources of  
Revenue before a final decision is made.
- 4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

# WITNESS STATEMENT

Name Mike Stephen Committee On Highways  
 Address \_\_\_\_\_ Date 1/29  
 Representing MT Assoc. of Counties Support +  
 Bill No. HB 16 Oppose \_\_\_\_\_  
 Amend \_\_\_\_\_

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

## Comments:

1. Local governments are extremely interested in providing sound & safe transportation at the local level. Economic competition - (H&S safety) (rural, secondary, primary)
2. MT. is destined to look at their transportation road system - over 60,000 rural roads, secondary & primary interest local governments.
3. The last session increased the cap on the road levy for counties - say how much roads has
4. Already driven 52% (29 counties) to the max mill. Local governments are willing to raise their fair share to provide a reliable transportation system. However, previous testimony on this is available to adequately keep up with the necessary expenditure to provide an adequate & safe system.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

However, when we discuss the MT. Highway system, we should refer to it as the MT. Transportation System because it will take ~~the~~ some roads at the local level plus with the primary interest to the

WITNESS STATEMENT

Name William Olson Committee On Highways  
Taxation  
Address Helena Date 1/29/83  
Representing MT. Contractors Assn. Support ✓  
Bill No. HB 16 Oppose \_\_\_\_\_  
Amend As per Governor Proposal

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. Supports funding for Highway program to meet justifiable needs.
2. Concept of fuel taxes supported as well as other funding sources to provide a long range highway program.
3. Funding at proper level would create considerable employment. 50-60 jobs created per Million dollars construction.
4. Highway Dept. has become more responsive in last 2 years.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name Alec N. Hansen Committee On Highways  
Address Helena Date 1-29-83  
Representing League of Cities Support ✓  
Bill No. HB 16 Oppose \_\_\_\_\_  
Amend \_\_\_\_\_

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: THE LEAGUE OF CITIES SUPPORTS THIS bill

1. FOR THE SIMPLE REASON THAT IT WILL MAKE ADDITIONAL FUNDS AVAILABLE FOR THE CONSTRUCTION AND MAINTENANCE OF MUNICIPAL STREETS.
- 2.
- 3.
- 4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name Bill Verwolf Committee On Highways  
Address 1029 3rd Helena Date 1-29-83  
Representing City of Helena Support X  
Bill No. HB 16 Oppose \_\_\_\_\_  
Amend \_\_\_\_\_

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. The City of Helena supports this bill, recognizing the importance of completion and maintenance of the transportation system in this State.
2. The change in allocation of these funds to counties and cities and towns is very much needed for the maintenance and improvement of roads and streets. The actual receipts for the City of Helena from Gas Tax have decreased in the past few years while costs have continued to rise. Cities are using Gas Tax more and more to correct immediate break downs of the street system rather than for longer term preventative maintenance that would lower these break downs.
- 3.
4. I would recommend that the formal bid limit shown on page 6 line 12 be changed to \$10,000. in line with the change in this limit for all other contracts.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

*Joint Committee meeting  
of House Highways and House  
Taxation*

Name JERRY RAUNIG Committee On \_\_\_\_\_  
 Address Helena Date 1-29-83  
 Representing Mt. Auto Dealers Assoc Support \_\_\_\_\_  
 Bill No. HB 16 Oppose \_\_\_\_\_  
 Amend \_\_\_\_\_

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. *We support the position presented by the Montana  
Highway Users Federation*

2.

3.

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.



WITNESS STATEMENT

Name GEORGE L BOUSLIMAN

Committee On Highways

Address \_\_\_\_\_

Date 11/29/82

Representing URBAN COALITION

Support X

Bill No. H R 16

Oppose \_\_\_\_\_

Amend \_\_\_\_\_

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1.

2.

3.

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name Howard Wheatley Committee On Highways  
Address 6 Rte + Falls M. Date 1/29/83  
Representing MONTANA Iron Support ☒  
Bill No. H B 11 Oppose \_\_\_\_\_  
Amend ☒

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1.

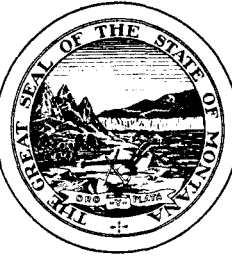
2.

3.

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

# DEPARTMENT OF HIGHWAYS



TED SCHWINDEN, GOVERNOR

2701 PROSPECT

STATE OF MONTANA

HELENA, MONTANA 59620

## MEMORANDUM

TO: The Honorable Hubert Abrams  
Chairman  
Highways and Transportation Committee  
Montana House of Representatives

FROM: Gary J. Wicks  
Director of Highways

RE: Financial District Construction Costs;  
Highway 13 Sufficiency Ratings

DATE: January 26, 1983

Two questions were recently raised in meetings of your committee regarding the average cost of completing reconstruction projects in the various financial districts and a comparison of sufficiency ratings on two different sections of State Highway 13. The purpose of this memo is to answer those questions.

To answer the first question, I asked our Preconstruction Bureau to examine representative projects in each financial district and develop what they felt were representative figures. Obviously, the cost of such projects can vary widely, even within the same financial district, so the figures below should be approached with some caution. In any case, the data is as follows:

Financial District	Number of Projects	Average Cost Per Mile
1	4	1,040,000
2	1	830,000
3	1	660,000
4	3	660,000
5	2	520,000
6	1	500,000
7	2	490,000
8	2	740,000
9	1	690,000
10	1	540,000
11	1	680,000
12	2	670,000

Honorable Hubert Abrams  
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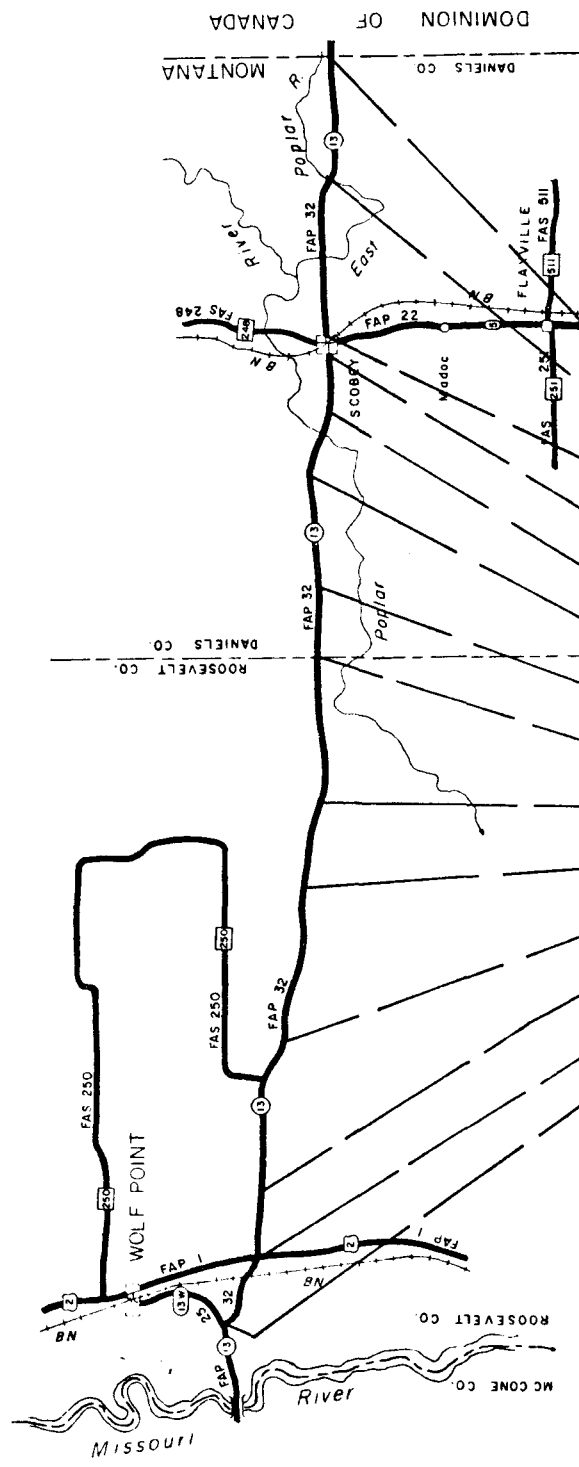
It should be noted that all of the projects sampled were heavy reconstruction efforts on the primary system.

Representative Solberg asked about the difference in the sufficiency rating between two stretches of roadway on Highway 13 north of Wolf Point. That portion of the route -- a primary highway -- continues from Wolf Point to the Canadian border, running through both Roosevelt and Daniels Counties. Representative Solberg asked about the sections between mileposts 3.7 and 6.2 and between 51.7 and 60.9. The attached page from the Department of Highways' 1981 Sufficiency Ratings highlights those two stretches of roadway. In the case of the former, the rating is 96. It is a section that was fully reconstructed in 1979 to a 32-foot width. It has a service volume of 487 cars per day. The other section was resurfaced in 1968, is 24 feet wide and has a service volume of 286 vehicles per day (with an actual average daily traffic rate of only 79 vehicles). This section contains a sufficiency rating of 61.

If we can be of any further assistance on these or any other matters of interest to the committee, please don't hesitate to ask.

A handwritten signature in cursive script, appearing to read "Ray J. Nick". The signature is written in dark ink and is positioned in the lower right quadrant of the page.

GJW:SH:nr:211/C



BEGINNING MILE POST	0.0	3.7	6.2	14.1	23.4	28.1	35.2	38.8	44.4	48.1	50.7	51.7	60.9
LENGTH	3.7	2.5	7.8	9.2	4.7	7.0	4.6	4.5	3.7	2.5	0.9	9.1	4.8
YEAR BUILT	76	76	33	33	33	33	33	33	33	33	33	33	33
YEAR IMPROVED	79	79	79	79	79	79	79	79	79	79	79	79	79
SURFACE WIDTH	32	32	24	24	24	24	24	24	24	24	24	24	24
ROADWAY WIDTH	32	32	24	24	24	24	24	24	24	24	24	24	24
SURFACE TYPE	PMS	PMS	PMS	PMS	PMS	PMS	PMS	PMS	PMS	PMS	PMS	PMS	PMS
ADT	426	543	524	440	410	410	470	589	722	915	222	76	ADT
DHV	59	76	73	61	57	57	65	52	101	128	31	10	DHV
SERVICE VOLUME	487	487	221	196	221	168	147	168	345	168	370	286	SERVICE VOLUME
FOUNDATION - 10	9	9	0	0	0	0	0	0	0	0	7	4	FOUNDATION - 10
SURFACE - 30	28	29	13	15	13	11	13	14	13	13	20	16	SURFACE - 30
DRAINAGE - 10	10	10	7	7	7	7	7	7	7	7	10	10	DRAINAGE - 10
SAFETY - 20	6	20	1	1	1	1	1	2	1	1	3	2	SAFETY - 20
CAPACITY - 30	28	28	25	25	26	25	23	23	26	19	29	29	CAPACITY - 30
SUFFICIENCY RATING	91	96	46	48	48	44	46	43	54	41	69	61	SUFFICIENCY RATING
ADJUSTED RATING - TRAFF.	95	96	51	54	55	51	52	47	57	42	78	76	ADJUSTED RATING - TRAFF.
DEFICIENT MILEAGE	.70	.10	4.22	4.82	2.47	3.94	2.52	2.62	1.70	1.42	2.84	1.90	DEFICIENT MILEAGE
ADJUSTED RATING - ACCIDENTS	86	96	51	54	55	51	52	47	69	42	81	79	ADJUSTED RATING - ACCIDENTS

TESTIMONY BY GARY J. WICKS BEFORE  
THE HIGHWAYS & TRANSPORTATION AND  
TAXATION COMMITTEES OF THE  
MONTANA HOUSE OF REPRESENTATIVES  
JANUARY 29, 1983

Mr. Chairman, and members of the committee, my name is Gary Wicks, Director of the Department of Highways. You have before you today HB 16, a legislative proposal critical to the future of Montana's highway system and economy.

As you are well aware, few problems have become so pervasive in our state as the condition of our transportation system. The shrinking of our railroad system elevates highways to the most important means of transportation in Montana. The condition of these highways is critical to a healthy and prosperous economy, not only in our state but in the rest of the West as well. Their condition determines our ability to compete in national and international markets and our ability to expand our economic base. Because of the direct relationship between good highways and a healthy economy, we have reason to be deeply concerned about our economic future. Why? Because as you know, and as the record clearly shows, our major highway systems are in poor shape and getting worse.

The statistics pertaining to condition of our roadways are no doubt familiar to you by now. They have been described in some detail in the booklet we distributed to you last November entitled, "Report to the 48th Legislature."

First, there is the primary system, without question the most important 5,500 miles of roadway in Montana because it

serves the most people and communities and carries the largest traffic load. This system is in the worst shape of all. Fully 50 percent, or 2,660 miles, is considered substandard, and about 10%, or 460 miles, is considered to be in critical condition. Just to reconstruct the 460 critical miles would cost approximately \$270 million, but the Department of Highways will spend less than \$30 million per year in the foreseeable future on the primary system.

Second, our 1,200 mile Interstate system is not yet completed. Four critical gaps remain in the system: 47 miles of four-lane and 27 miles of two-lane construction need to be completed at a cost of \$154 million. In addition, repair and reconstruction needs are also increasing as the age of many miles of Montana's Interstate highways approaches 20 years or more without any benefit of a preventive maintenance program to preserve the pavement.

Serious problems also exist on the other road systems and bridges in the state, but based on their importance to the state's economy and their people-moving capacity, the two most important problems we currently face involve the Interstate and primary systems. The first is badly in need of being completed, while the second is critically in need of being reconstructed.

The Governor's proposals to deal with these priorities were laid out in the Report to the 48th Legislature and are an important part of the Build Montana Program.

The proposal for the primary system was to expand the Reconstruction Trust Account approved by the Legislature in 1981 to a

\$40 million a year, ten year program to upgrade and stop the deterioration of the primary system in Montana. It would provide over \$30 million a year to be spent outside the financial district law for pertinent highways. Eight million dollars a year would go to establishing in Montana, for the first time, a preventative maintenance program - long overdue - as a means of lengthening the life and preserving our substantial investment in highways. It is also a program that cannot be funded with federal funds.

Those proposals were to finance the accelerated completion of the Interstate gaps by having the Legislature authorize the sale of \$60 million worth of bonds. The bonds would be retired by federal funds received every year for interstate construction. The proceeds would be used to let to contract in the next two years all projects on Interstate 15, between Butte and Basin, all projects on I-90 between Missoula and the Idaho border, almost all projects on I-90 between Hardin and the Wyoming border, and a project to add two lanes to the existing two lane section of highway between Big Timber and Livingston.

The funding proposal was basically the same as that suggested by both the Legislative Interim Subcommittee on Highways chaired by John Harp and the Governor's Transportation Advisory Council: Make permanent the 1¢ per gallon fuel tax scheduled to end in June, 1983; take the State Highway Patrol out of highway earmarked account and pay for it with General Fund revenues; increase the gas tax by 3.5¢ and diesel by 4.5¢; increase GVW fees by 35%; and take \$15 million a year from the coal tax -- A



funding package that spreads the revenue needs into a number of categories -- a good proposal.

The advantages of the program -- would be to put people to work rapidly in an industry that is one of the hardest hit by recession; close key gaps on the Interstate three to four years earlier than would otherwise be possible; begin bringing the primary system up to a level needed to support an economy capable of expanding; and to protect the investment of hard earned tax dollars.

The program for the first time has been laid out in substantial detail. In the report to the 48th Legislature we have laid out what projects would be built and where under the current program, the reconstruction trust program, and the accelerated completion of the Interstate. We've tried to let people of the state see what they are getting for their money.

What has happened since the Governor's proposal was submitted is passage of the new federal legislation increasing fuel taxes by 5¢ per gallon, increasing other fees and taxes on heavy trucks, and allocating more funds to an expanded highway program. The question raised most often is "won't this solve our problems?" -- The answer is no.

We will definitely get more federal assistance -- federal obligation authority will increase from \$66 million for 1983 prior to the Act to \$100 million, an increase of \$34 million. That \$100 million will increase over the remaining three years of the bill. But the increase does not come in the priority areas we have identified. As Chart #1 indicates there will be hardly

any increase in Interstate construction, only a slight increase for the primary system over the next four years, the urban fund increases insignificantly, and the secondary fund goes up the first year, but stays fixed for the remaining term of the Act.

The increase comes mainly in two areas - Interstate 4R for reconstruction, rehabilitation, restoration and resurfacing of the Interstate already constructed and for bridges. We do need the increase in money for these two systems -- the Interstate is aging and definitely needs work and we have many bridges that are substandard. Consequently, we will be able to effectively use the money in these areas.

But the problems with the Interstate gaps and the primary system remain. Prior to the enactment of the new federal law, the Governor had proposed a program designed to take major steps toward solving these problems. These steps are still necessary. With your concurrence, we are still determined to move forward.

Just a quick statement on how we arrived at what the Department of Highways' revenue needs are. First, we did everything we could to use increased federal funds in priority areas to reduce the impact on Montana taxpayers as much as possible and still get the job done. For instance, we had a balance of primary authorization that had not been obligated because of prior freezes on federal spending. By using this on primary reconstruction projects, we avoided having to spend 100% state funds, as proposed, during the first year of the new biennium. But those balances will be gone by the second year and if we are going to do something about the primary after that point, we will need to spend more state dollars.

We also took a look beyond FY 1985 in estimating our revenue needs. This is necessary because we have, at the request of the Legislature, shifted to cash funding of projects -- pay as you go instead of setting state funds aside as projects were let to contract. We need to have assurance the revenues will be there in the out years before we can contract for a set level of programs in 1984 and 1985. It is important to note that we are looking only for an assurance of revenue for the 1987 biennium - not an appropriation. That process is clearly the responsibility of the 49th session. We are thus not asking for appropriation authority beyond 1985.

And, 1985 levels still have to be considered through the regular appropriation process. We are also trying to make our time period coincide with federal legislation and the availability of federal funds.

Last, it is important to note that we are asking to maintain a cash balance of about \$10 million. This is necessary when we fund projects on a cash basis, and is necessary for unexpected bad winters, the possibility of increased federal dollars, and construction expenditures that can be weather-related.

What are the revenue needs -- under those assumptions?

Schedule 1 (found on page 2 of the handout) examines what will happen if nothing changes. What it shows is the amount of money required to fund the current level program including matching the new federal funds. With our current revenue estimates, the Highway Fund will be \$7.6 million in debt by the end of the next biennium. By the end of the 1987 biennium, the fund

would at current levels be \$48.5 million in the hole. In short, the Highway earmarked account would be bankrupt.

What this assumes is that the current 1¢ fuel tax increment would be allowed to expire as called for in current law at the end of the current fiscal year and that the Highway Patrol salaries would continue to be paid for by the Highway Fund.

Schedule 2 of the handout assumes just the opposite: In this case, the 1¢ increment would be made permanent and the Highway Patrol would be paid for out of the General Fund. On the expenditure side, a current level program with the new federal money is contemplated. In this case, the Highway Fund would be solvent at the end of the next biennium with a \$13.9 million balance, but by the end of the 1987 biennium, a \$4.3 million deficit would exist.

The fourth page contains the Governor's program. We have included the current level, adjusted for increased federal funds, the Reconstruction Trust Account for the Primary, and the program to accelerate completion of the Interstate.

We are proposing to fund the proposal by first of all making the 1¢ fuel tax permanent and by funding the Highway Patrol out of the general fund. We are also asking to increase the tax for gas and diesel by 3¢ on July 1, 1989, with 2½¢ to go to Highways and ½¢ to local governments. This would raise \$12.8 million for highways in a year and \$2.5 million for local governments. On January 1, 1985 we are requesting an additional 2¢ a a gallon on both gas and diesel for the the Highway program. Finally, we propose to take \$9 million in 1986 and \$19 million in 1987 from

the coal tax, not the trust. The impact on the earmarked accounts funded by the coal tax would be not to take away dollars, but to squeeze all accounts down to a level higher than 1985 but obviously lower than what would be allotted if no money went to Highways. This information is presented in Schedules 3 and 4. No GVW fee increase is being requested.

This proposal would, as the chart shows, fund the Highway program from now until 1987 and allow the Department to implement the program I have described.

I recognize that the the information I am providing needs to be reviewed in far more detail. The commitments you may make as Legislators are very significant in terms of dollars and priorities.

I also recognize that there are still concerns about the operations of the Highway Department despite the changes that have been made in the Highway Department over the past 18 months to try and make the Department more responsive and efficient - changes such as reorganization from 11 divisions to 5 districts, staff reductions, implementation of management systems, cost savings steps, and the use of value engineering to reduce the cost of projects. We clearly have not solved all the problems, but progress has been made and will continue.

I strongly invite you to set up a series of meetings with the Highway Department over the next couple of weeks to go over these concerns and questions in detail.

But it is important to keep in mind the benefits the program would have for Montana.

1. Almost 1,900 direct construction jobs would be created during the next two fiscal years. In addition, innumerable additional jobs would be created in secondary impact areas which would be relied upon for construction materials for the projects.

2. Significant and critical progress would be made on completing and improving the two most heavily used highway networks in the state.

In the case of the primary system and interests, an aggressive pavement preservation program would also greatly impede further deterioration on those sections of roadway which are currently rated adequate.

And construction on several key primary reconstruction projects would be accelerated as a result of increased state funds since reconstruction trust funds would be able to be obligated on the basis of statewide priorities rather than just financial district priorities. These projects include: Hungry Horse-West Glacier, Sidney-Fairview, and DeSmet-Evaro, among others.

3. In the case of the Interstate system, accelerating construction on the remaining gaps would result in considerable savings by avoiding future inflation in construction costs. It is likely that such savings would at least offset any interest payments which may have to be made from the Highway Fund in order to retire the bonds.

4. Finally, significant safety benefits would also occur as a result of reduced accidents and fatalities since Interstate and improved primary highways are demonstrably safer than older two-lane roadways.

Other legislation to fully implement the program by authorizing a bond issue for the Advanced Interstate program and establishing a permanent Reconstruction Trust Fund will be presented to you in the next few days.

But amending HB 16 to provide for a 3¢ a gallon fuel tax increase in this year and another 2¢ on January 1, 1985, and then approving the bill, is the most important first step toward maintaining and improving Montana's major transportation system.

GHW:cg:202B

AMENDMENTS

Amend Title

1. Title, line 7  
Following: "Rates"  
Strike: "3.5"  
Insert: "3"
2. Title, line 7  
Following: "Gallon"  
Strike: ";"  
Insert: "EFFECTIVE JULY 1, 1983 AND 2 CENTS PER GALLON,  
EFFECTIVE JANUARY 1, 1983"
3. Page 2, line 2  
Following: "additional"  
Strike: "3.5"  
Insert: "3"  
  
Page 2, line 2  
Following: "gallon"  
Insert: "EFFECTIVE JULY 1, 1983 AND 2 CENTS PER GALLON  
EFFECTIVE JANUARY 1, 1985"
4. Page 2, line 4  
Following: "additional"  
Strike: "3.5"  
Insert: "3"
5. Page 2, line 4  
Following: "gallon"  
Strike: "."  
Insert: "EFFECTIVE JULY 1, 1983 AND 2 CENTS PER GALLON  
EFFECTIVE JANUARY 1, 1985."
6. Page 2, line 14  
Following: "8"  
Strike: "12.5"  
Insert: "12"  
  
Page 2, line 14  
Following: "cents"  
Insert: "FROM JULY 1, 1983 TO DECEMBER 31, 1984, AND 14  
CENTS THEREAFTER"
7. Page 3, line 12  
Strike: "14.5"  
Insert: "14"
8. Page 3, line 12  
Following: "cents"  
Insert: "FROM JULY 1, 1983 TO DECEMBER 31, 1984 AND 16 CENTS THEREAFTER"



1-29-83  
NH D-EX

FEDERAL APPORTIONMENTS  
(Federal Fiscal Years)  
(1,000's of dollars)

	1982 (Actual)	1983 (Prior to new Federal Law)	1983 (Based on New Federal Law)	1984	1985	1986
Interstate Construction	14,887	15,848	17,732	17,732	17,732	17,732
Interstate Resurfacing	12,127	12,336	29,815	36,696	42,811	48,163
Primary	17,466	19,098	21,007	23,581	25,827	27,512
Secondary	7,204	9,006	11,742	11,742	11,742	11,742
Urban	3,842	3,362	3,841	3,841	3,841	3,841
Bridge Replacement	3,245	5,223	9,990	10,483	11,208	13,383
Other	5,337	2,064	5,076	5,235	5,373	5,514
TOTALS	64,108	66,937	99,203	109,310	118,534	127,887
Obligation Authority	66,100	66,000	100,300 <sup>1</sup>	104,800	114,500	124,300

<sup>1</sup> New Federal Law provides obligation authority in excess of apportioned funds.

Highway Fund Cash Flow Analysis  
Current Level Adjusted for New Federal Revenues  
(000's of \$)

	<u>FY 1983</u>	<u>FY 1984</u>	<u>FY 1985</u>	<u>FY 1986</u>	<u>FY 1987</u>
Beginning Cash Balance	37,058	29,293	11,073	(11,708)	(28,030)
Revenues					
Current Level <sup>1</sup>	<u>80,907</u>	<u>73,156</u>	<u>75,200</u>	<u>78,304</u>	<u>83,238</u>
Available Funds	117,965	102,449	86,273	66,596	55,208
Expenditures					
Current Level <sup>2</sup>	88,672	91,376 <sup>2</sup>	93,956	98,651	103,676
Modified Level					
Reconstruction Trust					
ACI					
Total Expenditures	<u>88,672</u>	<u>91,376</u>	<u>93,956</u>	<u>98,651</u>	<u>103,676</u>
Ending Fund Balance	<u>29,293</u>	<u>11,073</u>	<u>(7,683)</u>	<u>(32,055)</u>	<u>(48,468)</u>

Notes:

1 1-cent fuel tax increment ends 6/30/83.

2 Highway Patrol continues to be funded from Highway Fund.

Highway Fund Cash Flow Analysis  
Current Level - Adjusted for New Federal Revenues & Added State Revenues  
(000's of \$)

	<u>FY 1983</u>	<u>FY 1984</u>	<u>FY 1985</u>	<u>FY 1986</u>	<u>FY 1987</u>
Beginning Cash Balance	37,058	29,293	21,873	13,918	4,658
Revenues					
Current Level <sup>1</sup>	<u>80,907</u>	<u>78,291</u>	<u>80,335</u>	<u>83,439</u>	<u>88,373</u>
Available Funds	117,965	107,584	102,208	97,357	93,031
Expenditures					
Current Level <sup>2</sup>	88,672	85,711	88,290	92,699	97,361
Modified Level					
Reconstruction Trust					
ACI					
Total Expenditures	<u>88,672</u>	<u>85,711</u>	<u>88,290</u>	<u>92,699</u>	<u>97,361</u>
Ending Fund Balance	<u><u>29,293</u></u>	<u><u>21,873</u></u>	<u><u>13,918</u></u>	<u><u>4,658</u></u>	<u><u>(4,330)</u></u>

Notes:

1 Assumes 1¢ fuel tax increment is made permanent.

2 Highway Patrol funded from General Fund effective 7/1/83.

Highway Fund Cash Flow Analysis  
Governor's Proposed Program  
(000's of \$)

	<u>FY 1983</u>	<u>FY 1984</u>	<u>FY 1985</u>	<u>FY 1986</u>	<u>FY 1987</u>
Beginning Cash Balance	37,058	29,273	24,483	22,732	10,624
Revenues					
Current Level <sup>1</sup>	80,907	78,291	80,335	83,439	88,373
2 1/2¢ Fuel Tax Increase <sup>2</sup>	-0-	12,835	12,835	12,835	13,139
2¢ Fuel Tax Increase <sup>4</sup>	-0-	-0-	5,134	10,268	10,512
Coal Tax Revenues <sup>5</sup>	-0-	-0-	-0-	9,000	19,000
Available Funds	117,965	120,399	122,787	138,274	141,648
Expenditures					
Current Level <sup>3</sup>	88,672	85,636	88,215	92,624	97,286
Modified Level	-0-	1,457	1,228	1,230	1,299
Reconstruction Trust	-0-	8,823	10,612	33,796	33,796
ACI	-0-	-0-	-0-	-0-	-0-
Total Expenditures	88,672	95,916	100,055	127,650	132,381
Ending Fund Balance	<u>29,293</u>	<u>24,483</u>	<u>22,732</u>	<u>10,624</u>	<u>9,267</u>

Notes:

- 1 Assumes 1¢ fuel tax increment is made permanent.
- 2 Effective 7/1/83.
- 3 Highway Patrol funded from General Fund effective 7/1/83.
- 4 Effective 1/1/85.
- 5 See Schedule 3A for detail on sources of coal tax revenue.

Coal Tax Revenues Taken From All Earmarked Accounts

	FY 1985	FY 1986		FY 1987	
		Current	Pro.	Current	Pro.
General Fund	23,383	27,941	24,521	30,734	23,514
Public School Equal.	6,154	7,353	6,453	8,088	6,188
Co. Land Planning	615	735	645	809	619
Local Impact	10,769	12,868	11,293	14,154	10,829
Conservation Dist.	308	368	323	404	309
State Library	615	735	645	809	619
Alternative Energy	2,769	3,309	2,904	3,640	2,785
Renewable Resources	769	919	807	1,011	773
Water Development	769	919	807	1,011	773
Parks & Cultural	3,077	3,677	3,226	4,044	3,094
Education Trust	12,307	14,706	12,906	16,176	12,376
Permanent Trust	61,535	73,530	73,530	80,880	80,880
Highway Program	-0-	-0-	9,000	-0-	19,000
Total	123,070	147,060	147,060	161,760	161,759

\* Funding for the Highway Program would amount to 12 percent of the Non-Trust revenues in FY 1986 and 23 percent in FY 1987.

## Summary of Revenue Proposals

### Fuel Tax

- Make permanent 1-cent increment
- 3-cent increase effective July 1, 1983, with 1/2-cent to go to local governments
- 2-cent increase effective January 1, 1985

### Highway Patrol

- Fund with General Fund revenues effective July 1, 1983

### Coal Tax

- Earmark \$9 million (12 percent) from non-Trust portion for Fiscal Year 1986
- Earmark \$19 million (24 percent) from non-Trust portion for Fiscal Year 1987
- Earmark a constant 24 percent per year for future years

### Gross Vehicle Weight Fees

- No increase -- leave at current level

EX D  
1-28-83

MMCA STATEMENT ON HB 16 (FUEL TAX INCREASE)

The Montana Motor Carriers Association has, as an established on-going policy, strong support for an adequately financed highway program in Montana. The trucking industry in Montana has always agreed to and has always paid its fair share of the cost of building and maintaining our highway system. There are those who would like to argue that point and feel that we are not; however, by any measure of "fair share", including the recently released Federal DOT Highway Cost Allocation Report, the trucking industry in Montana is paying its fair share. According to information in the Report of the Governor's Transportation Advisory Council, of the 72.1 million dollars collected and deposited in the highway earmarked account in 1981, 39.4% was paid by the trucking industry. Included in that total was \$5 million dollars from Federal Mineral Lease royalties and miscellaneous dollars not technically considered a "highway user" tax receipt and if that amount is deducted from the shares paid by "highway users", the percentage share paid by the trucking industry in the State rises to 42.3%. According to the Federal Highway Cost Allocation Report, trucks should pay 41% of the cost of the federal and/or state highway programs.

In the 1981 Legislature, the Motor Carriers Association supported a fuel tax increase needed for the reconstruction of our primary highway system. The measure did not pass. During the interim after the 1981 session, the trucking industry has followed closely and participated in the efforts of the Legislative Interim Highway Committee and the Governor's Transportation Advisory Committee to arrive at an equitable and adequate means of funding the highway program with priorities for reconstructing the critical portions of the primary highway system in the state. The industry was in agreement with proposals to increase fuel taxes three and one-half cents per gallon and GVW fees 35%, as proposed in legislation introduced in the House.

During the first two weeks in December, the Congress delivered the trucking industry a surprise Christmas present by passing a proposal billed solely as a "5¢ gasoline tax measure", but was in fact a great deal more. The measure included a 760% increase in the federal heavy truck tax in 1984, rising to an 801% increase by 1988. The present heavy truck tax rate paid now by a typical 5-axle eighteen wheeler, the workhorse of the trucking industry, is \$210 per year. In 1984, that tax will be raised to \$1,600 and increasing ultimately to \$1,900 by 1988.

The fuel tax on diesel goes up to .09 cents per gallon in April, 1983, from the current rate of .04 cents per gallon, a 125% increase.

In addition, excise taxes on new trucks and trailers will go up from 10% to 12% and will be assessed on the retail sale price of that equipment instead of the manufacturer's selling price as it is now.

The excise taxes on truck tires was increased from a tax of \$13.65 for an average 140 pound truck tire to \$35.50, a 160% increase and for an 18-wheeler, the increased tax would add \$393.30 to the cost.

The law repealed existing excise taxes on retread rubber, inner tubes, truck parts and accessories, and lube oil.

The net result of the excise tax juggling act would increase the excise tax total per year over an eight year period to a typical eighteen wheeler from \$953 a year to \$1141 or about 20% per year.

The Federal tax package would raise the total federal taxes on a typical five-axle truck, including fuel, excises, and heavy truck tax, from about \$1,785 a year to \$4,441, a 149% increase in tax.

The impact of federal tax increases on a typical five-axle truck is major. The new federal taxes, when added to existing state taxes on the same truck; namely, gross vehicle weight fees, diesel fuel taxes now at 11¢ per gallon, miscellaneous taxes and property taxes add up to a major cost of operating the truck.

The present State tax burden on that same truck is approximately \$4,695. When federal taxes of \$1,785 are added to the state tax total of \$4,695, the combined total is \$6,480. The new federal taxes would increase that amount by 1988 to about \$9,136 - a \$2,656 increase. The tax increase in 1984 would be \$300 less.

The tax increases represented by a .035 cents per gallon increase in diesel fuel as proposed in HB 16 would add an additional \$547.55 per year to the typical five-axle truck, assuming it to operate 70,000 miles per year in the State. A 35% increase in GVW fees \$690.90 bringing the combined total federal and state taxes to \$10,305 per year per truck.

If one assumes that the truck may produce a gross revenue from about \$50,000 per year to \$75,000 per year depending on commodities hauled, the \$10,305 per year tax burden represents a range from 20.6% to 13.75% tax on gross revenue....a healthy bite by any business standard and all of this coming at a time when Montana motor carriers and independent truckers are and have been struggling for economic survival.

The economic health of the trucking industry in the State is only as good as the economy as a whole....only as good as the economic situation of the industries and customers served by the trucking industry. Western Montana logging industry and finished lumber mills have suffered from depressed economic conditions due to high interest rates and depressed construction industry operations. Eastern Montana oilfield operations are also suffering from depressed production and exploration. Oilfield haulers' business has dropped more than 60 to 70% from what it was last year.



Railroads have displaced the grain and wheat transportation to the West coast with lower rates for "grain trains". Two to three years ago more than 52% of the grain and wheat produced in the State was transported out of the State by trucks. Now less than 15% is transported by trucks.

These represent the reasons given by independent owner-operators for their proposed shutdown, the day after tomorrow. A shutdown, by the way, that the regulated motor carrier in Montana and the country as a whole, will not participate in but sympathize with the reasons for the shutdown.

The federal taxes just raised by Congress will generate an additional \$35 million per year to Montana's highway program but not for the priorities needed in rebuilding our primary highways. We recognize the need for funds for our primary highway rebuilding program. The additional \$35 million is just about the amount Montanans will be paying in new federal taxes. Our estimation is that \$15 million of the \$35 million will be assessed on trucking operations and from within the State.

Notwithstanding the state of the economic squeeze facing the trucking industry, the Montana Motor Carriers Association continues to stand by our policy for supporting an adequately financed highway program in Montana.

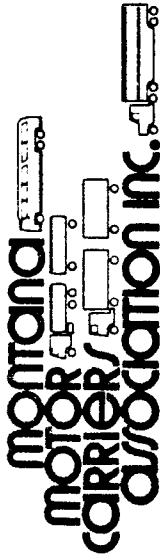
To that end, we would support the use of coal tax dollars from either the permanent coal tax trust fund or proceeds from the non-trust coal revenue.

MMCA supported the initiative effort to secure enough signatures to place the question of using 20% of the coal tax revenues from the trust fund on the ballot. In spite of the short time involved in obtaining signatures, only an additional 9,000 were needed. We feel the use of trust fund coal tax dollars to be an assured long range answer in large part, for our primary highway program.

At the same time, if this Legislature deems it necessary to fund the program from additional highway user taxes, that those taxes be in the form of fuel tax increases. We would support legislation to increase fuel tax by an appropriate level approximating 2 or 3 cents per gallon. Fuel taxes are a variable cost to trucking operations and with the trend toward lower fuel prices, the impact is lessened. Increased GVW and federal truck taxes are fixed costs and are payable regardless of revenue earning ability.

We would oppose increasing the fuel tax rates by a level, exclusive of coal dollars, to fund the entire needs of the highway program.

In an effort to improve, at least in part, the economic situation affecting the trucking industry in Montana, MMCA is supporting legislation implementing a recommendation to increase truck productivity proposed by the Governor's Transportation Advisory Committee. HB 437 calls for the lifting of the artificial cap on truck gross weight that can be operated under the special permit as well as adding 10 feet to the length (85' to 95') now allowed under the special permit for oversize combinations. The bill would allow a 10% increase in productivity. Hopefully, the Legislature will approve this measure. Thank



January 29, 1983

B G HAYDAHL, EXECUTIVE VICE PRESIDENT  
P O BOX 1714, HELENA, MONTANA 59624  
TELEPHONE AREA CODE 406 442-8600

TO : Montana Legislature

FROM: B. G. HAYDAHL, Executive Vice President

RE : Highlights of Surface Transportation Act of 1982 (HR 6211)

Both Houses of Congress adopted the Conference Committee Report on H.R. 6211 and it has been signed into law.

The basic tax provisions of the bill are as follows:

(1) Increase the present Federal tax on gasoline and diesel fuel from \$.04 per gallon to \$.09 per gallon (\$.05 increase or 125%), Effective date April 1, 1983;

(2) Increase the excise tax on tires from present rate, \$.0975 per pound on all tires to:

- (a) No tax first 40 pounds;
- (b) \$.15 per pound in excess of 40 pounds;
- (c) \$4.50 plus \$.30 per pound in excess of 70 pounds;
- (d) \$10.50 plus \$.50 per pound in excess of 90 pounds;

Effective date, January 1, 1984;

(3) Repeal the present taxes of \$.05 per pound on tread rubber and \$.10 per pound on inner tubes, Effective Date, January 1, 1984.

(4) Increase the present excise tax on new trucks over 10,000 lbs. GVW from 10% of manufacturer's price to 12% on retail for trucks over 33,000 lbs. GVW and 12% on retail for trailers over 26,000 lbs. GVW - Effective date, April 1, 1983;

(5) Repeal the present excise tax on truck parts of 8% of manufacturer's price on all truck parts - Effective date, January 7, 1983;

January 29, 1983

(6) Increase the heavy vehicle use tax from \$3 per 1,000# GVW on all vehicles over 26,000# GVW to heavy vehicles with a gross weight of 33,000# GVW and up as follows:

- (a) 33,000#, but less than 55,000#, \$50 per year plus \$25 for each 1,000# over 33,000#;
- (b) 55,000#, but less than 80,000#, \$600 per year plus applicable rate as per (d) below;
- (c) 80,000# or more, the maximum tax per year as per (d) below;
- (d) July 1, 1984, applicable rate \$40, maximum \$1,600; July 1, 1985, applicable rate \$40, maximum \$1,600; July 1, 1986, applicable rate \$44, maximum \$1,700; July 1, 1987, applicable rate \$48, maximum \$1,800; July 1, 1988, applicable rate \$52, maximum \$1,900;
- (e) The following exemptions and modifications apply to the heavy vehicle use tax - (1) an exemption is applied if truck does not travel in excess of 5,000 miles per year and if tax is paid, is eligible for a refund or credit - (2) In the case of a small owner-operator, with no more than 5 vehicles to which tax is imposed, will be granted an additional year for payment of tax in each category in paragraph (d) above;

(f) The bill requires the Secretary of Transportation by January 1, 1985, to submit a study to Congress on alternative means of taxing heavy trucks; i.e., on a weight distance or ton mile basis;

(g) The tax is to be collected by the State at the time of registration and proof of payment must be shown before registration can be issued. The Secretary of DOT can reduce the State's apportionment by 25% if State does not enforce collection after September 30, 1984;

(7) Repeal the present tax of \$.06 per gallon on lubricating oil.



REPRESENTING THE TRUCKING INDUSTRY IN MONTANA

January 29, 1983

The basic size and weight provisions of the bill are as follows:

- (1) States must allow axle weights 20,000# single and 34,000# tandem minimum and maximum on Interstate and Defense Highway Systems (no mention is made of other roads); effective upon enactment.
- (2) States must allow gross weight of 80,000# minimum and maximum on Interstate and Defense Highway Systems (no mention is made of other roads) by application of formula B (W=500 (LN/N -1 +12N +36); effective upon enactment
- Grandfather Clause - "This section shall not be construed to deny apportionment to any State allowing the operation within such State of vehicles or combinations thereof which the State determines could be lawfully operated within such State on July 1, 1956, except in the case of overall gross weight of any group of TWO OR MORE CONSECUTIVE AXLES, on the date of enactment of the Federal Aid Highway Act of 1974." (Language following "determines", "in consultation with the Secretary of DOT" were stricken from the Act.)

- (3) Length of a semitrailer is mandated at not less than 48 feet and no state can impose less than 48 feet on a semitrailer and less than 28 feet on length of any semitrailer or trailer operating in a truck tractor-semitrailer-trailer combination. States must allow access and applies to National System of Interstate and Defense Highways and any other qualifying Federal-aid Primary System Highway. Effective date is 90 days after enactment.

- (4) Mandates 102 inch width on Interstate Highways or other qualifying federal-aid highways as designated by Secretary of Transportation with traffic lane designed to be a width of 12 feet or more. States must allow access. Effective date is October 1, 1983.

NOTE: President has not signed H.R. 6211 and is scheduled to Thursday, January 6, 1983. The President has signed an appropriation bill including the 102" width provision with effective date October 1, 1983.

B. G. HAYDAHL

BGH:ap

Taxes paid by a typical 80,000 pound 5-axle tractor semitrailer operating intrastate; comparison unit is a 1980 International tractor, valued at \$46,592 and 1980 Trailmobile trailer valued at \$13,925 -based on 70,000 miles of annual travel at 4.5 miles per gallon of fuel.

TAX DESCRIPTION	CURRENT TAX	ACTUAL AND PROPOSED ADDITIONAL TAX	TOTAL CURRENT AND PROPOSED TAX	PERCENTAGE INCREASE
*Montana GVM Taxes	\$1,774.00	\$ 620.90	\$2,394.90	35%
*Montana Misc. Truck Taxes	139.00	-0-	139.00	-0-
*Montana Diesel Fuel Taxes	1,711.11	547.55	2,258.66	32%
Montana County Property Taxes	1,071.00	-0-	1,071.00	-0-
TOTAL MONTANA TAXES	\$4,695.11	\$1,168.45	\$5,863.56	25%
*Federal Diesel Fuel Taxes	622.22	777.78	1,400.00	125%
**Federal Misc. Truck Taxes	953.00	188.00	1,141.00	20%
***Federal Heavy Truck Tax	210.00	1,690.00	1,900.00	805%
TOTAL FEDERAL TAXES	\$1,785.22	\$2,655.78	\$4,441.00	149%
TOTAL MONTANA & FEDERAL TAXES	\$6,480.33	\$3,824.26	\$10,304.56	59%

\*The Montana current diesel fuel tax is 11¢ per gallon and would be increased by 3¢ per gallon and GVM fees proposed to be increased 35%. The Federal diesel tax is 4¢ per gallon and is to be increased by 5¢ per gallon.

**Federal Misc. Truck Tax	Current	Proposed
Excise Tax	\$757.00	\$998.00
Tire Tax	99.00	143.00
Retread Rubber Tax	29.00	-0-
Inner Tube Tax	11.00	-0-
Parts & Accessories Tax	48.00	-0-
Lubricating Oil Tax	9.00	-0-
Annual average for 8 year period	\$953.00	\$1,414.00

\*\*\*Federal Heavy Truck Tax (As adopted by Congress 12/82)

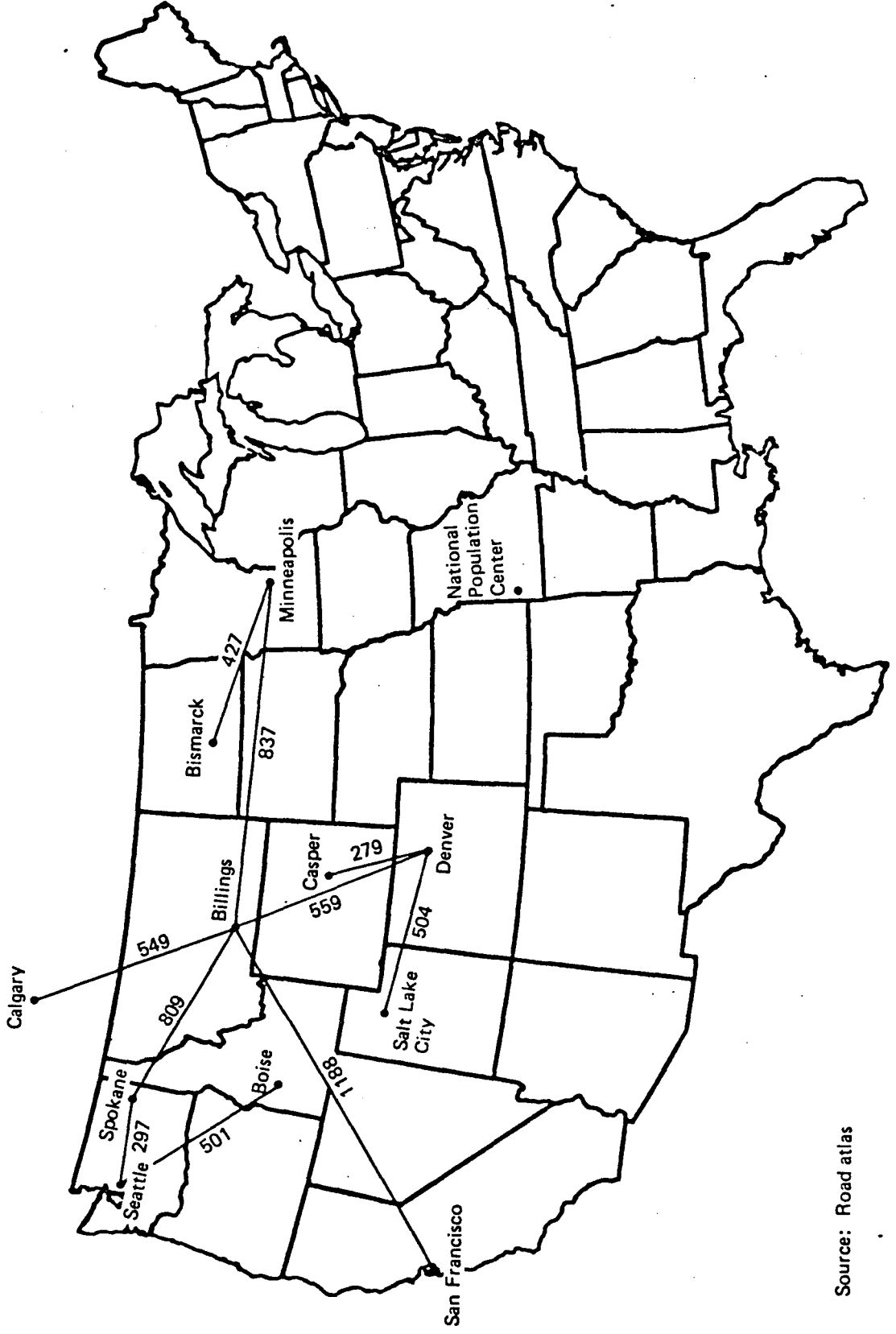
The current tax rate is \$3 per thousand pounds.

1984 -	\$1,600
1986 -	\$1,700
1987 -	\$1,800
1988 -	\$1,900

## Markets

Montana is at least 500 miles further from major markets than any other state in the U.S. National and even regional population and market centers are far away, relative to other western states. There are no significant regional markets within 500 miles, except Alberta.

## MONTANA'S ACCESS TO MARKETS

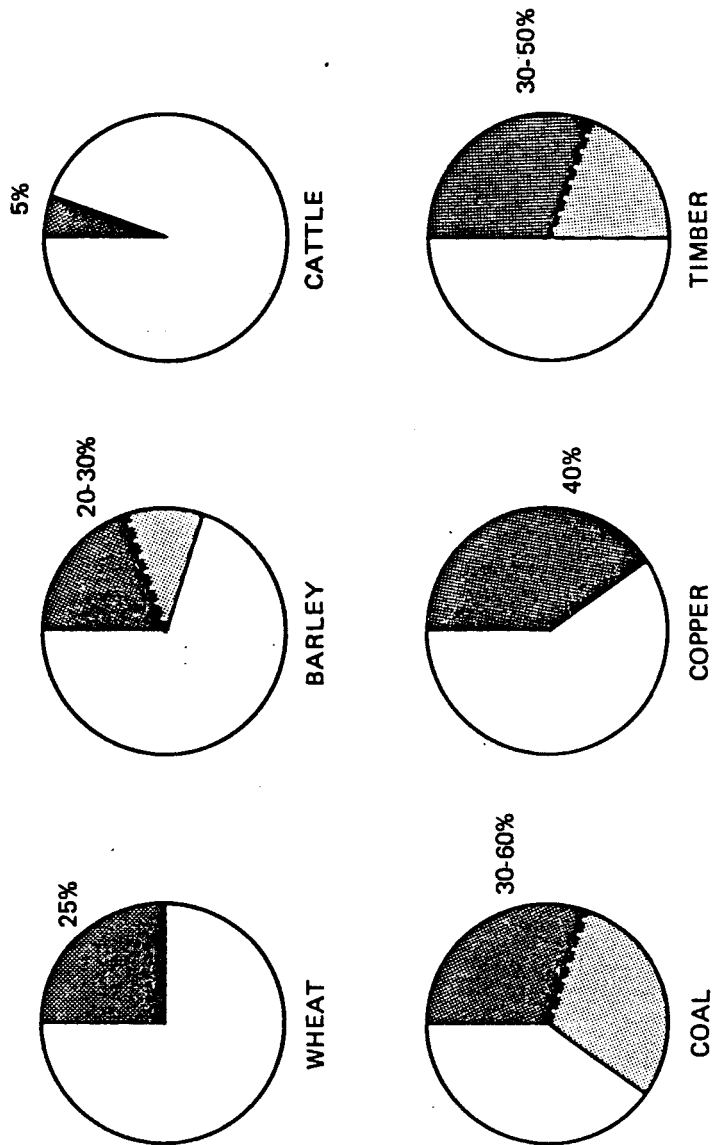


Source: Road atlas

Any transportation cost disadvantage is particularly damaging because transportation costs are such a large percentage of value for many of Montana's basic exports.

### PERCENT TRANSPORTATION COSTS FOR MONTANA'S BASIC INDUSTRIES

Percent of market value



Source: Industry sources, McKinsey analysis

1-29-83  
Ex

# International Union of Operating Engineers

LOCAL 400

Affiliated with AFL-CIO

Montana

JOHN SLATTERY  
President

D. E. "DAVE" JOHNSTON  
Vice President

LOUIS LAYMAN  
Treasurer

RALPH REID  
Rec. Comm. Secretary



HEADQUARTERS  
2717 Airport Road  
Helena, Montana 59601  
Telephone: (406) 442-9597

Testimony of Jim Mayes  
Before the Joint Taxation and Highways Committee  
January 29, 1983

I am Jim Mayes, representing the Operating Engineers, local #400. Our union represents over 3,400 union members statewide, most of whom are employed in construction. I am here to testify in favor of House Bill 16, which will increase the gas tax and provide much-needed funds for our state's roads and highways.

This country is experiencing a terrible economic recession. For those of us in the building and construction trades, it is much worse than for others. Our industry is in a real depression, and unemployment in some areas of Montana is running as high as 50-60%. One of the major reasons our members are suffering from depression-level unemployment is because of the Reagan administration's cutback in federal highway funds. That has caused a heavy job loss for our members. The funds provided by this bill would create jobs which would be of great assistance to our unemployed members. And, when those workers have dollars in their pockets, it helps the economy of their communities and the entire state. That ripple effect helps Montana businesses and the state and local tax bases.

I would like to say that we prefer that the federal government had continued to assume its responsibility for the nation's highway system. But since the Reagan administration refuses that responsibility, then the people of this state are going to have to take care of the funding. So we support this bill, although it may not be the best way to fund our highway system.

The money this bill would provide is important for jobs, but it is essential for the protection of public life and property. As our roads and highways continue to deteriorate, they present a real danger to all of us who use them. And, if they are allowed to continue without needed repair and maintenance, it will be much more costly in the long run.

Please vote for House Bill 16, which will create jobs and protect the public. Thank you.



Ex  
1-29-83  
HB16

# **Laborers' International Union of North America, AFL-CIO**

## **Local No. 254**

Joint Taxation and Highways Committee  
Gene Fenderson, Laborers Local 254  
Hearing on HB16  
January 29, 1983

P. O. BOX 702  
110 N. WARREN  
HELENA, MT 59624  
(406) 442-1441

I am Gene Fenderson, business manager for Laborers Union, Local 254, Helena. I am here to support HB16, but with some reluctance.

There is no question that the members of my union, and other working people across Montana, support the intent of this bill, which is to provide more work on our highways. We need jobs in Montana, and this helps provide jobs which are desperately needed.

These jobs are not some sort of make-work employment. They help maintain our basic transportation system in this state. Without a good highway system, economic development is an impossibility, because Montana is so far from most major markets in the country. So this highway bill is of importance to most businesses and therefore most of the workers of this state.

The problem with the bill is obvious. It raises a user's tax on gasoline, and that hurts working people who have to drive to work. It hurts the unemployed who must use a car to seek work.

There should be no doubt in anyone's mind why Montana is in this condition. Irresponsible actions by President Reagan and the U.S. Congress have slashed funds to the highway program in Montana and other states. So that means the states must find some way to pick up the slack.

We aren't happy with the predicament we are in. And we aren't happy that gas taxes have to be raised to pay for highways. But the need is so great that it overrides all the other negative considerations of this bill.

I urge you to support HB16.

EX  
1-29-83  
HB 16

# MONTANA CHAPTER

## INTERMOUNTAIN OIL MARKETERS ASSOCIATION

January 28, 1983

Mr. Chairman, Members of the Committee:

For the record, my name is John Braunbeck. On HB-16, I represent the Montana Intermountain Oil Marketers Association (IOMA), a coalition of some 140 petroleum marketing distributors across Montana.

Montana IOMA presently opposes HB-16 as written. In consideration of recent federal actions along these lines, the price of motor fuels will soon be out of reach of the average Montana motorist--and not due to pricing activities of the oil industry. Further, it may interest the Committee to know that legislation has (or will be ) introduced at the federal level that will negate recent imposed non-fuel taxing mechanisms on the trucking industry and transfer the remaining dollar figure to diesel fuel itself. If every tax currently proposed at the state and federal level comes into existence, we could see diesel fuel taxes in the neighborhood of 29 cents per gallon.

Please do not misunderstand, highway repair, construction and maintenance are Montana's life blood. We are not, and I repeat, not opposed to fuel increases on a reasonable scale to address existing problems. Needs can be listed from here to infinity. What is now required is a budget to match priorities.

Specifically and with respect to HB-16, the Montana Intermountain Oil Marketers Association offers the following amendments:

1. Page 1, line 7 is amended to read "...the motor fuels tax rates 1 cent per gallon;..."
2. Page 1, line 9 is amended to read, "...Sections 15-70-101, 15-70-204, 15-70-321 and Repealing 7-14-301 through 7-14-304..."
3. Page 2, line 2 is amended to read, "...gasoline by an additional 1 cent per gallon and to..."
4. Page 2, line 4 is amended to read, "...additional 1 cent per gallon.
5. Page 2, line 14 is amended to read, "...and 10.0 cents for each gallon of all other gasoline..."
6. Page 3, line 12 is amended to read, "...12.0 cents for each gallon of diesel fuel or other volatile..."
7. Page 4, line 9 and line 16 are amended to reflect the new distribution as per the formula stated in the current Section 15-70-101 (Disposition of funds).
8. Page 5, line 4 is amended similar to item #7.
9. Page 7, lines 2 through 6 are deleted.
10. Page 7, line 6 is amended to include the "repealer" (7-14-301 through 7-14-304)

Actually, what these amendments are designed to accomplish are listed as follows:



January 28, 1983

Testimony on HB-16

1. Making permanent the 1 cent motor fuels tax increment enacted in 1979;
2. Authorizing an additional 1 cent per gallon motor fuel excise tax increase;
3. Amending specific sections to reflect a full one cent per gallon increase for the cities and counties for street maintenance and repair on the existing distribution formula; and
4. Repealing an unworkable and mechanically impossible Local Option Tax of gasoline, and placing in existence an equitable distribution of collected highway dollars.

As indicated at the beginning of our testimony, the Montana Intermountain Oil Marketers Association opposes the bill in present form. However, if the Committee approves the above amendments, our association will support HB-16 in the above amended form.

Thank you. We will be available to try and answer such questions as the Committee may have.



# WIFE Women Involved In Farm Economics

NAME JO BRUNNER BILL NO. hb 16

ADDRESS 563 3rd St, Helena DATE Jan. 29

REPRESENT WOMEN INVOLVED IN FARM ECONOMICS

SUPPORT \_\_\_\_\_ OPPOSE X AMEND \_\_\_\_\_

## COMMENTS:

Mr. Chairman, members of the committee, my name is Jo Brunner and I represent the members of the Women Involved in Farm Economics organization.

Mr. Chairman, our members, after careful consideration have, with much regret, decided to oppose this bill, excepting the 1¢ tax. We do recognize the conditions of our highways, and that we are in dire need of not only restoring many of them to a useable condition but that in certain areas, new highways may be called for. We also recognize that this users <sup>tax</sup> fee will certainly put the cost of the highway programs on those who <sup>drive</sup> use them, the most. And we recognize that in the end most of those costs will return to <sup>the consumer + to</sup> agriculture, one way or the other. *Our separate community people know the need for better roads to get our products to market*  
I'm sure you all realize that agriculture is having to count more ~~and more~~ on the <sup>important</sup> trucking industry to get our products to market, despite the <sup>Redwood</sup> railroads fees on the unit cars, ~~rates~~, ~~and~~ with the subterminals few and far between for most of us, we will utilize the <sup>the</sup> trucking industry more and more. Our concern is that linked with the 5¢ tax put on fuels nationwide and all the hidden taxes the truckers will be burdened with, <sup>my husband told me about the problem</sup> many of them will not be able to survive. <sup>my kids brought forth</sup> Hopefully, if gas prices continue to drop we will be able to re-evaluate our decision. <sup>any further action</sup> We do not look forward to being in. Again we do support the 1¢ tax being made permanent. <sup>any further action</sup> *monopoly situation*  
+ *WIFE do support* COAL SEVERANCE TAX monies being used for Highway Construction + maintenance.