MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 12, 1985

The forty-seventh meeting of the Senate Taxation Committee was called to order by Chairman Thomas E. Towe at 7:35 am in Room 413-415 of the Capitol Building.

CONSIDERATION OF SB 390: A letter regarding the bill was presented to the committee (Exhibit 1). Amendments to the bill were offered by Senator Mazurek (Exhibit 2). He said that the amendments were lengthy because they involved much existing code, but that they only involved three changes. First, the amendments insured that the 51 mills levied state wide for the universities and school foundation program would not be tampered with. Second, they addressed the ability of the county to anticipate revenue. Third, they gave 65 percent of the net proceeds tax coming into the state back to the counties for the purpose of protecting local government bonding authority.

MOTION: Senator Mazurek moved that SB 390 be amended per Exhibit 2.

Mr. Jim Lear, committee staff, requested that necessary title changes be added to the motion and that the material stricken also be indicated by the amendments. Senator Mazurek added those corrections to his motion.

Question was called and the motion carried unanimously.

Next the committee discussed the taxation rates to be used in the bill. In its present form the bill called for 6.3 percent on oil and 9.2 percent on natural gas. Senator Mazurek suggested that those rates be raised to 6.5 percent on oil and 10 percent on natural gas. He said that his computations indicated that those would be average and fair figures.

Senator Eck asked what production would have been considered "new" in the last year. That information was not available.

MOTION: Senator Mazurek moved that SB 390 be amended to 6.5 percent on oil and 9.2 percent on natural gas. With Senator Neuman voting no and all others voting yes, the motion carried.

MOTION: Senator Goodover moved that SB 390 do pass as amended.

Senator Mazurek said that the impact of the bill is to set a statewide rate of taxation. He said this bill would increase production by giving oil and gas companies a bottom line on taxation of their product.

Senator Neuman said then combines should all be taxed at the same rate too. He said this net proceeds tax is a part of the tax base of the area. He said if it applies to oil it should apply to everything.

Senator Hirsch asked about the bill that returned all new production taxation back to the county for impacts in the first year. Senator Towe and Mr. Tucker Hill said that bill had no relationship to this one as that involved a severance tax and not a net proceeds tax.

Senator Eck asked about the special rate used for deep wells. Mr. Hill said that was not used to any great degree as no significant discoveries were made below the 5,000 to 6,000 foot level. Senator Eck noted that the overthrust wells will be at that level. Mr. Hill said it would be fine to include an exemption for those as he did not see that production as significant.

Senator Hirsch felt that the county-by-county impacts were significant and that the rate change would affect the fiscal note. Senator Towe felt that there would be an insignificant increase in each of the figures in the existing fiscal note. Senator Mazurek added that it would affect only new production after the effective date of the bill.

Senator Towe said that there would be a substantial increase in some counties, particularly in the major production areas.

Senator Eck said this bill does not address putting the money where the impact is and that an inequitable situation could result.

Senator Neuman said that the tendency is to bring the state into it when the system doesn't work and that the state will be collecting the funds if the bill is ineffective.

Question was called. Senators Brown, Goodover, Hager, Halligan, Lybeck, Mazurek, McCallum and Towe voted yes; Senators Eck, Hirsch, Neuman and Severson voted no. The motion carried.

CONSIDERATION OF SB 405: Senator Larry Stimatz, Senate District 35, was recognized as chief sponsor of the bill. He said that aviation needs to be considered a part of the transportation industry. He said that only a few airports in the state have major traffic and that the residents of those cities and counties bear a disproportionate burden to support the airports for all residents of the state. This bill would levy 1 mill statewide for airport support. A rebate would be made to airports. He said it would provide local property tax relief.

PROPONENTS

Mr. Joe Atwood, manager of the Great Falls Airport representing the Montana Airport Management Association said this would bring relief to over 300,000 property tax payers. He said the measure was needed by the commercial airports. His written testimony is in Exhibit 3.

OPPONENTS

Ms. Marilyn Lewis representing the Montana Flying Farmers said the bill would help only the larger airports.

Mr. John Semple of the aviation trades, said the bill does not address the fact that we have more airplanes per capita than any state except Alaska. He said that HB 822 would address the airport problem as a whole and not just one segment of it.

Questions from the committee were called for.

The committee discussed the situation of counties already levying the 2 mills could continue to do so, or could cut that back to nothing if they desired.

Senator Severson asked what help would be given to general service airports. Mr. Atwood said that $140,000 would be made available to the airport loan and grant program for airports below the commercial level. He said there are 120 airports in the state now, 15 of which are "commercial level" airports.

Senator Stimatz closed saying that the Montana aviation industry is fragmented and represents many groups and attitudes. He said that HB 822 would levy additional fuel tax against the major carriers at a time they can ill afford it. He said that HB 405 is an attempt at equity for the industry and at providing property tax relief at the local level. He said this was a step to get relief to major airports and to upgrade some of the primative facilities in smaller airports. He said the bill is essential to the survival of the transportation industry.

CONSIDERATION OF HB 279: Representative Les Kitselman was recognized as chief sponsor of the bill. He said that the bill simply allowed funds remaining at the end of indebtedness of a special improvement district to be rolled over into a district maintenance fund to maintain the improvements that were originally paid for by the rural district.

PROPONENTS

Mr. Mike Stephens representing the Clerk and Recorders Association said that the money would be used to benefit those who had put the dollars in originally.

OPPONENTS

None were heard.

Questions from the committee were called for.

Senator McCallum asked how that money was used now. Representative Kitselman said that the money is returned to the property owners. He said that a maintenance district is separately created and reassessment is made. He said this would provide that the local governing body would have the option to create the maintenance district with this money upon notification to the assessed district.

Representative Kitselman clarified that it would amount to about $200 to the individuals of the district and that if the money needed to do the maintenance falls short a new assessment would have to be made.

He closed without comment.

CONSIDERATION OF HB 315: Representative Dennis Rehberg, House District 88, was recognized as chief sponsor of the bill. He said that the bill assigns a percentage of the common areas in condos to each owner in an attempt to clarify taxation.

PROPONENTS

Mr. Charles Gravely of the County Treasurers and Assessors said that they support the bill.

OPPONENTS

None were heard.

Questions from the committee were called for.

Mr. Gravely said that parks were exempted out because many people other than the owners have use of the parks. They are not exempt from taxation, but are except from this pro rata allocation.

Senator Towe questioned the use of taxation language when the intent was the allocation and not the taxation itself.

Mr. Randy Wilke, Real Property Bureau Chief for the Department of Revenue, explained that the bill describes how the taxation is currently handled. He said that the entire structure is assigned a value and the percentage of taxation is allocated to the owner by the percentage reflected in an ownership declaration. That declaration he said, is filed with the clerk and recorder, and is a requirement of state law.

Senator Towe questioned whether that would always be a desireable way of handling this taxation.

In a discussion of the effective date, Mr. Gregg Groepper of the Department of Revenue said that it was changed to coordinate with the tax appraisal year.

Representative Rehberg closed without further comment.

CONSIDERATION OF SB 437: The committee was informed that the sponsor had requested tabling of the bill.

MOTION: Senator McCallum moved that SB 437 be tabled. The motion carried unanimously.

CONSIDERATION OF SB 461: Amendments to the bill were discussed by Mr. Jim Lear. Senator Halligan said that a bill of his met an ill fate except that the portion that removed loan indebtedness was necessary. These amendments would accomplish that. The second thing the amendments addressed is that it provided for the responsibilities of the county treasurer.

Senator Halligan said that he could not speak for Senator Fuller, but assumed that he had no problem with the amendments.

MOTION: Senator Halligan moved that SB 461 be amended per Exhibit 4. The motion carried unanimously.

MOTION: Senator Halligan moved that SB 461 do pass as amended.

Mr. Gregg Groepper said that they had no problem with the effective date on this bill as it involved borrowing and not taxation. Senator Mazurek said that some of the counties would need the money between now and July 1 and that, therefore, the effective date is appropriate.

The motion carried unanimously.

CONSIDERATION OF SB 434: As this bill affected others the committee felt it should be acted on.

MOTION: Senator McCallum moved that SB 434 be amended as follows:

1. Title, line 8.
Following: "PAYROLL TAX,"
Insert: "SALES TAX"

2. Page 3, line 17.
Following: line 16
Insert: "local sales tax,"

Renumber appropriately.

Question was called. Senators Brown, Goodover, Hirsch and McCallum voted yes; Senators Halligan, Lybeck, Mazurek and Severson voted no; Senator Hager abstained; Senators Eck, Neuman and Towe were not present when the vote was taken. The motion failed.

MOTION: Senator Halligan moved that SB 434 be tabled. Senator Hager noted that if this bill passed, Billings could afford to secede and become a state. Senator Lybeck said the bill provided too many options and would result in too much lack of uniformity within the state.

Question was called and the motion carried unanimously. Senator Eck was not present for the vote.

CONSIDERATION OF SB 455: Senator Hirsch said that figures from the Department of Revenue showing impact by county were being prepared and when those were factored in an amendment to mitigate impact could be necessary. On that basis consideration of the bill was deferred.

CONSIDERATION OF SB 405: Senator Hager moved that SB 405 do not pass.

Senator Goodover spoke in favor of the motion saying that $13 million had been made available to airports over the last biennium. He discussed other funding sources available. He said another bill to match money from airlines was available. He said this bill was a relief bill for Great Falls and that it was not necessary.

Senator Lybeck said that people from large areas do use airports and that only the locals pay for them.

Question was called. Senators Goodover, Hager, Hirsch, McCallum, Neuman, Severson and Towe voted yes; Senators Brown, Eck, Halligan, Lybeck and Mazurek voted no. The motion carried.

CONSIDERATION OF SB 161 and SB 442: Senator Brown said that the bills would increase the cigarette tax by five cents and direct the relief resulting to the property taxpayer.

Senator McCallum said that cigarettes have become a target for taxation. Senator Lybeck said that if all the cigarette taxes contemplated were passed more folks would buy cigarettes in nontaxing jurisdictions. Senator Brown responded saying that then we should lower the existing taxes on cigarettes to be certain that doesn't happen.

Senator Brown said the fiscal note shows a $4.5 million impact annually. He said this legislative session is already looking at a drastic increase in property taxes.

Senator Mazurek said the bill needed to pass to keep the options of the Legislature open.

MOTION: Senator Severson moved that SB 161 do pass.

Senator Goodover said that the committee was again looking at a selective sales tax and ignoring new sources of revenue. He felt that this was a negative approach.

Senator Mazurek said he felt that SB 161 should be tied to SB 442.

MOTION: Senator Halligan moved as a substitute motion that a coordination instruction be added to SB 161 saying that it would be void unless SB 442 also passed.

Question was called. Senators Hager, McCallum, Brown and Goodover voted no; Senators Neuman, Severson, Halligan, Lybeck and Mazurek voted yes; the motion carried.

MOTION: Senator Halligan moved that SB 442 and SB 161, as amended, do pass.

Senator Hirsch said that this was an easy industry to tax, but that they had already experienced a 33 percent increase in the last biennium. He said the committee would not do that to anyone else and he felt this was not fair.

Senator Hager said he did not like the funding source either. Senator McCallum agreed.

Senator Mazurek again urged the committee to keep the options open.

Senator Brown said that a number of states still have a higher cigarette tax and that this is not being singled out uniquely or punatively.

Question was called and Senators Brown, Eck, Halligan, Lybeck, Mazurek, Neuman, Severson and Towe voted yes; Senators Goodover, Hager, Hirsch, and McCallum voted no. The motion carried.

Chairman Towe adjourned the meeting at 10:01 am.

Thomas E. Towe

Chairman

ROLL CALL

SENATE TAXATION COMMITTEE

49th Legislative Session -- 1985

Date March 12, 1985

Location -- Room 413-415

- -

Name	Present	Absent	Excused
Senator Brown	✓		
Senator Eck	✓		
Senator Goodover	✓		
Senator Hager	✓		
Senator Halligan	✓		
Senator Hirsch	✓		
Senator Lybeck	✓		
Senator Mazurek	✓		
Senator McCallum	✓		
Senator Neuman	✓		
Senator Severson	✓		
Senator Towe	✓		

DATE March 12, 1985

COMMITTEE ON Taxation

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One Support	Check One Oppose
Hugh R Kallahan	Helena Airport	S 405	✓	
Angelo Petroni	Butte Airport	S405	✓	
[illegible]	Billings Airport	S405		
Marilyn Lewis	Mt Flying Farmers	S405		✓
Jim Lewis	Mt. Flying Farmers			✓
John Semple	MATA	S405		✓
Charles Graveley	Co Treas & Assessors	HB 315	✓	
Mike [illegible]	Clerk & Recorders	HB [illegible]	X	

(Please leave prepared statement with Secretary)

NAME: MARILYN LEWIS DATE: 3/12/85

ADDRESS: 6340 BLACKFOOT DR HELENA MT

PHONE: 458-5335

REPRESENTING WHOM? Montana Flying Farmers

APPEARING ON WHICH PROPOSAL: SB 405

DO YOU: SUPPORT? ______ AMEND? ______ OPPOSE? X

COMMENTS: ______

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

NAME: M J ATTWOOD DATE: 12 MAR 85

ADDRESS: RR4028 GREAT FALLS MONTANA

PHONE: 406 7273406

REPRESENTING WHOM? MONT. AIRPORT MANGR ASSOC.

APPEARING ON WHICH PROPOSAL: SB 405

DO YOU: SUPPORT? X AMEND? ____ OPPOSE? ____

COMMENTS:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

ROLL CALL VOTE

SENATE TAXATION COMMITTEE
49 th Legislative Session -- 1985

Time ______________ Date March 12, 1985 Room 413-415

Motion: that SB 439 be amended - McCallum inclusion of [illegible] tax.

Name	Yes	No	Excused
Senator Brown	✓		
Senator Eck			
Senator Goodover	✓		
Senator Hager	[illegible]		[illegible]
Senator Halligan		✓	
Senator Hirsch	✓		
Senator Lybeck		✓	
Senator Mazurek		✓	
Senator McCallum	✓		
Senator Neuman			
Senator Severson		✓	
Senator Towe			

February 28, 1985

824 West Park
Butte, MT 59701

Sen. J. D. Lynch
532 West Mercury
Butte, MT 59701

RE: Senate Bill 390

Dear Senator Lynch;

I am a constituent of yours and currently employed by The Montana Power Company as the Assistant Manager of the Oil and Gas Lease Department. For the eight years prior to going to work for Montana Power, I was an independent petroleum landman living and working in Montana.

Montana's high total tax burden on oil and gas production is a very real deterrent to exploration in this state. In my days as an independent landman, two different large independent oil companies for whom I worked ruled out Montana as a place to spend their exploration dollars -- this decision was based primarily on our state's tax rates. Senate Bill 390 would send a strong positive signal to the industry and bring exploration dollars back into our state.

As you are aware, the Overthrust Belt represents an incredibly rich province for <u>potential</u> oil and gas development. Successful exploration of this region could mean hundreds of millions of dollars in revenues to this state. Butte's location would make it one of the primary beneficiaries of successful Overthrust development.

The decisions necessary for this development are being made right now; the decision makers are weighing the risks against the potential profit to be made. A more consistent and realistic tax structure will go a long way in tipping the scales in Montana's favor.

Sincerely,

Terry Wisner

Terry Wisner

TW/jh

cc: Sen. Robert Brown
Sen. Pat Goodover
Sen. Thomas Hager
Sen. George McCallum
Sen. Elmer Severson
Sen. Tom Towe
Sen. Joseph Mazurek
Sen. Dorothy Eck
Sen. Mike Halligan
Sen. Les Hirsch
Sen. Ray Lybeck
Sen. Ted Neuman
Rep. Dan Harrington

Exhibit 1 -- SB 390
March 12, 1985

Proposed Amendments
Senate Bill No. 390
Introduced Copy

1. Page 8, line 8.
   following: "levied"
   insert: "divided by the appropriate tax rates described in Section 15-23-607, (2) (a) or (2) (b) and multiplied by 60%."

2. Page 8, line 25.
   following: "levied"
   insert: SAA

3. Page 9, line 6.
   following: "levied
   insert: SAA

4. Page 9, line 22.
   following: "levied"
   insert: SAA

5. Page 10, line 6.
   following: "levied"
   insert: SAA

6. Page 10, line 15.
   following: "levied"
   insert: SAA

7. Page 10, line 23.
   following: "levied"
   insert: SAA

8. Page 11, line 24.
   following: "levied"
   insert: SAA

Exhibit 2 -- SB 390
March 12, 1985

9. Page 12, line 9.
following: line 8
Insert:

"NEW SECTION. Section 11. Disposition of taxes in lieu of net proceeds taxes. The County Treasurer shall credit all taxes on new oil or gas production, as provided for in Section 15-23-607 in the relative proportions required by the levies for state, county, school district, and municipal purposes in the same manner as property taxes were distributed in the year preceding the budget year.

Section 12. Section 20-9-141, MCA, is AMENDED TO read:

" **20-9-141. Computation of general fund net levy requirement by county superintendent.** (1) The county superintendent shall compute the levy requirement for each district's general fund on the basis of the following procedure:

(a) Determine the total of the district's nonisolated school foundation program requirement to be met by a district levy as provided in 20-9-303, the district's permissive levy amount as provided in 20-9-352, and any additional levies authorized by the electors of the district under the provisions of 20-9-353, except that the total of the permissive and additional levies shall not exceed the total amount of the final general fund budget less the foundation program.

(b) Determine the total of the moneys available for the reduction of the property tax on the district for the general fund by totaling:

(i) anticipated federal moneys received under the provisions of Title I of Public Law 81-874 or other anticipated federal moneys received in lieu of such federal act;

(ii) anticipated tuition payments for out-of-district pupils under the provisions of 20-5-303, 20-5-307, 20-5-312, and 20-5-313;

(iii) general fund cash reappropriated, as established under the provisions of 20-9-104;

(iv) anticipated state impact aid received under the provisions of 20-9-304;

(v) anticipated motor vehicle fees and reimbursement under the provisions of 61-3-532 and 61-3-536;

(vi) anticipated net proceeds for new production, as defined in 15-23-601;

(vii) ~~(vi)~~ anticipated interest to be earned by the investment of general fund cash in accordance with the provisions of 20-9-213(4); and

(viii) ~~(vii)~~ any other revenue anticipated by the trustees to be received during the ensuing school fiscal year which may be used to finance the general fund.

(c) Subtract the total of the moneys available to reduce the property tax required to finance the general fund that has been determined in subsection (1)(b) from the total levy requirement determined in subsection (1)(a).

(2) The net general fund levy requirement determined in subsection (1)(c) shall be reported to the county commissioners on the second Monday of August by the county superintendent as the general fund levy requirement for the district, and a levy shall be made by the county commissioners in accordance with 20-9-142. "

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Section 13. Section 20-9-331, MCA, is amended to read:

"**20-9-331. Basic county tax and other revenues for county equalization of the elementary district foundation program.** (1) It shall be the duty of the county commissioners of each county to levy an annual basic tax of 28 mills on the dollars of the taxable value of all taxable property within the county for the purposes of local and state foundation program support. The revenue to be collected from this levy shall be apportioned to the support of the foundation programs of the elementary school districts in the county and to the state special revenue fund, state equalization aid account, in the following manner:

(a) In order to determine the amount of revenue raised by this levy which is retained by the county, the sum of the estimated revenues identified in subsections (2)(a) through (2)(f) below shall be subtracted from the sum of the county elementary transportation obligation and the total of the foundation programs of all elementary districts of the county.

(b) If the basic levy prescribed by this section produces more revenue than is required to finance the difference determined above, the county commissioners shall order the county treasurer to remit the surplus funds to the state treasurer for deposit to the state special revenue fund, state equalization aid account, not later than June 1 of the fiscal year for which the levy has been set.

(2) The proceeds realized from the county's portion of the levy prescribed by this section and the revenues from the following sources shall be used for the equalization of the elementary district foundation programs of the county as prescribed in 20-9-334, and a separate accounting shall be kept of such proceeds and revenues by the county treasurer in accordance with 20-9-212(1):

(a) the portion of the federal Taylor Grazing Act funds distributed to a county and designated for the common school fund under the provisions of 17-3-222;

(b) the portion of the federal flood control act funds distributed to a county and designated for expenditure for the benefit of the county common schools under the provisions of 17-3-232;

(c) all money paid into the county treasury as a result of fines for violations of law and the use of which is not otherwise specified by law;

(d) any money remaining at the end of the immediately preceding school fiscal year in the county treasurer's account for the various sources of revenue established or referred to in this section; ~~and~~

(e) any federal or state money, including anticipated motor vehicle fees and reimbursement under the provisions of 61-3-532 and 61-3-536, distributed to the county as payment in lieu of the property taxation established by the county levy required by this section~~.~~; and

(f) net proceeds for new production, as defined in 15-23-601."

Section 14. Section 20-9-333, MCA, is amended to read

"**20-9-333. Basic special levy and other revenues for county equalization of high school district foundation program.** (1) It shall be the duty of the county commissioners of each county to levy an annual basic special tax for high schools of 17 mills on the dollar of the taxable value of all taxable property within the county for the purposes of local and state foundation program support. The revenue to be collected from this levy shall be apportioned to the support of the foundation programs of high school districts in the county and to the state special revenue fund, state equalization aid account, in the following manner:

(a) In order to determine the amount of revenue raised by this levy which is retained by the county, the estimated revenues identified in subsections (2)(a) and (2)(b) below shall be subtracted from the sum of the county's high school tuition obligation and the total of the foundation programs of all high school districts of the county.

(b) If the basic levy prescribed by this section produces more revenue than is required to finance the difference determined above, the county commissioners shall order the county treasurer to remit the surplus to the state treasurer for deposit to the state special revenue fund, state equalization aid account, not later than June 1 of the fiscal year for which the levy has been set.

(2) The proceeds realized from the county's portion of the levy prescribed in this section and the revenues from the following sources shall be used for the equalization of the high school district foundation programs of the county as prescribed in 20-9-334, and a separate accounting shall be kept of these proceeds by the county treasurer in accordance with 20-9-212(1):

(a) any money remaining at the end of the immediately preceding school fiscal year in the county treasurer's account for deposit of the proceeds from the levy established in this section; and

(b) any federal or state moneys, including anticipated motor vehicle fees and reimbursement under the provisions of 61-3-532 and 61-3-536, distributed to the county as a payment in lieu of the property taxation established by the county levy required by this ~~section.~~ ; and

(c) net proceeds for new production, as defined in 15-23-601."

Section 15. Section 20-9-352, MCA, is AMENDED TO READ:

§ 20-9-352. **Permissive amount and permissive levy.** (1) Whenever the trustees of any district shall deem it necessary to adopt a general fund budget in excess of the foundation program amount but not in excess of the maximum general fund budget amount for such district as established by the schedules in 20-9-316 through 20-9-321, the trustees shall adopt a resolution stating the reasons and purposes for exceeding the foundation program amount. Such excess above the foundation program amount shall be known as the "permissive amount", and it shall be financed by a levy on the taxable value of all taxable property within the district as prescribed in 20-9-141, supplemented with any biennial appropriation by the legislature for this purpose.

(2) The district levies to be set for the purpose of funding the permissive amount are determined as follows:

(a) For each elementary school district, the county commissioners shall annually set a levy not exceeding 6 mills on all the taxable property in the district for the purpose of funding the permissive amount of the district. The permissive levy in mills shall be obtained by multiplying the ratio of the permissive amount to the maximum permissive amount by 6 or by using the number of mills which would fund the permissive amount, whichever is less.

If the amount of revenue raised by this levy, plus anticipated motor vehicle fees and reimbursement under the provisions of 61-3-532 and 61-3-536, is not sufficient to fund the permissive amount in full, the amount of the deficiency shall be paid to the district from the state special revenue fund according to the provisions of 20-9-351 and subsection (3) of this section.

(b) For each high school district, the county commissioners shall annually set a levy not exceeding 4 mills on all taxable property in the district for the purpose of funding the permissive amount of the district. The permissive levy in mills shall be obtained by multiplying the ratio of the permissive levy to the maximum permissive amount by 4 or by using the number of mills which would fund the permissive amount, whichever is less. If the amount of revenue raised by this levy, plus anticipated motor vehicle fees and reimbursement under the provisions of 61-3-532 and 61-3-536, and plus net proceeds for new production, as defined in 15-23-601, is not sufficient to fund the permissive amount in full, the amount of the deficiency shall be paid to the district from the state special revenue fund according to the provisions of 20-9-351 and subsection (3) of this section. The superintendent of public instruction shall, if the appropriation by the legislature for the permissive account [program] for the biennium is insufficient, request the budget director to submit a request for a supplemental appropriation in the second year of the biennium.

(3) Such distribution shall be made in two payments. The first payment shall be made at the same time as the first distribution of state equalization aid is made after January 1 of the fiscal year. The second payment shall be made at the same time as the last payment of state equalization aid is made for the fiscal year. If the appropriation is not sufficient to finance the deficiencies of the districts as determined according to subsection (2), each district will receive the same percentage of its deficiency. Surplus revenue in the second year of the biennium may be used to reduce the appropriation required for the next succeeding biennium or may be transferred to the state equalization aid state special revenue fund if revenues in that fund are insufficient to meet foundation program requirements. //

Section 16. Section 20-9-501, MCA, is amended to read:

"**20-9-501. Retirement fund.** (1) The trustees of any district employing personnel who are members of the teachers' retirement system or the public employees' retirement system or who are covered by unemployment insurance or who are covered by any federal social security system requiring employer contributions shall establish a retirement fund for the purposes of budgeting and paying the employer's contributions to such systems. The district's contribution for each employee who is a member of the teachers' retirement system shall be calculated in accordance with Title 19, chapter 4, part 6. The district's contribution for each employee who is a member of the public employees' retirement system shall be calculated in accordance with 19-3-801. The district may levy a special tax to pay its contribution to the public employees' retirement system under the conditions prescribed in 19-3-204. The district's contributions for each employee covered by any federal social security system shall be paid in accordance with federal law and regulation. The district's contribution for each employee who is covered by unemployment insurance shall be paid in accordance with Title 39, chapter 51, part 11.

(2) The trustees of any district required to make a contribution to any such system shall include in the retirement fund of the preliminary budget the estimated amount of the employer's contribution and such additional moneys, within legal limitations, as they may wish to provide for the retirement fund cash reserve. After the final retirement fund budget has been adopted, the trustees shall pay the employer contributions to such systems in accordance with the financial administration provisions of this title.

(3) When the final retirement fund budget has been adopted, the county superintendent shall establish the levy requirement by:

(a) determining the sum of the moneys available to reduce the retirement fund levy requirement by adding:

(i) any anticipated moneys that may be realized in the retirement fund during the ensuing school fiscal year, including anticipated motor vehicle fees and reimbursement under the provisions of 61-3-532 and 61-3-536; ~~and~~

(ii) net proceeds for new production, as defined in 15-23-601; and

(iii) ~~(ii)~~ any cash available for reappropriation as determined by subtracting the amount of the end-of-the-year cash balance earmarked as the retirement fund cash reserve for the ensuing school fiscal year by the trustees from the end-of-the-year cash balance in the retirement fund. The retirement fund cash reserve shall not be more than 35% of the final retirement fund budget for the ensuing school fiscal year and shall be used for the purpose of paying retirement fund warrants issued by the district under the final retirement fund budget.

(b) subtracting the total of the moneys available for reduction of the levy requirement as determined in subsection (3)(a) from the budgeted amount for expenditures in the final retirement fund budget.

(4) The county superintendent shall total the net retirement fund levy requirements separately for all elementary school districts, all high school districts, and all community college districts of the county, including any prorated joint district or special educational cooperative agreement levy requirements, and shall report each such levy requirement to the county commissioners on the second Monday of August as the respective county levy requirements for elementary district, high school district, and community college district retirement funds. The county commissioners shall fix and set such county levy in accordance with 20-9-142.

(5) The net retirement fund levy requirement for a joint elementary district or a joint high school district shall be prorated to each county in which a part of such district is located in the same proportion as the district ANB of the joint district is distributed by pupil residence in each such county. The county superintendents of the counties affected shall jointly determine the net retirement fund levy requirement for each county as provided in 20-9-151.

(6) The net retirement fund levy requirement for districts that are members of special educational cooperative agreements shall be prorated to each county in which such district is located in the same proportion as the budget for the special education cooperative agreement of the district bears to the total budget of the cooperative. The county superintendents of the counties affected shall jointly determine the net retirement fund levy requirement for each county in the same manner as provided in 20-9-151 and fix and levy the net retirement fund levy for each county in the same manner as provided in 20-9-152."

Section 17. Section 20-10-144, MCA, is amended to read:

"**20-10-144. Computation of revenues and net tax levy requirements for the transportation fund budget.** Before the fourth Monday of July and in accordance with 20-9-123, the county superintendent shall compute the revenue available to finance the transportation fund budget of each district. The county superintendent shall compute the revenue for each district on the following basis:

(1) The "schedule amount" of the preliminary budget expenditures that is derived from the rate schedules in 20-10-141 and 20-10-142 shall be determined by adding the following amounts:

(a) the sum of the maximum reimbursable expenditures for all approved school bus routes maintained by the district (to determine the maximum reimbursable expenditure, multiply the applicable rate per bus mile by the total number of miles to be traveled during the ensuing school fiscal year on each bus route approved by the county transportation committee and maintained by such district); plus

(b) the total of all individual transportation per diem reimbursement rates for such district as determined from the contracts submitted by the district multiplied by the number of pupil-instruction days scheduled for the ensuing school attendance year; plus

(c) any estimated costs for supervised home study or supervised correspondence study for the ensuing school fiscal year; plus

(d) the amount budgeted on the preliminary budget for the contingency amount permitted in 20-10-143, except if such amount exceeds 10% of the total of subsections (1)(a), (1)(b), and (1)(c) or $100, whichever is larger, the contingency amount on the preliminary budget shall be reduced to such limitation amount and used in this determination of the schedule amount.

(2) The schedule amount determined in subsection (1) or the total preliminary transportation fund budget, whichever is smaller, shall be divided by 3 and the resulting one-third amount shall be used to determine the available state and county revenue to be budgeted on the following basis:

(a) the resulting one-third amount shall be the budgeted state transportation reimbursement, except that the state transportation reimbursement for the transportation of special education pupils under the provisions of 20-7-442 shall be two-thirds of the schedule amount attributed to the transportation of special education pupils;

(b) the resulting one-third amount, except as provided for joint elementary districts in subsection (2)(e), shall be the budgeted county transportation reimbursement for elementary districts and shall be financed by the basic county tax under the provisions of 20-9-334;

(c) the resulting one-third amount multiplied by 2 shall be the budgeted county transportation reimbursement amount for high school districts financed under the provisions of subsection (5) of this section, except as provided for joint high school districts in subsection (2)(e), and except that the county transportation reimbursement for the transportation of special education pupils under the provisions of 20-7-442 shall be one-third of the schedule amount attributed to the transportation of special education pupils;

(d) when the district has a sufficient amount of cash for reappropriation and other sources of district revenue, as determined in subsection (3), to reduce the total district obligation for financing to zero, any remaining amount of such district revenue and cash reappropriated shall be used to reduce the county financing obligation in subsections (2)(b) or (2)(c) and, if such county financing obligations are reduced to zero, to reduce the state financial obligation in subsection (2)(a); and

(e) the county revenue requirement for a joint district, after the application of any district moneys under subsection (2)(d) above, shall be prorated to each county incorporated by the joint district in the same proportion as the ANB of the joint district is distributed by pupil residence in each such county.

(3) The total of the moneys available for the reduction of property tax on the district for the transportation fund shall be determined by totaling:

(a) anticipated federal moneys received under the provisions of Title I of Public Law 81-874 or other anticipated federal moneys received in lieu of such federal act; plus

(b) anticipated payments from other districts for providing school bus transportation services for such district; plus

(c) anticipated payments from a parent or guardian for providing school bus transportation services for his child; plus

(d) anticipated interest to be earned by the investment of transportation fund cash in accordance with the provisions of 20-9-213(4); plus

(e) anticipated motor vehicle fees and reimbursement under the provisions of 61-3-532 and 61-3-536; plus

(f) net proceeds for new production, as defined in 15-23-601; plus

(g) ~~(f)~~ any other revenue anticipated by the trustees to be earned during the ensuing school fiscal year which may be used to finance the transportation fund; plus

6.

(h) ~~(g)~~ any cash available for reappropriation as determined by subtracting the amount of the end-of-the-year cash balance earmarked as the transportation fund cash reserve for the ensuing school fiscal year by the trustees from the end-of-the-year cash balance in the transportation fund. Such cash reserve shall not be more than 20% of the final transportation fund budget for the ensuing school fiscal year and shall be for the purpose of paying transportation fund warrants issued by the district under the final transportation fund budget.

(4) The district levy requirement for each district's transportation fund shall be computed by:

(a) subtracting the schedule amount calculated in subsection (1) from the total preliminary transportation budget amount and, for an elementary district, adding such difference to the district obligation to finance one-third of the schedule amount as determined in subsection (2); and

(b) subtracting the amount of moneys available to reduce the property tax on the district, as determined in subsection (3), from the amount determined in subsection (4)(a) above.

(5) The county levy requirement for the financing of the county transportation reimbursement to high school districts shall be computed by adding all such requirements for all the high school districts of the county, including the county's obligation for reimbursements in joint high school districts.

(6) The transportation fund levy requirements determined in subsection (4) for each district and in subsection (5) for the county shall be reported to the county commissioners on the second Monday of August by the county superintendent as the transportation fund levy requirements for the district and for the county, and such levies shall be made by the county commissioners in accordance with 20-9-142. "

NEW SECTION: Section 18. Codification instruction. Section 11 is intended to be codified as an integral part of Title 15, chapter 23, part 6, and the provisions of Title 15, chapter 23, part 6, apply to section 11.
Renumber: subsequent sections

10. Page 12, line 14.
    following: "through"
    strike: "10"
    insert: "17"

11. Page 12, line 14.
    following: "1985"
    strike: "Section"
    insert: "Sections"

12. Page 12, line 15.
    Following: line 14
    strike: "11" "and"
    insert: "18 through"

13. Page 12, line 16.
    following: "Section"
    strike: "11"
    insert "19"

Secy Aviation

February 13, 1985

A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING A STATEWIDE PROPERTY TAX LEVY OF 1 MILL TO SUPPORT PUBLIC AIRPORTS, TO RAISE A MAXIMUM OF $85,000 IN ANY COUNTY, DEFINING "AIR CARRIER AIRPORTS" AND "COMMERCIAL SERVICE AIRPORTS", ESTABLISHING AN AIRPORT SERVICES ACCOUNT AND AUTHORIZING ALLOCATIONS FROM THAT ACCOUNT FOR PURPOSES OF AIRPORT SERVICES; AND PROVIDING AN EFFECTIVE DATE OF JULY 1, 1985, WITH AN IMMEDIATE EFFECTIVE DATE FOR RULEMAKING AUTHORITY."

The need for this legislation is founded on the very real economic circumstance of aviation in Montana today. Three major issues are important:

1) The current scope of financial needs of the large air carrier (airline) served airports are such that there demands a broader base of participation in their economic support. Each of the seven (7) air carrier airports provides its services to a geographical area many times larger than its political base; however, the political base alone must support the cost of providing the service.

2) The Governor's Task Force on Infrastructure has recently assessed the condition of Montana's airports and concludes that;

   ...it will take 6-12 years to address current (1984) financial needs;
   ...funding any new needs will be even further delayed;
   ...of the 116 Montana airports, 64 are in need of major repair or reconstruction.

3) It is a notable fact that while our Federal Government has placed the greatest of national importance on our airport system and has indeed through its Federal funding apparatus recognized the great importance of aviation to commerce, the states have offered little financial attention providing for the stability and growth of aviation.

The suggested tax would produce approximately	$1,780,000
Allocate to 'Air Carrier' airports: Each would receive a dollar amount equal to the value of 2 mills in the county. This replaces the dollars currently received from those same counties and also represents a 1 mill reduction to local taxpayers.	$1,283,000

Exhibit 3 -- SB 405
March 12, 1985

Air Carrier Airports (enplaning more than 20,000 passengers annually onto scheduled service carriers)

With the exception of Yellowstone county who currently does not provide mill support to the Billings airport and who would have to provide the $85,000, the remaining counties would see a tax reduction of 1 mill or more as they now contribute up to 2 mills annually.

City	County	$/Mill	x 2	CY 83 Enplanements
Billings	Yellowstone	$85,000	381,910	347,689
Great Falls	Cascade	85,000	176,102	145,834
Missoula	Missoula	85,000	242,348	144,212
Bozeman	Gallatin	56,155	112,310	89,695
Helena	Lewis & Clark	55,595	111,190	58,205
Kalispell	Flathead	81,675	163,350	56,343
Butte	Silver Bow	48,066	96,012	34,935
			$1,283,222	

Allocate to 'Commercial Service' Airports: $360,000
(Airports enplaning less than 20,000 passengers onto scheduled service carriers)

With the exception of Richland County (Sidney) and Roosevelt (Wolf Point) all of the other 'Commercial Service' counties will receive more dollars in return than they contribute.

Commercial Service Airports

City	County	$/Mill	'83 Airport Support	Proposed Allocation
West Yellowstone	Gallatin	- state owned -		$ 45,000
Sidney	Richland	85,000	$122,516	45,000
Glasgow	Valley	34,051	23,155	45,000
Havre	Hill	43,825	14,024	45,000
Glendive	Dawson	28,604	33,753	45,000
Miles City	Custer	17,592	14,075	45,000
Lewistown	Fergus	21,149	12,901	45,000
Wolf Point	Roosevelt	76,498	16,064	45,000
		$306,719		$360,000

Allocate to Montana Aeronautics Division $137,000
loan/grant program for all airports to use. The $137,000 allocation will be of significant assistance to the many remaining small community airports. If the entire amount were granted to match the Federally available dollars, it would represent $1,650,000 for small airport improvements.

Other Considerations

Passage will result in a 1 mill reduction for most of the larger air carrier served airport counties.

Montana's Airports are one of the major economic "front doors" to our State. These facilities are in many instances the critical link to the outside world for our business community, in terms of business transportation as well as time sensitive, high value freight and mail shipments. These same facilities also provide essential medical and agricultural services.

Further, each of Montana's larger air carrier airports (Billings, Great Falls, Missoula, Bozeman, Helena, Kalispell, Butte) provide "regional air service" to the outlying cities, towns and counties. Therefore, passage of this bill will provide long overdue fiscal support to the facilities that are serving large geographical portions of the State. It is fair and makes good sense that we develop this form of fiscal support to the airports that provide these necessary services to our citizens.

Thank you for your consideration.

M. J. Attwood
Montana Airport Mang't Assn.

MJA/ib

Proposed Amendments to SB 461, Introduced Copy

1. Title, line 15
Following: "ACT"
Insert: "DELETING THE LOAN LIMITATION IN 17-5-1608(1), MCA; PROVIDING FOR THE RESPONSIBILITIES OF THE COUNTY TREASURERS IN THE ISSUANCE OF SUCH NOTES BY SCHOOL DISTRICTS;"

2. Title, line 17.
Following: "17-5-1608,"
Strike: "AND"
Following: "17-5-1611,"
Insert: "AND 20-9-212,"

3. Page 6, line 21 through line 3, page 7.
Following: "not" on line 21, page 6
Strike: through "(2)" on line 3, page 7

(continued)

Exhibit 4 -- SB 461
March 12, 1985

4. Page 10.
Following: line 24
Insert: "Section 12. Section 20-9-212, MCA, is amended to read:
"20-9-212. Duties of county treasurer. The county treasurer of each county shall:

(1) receive and hold all school money subject to apportionment and keep a separate accounting of its apportionment to the several districts which are entitled to a portion of such money according to the apportionments ordered by the county superintendent. A separate accounting shall be maintained for each county fund supported by a countywide levy for a specific, authorized purpose, including:

(a) the basic county tax in support of the elementary foundation programs;

(b) the basic special tax for high schools in support of the high school foundation programs;

(c) the county tax in support of the county's high school transportation obligation;

(d) the county tax in support of the high school obligations to the retirement systems of the state of Montana;

(e) any additional county tax required by law to provide for deficiency financing of the elementary foundation programs;

(f) any additional county tax required by law to provide for deficiency financing of the high school foundation programs; and

(g) any other county tax for schools, including the community colleges, which may be authorized by law and levied by the county commissioners;

(2) whenever requested, notify the county superintendent and the superintendent of public instruction of the amount of county school money on deposit in each of the funds enumerated in subsection (1) of this section and the amount of any other school money subject to apportionment and apportion such county and other school money to the districts in accordance with the apportionment ordered by the county superintendent;

(3) keep a separate accounting of the expenditures for each budgeted fund included in the final budget of each district;

(4) keep a separate accounting of the receipts, expenditures, and cash balances for each budgeted fund included in the final budget of each district and for each nonbudgeted fund established by each district;

(5) except as otherwise limited by law, pay all warrants properly drawn on the county or district school money and properly endorsed by their holders;

(6) receive all revenue collected by and for each district and deposit these receipts in the fund designated by law or by the district if no fund is designated by law. Interest and penalties on delinquent school taxes shall be credited to the same fund and district for which the original taxes were levied.

(7) send all revenues received for a joint district, part of which is situated in his county, to the county treasurer designated as the custodian of such revenues, no later than December 15 of each year and every 3 months thereafter until the end of the school fiscal year;

X (8) at the ~~discretion~~ direction of the trustees of a district, assist the district in the issuance and sale of tax and revenue anticipation notes as provided in [sections 1 through 8];

~~(8)~~ (9) register district warrants drawn on a budgeted fund in accordance with 7-6-2604 when there is insufficient money available in the sum of money in all funds of the district to make payment of such warrant. Redemption of registered warrants shall be made in accordance with 7-6-2116, 7-6-2605, and 7-6-2606.

~~(9)~~ (10) invest the money of any district as directed by the trustees of the district;

~~(10)~~ (11) give each month to the trustees of each district an itemized report for each fund maintained by the district, showing the paid warrants, outstanding warrants, registered warrants, amounts and types of revenue received,and the cash balance; and

~~(11)~~ (12) remit promptly to the state treasurer receipts for the county tax for a postsecondary vocational-technical center when levied by the board of county commissioners.

Renumber: subsequent sections

STANDING COMMITTEE REPORT

March 12, 1985

MR. PRESIDENT

We, your committee on Taxation

having had under consideration Senate Bill No. 390

first reading copy (white)
color

ESTABLISH UNIFORM RATE OF TAX FOR "NEW PRODUCTION" OF OIL AND NATURAL GAS.

Respectfully report as follows: That Senate Bill No. 390

be amended as follows:

1. Title, line 9.
Following: "LIMITATIONS;"
Insert: "PROVIDING FOR DISPOSITION OF TAXES IN LIEU OF NET PROCEEDS TAXES;"

2. Title, line 11.
Following: "15-23-605,"
Strike: "AND"
Following: "15-23-607,"
Insert: "20-9-141, 20-9-331, 20-9-333, 20-9-352, 20-9-501, AND 20-10-144,"

3. Page 7, line 8.
Following: "oil,"
Strike: "6.3%"
Insert: "6.5%"

4. Page 7, line 10.
Following: "gas,"
Strike: "9.2%"
Insert: "10%"

(continued)

~~DO PASS~~

~~DO NOT PASS~~

continued
Chairman.

5. Page 8, lines 8 and 25;
Page 9, lines 6 and 22;
Page 10, lines 6, 15, and 23; and
Page 11, line 24.
Following: "levied"
Strike: "as provided in 15-23-607"
Insert: "divided by the appropriate tax rates described in 15-23-607(2)(a) or (2)(b) and multiplied by 60%"

6. Page 12, line 9.
Following: line 8
Insert: "NEW SECTION. Section 11. Disposition of taxes in lieu of net proceeds taxes. The county treasurer shall credit all taxes on new oil or gas production, as provided for in 15-23-607 in the relative proportions required by the levies for state, county, school district, and municipal purposes in the same manner as property taxes were distributed in the year preceding the budget year.

Section 12. Section 20-9-141, MCA, is amended to read:

"20-9-141. Computation of general fund net levy requirement by county superintendent. (1) The county superintendent shall compute the levy requirement for each district's general fund on the basis of the following procedure:

(a) Determine the total of the district's nonisolated school foundation program requirement to be met by a district levy as provided in 20-9-303, the district's permissive levy amount as provided in 20-9-352, and any additional levies authorized by the electors of the district under the provisions of 20-9-353, except that the total of the permissive and additional levies shall not exceed the total amount of the final general fund budget less the foundation program.

(b) Determine the total of the moneys available for the reduction of the property tax on the district for the general fund by totaling:

(i) anticipated federal moneys received under the provisions of Title I of Public Law 81-874 or other anticipated federal moneys received in lieu of such federal act;

(continued)

continued

March 12, 1985

(a) In order to determine the amount of revenue raised by this levy which is retained by the county, the sum of the estimated revenues identified in subsections (2)(a) through (2)(f) below shall be subtracted from the sum of the county elementary transportation obligation and the total of the foundation programs of all elementary districts of the county.

(b) If the basic levy prescribed by this section produces more revenue than is required to finance the difference determined above, the county commissioners shall order the county treasurer to remit the surplus funds to the state treasurer for deposit to the state special revenue fund, state equalization aid account, not later than June 1 of the fiscal year for which the levy has been set.

(2) The proceeds realized from the county's portion of the levy prescribed by this section and the revenues from the following sources shall be used for the equalization of the elementary district foundation programs of the county as prescribed in 20-9-334, and a separate accounting shall be kept of such proceeds and revenues by the county treasurer in accordance with 20-9-212(1):

(a) the portion of the federal Taylor Grazing Act funds distributed to a county and designated for the common school fund under the provisions of 17-3-222;

(b) the portion of the federal flood control act funds distributed to a county and designated for expenditure for the benefit of the county common schools under the provisions of 17-3-232;

(c) all money paid into the county treasury as a result of fines for violations of law and the use of which is not otherwise specified by law;

(d) any money remaining at the end of the immediately preceding school fiscal year in the county treasurer's account for the various sources of revenue established or referred to in this section; and

(e) any federal or state money, including anticipated motor vehicle fees and reimbursement under the provisions of 61-3-532 and 61-3-536, distributed to the county as payment in lieu of the property taxation established by the county levy required by this section~~.~~ ; and

(f) net proceeds for new production, as defined in 15-23-601."

(continued)

continued

March 12, 19 85

Section 14. Section 20-9-333, MCA, is amended to read:

"20-9-333. Basic special levy and other revenues for county equalization of high school district foundation program. (1) It shall be the duty of the county commissioners of each county to levy an annual basic special tax for high schools of 17 mills on the dollar of the taxable value of all taxable property within the county for the purposes of local and state foundation program support. The revenue to be collected from this levy shall be apportioned to the support of the foundation programs of high school districts in the county and to the state special revenue fund, state equalization aid account, in the following manner:

(a) In order to determine the amount of revenue raised by this levy which is retained by the county, the estimated revenues identified in subsections (2)(a) and (2)(b) below shall be subtracted from the sum of the county's high school tuition obligation and the total of the foundation programs of all high school districts of the county.

(b) If the basic levy prescribed by this section produces more revenue than is required to finance the difference determined above, the county commissioners shall order the county treasurer to remit the surplus to the state treasurer for deposit to the state special revenue fund, state equalization aid account, not later than June 1 of the fiscal year for which the levy has been set.

(2) The proceeds realized from the county's portion of the levy prescribed in this section and the revenues from the following sources shall be used for the equalization of the high school district foundation programs of the county as prescribed in 20-9-334, and a separate accounting shall be kept of these proceeds by the county treasurer in accordance with 20-9-212(1):

(a) any money remaining at the end of the immediately preceding school fiscal year in the county treasurer's account for deposit of the proceeds from the levy established in this section; and

(b) any federal or state moneys, including anticipated motor vehicle fees and reimbursement under the provisions of 61-3-532 and 61-3-536, distributed to the county as a payment in lieu of the property taxation established by the county levy required by this ~~section.~~ section; and

(c) net proceeds for new production, as defined in 15-23-601."

(continued)

continued

Section 15. Section 20-9-352, MCA, is amended to read:

"20-9-352. Permissive amount and permissive levy.

(1) Whenever the trustees of any district shall deem it necessary to adopt a general fund budget in excess of the foundation program amount but not in excess of the maximum general fund budget amount for such district as established by the schedules in 20-9-316 through 20-9-321, the trustees shall adopt a resolution stating the reasons and purposes for exceeding the foundation program amount. Such excess above the foundation program amount shall be known as the "permissive amount", and it shall be financed by a levy on the taxable value of all taxable property within the district as prescribed in 20-9-141, supplemented with any biennial appropriation by the legislature for this purpose.

(2) The district levies to be set for the purpose of funding the permissive amount are determined as follows:

(a) For each elementary school district, the county commissioners shall annually set a levy not exceeding 6 mills on all the taxable property in the district for the purpose of funding the permissive amount of the district. The permissive levy in mills shall be obtained by multiplying the ratio of the permissive amount to the maximum permissive amount by 6 or by using the number of mills which would fund the permissive amount, whichever is less. If the amount of revenue raised by this levy, plus anticipated motor vehicle fees and reimbursement under the provisions of 61-3-532 and 61-3-536, is not sufficient to fund the permissive amount in full, the amount of the deficiency shall be paid to the district from the state special revenue fund according to the provisions of 20-9-351 and subsection (3) of this section.

(continued)

March 12, 1985

(b) For each high school district, the county commissioners shall annually set a levy not exceeding 4 mills on all taxable property in the district for the purpose of funding the permissive amount of the district. The permissive levy in mills shall be obtained by multiplying the ratio of the permissive levy to the maximum permissive amount by 4 or by using the number of mills which would fund the permissive amount, whichever is less. If the amount of revenue raised by this levy, plus anticipated motor vehicle fees and reimbursement under the provisions of 61-3-532 and 61-3-536, and plus net proceeds for new production, as defined in 15-23-601, is not sufficient to fund the permissive amount in full, the amount of the deficiency shall be paid to the district from the state special revenue fund according to the provisions of 20-9-351 and subsection (3) of this section. The superintendent of public instruction shall, if the appropriation by the legislature for the permissive account [program] for the biennium is insufficient, request the budget director to submit a request for a supplemental appropriation in the second year of the biennium.

(3) Such distribution shall be made in two payments. The first payment shall be made at the same time as the first distribution of state equalization aid is made after January 1 of the fiscal year. The second payment shall be made at the same time as the last payment of state equalization aid is made for the fiscal year. If the appropriation is not sufficient to finance the deficiencies of the districts as determined according to subsection (2), each district will receive the same percentage of its deficiency. Surplus revenue in the second year of the biennium may be used to reduce the appropriation required for the next succeeding biennium or may be transferred to the state equalization aid state special revenue fund if revenues in that fund are insufficient to meet foundation program requirements."

(continued)

continued

Section 15. Section 20-9-501, MCA, is amended to read:

"20-9-501. Retirement fund. (1) The trustees of any district employing personnel who are members of the teachers' retirement system or the public employees' retirement system or who are covered by unemployment insurance or who are covered by any federal social security system requiring employer contributions shall establish a retirement fund for the purposes of budgeting and paying the employer's contributions to such systems. The district's contribution for each employee who is a member of the teachers' retirement system shall be calculated in accordance with Title 19, chapter 4, part 6. The district's contribution for each employee who is a member of the public employees' retirement system shall be calculated in accordance with 19-3-801. The district may levy a special tax to pay its contribution to the public employees' retirement system under the conditions prescribed in 19-3-204. The district's contributions for each employee covered by any federal social security system shall be paid in accordance with federal law and regulation. The district's contribution for each employee who is covered by unemployment insurance shall be paid in accordance with Title 39, chapter 51, part 11.

(2) The trustees of any district required to make a contribution to any such system shall include in the retirement fund of the preliminary budget the estimated amount of the employer's contribution and such additional moneys, within legal limitations, as they may wish to provide for the retirement fund cash reserve. After the final retirement fund budget has been adopted, the trustees shall pay the employer contributions to such systems in accordance with the financial administration provisions of this title.

(3) When the final retirement fund budget has been adopted, the county superintendent shall establish the levy requirement by:

(a) determining the sum of the moneys available to reduce the retirement fund levy requirement by adding:

(i) any anticipated moneys that may be realized in the retirement fund during the ensuing school fiscal year, including anticipated motor vehicle fees and reimbursement under the provisions of 61-3-532 and 61-3-536; ~~and~~

(ii) net proceeds for new production, as defined in 15-23-601; and

(continued)

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~~(ii)~~ (iii) any cash available for reappropriation as determined by subtracting the amount of the end-of-the-year cash balance earmarked as the retirement fund cash reserve for the ensuing school fiscal year by the trustees from the end-of-the-year cash balance in the retirement fund. The retirement fund cash reserve shall not be more than 35% of the final retirement fund budget for the ensuing school fiscal year and shall be used for the purpose of paying retirement fund warrants issued by the district under the final retirement fund budget.

(b) subtracting the total of the moneys available for reduction of the levy requirement as determined in subsection (3)(a) from the budgeted amount for expenditures in the final retirement fund budget.

(4) The county superintendent shall total the net retirement fund levy requirements separately for all elementary school districts, all high school districts, and all community college districts of the county, including any prorated joint district or special educational cooperative agreement levy requirements, and shall report each such levy requirement to the county commissioners on the second Monday of August as the respective county levy requirements for elementary district, high school district, and community college district retirement funds. The county commissioners shall fix and set such county levy in accordance with 20-9-142.

(5) The net retirement fund levy requirement for a joint elementary district or a joint high school district shall be prorated to each county in which a part of such district is located in the same proportion as the district ANB of the joint district is distributed by pupil residence in each such county. The county superintendents of the counties affected shall jointly determine the net retirement fund levy requirement for each county as provided in 20-9-151.

(6) The net retirement fund levy requirement for districts that are members of special educational cooperative agreements shall be prorated to each county in which such district is located in the same proportion as the budget for the special education cooperative agreement of the district bears to the total budget of the cooperative. The county superintendents of the counties affected shall jointly determine the net retirement fund levy requirement for each county in the same manner as provided in 20-9-151 and fix and levy the net retirement fund levy for each county in the same manner as provided in 20-9-152."

(continued)

continued

March 12, 19 85

Section 17. Section 20-10-144, MCA, is amended to read:
"20-10-144. Computation of revenues and net tax levy requirements for the transportation fund budget. Before the fourth Monday of July and in accordance with 20-9-123, the county superintendent shall compute the revenue available to finance the transportation fund budget of each district. The county superintendent shall compute the revenue for each district on the following basis:

(1) The "schedule amount" of the preliminary budget expenditures that is derived from the rate schedules in 20-10-141 and 20-10-142 shall be determined by adding the following amounts:

(a) the sum of the maximum reimbursable expenditures for all approved school bus routes maintained by the district (to determine the maximum reimbursable expenditure, multiply the applicable rate per bus mile by the total number of miles to be traveled during the ensuing school fiscal year on each bus route approved by the county transportation committee and maintained by such district); plus

(b) the total of all individual transportation per diem reimbursement rates for such district as determined from the contracts submitted by the district multiplied by the number of pupil-instruction days scheduled for the ensuing school attendance year; plus

(c) any estimated costs for supervised home study or supervised correspondence study for the ensuing school fiscal year; plus

(d) the amount budgeted on the preliminary budget for the contingency amount permitted in 20-10-143, except if such amount exceeds 10% of the total of subsections (1)(a), (1)(b), and (1)(c) or $100, whichever is larger, the contingency amount on the preliminary budget shall be reduced to such limitation amount and used in this determination of the schedule amount.

(2) The schedule amount determined in subsection (1) or the total preliminary transportation fund budget, whichever is smaller, shall be divided by 3 and the resulting one-third amount shall be used to determine the available state and county revenue to be budgeted on the following basis:

(continued)

continued

(a) the resulting one-third amount shall be the budgeted state transportation reimbursement, except that the state transportation reimbursement for the transportation of special education pupils under the provisions of 20-7-442 shall be two-thirds of the schedule amount attributed to the transportation of special education pupils;

(b) the resulting one-third amount, except as provided for joint elementary districts in subsection (2)(e), shall be the budgeted county transportation reimbursement for elementary districts and shall be financed by the basic county tax under the provisions of 20-9-334;

(c) the resulting one-third amount multiplied by 2 shall be the budgeted county transportation reimbursement amount for high school districts financed under the provisions of subsection (5) of this section, except as provided for joint high school districts in subsection (2)(e), and except that the county transportation reimbursement for the transportation of special education pupils under the provisions of 20-7-442 shall be one-third of the schedule amount attributed to the transportation of special education pupils;

(d) when the district has a sufficient amount of cash for reappropriation and other sources of district revenue, as determined in subsection (3), to reduce the total district obligation for financing to zero, any remaining amount of such district revenue and cash reappropriated shall be used to reduce the county financing obligation in subsections (2)(b) or (2)(c) and, if such county financing obligations are reduced to zero, to reduce the state financial obligation in subsection (2)(a); and

(e) the county revenue requirement for a joint district, after the application of any district moneys under subsection (2)(d) above, shall be prorated to each county incorporated by the joint district in the same proportion as the ANB of the joint district is distributed by pupil residence in each such county.

(3) The total of the moneys available for the reduction of property tax on the district for the transportation fund shall be determined by totaling:

(a) anticipated federal moneys received under the provisions of Title I of Public Law 81-874 or other anticipated federal moneys received in lieu of such federal act; plus

(continued)

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(a) the resulting one-third amount shall be the budgeted state transportation reimbursement, except that the state transportation reimbursement for the transportation of special education pupils under the provisions of 20-7-442 shall be two-thirds of the schedule amount attributed to the transportation of special education pupils;

(b) the resulting one-third amount, except as provided for joint elementary districts in subsection (2)(e), shall be the budgeted county transportation reimbursement for elementary districts and shall be financed by the basic county tax under the provisions of 20-9-334;

(c) the resulting one-third amount multiplied by 2 shall be the budgeted county transportation reimbursement amount for high school districts financed under the provisions of subsection (5) of this section, except as provided for joint high school districts in subsection (2)(e), and except that the county transportation reimbursement for the transportation of special education pupils under the provisions of 20-7-442 shall be one-third of the schedule amount attributed to the transportation of special education pupils;

(d) when the district has a sufficient amount of cash for reappropriation and other sources of district revenue, as determined in subsection (3), to reduce the total district obligation for financing to zero, any remaining amount of such district revenue and cash reappropriated shall be used to reduce the county financing obligation in subsections (2)(b) or (2)(c) and, if such county financing obligations are reduced to zero, to reduce the state financial obligation in subsection (2)(a); and

(e) the county revenue requirement for a joint district, after the application of any district moneys under subsection (2)(d) above, shall be prorated to each county incorporated by the joint district in the same proportion as the ANB of the joint district is distributed by pupil residence in each such county.

(3) The total of the moneys available for the reduction of property tax on the district for the transportation fund shall be determined by totaling:

(a) anticipated federal moneys received under the provisions of Title I of Public Law 81-874 or other anticipated federal moneys received in lieu of such federal act; plus

(continued)

continued

(b) anticipated payments from other districts for providing school bus transportation services for such district; plus

(c) anticipated payments from a parent or guardian for providing school bus transportation services for his child; plus

(d) anticipated interest to be earned by the investment of transportation fund cash in accordance with the provisions of 20-9-213(4); plus

(e) anticipated motor vehicle fees and reimbursement under the provisions of 61-3-532 and 61-3-536; plus

(f) net proceeds for new production, as defined in 15-23-601; plus

~~(f)~~ (g) any other revenue anticipated by the trustees to be earned during the ensuing school fiscal year which may be used to finance the transportation fund; plus

~~(g)~~ (h) any cash available for reappropriation as determined by subtracting the amount of the end-of-the-year cash balance earmarked as the transportation fund cash reserve for the ensuing school fiscal year by the trustees from the end-of-the-year cash balance in the transportation fund. Such cash reserve shall not be more than 20% of the final transportation fund budget for the ensuing school fiscal year and shall be for the purpose of paying transportation fund warrants issued by the district under the final transportation fund budget.

(4) The district levy requirement for each district's transportation fund shall be computed by:

(a) subtracting the schedule amount calculated in subsection (1) from the total preliminary transportation budget amount and, for an elementary district, adding such difference to the district obligation to finance one-third of the schedule amount as determined in subsection (2); and

(b) subtracting the amount of moneys available to reduce the property tax on the district, as determined in subsection (3), from the amount determined in subsection (4)(a) above.

(5) The county levy requirement for the financing of the county transportation reimbursement to high school districts shall be computed by adding all such requirements for all the high school districts of the county, including the county's obligation for reimbursements in joint high school districts.

(continued)

continued

March 12, 1985

(6) The transportation fund levy requirements determined in subsection (4) for each district and in subsection (5) for the county shall be reported to the county commissioners on the second Monday of August by the county superintendent as the transportation fund levy requirements for the district and for the county, and such levies shall be made by the county commissioners in accordance with 20-9-142."

NEW SECTION. Section 18. Codification instruction. Section 11 is intended to be codified as an integral part of Title 15, chapter 23, part 6, and the provisions of Title 15, chapter 23, part 6, apply to section 11."

Renumber: subsequent sections

7. Page 12, lines 14 and 15.
Following: "through" on line 14
Strike: "10"
Insert: "18"
Following: "1985." on line 14
Strike: "Section 11 and this section"
Insert: "Sections 19 and 20"

8. Page 12, line 16.
Following: "section"
Strike: "11"
Insert: "19"

AND AS AMENDED
DO PASS

Senator Thomas E. Towe, Chairman

ROLL CALL VOTE

SENATE TAXATION COMMITTEE
49 th Legislative Session -- 1985

Time 8:08 am. Date March 12, 1985 Room 413-415

Motion: SB 390 do pass as amended
Goodover

Name	Yes	No	Excused
Senator Brown	✓		
Senator Eck		✓	
Senator Goodover	✓		
Senator Hager	✓		
Senator Halligan	✓		
Senator Hirsch		✓	
Senator Lybeck	✓		
Senator Mazurek	✓		
Senator McCallum	✓		
Senator Neuman		✓	
Senator Severson		✓	
Senator Towe	✓		

STANDING COMMITTEE REPORT

March 12, 1985

MR. PRESIDENT

We, your committee on Taxation

having had under consideration Senate Bill No. 405

First reading copy (white)
color

STATEWIDE PROPERTY TAX LEVY OF 1 MILL FOR PUBLIC AIRPORTS.

Respectfully report as follows: That Senate Bill No. 405

~~DO PASS~~

DO NOT PASS

Senator Thomas E. Towe, Chairman.

ROLL CALL VOTE

SENATE TAXATION COMMITTEE
49 th Legislative Session -- 1985

Time 9:35 am Date March 12, 1985 Room 413-415

Motion: do SB 405 do not pass

Name	Yes	No	Excused
Senator Brown		✓	
Senator Eck		✓	
Senator Goodover	✓		
Senator Hager	✓		
Senator Halligan		✓	
Senator Hirsch	✓		
Senator Lybeck		✓	
Senator Mazurek		✓	
Senator McCallum	✓		
Senator Neuman	✓		
Senator Severson	✓		
Senator Towe	✓		

STANDING COMMITTEE REPORT

March 12 1985

MR. PRESIDENT

We, your committee on Taxation

having had under consideration Senate Bill No. 161

first reading copy (white)
color

STATE FUNDING FOR SCHOOL DISTRICT RETIREMENT FUNDS.

Respectfully report as follows: That X Senate Bill No. 161

be amended as follows:

1. Page 11.
Following: line 2
Insert: "NEW SECTION. Section 5. Coordination instruction. If Senate Bill No. 442 is not passed and approved, this act is void."
Renumber: subsequent section

AND AS AMENDED

DO PASS

~~DO NOT PASS~~

Senator Thomas E. Towe, Chairman.

STANDING COMMITTEE REPORT

March 12, 19 8[illegible]

MR. PRESIDENT

We, your committee on Taxation

having had under consideration Senate Bill No. 442

first reading copy (white)
color

INCREASING CIGARETTE TAX TO EQUALIZE FINANCING OF SCHOOL DISTRICT RETIREMENT LEVY.

Respectfully report as follows: That Senate Bill No. 442

DO PASS

XXXXXXXXXX

Senator Thomas E. Towe, Chairman.

ROLL CALL VOTE

SENATE TAXATION COMMITTEE
49 th Legislative Session -- 1985

Time 10 am Date March 12, 1985 Room 413-415

Motion: Halligan moved SB442 SB161, as amended do pass

Name	Yes	No	Excused
Senator Brown	✓		
Senator Eck	✓		
Senator Goodover		✓	
Senator Hager		✓	
Senator Halligan	✓		
Senator Hirsch		✓	
Senator Lybeck	✓		
Senator Mazurek	✓		
Senator McCallum		✓	
Senator Neuman	✓		
Senator Severson	✓		
Senator Towe	✓		

STANDING COMMITTEE REPORT

March 12, 1985

MR. PRESIDENT

We, your committee on Taxation

having had under consideration Senate Bill No. 461

first reading copy (white)
color

LOCAL GOVERNMENT TAX ANTICIPATION NOTE AUTHORITY; PURCHASE BY ECONOMIC DEVEOOPMENT BOARD.

Respectfully report as follows: That Senate Bill No. 461

be amended as follows:

1. Title, line 15
Following: "ACT;"
Insert: "DELETING THE LOAN LIMITATION IN 17-5-1608 (1), MCA; PROVIDING FOR THE RESPONSIBILITIES OF THE COUNTY TREASURERS IN THE ISSUANCE OF SUCH NOTES BY SCHOOL DISTRICTS;"

2. Title, line 17.
Following: "17-5-1608,"
Strike: "AND"
Following: "17-5-1611,"
Insert: "AND 20-9-212,"

3. Page 6, line 21 through line 3, page 7.
Following: "not" on line 21, page 6
Strike: remainder of line 21 through "(2)" on line 3, page 7

(continued)

~~DO PASS~~

~~DO NOT PASS~~

continued
Chairman.

March 12, 1985

4. Page 10, line 25.
Following: line 24
Insert: "Section 12. Section 20-9-212, MCA, is amended to read:
"20-9-212. Duties of county treasurer. The county treasurer of each county shall:

(1) receive and hold all school money subject to apportionment and keep a separate accounting of its apportionment to the several districts which are entitled to a portion of such money according to the apportionments ordered by the county superintendent. A separate accounting shall be maintained for each county fund supported by a countywide levy for a specific, authorized purpose, including:

(a) the basic county tax in support of the elementary foundation programs;

(b) the basic special tax for high schools in support of the high school foundation programs;

(c) the county tax in support of the county's high school transportation obligation;

(d) the county tax in support of the high school obligations to the retirement systems of the state of Montana;

(e) any additional county tax required by law to provide for deficiency financing of the elementary foundation programs;

(f) any additional county tax required by law to provide for deficiency financing of the high school foundation programs; and

(g) any other county tax for schools, including the community colleges, which may be authorized by law and levied by the county commissioners;

(2) whenever requested, notify the county superintendent and the superintendent of public instruction of the amount of county school money on deposit in each of the funds enumerated in subsection (1) of this section and the amount of any other school money subject to apportionment and apportion such county and other school money to the districts in accordance with the apportionment ordered by the county superintendent;

(3) keep a separate accounting of the expenditures for each budgeted fund included in the final budget of each district;

(4) keep a separate accounting of the receipts, expenditures, and cash balances for each budgeted fund included in the final budget of each district and for each nonbudgeted fund established by each district;

(continued)

continued

March 12, 1985

(5) except as otherwise limited by law, pay all warrants properly drawn on the county or district school money and properly endorsed by their holders;

(6) receive all revenue collected by and for each district and deposit these receipts in the fund designated by law or by the district if no fund is designated by law. Interest and penalties on delinquent school taxes shall be credited to the same fund and district for which the original taxes were levied.

(7) send all revenues received for a joint district, part of which is situated in his county, to the county treasurer designated as the custodian of such revenues, no later than December 15 of each year and every 3 months thereafter until the end of the school fiscal year;

(8) at the direction of the trustees of a district, assist the district in the issuance and sale of tax and revenue anticipation notes as provided in [sections 1 through 8];

~~(8)~~(9) register district warrants drawn on a budgeted fund in accordance with 7-6-2604 when there is insufficient money available in the sum of money in all funds of the district to make payment of such warrant. Redemption of registered warrants shall be made in accordance with 7-6-2116, 7-6-2605, and 7-6-2606.

~~(9)~~(10) invest the money of any district as directed by the trustees of the district;

~~(10)~~(11) give each month to the trustees of each district an itemized report for each fund maintained by the district, showing the paid warrants, outstanding warrants, registered warrants, amounts and types of revenue received, and the cash balance; and

~~(11)~~(12) remit promptly to the state treasurer receipts for the county tax for a postsecondary vocational-technical center when levied by the board of county commissioners.

Renumber: subsequent sections

AND AS AMENDED
DO PASS

Senator Thomas E. Towe, Chairman