

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE SENATE

March 14, 1985

The forty-ninth meeting of the Senate Taxation Committee was called to order by Chairman Thomas E. Towe at 7:37 am in Room 413-415 of the Captiol Building.

ROLL CALL: Senator Neuman was absent. Senator Hager arrived at 7:50 am. Other committee members were present.

CONSIDERATION OF SB 462: Senator Halligan presented Exhibit 1 to the committee with amendments proposed for the bill. Mr. Don Hoffman of the Natural Resources Bureau of the Department of Revenue discussed the amendments. First, he said, the language referring to the "written operating agreement" would allow major oil companies to deduct non-site administrative expenditures. Second, the percentage deduction in the bill had no basis and the Department believed it was too high. Third, vehicle deductions are clarified by the amendments. Fourth, insurance problems will be simplified by adding liability and casualty insurance as deductible items. Fifth, the performance bond has a nominal cost and does not significantly affect the revenue picture. Mr. Hoffman said the fiscal impact of the bill is reduced by these amendments to about \$90,000.

MOTION: Senator Halligan moved that SB 462 be amended per Exhibit 1. Discussion clarified the timing of the deductions and that the fiscal impact comes in changes with vehicles, insurance and performance bonds.

Mr. Hoffman discussed the methodology of the fiscal note. He said that state and local taxes were included in that \$90,000 figure, about 30 to 40 percent of which would come to the state.

Senator Eck asked if these were changes in existing policy. Mr. Hoffman said that the vehicle deduction had always been allowed, but that the performance bonds and insurance items had previously been disallowed. He said this would be simpler for all concerned as there would be no need to allocate the insurance for fire separately.

Question was called and the motion carried unanimously. Consensus of the committee was that if Senator Gage would agree to the amendments the bill would be reported out.

CONSIDERATION OF SB 431: Amendments to the bill were presented in Exhibit 2. Senator Eck had to leave the committee so further discussion was delayed.

CONSIDERATION OF SB 465: Senator Fred Van Valkenburg, Senate District 30, was recognized as chief sponsor of the bill. He said that SB 465 was a result of his work on the Long Range Planning Subcommittee. He said that in mid-January that committee had heard requests for new buildings and major maintenance for the six campuses. He said that currently there is simply insufficient cash to handle these needs.

March 14, 1985

Senator Van Valkenburg also discussed the Legislative Finance Committee's problem with university funds that are not available to legislative appropriation.

This bill, he said, would provide a permanent source of income for the new building and maintenance needs of the university system. He said it would divide the current cash account with 60 percent going to academic buildings and 40 percent to other government buildings. He said that is based on the fact that about two-thirds of the state-owned buildings are in the university system and one-third are other state buildings. He said the value figures parallel his division of the funds.

He said, secondly, the bill would take funds the universities currently have available and deposit them into this fund.

The most controversial portion of the bill would increase the corporate license tax by .0025 percent and dedicate it to this fund. He said in the course of hearings by the Long Range Planning Committee they heard requests for an engineering and science building at MSU, a business administration building at UM, a classroom building at EMC and a technical building at Northern. He said the business community testified to the need for these buildings, and he hoped that they would also then support this funding mechanism.

Senator Van Valkenburg concluded saying that he had done research into corporate license taxes and that Montana corporations are not overly taxed and this bill wouldn't hurt them as it is only one-quarter of one percent.

#### PROPONENTS

Dr. Neil Bucklew, President of the University of Montana, said the value of long range planning is obvious. He said that now these decisions are made on a crisis basis. He said planning must be done to meet the changing needs of students and that problems should be addressed outside of the crisis reaction. Secondly, he discussed the need for the new business administration building at the UM campus. He said that over 20 percent of the majors at UM are in business, a number that has doubled over the last decade. He said it indicates a major change in the nature of education. He said the program is now dispersed across and around the campus in inadequate facilities. He presented the committee with Exhibit 3 which displayed plans for that building.

Dr. William J. Tietz, President of Montana State University, said that the current system breeds competition among the branches for the available dollars, and that if this kind of program were enacted a more cooperative spirit could exist. At the MSU campus he said the engineer and physical science facilities have laboratories built in the 1920s. He said they asked for new lab facilities in 1969 and the need still has not been addressed. He presented Exhibit 4 which discussed that building, noting that its planning involved a broad spectrum of people. He said facilities like this will return their initial cost many times over.

March 14, 1985

Mr. Bruce Skafford representing the Associated Students of Montana State University said that the students recognize the need for the buildings but have reservations about student building fees being used for academic buildings which have traditionally been regarded as the responsibility of the state.

Mr. Jack Noble, Deputy Commissioner for Management and Fiscal Affairs, submitted his testimony in writing (Exhibit 5).

Mr. Bill Lannen of the university system said the needs exist on campuses other than UM and MSU. He said the Long Range Building Committee cannot even begin to approach the need.

#### OPPONENTS

Mr. Marvin Eicholtz of the Director's Office of the Department of Administration said that they would amend the bill per Exhibit 6. He said they oppose Section 5 which deals with the disposition of cigarette taxes. That section, he said, arbitrarily splits funds without regard to need. He said the bill would limit the flexibility of the Department to do its job. He said in 1979 they spent 26 percent of the funds on the university system, 42 percent in 1981 and 18 percent in 1983. (Exhibit 6 has his written testimony.)

Mr. James D. Mockler, Executive Director of the Montana Coal Council, said the business community could not testify against this bill because of pressing concerns in the House Taxation Committee. He said he opposes earmarked funding. He reminded the committee that 3.8 percent of corporations pay 90 percent of all the tax. He said the oil, gas, coal and utility companies would pay the tax.

Questions from the committee were called for.

In response to a question from Senator Hager, Senator Van Valkenburg said the bill would raise about \$2 million annually from income tax. He said there is \$10 million in the cash account of the Long Range Building Program and that would be divided.

In response to a question by Senator Lybeck he said that two-thirds of the square footage of all state owned buildings are on university campuses.

Senator Towe clarified that "appropriate account" meant either a sub-account for a unit or the pooled account from which all units could possibly draw. Mr. Noble said the revenues from each campus would stay with that branch.

Senator Goodover asked if those supporting the bill would support a sales tax. Senator Van Valkenburg answered that Mr. Mockler would.

Senator Towe asked about the student fee concern. Senator Van Valkenburg said that it would be an appropriate use of student fees. He said they are not all currently being used. He also noted that student testimony, like everything else in this process, lacks consistency. Everybody should help pick up the tab, he said.

March 14, 1985

In response to a question from Senator McCallum, Senator Van Valkenburg said that the bill was indeed related to the Attorney General's opinion that the university system did not have to allow the Legislature appropriation power over all its monies. Senator Van Valkenburg said that those unpledged dollars could go into this fund.

Senator Eck asked if Representative Bradley's bill might deal with the immediate problems. Senator Van Valkenburg said, yes, but that it would not deal with planning or the permanent establishment of another source of income.

Senator Van Valkenburg closed saying that he had expected to hear more from the business community on the bill. He said that before the Long Range Building Committee Mr. James Burke of Montana Power Company and Mr. Ed Jasmin, the President of Norwest Bank, had supported the buildings, saying that they were tied to the states economic growth. He said the president of Coca-cola from Great Falls had also supported these buildings.

It is not just a matter of education, he said, but that students engaged in an environment of this kind would be more competitive in the business world and would spur the state's economic growth.

President Roger Foster of Morrison Maierle supported the buildings, as did Mr. Lee Walker, Chairman of the Board of Northern Testing; and Senator Pete Story, said Senator Van Valkenburg.

"We have to take the step," he concluded. "The issues are not going away."

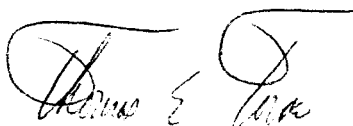
CONSIDERATION OF SB 431: The committee discussed the implications and impacts of the options listed on the fiscal note. The amendments that would change a production test to a market test are found in Exhibit 2.

Ms. Jo Brunner representing an agriculture coalition that excluded the Farm Bureau by their choice, discussed the amendments they had offered. She said their concern is that land used as agricultural land should be so designated and land not used that way should not. She said it affects their production programs nationwide to have units included that are not truly agricultural.

Senator Mazurek said the discussion should center on what is reasonable policy and not on how much revenue would be generated.

MOTION: Senator Eck moved that the concept endorsed by Ms. Brunner, the market test and exclusion of industrial and commercial sites be prepared in amendment form for tomorrow's meeting. The motion carried unanimously.

Chairman Towe adjourned the meeting at 10:04 am.

  
Chairman

# ROLL CALL

## SENATE TAXATION COMMITTEE

49th Legislative Session -- 1985

Date March 14, 1985 7:31 am

Location -- Room 413-415

-----

Name	Present	Absent	Excused
------	---------	--------	---------

Senator Brown	✓		
Senator Eck	✓		
Senator Goodover	✓		
Senator Hager	7:50 am		
Senator Halligan	✓		
Senator Hirsch	✓		
Senator Lybeck	✓		
Senator Mazurek	✓		
Senator McCallum	✓		
Senator Neuman			
Senator Severson	✓		
Senator Towe	✓		

NAME:

Neil Bucklew

DATE:

3/14/85

ADDRESS:

Missoula, Mt.

PHONE:

728-5280

REPRESENTING WHOM?

U of M. (Pres.)

APPEARING ON WHICH PROPOSAL:

SB 465

DO YOU:

SUPPORT?

✓

AMEND?

OPPOSE?

COMMENTS:

- (1) general value - planning
- (2) specific proposal to be supported (Business building at U of M).

NAME: Wm J. Tich DATE: 3-14-85

ADDRESS: Montana State University - Bozeman MT

PHONE: 406-894-2341

REPRESENTING WHOM? Montana University System

APPEARING ON WHICH PROPOSAL: SB - 465

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

COMMENTS: \_\_\_\_\_

- Clear need for predictable source of  
funding for handling remodeling,  
renovation and new construction  
the University System.

Lack of planning capability hinders  
to wise management of over 1.8 million  
square feet of facilities on MSU campus.

New construction - Encouraging Physical  
Science faculty - at MSU will contribute  
significantly to future economy of Montana  
by generating new ideas, new products and  
new processes plus the human resource to  
capitalize on such innovation.

DATE: March 14, 1985

COMMITTEE ON Taxation

## VISITORS' REGISTER

[illegible]

(Please leave prepared statement with Secretary)

Amend SB 462, introduced copy.

1. Title, lines 6 and 7.

Following: "PURPOSES:" on line 6

Strike: "DEFINING "OWNER OPERATOR" AND "STRIPPER WELL";"

2. Title, line 9.

Following: "SECTIONS"

Strike: "15-23-601"

Following: "15-23-603"

Strike: ", "

3. Page 1, line 25 through line 22, page 2.

Strike: line 25, page 1 through line 22, page 2 in its entirety

Renumber: subsequent sections

4. Page 3, line 1.

Following: "producer."

Strike: "The term does not include stripper well."

5. Page 3.

Following line 18

Insert: "labor,"

6. Page 3, line 19.

Following: "machinery"

Insert: ", "

7. Page 3, line 21 through line 24.

Strike: subsection (c) in its entirety

Renumber: subsequent sections

8. Page 4, line 14.

Following: "insurance"

Insert: "directly attributable to the operation and development of the well"

9. Page 4, line 21 through line 20, page 5.

Strike: subsection (h) in its entirety

Renumber: subsequent subsection

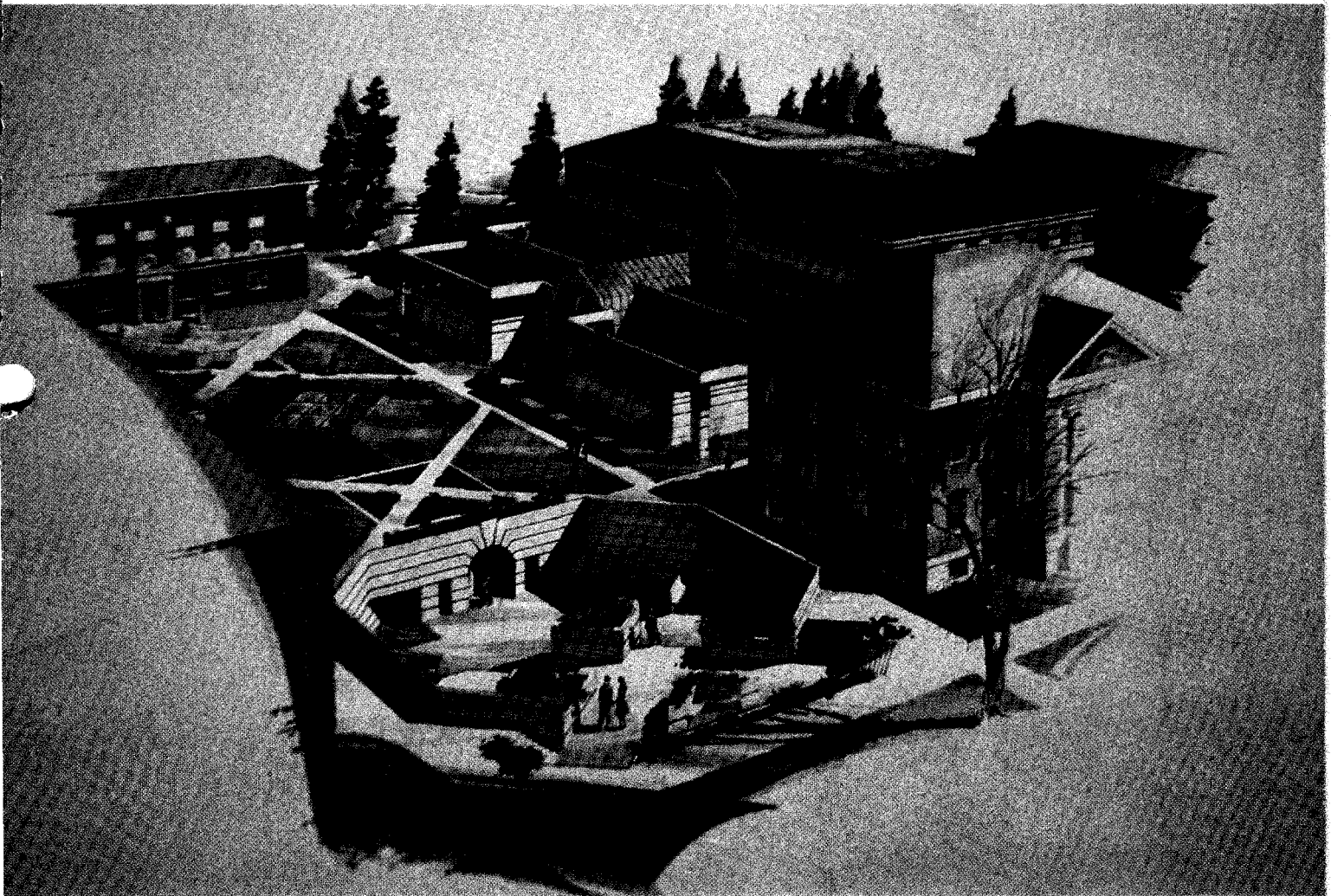
10. Page 6, line 8

Following: "~~thereof~~"

Insert: ", and such expenditures may not include the salaries or any portion thereof of any person or officer not actually engaged in the working of the well or superintending the management thereof"

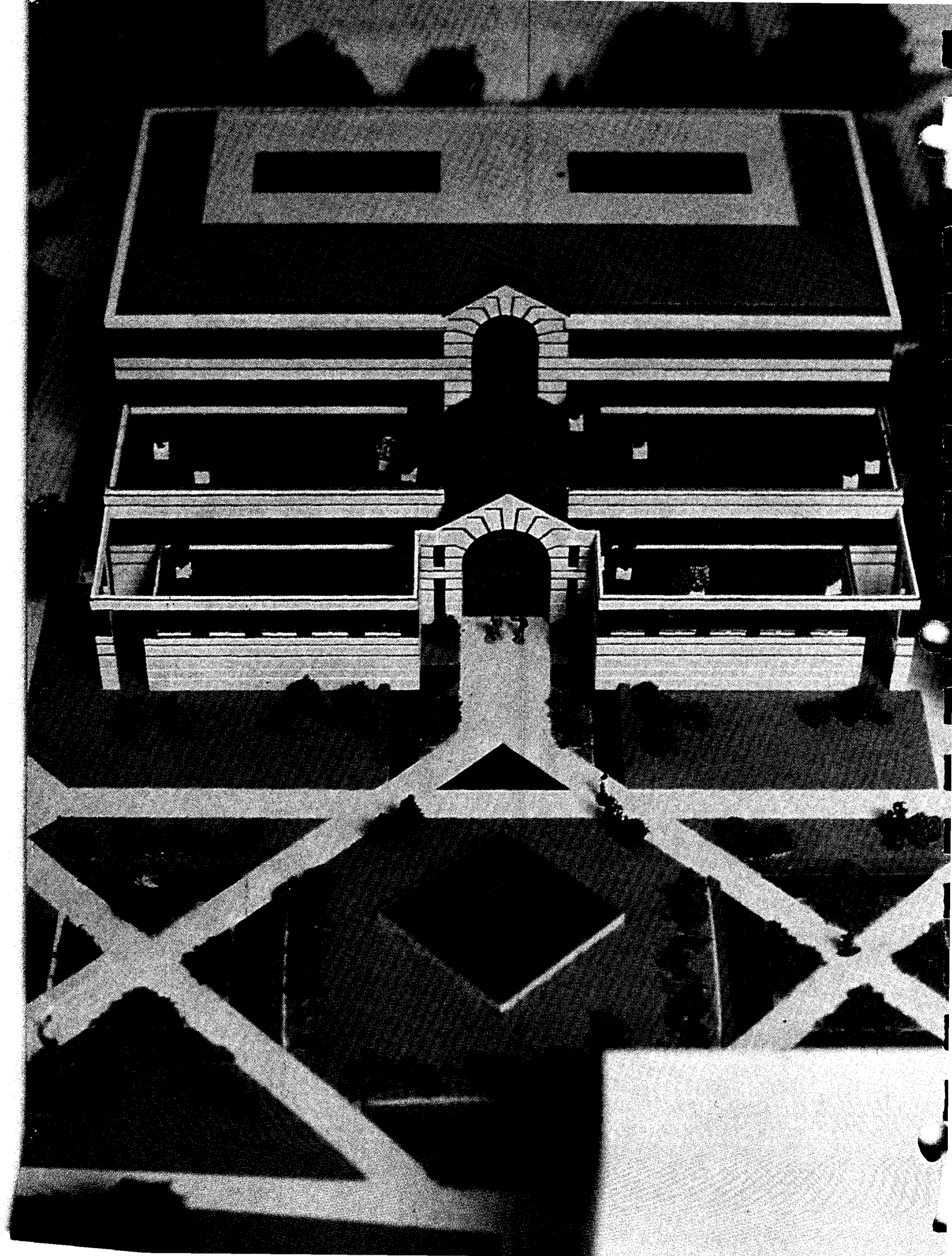
The rest of the bill will be left intact.

# **Proposed Business Administration Building**



## **University of Montana**

EXHIBIT 3---S.B. 465  
MARCH 14, 1985



# Setting and design

The design by architects Page-Warner & Partners combines esthetics, efficiency and cost-effectiveness.

## Site

The new building completes the north end of a mall, extending across the center of the Oval from Chemistry-Pharmacy on the south to Social Science on the north. Because the site intersects the existing tunnel system, utilities are already available, an important cost savings.

The location places the academic focus of one fifth of UM's students at the center of campus, close to related facilities like the Social Science and Liberal Arts buildings, the library, and the University Center.

## Exterior Design

The planned building is unmistakably modern, but with its terra-cotta and brick exterior and seemingly modest size, it will harmonize with its older neighbors. Actually the building is quite large, more than 100,000 square feet; yet its scale is not overwhelming because more than a third is below grade. The terraced construction on its west side preserves the view of beautiful, historic Rankin Hall.

Main entrances on the east and west and an amphitheater entrance

just off the Oval will accommodate pedestrian traffic.

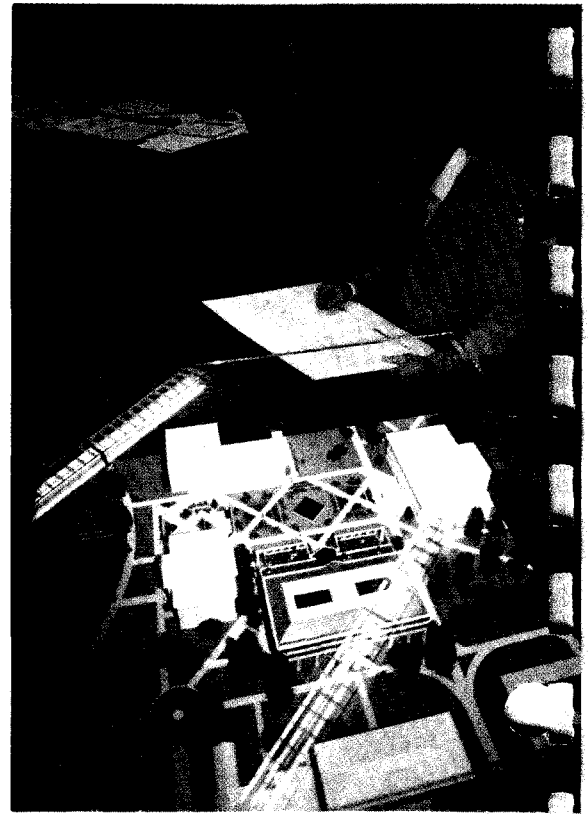
## Interior Design

The building is planned with four levels above grade and a large area below ground-level extending beneath the mall to the west. Facilities requiring public access are on lower levels while those requiring little public access or greater security are on upper levels.

Level one contains most of the instructional space. Plans incorporate computer facilities, a lab complex for behavioral science research, space for students to gather and store their belongings, and classrooms, including one lecture hall with 200 seats and one with 100 seats. All classrooms will be served by modern audiovisual equipment and will be linked to both the building's and the University's computer facilities.

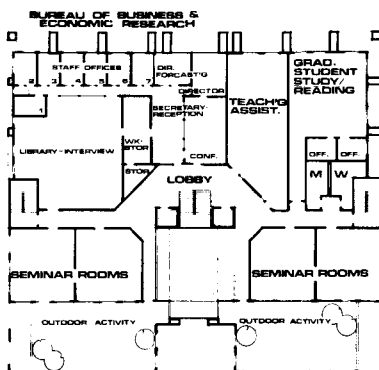
Level two will house seminar rooms, office space for teaching assistants, and a study area for graduate students. The Bureau of Business and Economic Research will also be housed on this level.

Level three houses administrative space, as well as fourteen faculty offices, and space for part-time faculty. Grouping the dean's office with the offices of department

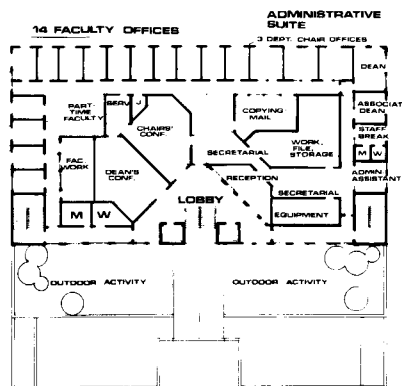


chairs permits efficient sharing of secretarial, filing, storage and work areas.

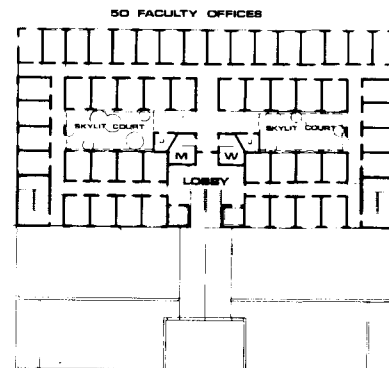
Level four contains 50 faculty offices for a total of 64, the projected faculty size in 1993.



**Level-two**



**Level-three**



**Level-four**

# Summary

The University of Montana School of Business Administration has grown dramatically in the last ten years, and that growth is expected to continue. This has been good for Montana because most business school graduates find work in Montana, typically as managers or owners of small businesses.

Long ago, however, the school outgrew its building, and the problems of inadequate space, already serious, can only get worse as the Business School's enrollment nearly doubles in the next ten years.

A much-needed new business administration building has been planned for a central location on the UM campus. Its cost is projected at \$11.96 million.

This project will --

- provide necessary classroom space
- bring the faculty and programs of the School of Business Administration back together in a central location.
- provide adequate office and work space for the Bureau of Business and Economic Research
- create between 200 and 300 jobs during the two-year construction period.
- accommodate the growth of the Business School so the school can continue to serve Montana's economy with its graduates, its research, and its expertise as it has in the past.

For these reasons the University of Montana seeks from the 1985 Legislature authorization and funding to construct a new Business Administration Building.

## At-A-Glance

### Proposed UM Business Administration Building

**Size** 104,600 sq. ft.

#### Facilities

**Classrooms** 30,752 sq. ft.

1-200 seat lecture hall

1-100 seat lecture hall

5- 60 seat lecture halls

12- 50 seat lecture halls

4-seminar rooms

1-Small Business Institute case room

**Faculty offices and support** 15,404 sq. ft.

**Administrative offices and support** 6,818 sq. ft.

**Bureau of Business and Economic Research** 5,100 sq. ft.

**Study area/public spaces** 4,226 sq. ft.

**Behavioral science lab complex** 2,625 sq. ft.

**Computer area** 2,260 sq. ft.

**Circulation, lavatories, mechanical space, janitorial space, wall thicknesses, etc.** 37,415 sq. ft.

#### Costs

**Construction @\$85/sq. ft.** \$8,891,000

**Site development, survey, test (1.7%)** 151,349

**Utilities (1.8%)** 160,467

**Architecture and engineering (6.7%)** 598,103

**Administrative, legal, and codes (0.26%)** 22,794

**SUBTOTAL** 9,823,713

**Two year's price increase (9.68%)** 951,287

**SUBTOTAL** 10,775,000

**Equipment** 781,000

**Contingencies** 304,000

**Art** 100,000

**TOTAL** 11,960,000

# A new business building: the need

The School of Business Administration is the University of Montana's largest professional school. It enrolls 20.4 percent of UM's undergraduates (23.7 percent of those who have declared a major) and 8.1 percent of all graduate students, despite the fact that enrollment in the MBA program has been capped since 1981.

These figures reflect dramatic growth over the past ten years. The number of undergraduate business majors has grown 94.6 percent from 813 in 1972-73 to 1,582 today. Despite the recent freeze, graduate enrollment too has nearly doubled. The UM Office of Institutional Research expects this growth to continue, predicting a 77 percent increase in student credit hours in business by 1993.

The importance of the School of Business Administration to the University of Montana and to the state has also grown. In 1983 UM granted 323 undergraduate degrees in business, up from 131 ten years earlier. These UM business grads stay in Montana where, as professionals and as owners and managers of small businesses, they make an enormous contribution to the economic health of our state. During the same period the expertise of the school's faculty and staff -- most visibly through the Bureau of Business and Economic Research -- has become an increasingly important resource for the business community.

Clearly UM's School of Business Administration has a mission of great importance to the long-term, economic well-being of Montana,

and clearly it is fulfilling that mission very well.

Yet, the school operates in a building that has been inadequate for many years, and its inadequacy is fast approaching crisis proportions. The existing building, which has been used by the Business School since 1951, simply is not big enough. One third of the full-time faculty must be housed elsewhere on the campus. As the school grows, the problem will grow worse. By 1993 the school will need office space for 64 full-time faculty members. Today it can house only 22.

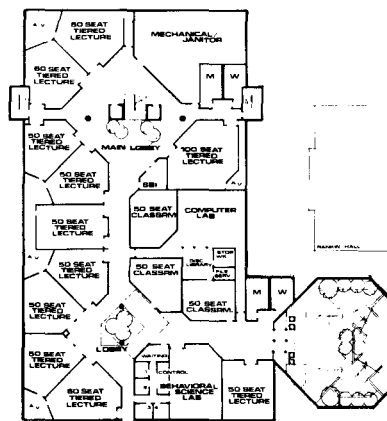
Similarly classroom space is both inadequate and inefficient. Approximately one third of all business school classes must now be held outside the school. Introductory courses could be taught efficiently to classes as large as 200, and basic courses in marketing and management, to classes of 100; yet the largest classroom in the Business School building seats only 80. At the other extreme there are few rooms that seat fewer than 50 and no seminar rooms. Graduate seminars and other small classes are often taught in rooms that can seat 50 students. Advancing technology has further aggravated

the space problem; in recent years two classrooms have been taken out of service and converted to computer labs.

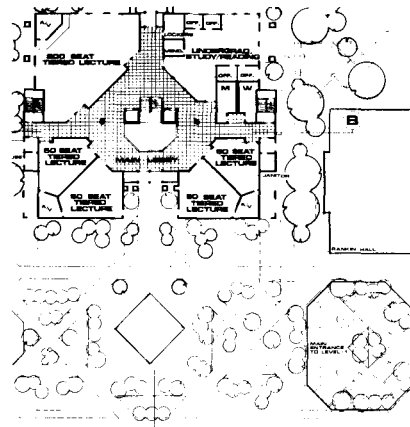
The present Business School is a three-story building, but there is no handicapped access above the first floor. There are no conference or meeting rooms, virtually no storage space, and no space for student organizations. The Bureau of Business and Economic Research has outgrown its offices.

The 1983 Legislature acknowledged the significance of these problems when it authorized the University to plan a new business administration building. Using private funds from the UM Foundation, the University engaged the architectural firm of Page-Werner & Partners of Great Falls. They have completed preliminary design for a building that will not only be a handsome addition to the campus but will meet the needs of the UM School of Business Administration through the rest of this century.

The building's projected cost is \$11,960,000, and the 200 to 300 jobs that would be created during the two-year construction period would significantly boost western Montana's still sluggish economy.



Level-one (below grade)



Level-one

### **Credits**

**Produced by the University of  
Montana Office of News and  
Publications**

**Copy/Design:**

William Scott Brown

**Photography:**

Howard Skaggs

**Cover art and floor plans:**

Page-Werner & Partners

**Printing:**

UM Printing Services



*No state funds were used to print  
this brochure.*

# Legislative Executive Summary



## Engineering/Physical Sciences Complex

Montana State University  
Bozeman, Montana

January 1985

**CTA Architects Engineers**

Billings, Montana

**Metz Train Youngren**

Phoenix, Arizona

**Morrison-Maierle, Inc.**

Helena, Montana



Exhibit 4 -- SB 465  
March 14, 1985

Testimony in Support of S.B. 465

By Jack Noble  
Deputy Commissioner for Management and Fiscal Affairs  
March 14, 1985

S.B. 465 provides the universty system with some additional revenue and a pro rata share of the cash portion of the Long Range Building account that would be dedicated to the construction, repair, and maintenance of our academic facilities.

I have reviewed how the other states handle the financing of academic facilities and found that several western states are using a dedicated revenue source for construction and maintenance of academic facilities. For instance:

Table I

<u>State</u>	<u>Dedicated Source</u>
California -	State proceeds of leases of Tide Lands to oil companies.
Colorado -	50% of the net lottery proceeds.
Florida -	1 1/2% on all utility bills (Constitutional Provision).
Idaho -	A portion of cigarette, liquor taxes plus \$1 million from sales tax, plus proceeds from \$10 income tax filing fee are dedicated to construction and maintenance.
Kansas -	1 mill statewide property tax.
Louisiana -	Each institution located near a racing track receives a certain amount of racing revenue.
Nevada -	1st \$5 million generated by the slot machine tax.
New Mexico -	1 mill statewide property tax.
Utah -	Part of proceeds from mineral leases revenues.
Wyoming -	6 3/4% of the Federal mineral royalties.

It is not unreasonable to have a dedicated revenue source from all businesses operating in Montana in the form of a percentage of the corporate license tax. While higher education serves all of Montana's citizens, a quality higher education system is vital to the business environment of the state. To that end, we feel it is important to have a dedicated source of funding to meet the continuing construction and maintenance needs of the Montana University System.

## TESTIMONY ON SB465

The Department of Administration opposes SB465 because it prevents a statewide prioritization of our recommended use of funds in the cash program for repair and maintenance projects. Instead, this bill arbitrarily splits the cash program between university and non-university projects without regard to the actual need for repairs and maintenance.

Currently, the cigarette tax accounts for approximately one-half of the proposed cash program of \$10.5 million for the next biennium. Interest earnings on previous G.O. bond issues accounts for the remainder of the program.

Our proposed bond issue for the next biennium will not provide significant interest earnings to the cash program. As a result, the cigarette tax will provide most of the money to be appropriated by the next Legislature, which we anticipate today to be around \$6 million.

Therefore, the university's share of the cash program will increase from 30% today to approximately 50% to be appropriated by the next Legislature. In other words, assuming cigarette tax collections remain constant as the cash program becomes smaller in future years, the university portion of the program will remain constant.

The Department of Administration is the custodian of all state buildings therefore, we believe, it is our responsibility to prioritize recommendations for state repair and maintenance projects to the Legislature. This bill would limit our ability to do this.

Exhibit 6 -- SB 465  
March 14, 1985

Proposed Amendments to SB465

1. Page 8, line 21  
Following: "the"  
Strike: "department's"  
Insert: "Board of Regents"
2. Page 8, line 24  
Following: "the"  
Strike: "department"  
Insert: "Board of Regents"