

MINUTES OF THE MEETING
HIGHWAYS AND TRANSPORTATION COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

January 15, 1985

The meeting of the Highways and Transportation Committee was called to order by Chairman Harp on January 8, 1985 at 3 p.m. in Room 420 of the State Capitol.

ROLL CALL: All members of the Committee were present.

CONSIDERATION OF HOUSE BILL 19: Representative Joe Quilici, District 71, sponsor of the bill, told committee members the bill was requested by the Department of Highways to correct an error in the effective date for the reconstruction trust fund (RTF) program. He said House Bill 730, passed in 1983, authorized \$40 million annually, in design, construction and primary highway system preservation funds, with a starting date of July 1, 1986, or FY87, instead of July 1, 1985, or FY86. Representative Quilici stated the error must be corrected so the Department can begin work in the reconstruction trust program now. He advised committee members the bill was passed in 1983 to promote construction and jobs and to alleviate further deterioration of Montana highways, (Exhibit 1).

PROPOSERS: Mr. Gary Wicks, Director, Department of Highways, stated one of the most important steps taken by the 1983 Legislature was to recognize the problems in the primary highway system, Montana's principal means of transportation, and to set up the RTF program. He said the 48th Legislature authorized \$40 million annually for the next 10 years to complete primary highway reconstruction, which is state funded via the 3½ cents received from the fuel tax increase and from the coal severance tax, as a realistic contribution to future generations of Montana.

Mr. Wicks told committee members the error was noticed during the last few days of the 1983 Legislative Session and, as it was the intent of the Legislature to establish an effective date of July 1, 1985, House Bill 19 was introduced. He said the bill does affect the general fund, based upon 1983 intent, but the Department built its program (Report to the 49th Legislature), based upon the assumption these funds would be available for FY86 and FY87.

Mr. Wicks advised those present, \$13 million will be lost if the error is not corrected. He urged passage of the bill that the Department might begin projects as programmed or the Highway Commission will be faced with cutting projects by that amount. Mr. Wicks mentioned areas near Great Falls, Helena and Ryegate which would be the most likely to be cut.

Mr. Ben Havdal, Montana Motor Carriers Association, made brief mention of the Legislative Interim Study Committee's work and offered Association support of the bill.

Mr. Jim Manion, Montana Automobile Association, told committee members his association took an active role in supporting House Bill 730 in 1983, and stated his concern with highway safety conditions if House Bill 19 does not pass.

Mr. Dave Hunter, Office of Budget and Program Planning, stated he was neither a proponent nor in opposition to the bill. He pointed out the fiscal note does not state the impact of the bill (in the amount of \$6.2 million in general funds), which is not included in the Governor's budget and needs to be taken into consideration.

Representative Francis Bardanouve, District 16, told committee members they were "between a rock and a hard spot". He stated educational dollars would be lost if the bill were to pass, as well as those for institutions and veterans; adding he is for highways, too, but the bill would greatly offset the foundation program and would require revision of revenue estimates.

OPPONENTS: Mr. Phil Campbell, Montana Education Association, said he was not against money for highways, but was concerned the foundation program would suffer if the bill were to pass.

Ms. Sara Parker, State Librarian, explained her belief that library services would be hurt and the quality of life reduced in Montana with the loss of \$50,000 in library funding, should House Bill 19 pass.

QUESTIONS FROM THE COMMITTEE: Representative Abrams asked Mr. Wicks for a cost estimate per mile of construction on primary highways. Mr. Wicks replied the cost averages approximately \$600,000 per mile and 25 or 26 miles of primary highway would be lost in appropriations if House Bill 19 does not pass.

Representative Abrams asked if sufficiency levels would decrease during the one year delay in letting a contract should House Bill 19 not pass. Mr. Wicks replied it would, adding the objective of the reconstruction trust fund program is to decrease the number of insufficient miles in the State.

Representative O'Connell asked Representative Quilici why the percentage of the coal severance tax could not be raised for the Department, to keep all other programs at their present levels. Representative Quilici replied he was uncertain. Mr. Wicks said his understanding was that coal tax trust funds are mandated by statute.

Mr. Wicks read from Senate Taxation Committee Minutes of March 10, 1983, with regard to legislative intent for House Bill 730, and provided a copy of the original cost tables at that time (Exhibit 2).

In closing, Representative Quillici said the Committee has a tough job ahead of them in making a decision; that they must recognize it was the intent of the 48th Legislative Session to allocate these funds; that he knows the general fund dollars are tight and \$4.9 million would be "hard to come by"; but the Committee must prioritize needs, "for example, safety", and how much to put into the foundation program.

The Committee entered into executive session following the hearing of House Bill 19.

DISPOSITION OF HOUSE BILL 19: Representative Smith stated he believes the Committee needs to support the original legislative intent.

Representative Campbell told committee members there were 43 deaths in his district during 1984, averaging a death every 4½ days, whereby he sees a need to support the bill.

Representative Zabrocki said he believed the Committee did a good job in 1983, and asked committee members to support the bill.

Mr. Tom Gomez, Legislative Researcher, advised committee members different dates were proposed by Department of Highways staff and the Department of Revenue, however drafting was completed by the Department of Highways, wherein the effective date passed was inserted. He said in reading the minutes of the Senate Taxation Committee hearing of March 10, 1983, there was obviously a misunderstanding regarding 6% earmarked funds for FY86 and 12% for FY87, and when House Bill 730 was not amended the original language was codified (Exhibit 3).

Representative O'Connell, Chairman Harp and Vice Chairman Abrams agreed now is the appropriate time to move the bill onto the House floor.

Representative Harbin, referring to the reconstruction trust fund, said Montana highways would be in excellent condition by the 1990's if \$400 million were put into them, adding the primary system is in urgent need of attention.

Representative Keyser told committee members if they were concerned about priorities to be mindful that the cost of construction could increase nearly 10% if delayed one year. He said it appeared to be a good time to send the bill to the House floor since money matters are pertinent now and the bill would be subject to the general consensus of the House.

Representative Peterson stated her concern with highway safety as a priority.

Representative Glaser said he was concerned the funds requested were not actually appropriated and that the Committee would be allocating funds from one process to another. Chairman Harp replied this concern was appropriate, thus the effort to correct the error made in House Bill 730 in accordance with legislative intent. He commented the financial crunch is greater now than during the 1983 session.

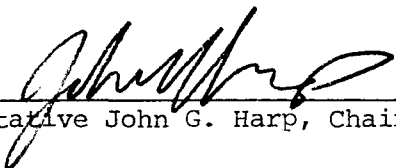
Vice Chairman Abrams stated the intent of the Committee in 1983, was to use coal tax funds to eliminate effects on any other funding.

Vice Chairman Abrams made a motion that House Bill 19 DO PASS. The motion was seconded by Representative Smith and passed with 13 members voting aye and Representative Kennerly voting no.

Representatives O'Connell and Keyser made a joint motion to send a letter to Director Wicks concerning the error his department made in 1983. The motion was given unanimous committee approval. Chairman Harp advised committee members he would draft a letter which would be sent subject to committee approval.

DISPOSITION OF HOUSE BILL 21: Representative Harbin made a motion that House Bill 21 DO PASS. Representative Keyser seconded the motion which was given unanimous committee approval.

The meeting was adjourned upon motion at 4:10 p.m.



Representative John G. Harp, Chairman

DAILY ROLL CALL

HOUSE HIGHWAYS AND TRANSPORTATION COMMITTEE

49th Legislative Session

Date Jan. 15, 1985

Name	Present	Absent	Excused
Harp	x		
Abrams	x		
Campbell	x		
Compton	x		
Glazer	x		
Harbin	x		
Howe	x		
Kennerly	x		
Keyser	x		
Koehnke	x		
O'Connell		X	
Peterson		X	
Smith	x		
Zabrocki	x		

VISITOR'S REGISTER

HOUSE Highways & Transp.

COMMITTEE

BILL LB 19

DATE 1-15-85

SPONSOR Quilici

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

January 15, 1985

Jan. 15, 1985
Exhibit 1
HB 19

BILL SUMMARY
(HB 19)

House Bill 19 amends sections 15-35-108(2) and 60-3-216(2)(a) to change the effective date on which coal severance taxes are to be allocated to the highway reconstruction trust fund account.

In particular, House Bill 19 would:

- (1) require ~~6%~~ ^{9%} of the coal severance tax collections to be allocated to the highway reconstruction trust fund account starting July 1, 1985 and ending ~~June~~ ^{July} 30, 1986, which is the period covering fiscal year 1986 ~~through fiscal year 1987~~; thus, making section 15-35-108, MCA, take effect and end one year sooner than presently provided;
- (2) change the effective date for allocation of 12% of the coal severance tax allocated to the trust account by establishing an effective date of July 1, 1986; thereby, allowing the 12% allocation to take place one year earlier;
- (3) amend the reference in section 60-3-216, MCA, relating to the effective date provided in 15-35-108 so that it is consistent with the other provisions of the bill.

Jan. 15, 1985
Exhibit 2
HB 19

back to the House. They worked on this for two years and had no opponents, he said. P. 1

CONSIDERATION OF HOUSE BILL 730: Representative John Shontz, House District 53, said this bill establishes for a 10-year period a highway reconstruction trust account. It provides flexibility to the highway department to use the funds for the most needed highway systems. It has been thought we should use coal tax funds for highways. This is an opportunity for the legislature to appropriate funds from there for the highway system.

PROPOSERS

Gary Wicks, director of the Department of Highways, said this is the vehicle that puts the fuel tax increase in HB 16 to work to start reconstruction in Montana. Over a 10-year period, \$10 million to \$40 million a year will go into the system to deal with critical areas of highways. Work will begin in 1985. This conforms with federal law and the attorney general's opinion on federal law which requires priority be given to impact areas. We have never had a pavement preservation program. HB 730 sets up what represents a strong opinion of people in Montana to take coal tax money to spend on the highways. In 1986, we propose to earmark 6% of the trust to the highway program and in 1987 to raise it to 12%. It is important to note that the impact on the earmarked account would be only slight. HB 730 sets up revenues and gives authority, and also asks for an appropriation. Mr. Wicks said he believes HB 730 and HB 16 are essential to the highway systems in Montana, and we have to capitalize on that opportunity; otherwise, the primary system will not remain primary much longer.

Mons Teigen, representing the Montana Stockgrowers Association and the Montana Highway Users Federation, said they support HB 730. Maybe some effort should be made to get a more firm basis for funding highways from the permanent coal trust fund or other coal money.

Larry Tobiason, Montana Automobile Association, said their board recommended supporting HB 730 unanimously and supported coal tax money being used for it. It is important that we establish another method of funding highways as well as by a gas tax.

Mike Stephen, representing the Montana Association of Counties, said HB 730 does indicate long-range thinking in the funding of roads, especially the primary and secondary systems. They support the bill but are opposed to any redefining of the financial districts.

Senator Larry Tveit, Senate District 27, supported HB 730 and agreed that some coal tax money should be used for roads.

on HB 16, he presented a list of priorities and needs for Montana's highways. One of those priorities was to complete the interstate system. The department proposed to do that with a bonding program which would require no additional revenue but would allow the department to complete the interstate system earlier than the original proposal. The second priority was to do something about the primary system. Over half of the primary system has an efficiency rating of below 60% and 10% of the primary system is in critical need of repair.

HOUSE BILL 730, the reconstruction trust account, addresses the problem with the primary system. The funding mechanism for this program would be to increase the fuel tax, which has already been passed out of this committee. Other funding mechanisms would be to take the Highway Patrol funding out of the earmarked highways fund and instead, fund the Highway Patrol out of the state general fund, and to use coal tax money. This is a program of preventive service. House Bill 730 allows HB 16 to be put to work. House Bill 730 will allow the department to perform maintenance work, such as seal coats, which is not covered by federal funding.

HOUSE BILL 730 will accomplish the following:

1. Sets up a reconstruction trust account. This is a ten-year program.
2. Allocates enough funds out of the coal severance tax, out of the mineral royalties. Money from the fuels tax will be appropriated to this account.
3. Allows the Department of Highways to spend money outside of the financial district laws.
4. Provides for a priority to areas that are impacted by mineral development. (Which complies with the Attorney General's opinion.)
5. Provides authorization for a preservation program. (Seal coats and overlays that do not add to the structural strength of the highways, and, therefore, are not covered by federal funding.)

MR. WICKS said earmarked money from the coal tax would be used for the highways. The department would not be taking money from the coal trust fund. The Department of Highways would capture the growth expected in the coal tax (in 1986 and 1987) and use that money for highways. There would be no reduction in the coal tax money.

MR. WICKS said HB 730 is keyed to revitalization of the primary system in the state of Montana.

HB 17
1-15-85 Senate Tax
Ex 2-p.3
ERW:JAS on
HB 730

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.

HB 19
1-15-85
Ex 2 p. 4

SENATE TAX
EXHIBIT ON
HB 770

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

HB 19
1-15-85
Ex 2-p. 5
Jim - I believe we
handled this out at hearing
on 730 - if shown go in
the minutes, clearly shows
intent.
JH

HOUSE BILL 730

Description

HB 730 provides for the following:

- (1) It creates a Highway Reconstruction Trust Account;
- (2) It allocates revenues to the account from the following sources:
 - . Coal severance taxes (15-35-108)
 - . Mineral Royalties (17-3-201)
 - . Fuel taxes (15-70-204, 15-70-321)
- (3) Expenditure of funds on Interstate, Primary, and Secondary systems, and funds can also be used to match federal funds if necessary;
- (4) It provides for implementation of a reconstruction program which includes all regular construction, reconstruction, and preventative maintenance activities, excluding those for routine maintenance;
- (5) Priority must be given to projects necessitated by the impact of mineral development;
- (6) Coal severance taxes at a rate of 6 percent in FY 1986, 12 percent in FY 1987, and 12 percent for FY 1988-1993;
- (7) Effective dates: July 1, 1983 - July 1, 1993.

Impact

- (1) Will generate revenues as follows:

	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>
Mineral Roy.	6,621	7,543	8,447	9,461
Coal Taxes	-	-	8,824	19,411
	\$6,621	\$7,543	\$17,271	\$28,872

The balance of the appropriated amount for each of the effected fiscal years will be made up from gasoline and diesel tax revenues.

Jan. 15, 1985
Exhibit 3
HB 19

RESEARCH MEMORANDUM

TO: Representative John G. Harp, Chairman
House Highways and Transportation Committee

FROM: Tom Gomez, Researcher
Legislative Council

DATE: January 15, 1984

RE: House Bill 19, Legislative History of Present Law

In 1983, the 48th Montana Legislature passed House Bill 730, which created a 10-year highway reconstruction trust fund account allocating portions of the coal severance tax, gasoline licensing tax, and special fuel taxes to the account.

Prior to the presentation of a final bill draft of this legislation, a number of different dates were proposed for the effective date of the provisions providing for the allocation of coal severance tax money to the highway reconstruction trust fund.

These proposals were made by the staff members of the Department of Highways and the Department of Revenue. The final proposal, which was incorporated into the introduced bill, was drafted by Highway Department staff. This proposal established an effective date starting July 1, 1986, and ending June 30, 1987, for the allocation of 6% of the coal tax to the trust fund account. That same proposal provided an effective date of July 1, 1987, for an increase in the allocation to 12%.

While in each reading of the bill, House Bill 730 clearly contained the language for the effective date which is now codified in 15-35-108 and 60-3-216, MCA, it seems apparent from the minutes of the committee hearings on the bill that there was a misunderstanding regarding the date upon which the allocation would take effect.

In testimony on March 10, 1983, before the Senate Taxation Committee, the director of the Department of Highways indicated an intent that, in fiscal 1986, 6% of the trust fund be earmarked for the highway program and that in fiscal 1987, 12% of the fund be allocated for that purpose.

Nonetheless, the bill was not amended and there was no additional discussion of the effective date for House Bill 730. Subsequently, the bill was passed as written by both houses of the Legislature.

STANDING COMMITTEE REPORT

January 15

1985

MR. **SPEAKER**

We, your committee on **HOUSE HIGHWAYS AND TRANSPORTATION**

COMMITTEE

having had under consideration **HOUSE BILL** Bill No. **19**

FIRST reading copy (**WHITE**)
color

**CORRECTING DATES FOR ALLOCATING COAL TAX TO HIGHWAY RECONSTRUCTION
TRUST**

Respectfully report as follows: That **HOUSE BILL** Bill No. **19**

DO PASS

STANDING COMMITTEE REPORT

January 15

19 85

MR. SPEAKER

We, your committee on HOUSE HIGHWAYS AND TRANSPORTATION

having had under consideration HOUSE BILL Bill No. 21

~~HOUSE~~ FIRST reading copy (WHITE)
color

REPEALING, SECTION 60-2-101, MCA, WHICH REQUIRES THE HIGHWAY
COMMISSION TO MEET ONCE EACH MONTH; AND PROVIDING AN IMMEDIATE
EFFECTIVE DATE.

Respectfully report as follows: That HOUSE BILL Bill No. 21

DO PASS