

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE SENATE

April 13, 1983

The sixty-seventh meeting of the Taxation Committee was called to order at 8:05 a.m. by Chairman Pat M. Goodover in Room 415 of the Capitol Building.

ROLL CALL: All members were present

CONSIDERATION OF HOUSE BILL 573: Representative Ted Schye, House District 4, said all of us are aware of the transportation problems we have in being a large rural state. The airport system is in the same condition as the highway system. Federal funding is not allowed for maintenance. Most airports cannot come up with the matching funds. User fees should fund the maintenance of airports. The aviation fuel license tax rate has not been raised since 1945. This bill will increase tax collections by \$457,000 over the biennium. It creates a revolving trust account to deposit 100% of the one cent tax increase out of which loans, grants, and navigational aids may be provided to local and state governments for aeronautical purposes. There are 116 public use airports in Montana now. Of those, 40 are not eligible for federal funds. An additional 5 which are not now eligible have made requests to receive federal funds. The other 70 are eligible to receive federal funds.

Representative Schye provided the committee with a Montana Aeronautical Chart (Exhibit A) and with a fuel tax comparisons chart dated 2/83 (Exhibit B) comparing Montana aviation fuel taxes with those of surrounding states. He introduced Mr. Engdahl from the Federal Aviation Administration who could later explain what the federal moneys can and cannot be used for.

PROPOSERS

Robert Hollister, representing the Montana Pilots Association, submitted written testimony, attached as Exhibit C.

Herb Sammons, representing the Montana Board of Aeronautics, submitted written testimony, attached as Exhibit D. He said that due to insufficient funds, they cannot fund their programs to \$250,000 for the next two years, and the loan repayments from these programs will not be sufficient for matching federal funds.

Mike Mulroney, representing the Montana Chapter of the Antique Airplane Association, said he strongly supports HB 573 and submitted written testimony, attached as Exhibit E.

Marilyn Lewis, representing the Montana Flying Farmers and Ranchers, submitted written testimony, attached as Exhibit F.

Dick Markle, representing the Montana Pilots Association, the Glasgow Airport Commission, and Valley Hangar, submitted written testimony, attached as Exhibit G.

Pete Hronek, representing Valley Hangar of the Montana Pilots Association and Wokal Flying Service, also supported the bill (Exhibit H).

Jim Kansala, representing the Glasgow Area Chamber of Commerce, supported HB 573 (Exhibit I).

Pete Raunig supported HB 573. He travels over much of the state and is impressed with the quality of airports but sees that improvements could be made.

Lee Baker, representing the Montana Pilots Association, submitted a letter addressed to the committee from John Yodice, Washington D.C. counsel to the Aircraft Owners and Pilots Association (Exhibit J). Aeronautics has not spent its budget allocated by the last legislature. They did not have the income to spend. Under this bill, the additional money will be used for maintenance. Under federal programs, funds have to be used for new projects, not for runway maintenance. The Northwest Orient booklet, attached as Exhibit K, refers to fuel purchases of \$824,000 last year. That conflicts with information the Montana Pilots Association has that shows 8.5 million gallons of fuel were used. Northwest Orient must be paying only 9 cents a gallon for their fuel. He said this tax on fuel purchased in Montana wouldn't amount to a hill of beans for Northwest Orient, but they are categorically opposed to any increase in the aviation fuel license tax.

Gary Buchanan, director of the Department of Commerce, said they are concerned about the condition of airports statewide. There is another bill (HB 820) which establishes a new account in the Aeronautics Division to receive a portion of the proceeds of long-range building program bonds to provide loans for the sponsor's share of airport improvement projects.

Chairman Goodover asked Mr. Buchanan, who had to leave for another meeting, if at the time the Governor's Council on Management made the recommendations, they were aware of the \$13 million coming from the federal government. Mr. Buchanan stated that at the time the recommendations were made, the Council was not aware of the \$13 million.

#### OPPONENTS

Senator Goodover turned the chair over to Senator McCallum.

Senator Goodover testified, opposing the bill because of \$13 million in federal grant funds available for Montana airports. His written testimony is attached as Exhibit L.

Joe Attwood, airport director at Great Falls International Airport and president of Montana Airport Management Association, submitted written testimony, attached as Exhibit M.

Brent Baskfield, vice president-public relations for Northwest Airlines, submitted written testimony on behalf of all airlines now serving Montana. It is attached as Exhibit N.

Sig Ugrin, from Miles City, said he has spent a lifetime in aviation. The Montana Aviation Trades Association has reviewed pending aviation legislation and it was their unanimous decision to oppose HB 573. The biggest burden of that tax will fall in the middle range where they are. They won't get any tax break or rebate. With proper planning on the local level, deterioration can be forestalled and the property maintained. We have a lot of assistance from the federal government and from the state. Cities and counties should get their act together and look out for their own interests. He doesn't take the view that the state should look after the maintenance problems. Mr. Ugrin submitted a resolution of the Association, opposing HB 573, and it is attached as Exhibit O.

Senator Goodover introduced Carol Perry, Frontier Airlines; Bruce Putnam, Billings Airport; Bud Kelleher, Helena Airport; George Teslovick, Northwest Airlines; and Homer Holman, Holman Aviation, who all opposed HB 573 and who were available to answer questions from the committee. Senator Goodover said that Jay Wooley told him Western Airlines is reinstating service at West Yellowstone. Northwest Orient serves seven cities east and west. Frontier Airlines is expanding its service from Denver to Great Falls. With additional flights, there is increased revenue. Military bases in North Dakota and Wyoming are competing against Montana. They have started reactivating bases in the Havre and Forsyth areas. Montana and one other state tax military fuel.

Senator Goodover submitted letters from Larry Barnett (Exhibit P), Lloyd and Jane DeBruycker (Exhibit Q), and the Great Falls Area Chamber of Commerce (Exhibit R), all opposing HB 573. Senator Goodover also stated he had received wires and letters from several airline employees in Montana--Larry Stanley, Dick Mogensen, Rod Rogers, Gary Forbes, and George Miller--who opposed the measure because they wanted to maintain their airline jobs in Montana. They have their jobs because of ticket sales in Montana, not from federal funds. See Exhibits S, T, U, V, and W, respectively.

The \$13 million from the federal government will put people to work in 1984. By having that money available in the aeronautics board, it frees up the one cent tax that they are getting now for

loans. We are not going to let airports deteriorate. The Governor's Council on Management report was not timely. They were not aware that the \$13 million in federal money was going to be available. In the past, the Aeronautics Division had more responsibilities, but many of those have been removed. More of their present funds should be available for the maintenance problems they are talking about. He pointed out, too, that 1984-85 is not the end of the line for receiving the funds. We will receive \$13 million in 1984-85; \$17 million in 1986-87; and \$20 million in 1988-89. The need for HB 573 is not urgent because the money will already be there. Most of the airports have good runways. Northwest Orient will benefit; Big Sky Airlines will not benefit. In the last quarter of 1982, Big Sky Airlines netted a profit of only \$16,000. He recommended that HB 573 be tabled.

Questions from the committee were called for.

Senator Crippen asked Representative Schye what portion of the tax would be paid by the five major airlines serving Montana. Representative Schye said the additional one cent would be an additional \$92,000 from all the airlines.

Senator Crippen asked what the percentage the total tax raised would be to maintenance and operation of airport facilities not served by the major airlines. Homer Holman from Holman Aviation in Great Falls said the fund generated in this bill by the carriers will flow back into the carrier airports. He estimated \$123,000 with the additional tax, or an average of 69%.

Senator Crippen asked if the tax would be passed on to consumers if the bill passed. Mr. Baskfield said that if they wanted to stay in competition, they could not pass that additional tax on to consumers. Big Sky Airlines could least afford to do that. The key words, he said, are the state of the industry and competition.

Senator Mazurek asked if the price of aviation fuel had dropped like the price of gas. Mr. Holman replied no, but they were lucky to have a 3-cent decrease on aviation fuel and a 5-cent decrease on jet fuel.

Senator Mazurek wondered what HB 573 would buy that couldn't be bought under the Airport & Airways Improvement Act of 1982 (AIP bill). Mr. Engdahl from FAA said AIP provides for new or expanded airport facilities, not for maintenance of existing facilities.

Senator Lynch wondered if the exorbitant taxes on gas elsewhere were an incentive for the airlines to buy gas in Montana. Mr. Baskfield said it was an incentive to stay in the area for at least 50 years.

Senator Lynch asked if that had been a factor in reducing major airline service in North Dakota, where aviation fuel taxes are high. Mr. Baskfield indicated they had served Jamestown, North

Dakota, for 30 years but they don't now. They serve Grand Forks, Mandan, Fargo, and Bismarck.

Senator Severson said he didn't blame anyone for resisting an increase in the tax, but he said it seemed unusual that Northwest would resist the state with the second lowest rates in the union when their headquarters are at a tax of 11 cents a gallon. Mr. Baskfield responded that they have only 107 employees here in Montana, and they have thousands in Minnesota.

Mr. Hdman referred to the Minnesota figures on the chart attached as Exhibit B. They have a 6-cent a gallon rebate up to 50,000 gallons, and 200,000 gallons or more brings a 10½-cent a gallon rebate, so they are only paying ½-cent a gallon tax. He felt the bill did not specifically include general aviation operators like him.

Senator Gage asked Mr. Baskfield if he knew what percentage of Northwest Orient's costs were fuel costs. Mr. Baskfield said 35.4% were fuel costs.

Representative Schye presented a mailgram from Wes Eyer, Glendive, Montana, who studied the Aeronautics Division for the Governor's Council of Management, attached as Exhibit X. Look at the taxes paid on aviation fuel right now. General aviation fuel now pays a 14 cent federal tax; international passengers pay a 3-cent tax; other airline passengers pay an 8% ticket tax. The passenger pays all of these grouped together. He compared the aviation situation to the highway program passed yesterday and the user tax on highways. He said he believes in the federal matching funds and hopes it continues on its way through, but we still need this one-cent tax to keep our airports in shape.

Representative Schye stated he had called Big Sky Airlines and talked to Mr. Marshall there. Last session, Big Sky testified as a proponent to a similar bill. Mr. Marshall said Big Sky did not take a stand on HB 573. HB 573 is a business bill. Most of the opposition is from out of state; instate supports the bill.

The hearing was closed on HB 573.

CONSIDERATION OF HOUSE BILL 755: Senator Eck submitted amendments regarding the effective date of the act and moved that the amendments, attached as Exhibit Y, be adopted. The motion was seconded and passed unanimously.

Senator Towe moved that the following amendment be adopted for clarification:

Page 5, line 9.

Following: line 8

Insert: "[and the credits provided in SB 241]"

The motion was seconded and passed unanimously.

Norris Nichols, from the Motor Fuel Tax Division of the Department of Revenue, suggested that line 19 on page 3 be deleted and that on page 3, line 21, following "2]", "subject to the limitation in [section 3]" be inserted.

Senator Towe said he and Dan Bucks from the Department of Revenue agreed that line 19 on page 3 could be stricken. The limitation of the credit could be confusing, he said.

Senator Towe moved the following amendment:

Page 3, lines 18 and 19.

Following: "costs"

Strike: remainder of line 18 through "4]" on line 19

The motion was seconded and passed unanimously.

Senator Towe then moved the following amendment:

Page 4, line 3.

Following: "credit"

Insert: ", subject to the limitation of [section 3]"

which limits the credit to 60% of the eligible costs. The motion was seconded and passed unanimously.

Senator Towe then suggested the following amendments be made:

Page 3, line 21.

Following: "from"

Insert: "that portion of"

Page 3, line 22.

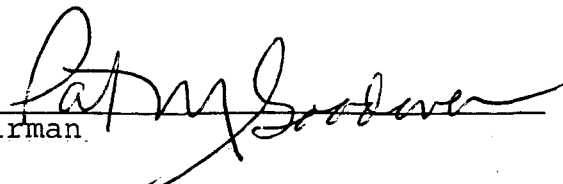
Following: "liability"

Insert: "as set forth in [section 2(1)]"

The section 2(1) limitation is one that relates to systems located in Montana produced by the means described in sections 2(1)(a), (b), or (c) under the bill. The credit would be limited to that portion of tax liability earned in Montana. The only profit you could take credit on would be from wind generation.

Senator Lynch moved that HB 755 BE CONCURRED IN AS AMENDED with no further amendments. No second was made to his motion.

The meeting adjourned at 10 a.m.

  
Chairman

# ROLL CALL

SENATE TAXATION

COMMITTEE

48th LEGISLATIVE SESSION -- 1983

Date 4/13 /83

NAME	PRESENT	ABSENT	EXCUSED
SENATOR GOODOVER, CHAIRMAN	✓		
SENATOR McCALLUM, VICE CHAIRMAN	✓		
SENATOR BROWN	✓		
SENATOR CRIPPEN	✓		
SENATOR ELLIOTT	✓ <i>9am</i>		
SENATOR GAGE	✓		
SENATOR TURNAGE	✓		
SENATOR SEVERSON	✓		
SENATOR HAGER	✓		
SENATOR ECK	✓		
SENATOR HALLIGAN	✓		
SENATOR LYNCH	✓		
SENATOR NORMAN	✓		
SENATOR TOWE	✓		
SENATOR MAZUREK	✓		

DATE April 13 , 1983

COMMITTEE ON ~~INTERNATIONAL~~

## VISITORS' REGISTER

[illegible]

(Please leave prepared statement with Secretary)



# "THE BIG SKY COUNTRY"

(NOTE: The Historical Society's and Legislative Council's copies of the map are the actual aero map while this copy (Law Library) is only a copy of the cover of the map.)

*Senate (action  
Committee  
Exhibit A  
April 13, 1983  
H.C. 73*



# MONTANA

## AERONAUTICAL CHART

"Mt. Grinnell, Glacier National Park"

# FUEL TAX COMPARISONS

2/83

Compiled via telephone survey 2/1/83  
to aeronautics agencies for following states except Colorado where the Dept. of Revenue was contacted.

STATE	STATE FUEL TAX	SALES TAX ON FUEL	ESTIMATED REVENUE	PROPOSED LEGISLATION
IDAHO	3½¢ per gallon - both general aviation & airlines	No	\$492,500 No rebate	Increase by 1½¢ to a total of 5¢ per gallon for everyone. Estimated revenue: \$800,000 per year. Registration fee for general aviation and airlines based on aircraft gross weight and age: 1 - 2 yrs. old 5¢ per lb. 3 - 4 yrs. old 4¢ per lb. 5 - 6 yrs. old 3¢ per lb. 7 - 8 yrs. old 2¢ per lb. over 8 yrs. 1¢ per lb. Estimated revenue: \$200,000
WYOMING	4¢ per gallon - both general aviation & airlines	No	\$280,000 No rebate	None
NORTH DAKOTA	8¢ per gallon - both general aviation & airlines	No	\$550,000 Estimated unclaimed rebates: \$150,000 Total estimated revenue: \$700,000 Rebate up to 8¢ per gallon to all users less 4% of the cost per gallon	None
UTAH	4¢ per gallon - both general aviation & airlines	No	\$3.6 million No rebates	None
MONTANA	1¢ per gallon - both general aviation & airlines Sole funding since inception - 1945	No	\$325,000 No rebates	1¢ per gallon; rebate of ½¢ per gallon for 1 million to 5 million gal., 3/4¢ per gallon for 5 million to 10 million gal., and 1¢ per gallon for over 10 million. Estimated additional revenue: \$228,894 (based on fuel usage figures for calendar 82 provided by the airlines)

SENATE TAXATION COMMITTEE

APRIL 13, 1983

LS 573

STATE	STATE FUEL TAX	SALES TAX ON FUEL	ESTIMATED REVENUE	PROPOSED LEGISLATION
WASHINGTON	3% of the average retail price on fuel (reviewed annually) or 5¢ per gallon whichever is greater	6% on all aviation fuel	\$1.3 million	None
OREGON	3¢ per gallon - general aviation only ½¢ per gallon - fuel for airlines	No	\$1,168,000 Rebate ½¢ per gal. to anyone departing to foreign countries	Increase of ½¢ per gallon to airlines Increase of 2½¢ per gallon of jet fuel to general aviation Increase of 3¢ per gallon on aviation gas to general aviation Estimated revenue increase: \$1,157,000 Estimated total revenue: \$2,350,000
MINNESOTA	11¢ per gallon - both general aviation & airlines	No	\$3,600,000 Rebate 6¢ per gal. up to 50,000 gal.; 9¢ per gal. 50,000 to 150,000; 10¢ per gal. 150,000 to 200,000; 10½¢ per gal. 200,000 and over.	None
SOUTH DAKOTA	4¢ per gallon - jet fuel for both general aviation and airlines 6¢ per gallon - av gas for both general aviation and airlines	No	\$380,000 No rebates	None
COLORADO	No	3% - all aviation fuel - jet & av gas No exemptions	No rebates	None

(This sheet to be used by those testifying on a bill.)

APRIL 13, 1983

HB 573

NAME: ROBERT HOLLISTER DATE: 4-13-83ADDRESS: Box 1211 FORSYTH, MT.PHONE: 356-7107REPRESENTING WHOM? MONTANA PILOTS ASSOC.APPEARING ON WHICH PROPOSAL: HB 573DO YOU: SUPPORT? X AMEND?        OPPOSE?       COMMENT: COPY OF TESTIMONY LEFT WITH SECRETARY!PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

**MONTANA PILOTS' ASSOCIATION**  
INCORPORATED



April 13, 1983

Committee Chairman and  
Members of the Senate Taxation Committee

Dear Senators:

For the past 38 years the Montana Aeronautics Division (formerly Montana Aeronautics Commission) has been funded by a one cent per gallon aircraft fuel tax. This one cent tax has also funded the Airport Loans and Grants Program in Montana.

During the past several years the Montana Aeronautics Division has had to tighten its belt and reduce its work force as have other State Agencies due to inflation, however, now the one cent is worn as thin as it can get and still do good. The Montana State Aeronautics Division is going backward approximately \$100,000 per year. The Loans and Grants Program is dormant.

The Montana Pilots' Association strongly favors the proposed additional one cent per gallon fuel tax on aircraft fuels. We feel user funded programs are the choice of Montanans and the only fair and equitable way to bring Montana's airports from the "proposal state" to the "building/built state" as recommended in the Montana Five Year Airport Study prepared for the Aeronautics Division. Additional monies in the Loans and Grants Program could also give our communities a low interest hand while maintaining airports in our Great State.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Robert Hollister', is written over a horizontal line.

Robert Hollister, President

(This sheet to be used by those testifying on a bill.)

APRIL 13, 1983

HB 573

NAME: Herb Sammons DATE: 4/13/83ADDRESS: Box 1334 Cat BankPHONE: 873-2626REPRESENTING WHOM? Montana Board of AeronauticsAPPEARING ON WHICH PROPOSAL: HB-573DO YOU: SUPPORT? X AMEND? \_\_\_\_\_ OPPOSE? \_\_\_\_\_

COMMENT: We need this bill passed to  
cover the many projects that cannot  
be supported with federal funds along  
with providing the necessary matching  
money two years from now after the  
1,300,000 is loaned out.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

(This sheet to be used by those testifying on a bill.)

APRIL 13, 1983

HB 573

NAME: Mike MulhollandDATE: 4-13-83ADDRESS: 700 PowerMeLenn, MT 59601PHONE: 442-7450REPRESENTING WHOM? (Mont Capt) Anthony Alphonso AlcegaAPPEARING ON WHICH PROPOSAL: 573

DO YOU:

SUPPORT? XAMEND?       OPPOSE?       COMMENT:

This is a user tax & in support  
expanded and improved navigation facilities  
& airport improvements in Montana & the  
allocation of one cent a gallon tax in  
support of such improvements.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

4/13/83

The Montana Flying Farmers & Ranchers go on record as being in favor of HB 573.

We have over 130 members in Montana & many of us maintain our own farm land strips but we also use many of the smaller landing fields through the State. Many of these smaller Communities do not have the funding base to provide all the ~~very~~ Navigational aids we feel are important to good flight safety. This additional 1¢ fuel tax would help finance many of these improvements. Safety is an important part of our organization. We urge your support of HB 573.

Thank you  
Marilyn Lewis, Sec. Treas.  
Montana Flying Farmers & Ranchers



ADDRESS: 631 10th St No Glasgow Mt

REPRESENTING WHOM? M.P.A. & GLASGOW Airport Commission

DO YOU: SUPPORT? X AMEND? \_\_\_\_\_ OPPOSE? \_\_\_\_\_

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

House Bill No. 573 Testimony

Valley Hangar of the Montana Pilots Association is in strong support of House Bill 573. Our airports in eastern Montana desperately need the revenue from the increased 1¢ Av-fuel tax which could be made available for maintenance. Montana's airports are deteriorating, and without adequate upkeep the safety of aviation will be affected. The 38 flying members of Valley Hangar are concerned that our aviation facilities will not be sufficiently maintained to safely take care of the over one hundred planes in this area; unless the additional 1¢ fuel tax is levied. We feel that this is a fair tax, because it taxes the user. Valley Hangar is supportive of the bill in order to have finances available to keep our airports safely operable.

Respectfully Submitted,  
*Dick Markle*  
Dick Markle  
Past President Valley Hangar  
Eastern V.P. Montana Pilots Assoc.  
Drawer 71  
Glasgow, Montana 59230

*Speaking on behalf of Glasgow Airport Commission*

(This sheet to be used by those testifying on a bill.)

APRIL 13, 1983  
HB 573

NAME: PETE HRONEK DATE: 4-13-83

ADDRESS: 431 MAHON #4 GLASGOW MT

PHONE: 228-4025 228-7132

REPRESENTING WHOM? VALLEY HANDBOOK of M.P.A. WORKAL PINK SPAL

APPEARING ON WHICH PROPOSAL: 573-

DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

COMMENT:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

(This sheet to be used by those testifying on a bill.)

APRIL 13, 1983

HB 573

NAME: Jim Kansala DATE: 4-13-83ADDRESS: GlasgowPHONE: 228-2222REPRESENTING WHOM? Glasgow AREA Chamber of CommerceAPPEARING ON WHICH PROPOSAL: HB-573DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐COMMENT:PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

(This sheet to be used by those testifying on ~~a~~ bill.)

APRIL 13, 1983

HB 573

NAME: LEE BAKER DATE: 4-13-83ADDRESS: 902 W WATSON LEWIS TOWN MTPHONE: 538 5778REPRESENTING WHOM? MONT PILOTSAPPEARING ON WHICH PROPOSAL: HB 573DO YOU: SUPPORT? X AMEND?        OPPOSE?       COMMENT:       PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.



AIRCRAFT  
OWNERS  
AND  
PILOTS  
ASSOCIATION

SENATE TAXATION COMMITTEE  
EXHIBIT J  
APRIL 13, 1983  
HB 573

March 28, 1983

Honorable Pat Goodover, Chairman  
Senate Committee on Taxation  
Capitol Station  
Helena, Montana 59620

Dear Senator Goodover:

I am Washington Counsel to the Aircraft Owners and Pilots Association. AOPA is a nonprofit membership association consisting of approximately 265,000 members nationwide, some 1,600 of whom are residents of the State of Montana. AOPA represents the interests of general aviation aircraft owners and pilots.

House Bill No. 573 is presently before the Senate Committee on Taxation for consideration. AOPA supports HB-573. To summarize, the bill would increase the present one cent state aviation fuel license tax by one cent, bringing it to a total of two cents per gallon. One cent of the two cent per gallon tax would be allocated to the State Department of Transportation for the sole purpose of carrying out its functions pertaining to aeronautics. (We understand that the current one cent per gallon tax is already allocated for these purposes under existing law.) The one cent per gallon increase would be deposited in a special fund out of which loans, grants, and navigational aids would be provided to local and state governmental agencies for aeronautical purposes. An amount equal to the portion of the special fund which was contributed collectively by the airlines would be allocated from the fund to the airports served by the airlines. A portion of the one cent per gallon increase would be refundable to those who purchase quantities of fuel in excess of one million gallons. The amount of the refund would range from one-half cent to a full one cent, depending upon the amount of fuel purchased.

We believe that the proposed tax increase is a moderate and reasonable one and that the purposes to which the additional revenues will be dedicated are worthwhile. General aviation is an integral part of the total air transportation system. The revenues derived from collection of the proposed increase from general aviation consumers would go far towards providing the funds necessary to maintain and improve existing general aviation facilities and to develop additional facilities as needed. We urge the Committee to recommend passage of HB-573.

Honorable Pat Goodover, Chairman  
March 28, 1983  
Page 2

We appreciate your consideration of our views and we request that you make our views known to the other members of the Committee. If we can be of any assistance, please feel free to contact us.

Very truly yours,

  
John S. Yodice  
Washington Counsel

JSY:bcb  
WN:0579Y

cc: OEC  
Newsletter  
Dave Sclair

# Certificate of Award

M I L L I O N S   F O R   M O N T A N A N S

\$ \$

\$ \$

WHAT'S AT STAKE

\$13,000,000 in Federal Grant funds  
available for Montana airports

WHY IT'S IMPORTANT

Use it or lose it  
Create jobs now  
Stimulate economic recovery

WHAT'S NEEDED

10% matching fund  
\$1,458,000 during biennium

WHO SUPPORTS IT

Aviation Trade Associations



An opportunity currently exists to infuse \$14,596,000 into Montana's economy during the next biennium. Ninety percent of this money, \$13,138,000, already has been allocated, through a federal program, for use by airports in Montana. But to get access to these funds it will be necessary for Montana's airports to have available \$1,458,000 from the General Fund as the Sponsors' 10% matching share.

What is this federal program? The federal funds are available through a matching share program called AIP (Airport and Airways Improvement Act of 1982). The funds are collected from user fees placed upon the aviation system. States are allotted funds from two categories: enplanement funds which are based upon the total number of passenger boardings at air carrier airports, and apportionment funds which are based on an area/population formula.

IF A STATE DOES NOT USE ITS ALLOTTED FUNDS - IT LOSES THEM!!

Who will be affected by this program? Seventy airports in communities throughout Montana are eligible for AIP funds. These airports all belong to NASP (National Airport System Plan). Of these 70 airports, seven are air carrier airports and will receive enplanement funds; the other 63 airports are eligible for apportionment funds.

Why is investment in airports critical? There is a pressing need to infuse dollars into the Montana Airport System. A recent study by T.A.P., Inc. for the Montana Aeronautics Division identified the need for nine new airports and listed an additional ten airports that will become unuseable if not substantially improved immediately.

How will this program be administered? The Sponsors' share - \$1,458,000 - will be deposited in a trust account within the Montana Aeronautics Division. Money from this account will be used solely for the AIP program. Acceptance of the Federal Grant Offer by the Sponsor (community and/or airport) will serve as approval authority for the Division to release the percentage of these funds needed.

What are the Sponsor's obligations? In order to qualify for the Federal Grant Offers, the Sponsor must meet and agree to a set of assurances from the Federal Aviation Administration which include the ability to maintain the facilities. In addition, the Aeronautics Division will require the communities/airports to show ability to maintain the facilities and require assurances that the airports will remain open for public use. If a community should fail to comply with these assurances it may be denied a second Grant.

What will AIP funds mean to Montana? JOBS! Contractors, suppliers, labor trades and others will find numerous, major, new construction projects immediately available once the Federal Grant Offers are accepted by the Sponsors and the matching funds are secured from the Montana Aeronautics Division. These jobs, as are the airports involved, will be located throughout the state. Putting Montanans back to work will bring increased spending in all facets of a community's economy and will mean increased revenues to the state through a strengthened tax base. An improved airport system could also attract modern business and industry which rely on aviation as a means to further growth and efficiency.

What will happen to unused trust funds? Unallocated trust funds will be returned to the General Fund at the end of the biennium.

Why is it important to act now? The Airport Improvement Program is currently funded through fiscal year 1988 with Federal funds having already been allocated on a fiscal year basis to each of the states. Montana has access to \$39,108,000 over the next five years through both enplanement and apportionment AIP funds (\$31,608,000), and through eligibility for discretionary AIP funds (\$7,500,000). If the 10% Sponsors' share is not provided our airports will lose access to the 90% Federal share for investment in the state's economy. Each year that funding is delayed for lack of the Sponsors' share, is a loss of millions of dollars to Montana.

Who supports this request for General Funds? The request for General Funds for use as the Sponsors' share to match Federal funds in the AIP program is supported by the Montana Aviation Advisory Council which is comprised of the following organizations:

Montana Airport Managers Association

Montana Aviation Trades Association

Montana Business Aviation Association

Montana Chapter Ninety-Nines, Inc.

Montana Pilots' Association

Representatives of the Airlines serving Montana

(This sheet to be used by those testifying on a bill.)

APRIL 13, 1983

HB 573

NAME:

Mr. Ottavio

DATE:

13 Apr 83

ADDRESS:

RR 4028 Hunt Fall Mt.

PHONE:

(406) 727 3404

REPRESENTING WHOM?

Mont. Airport Mngt Assoc

APPEARING ON WHICH PROPOSAL:

HB 573

DO YOU:

SUPPORT? ☐AMEND? ☐OPPOSE? ☒COMMENT:PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

**MONTANA  
AIRPORT  
MANAGEMENT  
ASSOCIATION**

APRIL 13, 1983  
HB 573

Reply To:

April 13, 1983

Senator Goodover, Chairman  
Senate Taxation Committee  
Helena, Montana

RE: HB 573

Mr. Chairman:

I am Joe Attwood, Airport Director, Great Falls International Airport and President of the Montana Airport Management Association (MAMA).

MAMA opposes HB 573 on the basis that:

1. It has not been clearly established that the MDA requires the additional revenues for its support of airport maintenance projects or other projects. We have not yet seen a detailed breakdown of how increased revenues would be allocated.
2. The original premise creating the need for an additional one cent gas tax was poorly conceived by the Governor's Council on Management. They recommended the tax be raised and I quote, "to protect the aeronautical community from service cuts, legislation should be enacted to raise the aviation gas tax to cover the cost of operating this division." I offer that in today's deregulated airline business there is very little that

the MDA can do to either promulgate or protect airline services in our communities.

3. HB 573 adversely affects the opportunity for Montana to attract the proposed Air Force B-52 Bomber Training Mission and its several hundred new jobs and millions of construction dollars.
4. This new military mission will generate approximately the same new revenues with the existing one cent for the MDA as would HB 573 (an additional one cent) as amended. There is then every prospect that the MDA will indeed receive its needed funds.
5. The Governor's Council on Management also intended the one cent increase to cover the cost of operating the MDA which according to the Council has an annual administrative cost deficit of \$100,000. However, HB 573 specifically precludes the use of these funds for administrative expense and is therefore contradictory.
6. The Governor's Transportation Advisory Council in its survey of State aviation needs identified several means of attending to the problems of Airport maintenance and not one of the Council's suggested means, involved enactment of special user taxes. However, they did recognize the need for broad support of aviation and they recommended in that regard a legislative review of the permissive two mill levy and the pursuit of an equitable system of aircraft property taxation.

Senator Goodover, Chairman  
Page Two  
April 13, 1983.

We oppose HB 573 as it is an inappropriate solution to the problems of the Airports in our state and an inappropriate source of operating funds for the Division of Aeronautics.

Thank you.

Sincerely,

M. J. Attwood, President  
MONTANA AIRPORT MANAGEMENT  
ASSOCIATION

Senate Taxation Comm.

Exhibit N  
April 13, 1983  
#3573

DATE: 9/13/83

PHONE: 612-726-2351

REPRESENTING WHOM? Airlines Serving Montana

APPEARING ON WHICH PROPOSAL: 572

DO YOU: SUPPORT? \_\_\_\_\_ AMEND? \_\_\_\_\_ OPPOSE? X

COMMENT: \_\_\_\_\_

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.





SENATE TAXATION COMMITTEE  
EXHIBIT *7*  
APRIL 13, 1983  
HB 573

NORTHWEST ORIENT

International Airport RR 4024 Great Falls, Montana 59401-9587  
Telephone: (406) 761-3106

*SENATOR PAT GOODOVER and Members of the*  
*Mr* CHAIRMAN, ~~SENATE TAXATION~~ COMMITTEE

I AM BRENT BASKFIELD, VICE PRESIDENT PUBLIC RELATIONS FOR NORTHWEST AIRLINES. I AM HERE TODAY TO TESTIFY IN OPPOSITION TO HB 573 ON BEHALF OF ALL THE SCHEDULE AIRLINES NOW SERVING MONTANA.

THE REASON WE OPPOSE THIS REGRESSIVE TAX IS DUE TO THE VERY NEGATIVE LONG RANGE ECONOMIC IMPACT IT WOULD HAVE ON THE AIR CARRIERS NOW SERVING MONTANA.

THIS ONE CENT A GALLON ADDITIONAL TAX APPEARS INSIGNIFICANT AT FIRST GLANCE: HOWEVER, IF YOU LOOK MORE CLOSELY AT THIS SEEMINGLY NOMINAL ADDITIONAL TAX, IT REALLY REPRESENTS A MINIMUM OF ONE MILLION, ~~TWO HUNDRED THIRTY THOUSAND DOLLARS~~ *\$1,230,000* OVER THE NEXT TEN YEARS IF AIR SERVICE LEVELS CAN REMAIN THE SAME.

NOW WHAT <sup>*is*</sup> ~~is~~ THIS ONE MILLION TWO HUNDRED THOUSAND DOLLARS TO THE AIRLINE INDUSTRY? <sup>*9*</sup>.....THERE IS NO NEED FOR ME TO DETAIL AT THIS TIME THE FRAGILE FINANCIAL CONDITION OF THE AIRLINE INDUSTRY... YOU ARE WELL AWARE OF THAT. BUT ADD THIS <sup>*11,230,000 increase*</sup> ~~ONE MILLION TWO HUNDRED THIRTY THOUSAND~~ <sup>*\$8,500,000*</sup> INCREASE TO A COMBINED EIGHT MILLION FIVE HUNDRED ~~THOUSAND DOLLARS~~ <sup>*\$2,000,000*</sup> PROPERTY TAX BILL TO BE PAID OVER THE NEXT TEN YEARS PLUS TWO MILLION DOLLARS ON THE CURRENT FUEL TAX PLUS MILLIONS OF DOLLARS IN AIRPORT USE FEES.....ALL TO BE PAID BY THIS INDUSTRY.

*Branch  
Cabin  
Cook  
Wait  
Porter  
Baggage*

*Goodover*



# NORTHWEST ORIENT

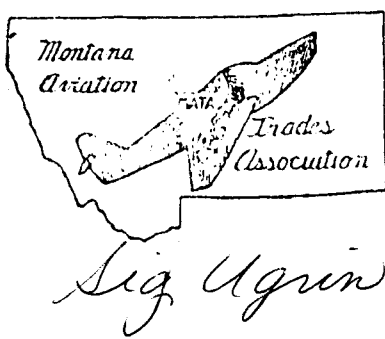
International Airport RR 4024 Great Falls, Montana 59401-9587  
Telephone: (406) 761-3106

WHAT HB 573 REALLY REPRESENTS IS A 60% INCREASE IN FUEL TAX TO FRONTIER, A 74% INCREASE TO WESTERN, A 75% INCREASE TO CONTINENTAL, A 36% INCREASE TO NORTHWEST AND A 100% INCREASE IN FUEL TAXES TO YOUR OWN BIG SKY AIRLINES.

IT SEEMS IRONIC TO ME THAT IN 17 DAYS I WILL ACCOMPANY YOUR GOVERNOR AND A GROUP OF 40 PROMINENT BUSINESS AND CIVIC LEADERS TO TAIPEI, KUMAMOTO AND TOKYO TO ATTRACT NEW BUSINESS AND TRADE TO MONTANA, AND YET I AM HERE TODAY TO ASK YOU NOT TO IMPAIR AN INDUSTRY ALREADY CONTRIBUTING TO THE ECONOMY OF MONTANA.

AGAIN, I AM HERE TO ASK YOU TO REJECT THIS ANTI-BUSINESS  
LEGISLATION.

THANK YOU.



SENATE TAXATION COMMITTEE  
EXHIBIT C  
APRIL 13, 1983  
HB 573

R E S O L U T I O N

- WHEREAS, The Montana Aviation Trades Association is made up of a group of flight operators engaged in General Aviation and operating General Aviation facilities at one or more of the 116 airports in the State of Montana, and
- WHEREAS, The purpose of the Montana Aviation Trades Association is to foster, promote, and protect the Commercial Aviation Industry in the State of Montana, and
- WHEREAS, MATA believes the additional 1¢ per gallon fuel tax would impose an undue economic burden on flight operators and the consumer in a time of rising costs and economic mandates to curb inflation, and
- WHEREAS, The revenue from the 1¢ per gallon additional tax would be offset by the rebates given to the Major Air Carriers, as volume users, and
- WHEREAS, With the good possibility of the re-entry into Montana of the B-52 training flights and the resulting increased fuel revenues to the Division of Aeronautics,
- NOW THEREFORE, Be it resolved that at this time, The Montana Aviation Trades Association be on record as opposing HB573, A BILL TO INCREASE THE AVIATION FUEL TAX BY 1¢ PER GALLON.

SIG UGRIN  
MILES CITY

Goodover

*The purpose of Montana Aviation Trades Association is to foster promote and protect the commercial aviation industry in the State of Montana.*

Air Transport Association



OF AMERICA

1709 New York Avenue, NW  
Washington, DC 20006  
Phone (202) 626-4000  
April 8, 1983

Honorable Pat M. Goodover  
Chairman  
Senate Taxation Committee  
Montana State Senate  
State Capitol  
Helena, Montana 59620

Dear Mr. Chairman:

On behalf of the airlines serving Montana, I urge you to oppose House Bill 573 because it would be detrimental to Montana, its residents and visitors.

The airlines join with the Montana Airport Managers Association, Montana Business Aircraft Association, Montana Aviation Advisory Council, Montana Aviation Trades Association and others in the aviation community to urge you to reject H.B. 573.

This measure would double the tax on aviation fuel which the airlines already pay to the State of Montana at a time when the airline industry is in serious financial difficulty. During the past 36 months, the airlines have lost an average of nearly \$1.2 million a day and suffered record operating losses of more than \$1.3 billion. Jet fuel costs are up 700 percent since 1973 and now account for about 30 percent of airline operating costs. It is little wonder that the airlines are opposed to a measure that would increase the fuel tax costs by about 65 percent in Montana.

The taxes paid by the airline industry in Montana already place the state among the highest taxing jurisdictions in the nation for airlines. The majority of states impose no tax on aviation fuel.

Airlines annually pay more than \$1,000,000 in taxes to the State of Montana, including \$200,000 in fuel taxes and about \$850,000 in property taxes. Airlines also pay other taxes imposed on companies doing business in Montana.

In addition to the numerous taxes collected from the airlines serving the state, our members pay landing fees, space rentals and other charges at the airports they serve. These fees and charges coupled with federal airport grants derived from additional taxes levied on airline passengers and shippers cover 100 percent of the capital costs of airport development at Montana air carrier airports.

Any increase in taxes on the airlines would be inequitable and ill-timed and would increase the cost of scheduled air transportation — both to residents of Montana and visitors coming to the state. It would place an added cost burden on air transportation and on the residents of Montana and would have an adverse economic impact on the state, its residents and visitors.

We urge you to reject H.B. 573.

Sincerely,

Larry P. Barnett

LD

# DEBRUYCKER CHAROLAIS

*Performance Proven  
Charolais*

Lloyd & Jane  
Dutton, MT 59433

406-476-3427  
April 11, 1983

LD

Senator Pat Goodover  
Chairman of Senate  
Taxation Committee  
Capitol Station  
Helena, Mt. 59620

Dear Senator Goodover:

We are attempting to build an export business with the Oriental countries for the shipment of cattle to Korea and Japan. These shipments are handled by a bid at a price for the cattle delivered to the foreign country, and they are very competitive, fact is we have missed some bids by as little as \$1.00 per head, so any raise in operating costs will make it harder to be successful with these bids. We understand that there is an attempt to raise the tax on flight fuel, this could jeopardize our future business.

We would appreciate your consideration in this matter.

Sincerely,

*Lloyd & Jane DeBruycker*  
Lloyd & Jane DeBruycker



P.O. BOX 2127  
926 CENTRAL AVENUE  
GREAT FALLS, MONTANA 59403  
(406) 761-4434

April 11, 1983

TO: Members of the Montana State Senate

FROM: Roger W. Young, Executive Vice President

The Great Falls Area Chamber of Commerce vigorously opposes the passage of HB 573 which doubles the tax on aviation fuel from one cent to two cents per gallon. We are convinced that this increase poses a serious threat to the quality of commercial air service in Montana and to the profitability of smaller carriers such as Big Sky. Such costs are passed on to the consumer and increased fares can diminish ridership.

We are especially concerned about the potential impact the fuel tax increase could have on Montana's ability to attract a new flying mission for Malmstrom Air Force Base. Montana is one of only two states in the Union that taxes federal military aviation fuel. Estimates are that if the Strategic Bomber Training Mission is attracted to Malmstrom Air Force Base, the aircraft used in the training would consume 9 million gallons of fuel each month. This has tremendous potential for the States treasury but we could scare it off with intemperate action now to increase our tax. Bases in North and South Dakota are also in the running for this new mission. Neither state taxes military fuel. The mission represents approximately 1700 jobs and several million dollars in construction---dollars which are very important to our economic recovery.

We remain unconvinced also, that funds raised by this proposed tax increase will find their way to any meaningful improvements in Montana's airports. The amount would still be inadequate to meet that required for the federal matching funds program.



**Western Airlines**

April 11, 1983

Senate Taxation Committee  
Pat Goodover - Chairman  
Montana State Senate  
Capitol  
Helena, Montana 59620

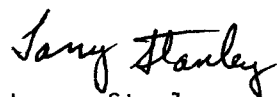
Dear Sir:

I would like to go on record as being opposed to HB 573 which would increase the tax on aviation fuel.

Western Airlines has committed itself to serving the West, 7 cities in Montana (8 including West Yellowstone). Any increase in the cost of doing business in Montana would not seem to support a "Build Montana" concept from State Government.

We all need relief from increased taxation.

Sincerely,



Larry Stanley  
Customer Service Manager  
Helena, Montana

Western Union  
Telegram  
Teleg

SENATE TAXATION COMMITTEE  
EXHIBIT I  
APRIL 13, 1983  
HB 573

22

WU LEG HEL

WU INFOMASTER 1-020920A101 04/11/83

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ICS IPMMTZZ CSP

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PMS SENATOR PAT M GOODOVER

MONTANA STATE SENATE, FONE

STATE CAPITOL BLDG

HELENA MT 59620

ON BEHALF OF THE WESTERN AIRLINES EMPLOYEES WE VOICE OPPOSITION TO  
HOUSE BILL 573. WE FEEL IT IS UNWARRANTED AND PUTS AN UNNECESSARY  
BURDEN ON THE ALREADY TROUBLED AIRLINE INDUSTRY.

DICK MOGENSEN MANAGER CUSTOMER SERVICE WESTERN AIRLINES BILLINGS  
MONTANA

1 833 EST

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WU LEG HEL

SENATE TAXATION COMMITTEE  
EXHIBIT u  
APRIL 13, 1983  
HB 573

*Ston  
Stephens*

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WU LEG HEL

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PMS SENATE TAXATION COMMITTEE ATTN SENATOR PAT M GOODOVER

MONTANA STATE SENATE

HELENA MT 59620

■ RN AIRLINES EMPLOYEES IN BOZEMAN ARE OPPOSED TO PASSAGE OF  
HOUSE BILL #573 TO LEVY AN ADDITIONAL 1 CENT PER GALLON ON AVIATION  
FUEL. WE FEEL THE SCHEDULED AIR CARRIERS ALREADY PAY THEIR FAIR SHARE  
AND PASSAGE OF THIS BILL WOULD BE UNFAIR AND UNWARRANTED

ROD ROGERS

■ MER SERVICE MANAGER

WESTERN AIRLINES

BOZEMAN MT

8

WU LEG HEL

SENATE TAXATION COMMITTEE  
EXHIBIT V  
APRIL 13, 1983  
HB 573

WU LEG HEL

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IX  
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ICS IPMMTZZ CSP

4062571030 TDMT KALISPELL MT 38 04-11 0518P EST  
PMS SENATE TAXATION COMMITTEE CARE PAT M ~~GOOD~~OVER CHAIRMAN  
HELENA MT 59620

WE AS AN AIRLINE EMPLOYEE WOULD LIKE TO GO ON RECORD AS OPPOSING BIL  
L  
HB573 AS AN ADDITIONAL BURDEN WHICH IS UNNECESSARY AND UNWARRANTED IN  
LIGHT OF THE HEAVY TAX BURDEN ALREADY FACED IN MONTANA BY THE  
AIRLINES.

GARY FORBES  
2284 MISSION WAY  
KALISPELL MT 59901

1731 EST

1808 EST

WU LEG HEL

WESTERN AIRLINES G MILLER  
INTERNATIONAL AIRPORT  
GREAT FALLS MT 59404 11AM

Western Union Mailgram<sup>®</sup>



4-052076 S101 04/11/83 ICS IPMMTZZ CSP HELB  
4067276448 MGM TDMT GREAT FALLS MT 123 04-11 0539P EST

Exhibit W  
April 13, 1983  
HB 573

HONORABLE PAT M GOODOVER  
CHAIRMAN SENATE TAXATION COMMITTEE  
MONTANA STATE SENATE STATE CAPITOL  
HELENA MT 59620

DEAR MR CHAIRMAN ON BEHALF OF WESTERN AIRLINES AND ITS EMPLOYEES IN GREAT FALLS, I URGE YOU TO OPPOSE HOUSE BILL 573 BECAUSE IT IS UNWARRANTED UNNECESSARY AND WOULD BE DETRIMENTAL TO MONTANA. THIS MEASURE WOULD DOUBLE THE TAX ON AVIATION FUEL WHICH THE AIRLINES ALREADY PAY TO THE STATE OF MONTANA AT A TIME WHEN THE AIRLINE INDUSTRY IS IN SERIOUS FINANCIAL DIFFICULTY. THE AIRLINE INDUSTRY IS ALREADY PAYING ITS SHARE OF TAXES TO MONTANA THROUGH PASSENGER/FREIGHT AND PROPERTY TAXES WITHOUT DOUBLING THE FUEL TAX WE URGE YOU AND YOUR COMMITTEE TO REJECT HOUSE BILL 573. RESPECTFULLY,  
GEORGE F MILLER MANAGER WESTERN AIRLINES GREAT FALLS MT

1742 EST

MGMCOMP MGM

WES EYER  
504 LITTLE  
GLEN DIVE MT 59330 11AM

Western  
Union Mailgram®



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REPRESENTATIVE TED SCHYE  
CAPITOL HILL STATION  
HELENA MT 59620

SENATE TAXATION COMMITTEE  
EXHIBIT X  
APRIL 13, 1983  
HB 573

I STUDIED AERONAUTICS DIVISION FOR GOVDRNOR'S COUNCIL ON MANAGEMENT.  
DETERMINED THAT SERVICES ARE AT A MINIMUM, AND THEY ARE DRAINING  
THEIR EARMARKED REVENUE ACCOUNT. ADDITIONAL FUNDING NEEDED. AN  
INCREASE IN THE GAS TAX IS BEST WAY. WROTE RECOMMENDATION TO THAT  
EFFECT, AND PERSONALLY SUPPORT HB573.

WES EYER

1755 EST

MGMCOMP MGM

Amend HB 755, third reading copy

1. Title, line 9.

Following: "APPLICABILITY DATE"

Insert: "AND AN IMMEDIATE EFFECTIVE DATE"

2. Page 5, line 10.

Following: "Section 9."

Strike: "Applicability"

Insert: "Effective and applicability date"

Following: "This act is"

Strike: "applicable for"

Insert: "effective on passage and approval and applies to"

3. Page 5, line 11.

Following: "December 31,"

Strike: "1983"

Insert: "1982"