

MINUTES OF THE SPECIAL MEETING
TAXATION COMMITTEES
MONTANA STATE SENATE
MONTANA STATE HOUSE OF REPRESENTATIVES

June 27, 1985

An informal special meeting of the joint Senate and House of Representatives Taxation Committee was called to order by Chairman Tom Towe from the Senate and Chairman Gerry Devlin from the House at 7:06 p. m. on Thursday, June 27, 1985 in room 325 of the state capitol.

ROLL CALL: All members were present in the House as were Dave Bohyer, Researcher for the House Taxation Committee, and Alice Omang, secretary.

Senator Towe opened the meeting indicating that this is an informal meeting and no action will be taken on any bills. He introduced the secretaries for the special meeting, who were Glenda Pennington for the Senate Taxation Committee and Alice Omang for the House Taxation Committee. He further introduced Dave Bohyer, the researcher for the House Taxation Committee, and Jim Lear, Staff Attorney for the Senate Taxation Committee.

CONSIDERATION OF SENATE BILL 1: Senator Hager, Senate District 48, Billings Heights, informed the committee that Senate Bill 1 and House Bill 2 were drawn up by the Revenue Oversight Committee early in June and rectified a situation that was created by the passage of Senate Bill 142 during the regular session. He advised that these bills reinsert the inflation computation into the light motor vehicle fee system and provide that the inflation factor does not apply to district court fees. He advised that section 2 clarifies the language which was adopted during the regular session in House Bill 870; section 3 specifies that the bill is effective July 1, 1985 and will terminate on July 1, 1987; and a retroactive clause is included due to the possibility that the bill may not be passed and approved prior to July 1, 1985. He explained that if, for some reason, the governor did not sign this bill until July 3 or 4, that persons buying licences for their cars on the 1st or 2nd of July would then have to pay the additional fee contained in the retroactive clause.

Senate and House Taxation Committees
Special Meeting
June 27, 1985
Page Two

CONSIDERATION OF HOUSE BILL 2: Representative Williams, House District 85, concurred with Senator Hager that this bill would be the best solution to correct the oversight that was made during the regular session in connection with Senate Bill 142. He felt that this was the best approach to fulfilling the legislature's obligation to financing the block grant program and the district court system.

PROPOSERS: The following offered testimony is in connection with both Senate Bill 1 and House Bill 2, which are identical bills.

Alex Hansen, representing the Montana League of Cities and Towns, stated that this is a simple and quick solution that goes directly to the problem, which occurred in Senate Bill 142. He stated that this bill will reinstate the inflationary adjustment; it would rectify the \$9.4 million mistake without disturbing local government programs or requiring a general fund appropriation. He contended that repeal of the inflationary adjustment was a mistake; it was never heard before a committee nor was it debated by those affected; the intent of the legislature was obvious; and there is no logical or legitimate reason that these bills should not stand. This solution has been recommended by the Revenue Oversight Committee and reviewed by everyone, he concluded, and it will do the job.

Don Waldron, Superintendent of Schools at Hellgate Elementary School in Missoula, and representing the Legislative Committee of the School Administrators in Montana, testified that the vehicle license fee system is not a favorite subject of the school administrators because, in his district, when they changed to the flat fees, he lost about 10% of his taxable valuation. He indicated that putting the inflationary clause in took some of the sting out of the loss. He claimed that they had not lost a lot of money (about \$3,800.00), but that represents 4 mills to the taxpayers; and they will have to get this money through a mill levy or else get it from the actions of the legislature here the next couple days.

Senate and House Taxation Committees
Special Meeting
June 27, 1985
Page Three

Chip Erdmann, representing the Montana School Board Association, said that this bill addresses an honest mistake in a straight forward manner. He advised that Butte-Silver Bow would lose \$50,000.00 in money which has already been budgeted and if this is not rectified by the 1986 - 1987 budget, they will have to go to the voters and ask for an increased mill levy to make up this loss. However, under the current economy in Montana, most of the districts have already cut programs and staff to bring the local voted levy down to an acceptable level, he stated, and he urged passage of one of these bills.

Terry Minow, representing the Montana Federation of State Employees and the Montana Federation of Teachers, offered testimony in support of this bill. See Exhibit 1.

Don Peoples, Chief Executive of Butte-Silver Bow and Chairman of the Montana Urban Coalition, indicated that it was critical that this problem be addressed and that the necessary steps be taken to correct this error. He commented that they are beginning to see the effects of the loss of federal revenue. He explained the difficulties they have had with the budget and advised that there is a real crisis in local governments in the state of Montana. He asked the committees to ack quickly as the Revenue Oversight Committee has presented a simple solution to the problem.

Owen Nelson, representing the Montana Education Association, testified that his group had supported Senate Bill 142 and agreed with the intent of that bill; and he reiterated that these bills would implement that intent.

Bill Anderson, representing the Superintendent of Public Instruction, stated that they support the need for correction of this oversight; many of the schools have already completed the budget process; and these funds are needed for those budgets.

Gloria Paladichuk, President of the Montana Association of Courty Treasurers, testified that the county treasurers are now in the process of determining non-tax

Senate and House Taxation Committees
Special Meeting
June 27, 1985
Page Four

revenue, which includes the flat fees. She informed the committee that if this error is not rectified, it will mean an increase in taxes on all Montana real estate and personal property. She advised that they polled some of the treasurers regarding the July 1 date, and they did not believe that it would be a problem if they had to go back and try to raise the additional revenue if someone has come in and paid their taxes before the passage of one of these bills.

Ardi Aiken, City Commissioner, Great Falls, indicated that this would mean \$61,000.00 to the city of Great Falls, which is somewhat more than one mill. She advised that they are already into their budgeting; they are counting on this \$61,000.00 in order to balance that budget; and local government does not have the option of going to the voters if they do not get that fee.

Dick Reich, Clerk for the School District in Billings, said that they are dramatically affected by this issue; and the Billings schools will lose approximately \$165,000.00 in revenue.

Gordon Morris, the Executive Director for the Montana Association of Counties, offered testimony in support of this bill. See Exhibit 2.

Jerry Weast, Superintendent of Schools in Great Falls, and representing the Montana Association of School Administrators, requested that he be on record in support of these bills.

There were no further opponents.

OPPONENTS: Robert VanDerVere, a concerned citizen lobbyist, stated that he opposed these bills, because, during the last session, they changed the law in connection with older vehicles. He contended that the counties would be getting a lot of additional money on license fees as he has checked with some treasurers and they informed him that people are licensing their old vehicles now that they only go back one year.

Larry Tobiason, President of the Montana Automobile Association, stated that they oppose these bills not because

Senate and House Taxation Committees
Special Meeting
June 27, 1985
Page Five

they feel that additional funding is not necessary, but they feel that there is a better method of funding, which is in House Bill 3.

Dean Mansfield, representing the Montana Automobile Dealers' Association, rose in opposition to this bill.

Senator Goodover, Senate District 20, testified that he felt that the state of Montana does not need any more taxes; what the state needs are new jobs, which will generate more tax revenue; and there are more automobiles being sold and more revenue being created from that source to cover much of that inflation. He said that there would be additional money coming in from poker machines and he objected to earmarking funds in the general fund for special purposes. He felt that earmarking funds denies the legislature the opportunity to funnel the funds where they are needed most and these needs change from year to year. He declared that they need to give the taxpayers a break; and by leaving this as it is, gives them a small consideration.

There were no further opponents.

AMENDMENTS ON SENATE BILL 1 AND HOUSE BILL 2: Senator Mazurek, District 23, Helena, distributed copies of a proposed amendment to the committee. See Exhibit 3. He explained that Senate Bill 25 and Senate Bill 142 passed together and Senate Bill 25 gave the funding for the criminal portions of the district courts to the Supreme Court for disbursement to the counties. He advised that there is a district court block grant program, that is essentially an emergency grant for counties, if they are hit with a major criminal trial, and their existing levy is not sufficient to cover the district court operations, which is operated by the Department of Commerce. This amendment would take the administration of the district court block grant program from the Supreme Court and transfer it to the Department of Commerce, he informed the committee, which would eliminate one other potential problem, i.e., if a county disputed the amount it was owed under the district court block grant program, there would be someone in the state who could resolve this dispute, since the Supreme Court would not be in a position to do so, since they are the ones

Senate and House Taxation Committees
Special Meeting
June 27, 1985
Page Six

dispersing the funds. He advised that this amendment would also transfer the money, which comes from the increased vehicle fees, from the Supreme Court to the Department of Commerce.

PROPOSERS FOR THE AMENDMENT: Gordon Morris, Executive Director for the Montana Association of Counties, indicated that he had reviewed the amendments and supports them.

There were no further proponents.

OPPOSERS: There were none.

QUESTIONS ON SENATE BILL 1 AND HOUSE BILL 2: Representative Sands noted that they were addressing some pretty fundamental tax policies with this bill and asked (1) do they think now is an appropriate time, considering the economic situation in the state, to have a \$9.4 million tax increase; and (2) in view of the fact that there is tax indexing on real property and income, is this an appropriate tax policy to have an inflation adjustment built into this type of tax on personal property.

Mr. Waldron replied, from the school's standpoint, they did make some changes on the anticipation of revenues; but it was so late, most of them had passed their mill levies as they already had authority from the public for a certain amount of money. So what this means to the taxpayer, he continued, is that we either get it from the legislature, which we had anticipated and which we think was intended, or, if this is reduced, we must collect more of the mill levy than was requested.

Representative Sands asked why this license fee is a better way to raise taxes?

Mr. Waldron replied that he thinks that this is what was intended; his district would be hurt probably the most, because it is a lower millage district; but in the higher millage districts, the taxpayers would be hurt by putting it back on the property tax.

Senate and House Taxation Committee
Special Meeting
June 27, 1985
Page Seven

Mr. Hansen indicated that he would like to reiterate what Mr. Waldron said as he thinks that we have to begin to understand the relationship between what the legislature does and what happens to the tax system back home. If \$9.5 million is taken out of the tax base, he contended, somebody is going to have to make up the difference; the cities have lower rates of growth and spending than any other jurisdiction across the board; they have cut services; and if this money is taken away from the cities, towns, schools and counties, someone is going to have to make up the difference. This will, of course, fall on the property tax owner; and that is why this bill is so important, he concluded.

Mr. Morris pointed out that the issue of a tax increase was debated on the floor of both houses on an earlier version of this bill; and he did not feel that they are debating a tax increase in these bills because that issue was discussed and debated, and it was the intent of the legislature, as he understood and most people in this room understood, that an increase was to be there. This is not a new tax, he declared.

Mr. Peoples, responding to the second question asked by Representative Sands, indicated that they have to recognize that in 1981, when the legislature removed the ad valorem system and replaced it with the flat fee system, they removed from local government probably the only source of revenue that was keeping pace with inflation.

Representative Koehnke asked what percentage of the budget does this inflation factor amount to.

Mr. Waldron responded, in speaking for his own district, this could be looked at two ways, i. e., the mill levy request from the taxpayers represents about 10 to 11% of that; from the total budget for the district and the general fund, it is a lot less, because in their case, they only vote about 21% of the budget and that would be about 10%.

Mr. Weast, speaking for the Great Falls public schools, answered that they have already cut their budget back

Senate and House Taxation Committee
Special Meeting
June 27, 1985
Page Eight

about \$2.8 million below the voted levy; they have lowered their taxes about \$1.3 million over this year's taxes; and what this represents is another \$168,000.00, or 2.2 mills.

Senator Goodover asked each of those who spoke if they had not all indicated in their testimony in the past that they are looking for new sources of revenue other than property taxes. He continued that, if this were the case, they have to find other sources of revenue, which means new jobs for people that are not now working - those on unemployment, etc. He stated that this is not going in that direction; they are adding another tax; none of the people at the hearing feel that this is a live-or-die situation; taxation has to be reduced if they are going to get new jobs; and the farmers can't stand any more increases in taxes.

Senator Hager asked Mr. Reich if the \$165,000.00 shortfall was for one year or two years; and his reply was that it was a one-year adjustment.

Senator Lybeck indicated that he had talked with the county officials in Flathead County and they informed him that this would be about a 10% reduction; last year, they collected \$2,047,000.00 in flat vehicle fees, which is a reduction of about \$205,000.00; and historically, when there is budget cutting, the sheriff's office gets cut and also drug enforcement. He contended that northwest Montana has a serious drug problem.

Chairman Devlin asked Ms. Paladichuk how they (the county treasurers) would collect from someone who has purchased their license after July 1, but before this additional fee would go into effect.

Mr. Paladichuk responded that it would be difficult and some would probably slip through the cracks. She proposed putting a stipulation on their registration receipt saying that possibly additional fees might be due, and then write up an additional registration slip for the fees collected.

Senate and House Taxation Committee
Special Meeting
June 27, 1985
Page Nine

Chairman Devling asked if this would take a lot of time; and Ms. Paladichuk replied that history shows that people don't come in on the first day; they (the treasurers) don't have a rush of people until about the 25th of the month, which is the last due date.

Chairman Devlin questioned if she did not think this would be the case and she answered that so far this year, they have only had five or six people renew their licenses ahead of time.

Chairman Towe asked when do the people whose registration has to be renewed in July have to come in.

Ms. Paladichuk replied that, if they terminated the end of July, they have until August 25 - they have a 25-day grace into the following month. She explained that the ones that are due by July 25 now, actually have an expiration of June 30. As she reads the bill, she advised, it applies to any license on or after July 1, so no matter when the expiration date is, the new fee would apply.

Chairman Towe asked her how many in Richland County have already come in and paid their fees, to which she replied, that she did not think there were more than five or six.

Chairman Devlin noted that there were some school districts throughout the state that went on the assumption that they were going to have a 3 plus 3 from the foundation program - they set their budget at 3, expecting a 3%, and, instead, they got 4%. He asked if they had any idea what the balance would be if they were to lose this money from the vehicle fees and those school districts that have set it at 3 and are getting 4 - what amount of money would they be losing or would they be gaining.

Mr. Weast answered that that would have to be addressed on each individual case and he did not know.

Chairman Devlin asked if it were possible that those schools would not lose anything at all; and Mr. Weast responded that that was true, and, in fact, they may have a net gain.

Senate and House Taxation Committees
Special Meeting
June 27, 1985
Page Ten

Senator Mazurek and Chairman Towe discussed the proposed amendment as to whether it was within the call of the special session. Senator Mazurek felt that it was within the call.

Jim Lear, Staff Attorney for the Legislative Council, informed the committee that he had checked Mason's Manual, which is the only authoritative treatise that he could refer to for guidance; and in referring to section 780 of the Manual on Legislative Procedures, he concluded that the amendment was within the scope of the call as it does address district court fees and details as to its disposition; and it should be given the benefit of the doubt.

Representative Switzer indicated that he did not feel that the amendment was germane.

Senator Mazurek said that he offered the amendment in good faith and all the amendment does is to correct an oversight that happened during the regular session.

There were no further questions.

Representative Williams closed by saying that he thought the oversight should be corrected as this was the legislature's intent; that the opposition to fees on automobiles is not great; he talked to a number of people in his district about the increase in fees and he sincerely feels that the people would prefer this over an added mill levy to their property tax.

Senator Hager closed by remarking that in talking to a number of legislators that they felt that it was the legislature's intent to do exactly what this bill will do; and he asked the committee members to remember that this bill has an impact of \$160,000.00 to \$165,000.00 to some of the school districts in one year. He urged the committees to pass one or the other of these bills.

The informal hearing on Senate Bill 1 and House bill 2 were closed.

Senate and House Taxation Committees
Special Meeting
June 27, 1985
Page Eleven

CONSIDERATION OF HOUSE BILL 3: Representative Marks, House District 75, Helena, told the committee that he thought this bill was within the scope of the call. He said that he felt that there wasn't as much impact to the school districts as had been reported; and he believed that the school districts that built their budgets on the governor's recommendation will be getting a windfall. He thought that the input on the two bills passed in the regular session was limited and that there will be more input on these bills. He advised that this bill would repeal Senate Bill 142 and House Bill 870 and would put the law back exactly the same as if they had not met at all in 1985 relative to vehicle fees, only this would have the inflator back in.

He informed the committee that, in the event there was a shortfall in the block grant account at the end of the biennium, that that shortfall would be pro rated to all taxing jurisdictions. He explained that the difference needed to fund the program would amount to \$4.4 million; but he thought that the fiscal note will show a difference in that.

He advised that the bill will also put the escalator period back to January instead of July, so that the people, who license their vehicles in July, would be on the same schedule as they are in June today; and they would pay the same until January, 1986, when the escalator clause would take effect; and they would pay that for the entire year until July 1, 1987, when that provision sunsets.

He contended that it was necessary to offer some tax relief to people who are taxpayers and users of automobiles, partly because the agricultural society needs a break due to the drought and retired people need a break.

Representative Marks distributed a spread sheet, (Exhibit 4), and drawing the committee's attention to page 5, explained the difference between these two bills. He stated that there was an estimated ending fund balance of \$30.3

Senate and House Taxation Committee
Special Meeting
June 27, 1985
Page Twelve

million and he reminded the committee that they had a target during the session of trying to have an ending fund balance of around \$15 million. He felt that if they pass House Bill 3, even if the recipients get all the money they asked for, they would still have an ending fund balance of over \$20 million. He concluded that that would be fair to the taxpayer and fair to the general fund.

PROPOSERS: Larry Tobiason, representing the Montana Automobile Association, said that he was not here to convince the committee that the cities, counties and school districts did not need extra funding, but to ask that they change the funding method from one that is placing an increased burden on certain segments of the population to one that would be shared by all the taxpayers of this state. He told the committee how high gasoline taxes have risen; how heavily taxed the motorist is; and explained that motorists' costs are going up in every category - gas, insurance, tires, etc.

Janelle Fallon, representing the Montana Chamber of Commerce, testified that Montana does not need any tax increases and she believes that they should take advantage of this opportunity not to come up with an increase. Ms. Fallon said that the Bureau of Business and Economic Research at the University of Montana has reported that economic recovery is slower than expected in Montana; and she contended that they have been hearing this from all over the state and the small businesses on the main streets are saying that they are not making any money. She advised that Montana ranks forty-fourth in the amount of taxes paid per each \$1,000.00 of personal income.

Robert VanDerVere, a concerned citizen lobbyist, stated that he feels that the people should get a free ride for a couple of years so that this can be looked at; he feels that the counties are already getting more money than they were; and that the people need relief.

Senate and House Taxation Committee
Special Meeting
June 27, 1985
Page Thirteen

Dennis Burr, representing the Montana Taxpayers' Association, indicated that the committees and the legislators should not already have made up their minds that there is only one solution to the problem. He said that they support House Bill 3 as an alternate method of funding local government and this would do what they wanted to do in this special session. He felt that Representative Marks' bill is simpler than the other ones because it takes out the confusion and it appears that the state can afford to fund local government during these two years with available revenue. He stated that the legislators should spell out what the fees are and they believe that the inflation factor should be taken out. If they want these fees to creep every year, that can be specified in the law, he suggested, and they believe that Senator Mazurek's amendment should be adopted.

Dean Mansfield, representing the Montana Automobile Dealers' Association, testified that they opposed both Senate Bill 142 and House Bill 870 during the regular session on the grounds that it was a selective tax on automobile owners and an erosion of the flat fee system. Four years ago, the legislature adopted the flat fee system to reduce taxes and fees on automobiles at the urging of the public, he commented, and he believes that that system should be protected. He acknowledged that House Bill 3 will protect the flat fee system by funding the program through the general fund.

Mons Teigen, representing the Montana Stockgrowers' Association, spoke of the terrible drought situation and of the problems the farmers and ranchers are facing. He noted that the farmers and ranchers do not have any inflation factor built into their cash flow. He said that they think House Bill 3 permits the accomplishment of all the goals that they wish to reach without burdening the taxpayers with an additional tax, no matter how small. (Exhibit 4)

Representative Patterson, House District 97, Yellowstone, explained that he was one of those who called Representative

Senate and House Taxation Committee
Special Meeting
June 27, 1985
Page Fourteen

Marks to ask if they could find another source of funding without having to go to a general tax increase to the motoring public of Montana. He contended that without House Bill 3, there will be some pretty hefty tax increases on the motoring public and he reiterated the plight of the farmers and ranchers.

Senator Goodover, Senate District 20, said that they are talking about a minimal increase in the fee system in these two bills - Senate Bill 1 and House Bill 2 - one added fees for the courts and one added fees for the block grant program and the schools, which may amount to about \$5 or \$10 per taxpayer. He informed the committees of the problems they have in Cascade County and about the tax increases; about how the tax system was inhibiting new business in Montana, because Montana is the fifth highest property tax state in the country; and he emphasized that House Bill 3 is an alternative; and it should be studied. He declared that they must get people working; that the committees should look at job building programs during this special session; and he went into detail on ways to accomplish this end.

Representative Switzer, House District 28, indicated that he did not have as much to say about House Bill 3 as he did about Senate Bill 142 and he felt the alleged error was the best part of Senate Bill 142. He commented that House Bill 3 would not be so selective a tax.

There were no further proponents.

OPPONENTS: Gordon Morris, Executive Director of the Montana Association of Counties, offered testimony in opposition to this bill. See Exhibit 2.

Don Peoples, Chief Executive of Butte-Silver Bow, stated that if the legislature stops the checks for the block grants, the government of Butte-Silver Bow will lose \$134,000.00 out of fiscal year 1984 to 1985. They are expecting that check in the next few days, which is part

Senate and House Taxation Committee
Special Meeting
June 27, 1985
Page Fifteen

of the current fiscal year budget, he advised, and they would have very few alternatives as to how to take care of this deficit. He contended that they would have to levy approximately 3 mills to make up this shortage and to the property owners in Butte, that would mean an increase of approximately \$7.50 to \$8.00. Mr. Peoples testified that the government of Anaconda-Deer Lodge would lose about \$50,000.00; and it would cost the residents of Anaconda approximately 4.25 mills to pick up the loss of that amount of revenue. He stated that what is happening in Butte is certainly going to happen across the state of Montana. He explained that they have a real problem with the supposed \$30 million extra that is in the fund; and if they are going to end up with that much money, he thought it was funny that they need to steal the \$2 million that is already in the budgets of the cities and counties across the state.

Gene Huntington, appearing on behalf of Governor Schwinden, commented that their opposition is generally concerned with the appropriateness of considering House Bill 3 in this special session in that the poll for the special session set out that the purpose was to correct action taken during the 1985 regular legislative session - that is what they believed the poll was about, that is what the public thought the poll was about, and that is what most legislators thought the poll was about. The proposal in House Bill 3 emerged after the poll was basically complete, he said, and they feel that the issues implicit in House Bill 3 are inappropriate for a special session as it goes beyond correcting action of the regular session and takes up and alters some major state policies that have been hard fought over the last few years. Mr. Huntington explained that the three basic policies they are dealing with are (1) the basic budget compromise that was probably the major struggle of the 1985 session; (2) the formulas for distributing the block grants, which was a major effort leading up to the 1983 session; and, (3) the whole scheme for distributing state aid to district courts, which represented a major effort of the last interim. He repeated that this was to be a one-day session to correct an oversight in the 1985 regular session.

Senate and House Taxation Committees
Special Meeting
June 27, 1985
Page Sixteen

Alex Hansen, representing the Montana League of Cities and Towns, noted that, according to the fiscal note, the cities and towns will lose \$217,000.00 as a result of this bill and this is one of the situations where the cure might be worse than the disease. He reiterated that the block grant payments have been anticipated by the cities and towns as non-tax revenue for the current fiscal year; they are not talking about excess funds or new money; and the block grant payments that will have to be transferred to the motor vehicle reimbursement account will first have to be subtracted from the budget of every city, town and county in the state of Montana. This proposal begins by shooting a \$2 million hole in the budgets of every local government in this state, he said, and he is opposed to the provision to pro rate motor vehicle reimbursement payments to the counties, if a deficit occurs, because this conveniently relieves the legislature of the legal obligation to fund the motor vehicle expense account. He contended that the fee system was sold on the idea that it would reduce taxes - if the reimbursement account is not funded, taxes are not reduced - they are simply transferred from personal to real property. Mr. Hansen concluded that they are asking the legislature to honor the commitment that it has made to the cities, towns and counties in Montana.

Louise Kunz, representing the Montana Low Income Coalition, stated that they feel that if there is any extra money in the general fund, the general assistance fund should be reimplemented and that low income people should have first claim to any funds.

Stephen Jelinek, representing the Butte Community Union, offered testimony in opposition to this bill. See Exhibit 5.

Terry Minow, representing the Montana Federation of Teachers and the Montana Federation of State Employees, stated that further depleting the general fund to remedy an admitted mistake seems to them to be a back-door approach to solving the problem. She said that the 1985 legislature balanced the budget by transferring moneys from one fund to another; the 1987 legislature will have many difficult decisions to make about how to raise sufficient tax revenue to fund special social services; and passing

Senate and House Taxation Committees
Special Meeting
June 27, 1985
Page Seventeen

House Bill 3 will further compound the lack of general fund dollars to properly fund state government and the foundation program.

Jerry Prue, representing the Butte Community Union, advised that he was on GA (general assistance) right now and he urged the committees to use this money for training and jobs.

Al Johnson, City Manager of Great Falls, testified that he signed the register as an opponent to this bill, but that is not entirely true. It seems to him that the issue being debated is how it is appropriate to fund government, whether it be state or local. He stated that he feels that Representative Marks' bill is presenting an alternative. However, he feels that there is a part of his bill that he objects to, he explained, and that is the part that revokes the payments on the existing block grant program. He indicated that the problem they (the legislators) were there to correct means a loss of \$61,000.00 per year, or slightly more than 1 mill; if that part of this bill that would revoke the block grants is passed, Great Falls would lose 2] mills and he asked them not to tamper with existing block grant payments.

Don Waldron, representing the Legislative Committee of School Administrators of Montana, stated that he was shocked to arrive at 5:00 p.m. and see this issue before them; and nobody has said that it is okay to have a surplus - well, he thinks that is fine.

Owen Nelson, representing the Montana Education Association, stated that their concern is that the funding will be there for the schools and other local governments. He said that he did not feel that they should change the decision as to how much money is available for funding programs; and he supports the original bills.

AMENDMENTS ON HOUSE BILL 3: There were none offered.

QUESTIONS ON HOUSE BILL 3: Senator Mazurek asked about the relationship between this bill and Senate Bill 25; and he noted that the fiscal note said that local government would not be affected by the repeal of Senate Bill 142.

Representative Marks replied that the coordinator was al-

Senate and House Taxation Committees
Special Meeting
June 27, 1985
Page Eighteen

so repealed, so the concern that Mr. Morris had about the inappropriateness of the bill, because it leaves Senate Bill 25 hanging is not the case; because if you look at the title, this bill deals with Senate Bill 25; it is coordinated; and Senate Bill 25 does not depend on vehicle fees.

Senator Towe noted that the provision in Senate Bill 25 saying this bill is not effective unless Senate Bill 142 passes is not repealed, but is still in the law.

Representative Marks responded that this is the part, which is repealed in the bill, as he understands it from talking with the council staff.

Lee Heiman, Staff Attorney for the Legislative Council, clarified that this bill repeals section 18, chapter 6, which is the coordination section of Senate Bill 25.

Senator Halligan noted that there was a problem in Senate Bill 142 concerning funding of the district courts and there was actually a \$3 million shortfall. He asked if this was taken care of in Representative Marks' bill.

David Hunter, Office of Budget and Program Planning, answered that there is no problem of that nature - the fiscal note indicates that the cost of the district courts is \$5.286 million and that is consistent with the cost that was considered in the session.

Representative Williams asked what ending fund balance they were using and Representative Marks replied that they are using the figures in the appropriation report that was sent out by the budget office, which indicated about \$30.3. He drew the committee's attention to the fiscal note on House Bill 3 - the budget office has indicated that it might not be quite that high. He thought they started with a \$28 million ending fund balance; and he would accept that, if they will do the funding with the general funds for the purposes of the block grant program. They will still end up with a positive ending fund balance of over \$20 million, he asserted.

Senate and House Taxation Committee
Special Meeting
June 27, 1985
Page Nineteen

Senator Towe asked Representative Marks if he understands the explanation of the budget office - that the only way they arrived at the \$30 million was because they showed a reversion of the entire \$12 million. He continued that there was essentially a gentlemen's agreement, during the session, that the GAAP money would not be used this time, but would be reserved; and now they say that we have no law and no statute to do what we wanted to do as a gentlemen's agreement; and, therefore, the \$30 million includes the total \$27 million of GAAP money, of which we had intended to use only \$15 million. He indicated that if you subtract the \$12 million from the \$30 million, then you get \$18 million; and the ending fund balance (according to what we all had anticipated with the gentlemen's agreement) would only be \$18 million. A reasonable ending fund balance according to the governor's office is suppose to be \$15 million, and, according to the LFA, it is suppose to be \$22 million, he said. Even with the governor's office budget figures, there would be a problem with this funding, which appears to be between \$9 and \$11 million drain on the general fund, he concluded.

Representative Marks responded that the \$12 million in question (that is the remainder of the GAAP money after they use \$15 million for the foundation program) was in House Bill 800, which was taken from the fund that it was in at that time, and \$15 million was transferred to the foundation program. That backed out a respective amount of money from the general fund, he advised, and the same thing will occur with the \$12 million at the end of the 1987 biennium.

Senator Towe noted that that has now occurred and is included in the \$30 million, because they are doing it as of the 1985 biennium.

Representative Marks concurred that it was in there, but he said that you can't spend the money twice. He stated that he tried that last session and got away with it, but

Senate and House Taxation Committees
Special Meeting
June 27, 1985
Page Twenty

he is not trying it now. He stated that he was under the impression that that money would revert to the general fund at the end of the 1987 biennium; the legislature will be meeting in January of 1987; and, predictably, they will take that money and put it into the foundation program, so then there will be \$12 million less of the general fund needed to do it - just exactly the same way we did this time.

Senator Towe asked if, in fact the ending fund balance of the governor's budget office were \$18 million, would he then think that this was a responsible thing to do to pass House Bill 3.

Representative Marks replied that that was a hypothetical question and unfair to address. He explained that, if you take the \$12 million and secure it in the foundation program, then it means you have \$12 million less obligation next time to fund it; because we always throw a bunch of general fund money in on top of all the earmarked forces to fund the foundation program to the tune of \$50 million or so historically. So, I guess if the routine and adequate ending fund balance is expected, as we indicated in the session, of \$15 million or so to go into the next biennium to meet all their obligations, then if you have \$12 million already pigeon-holed away in a fund that will relieve your general fund of \$12 million, it seemed to him that they would be in pretty good shape; because it would reduce the demand on the general fund for the 1989 bienenium by that respective amount, he concluded.

Senator Towe questioned if they took \$2 million out of the general fund, which would make sure the cities and towns didn't loose that money, would they also have to increase the appropriation in his bill by about \$6.5 million.

Representative Marks answered that it depends on whose figures you use; using the figures that were published by the budget office, it indicates \$.494 million surplus and a revised ending fund balance of \$28 million, and indicating that they think that \$4,4 million is too much general fund to accomplish that, then you could back that much out and it would take 1.5 million additional to

Senate and House Taxation Committees
Special Meeting
June 27, 1985
Page Twenty-one

satisfy the folks who think we are Indian-giving. He advised that, if that were the case, they would still have an ending fund balance of about \$19 million, which is \$4 million more than they thought they needed.

There was further discussion between Senator Towe and Representative Marks concerning funding.

Senator Towe asked Mr. Hunter if the \$28.4 million shown on page 2 of the handout included the \$12 million reversion from the GAAP money, as his note on House Bill 800 seems to indicate.

Mr. Hunter replied that it does include it.

Senator Towe asked, if they were to do what they all wanted to do during the session (reserve the \$12 million to be used in the 1987 biennium and not the 1985 biennium) would that \$28 million have to be reduced back to \$12 million. Mr. Hunter replied that that was correct.

Senator Towe asked if they similarly would have to reduce the \$21 million by \$12 million, which is the effect of this bill. Mr. Hunter responded that that is correct.

Senator Towe said that if they were to deduct further the \$2 million on the special services reversion, they would have to reduce it by another \$2 million and Mr. Hunter responded that that was correct.

Senator Towe noted that that would give an ending fund balance of \$7 million, to which Mr. Hunter responded that that was correct. He indicated that he thought Representative Marks really characterized the \$12 million correctly - whether you leave the \$12 million in the foundation program or revert it to the general fund, it really has the same impact. He advised that the budget agreement was to leave that there, and, in effect, they really have a \$30 million ending fund balance, when they left the regular session, because the agreement was that they would have an ending fund balance in the \$15 to

Senate and House Taxation Committees
Special Meeting
June 27, 1985
Page Twenty-two

\$20 million range, plus the \$12 million they use for the foundation program, so the \$30 million, no matter where, is really the same thing. He advised that either way, they are going to reduce that ending fund balance - they are going to spend it down by about \$7.4 million.

Senator Towe asked what a legitimage ending fund balance was - in his opinion, to which Mr. Hunter answered that the governor recommended \$16 million in the general fund.


There were no further questions.

Representative Marks stated that, if you use Mr. Hunter's figures, they show that there may be \$500,000.00 too much in the appropriation, so this could be reduced by that amount. He explained what he thought the confusion regarding the GAAP money is about. He said he could not understand why the people representing the schools were against him, because, under this bill, they get more money; He concluded that the committees could set the perimeters of the funding and he did not believe that they had to come in and appropriate \$9 million through the fees - they can do what they want with it.

The hearing on House Bill 3 was closed.

ADJOURNMENT: There being no further business, the meeting adjourned at 9:55 p.m.

GERRY DEVLIN, Chairman


Alice Omang, Secretary

Senate and House Taxation Committees
Special Meeting
June 27, 1985
Page Twenty-two

\$20 million range, plus the \$12 million they use for the foundation program, so the \$30 million, no matter where, is really the same thing. He advised that either way, they are going to reduce that ending fund balance - they are going to spend it down by about \$7.4 million.

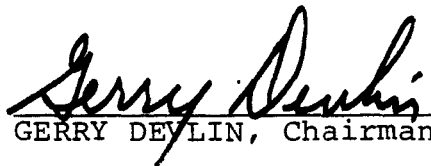
Senator Towe asked what a legitimage ending fund balance was - in his opinion, to which Mr. Hunter answered that the governor recommended \$16 million in the general fund.


There were no further questions.

Representative Marks stated that, if you use Mr. Hunter's figures, they show that there may be \$500,000.00 too much in the appropriation, so this could be reduced by that amount. He explained what he thought the confusion regarding the GAAP money is about. He said he could not understand why the people representing the schools were against him, because, under this bill, they get more money; He concluded that the committees could set the perimeters of the funding and he did not believe that they had to come in and appropriate \$9 million through the fees - they can do what they want with it.

The hearing on House Bill 3 was closed.

ADJOURNMENT: There being no further business, the meeting adjourned at 9:55 p.m.


GERRY DEYLIN, Chairman


Alice Omang, Secretary

ROLL CALL - HOUSE
TAXATION COMMITTEE

June 27, 1985

NAME	PRESENT	ABSENT	EXCUSED
DEVLIN GERRY, Chairman	✓		
WILLIAMS, MEL, Vice-Chairman	✓		
ABRAMS, HUGH	✓		
ASAY, TOM	✓		
COHEN, BEN	✓		
ELLISON, ORVAL	✓		
GILBERT, BOB	✓		
HANSON, MARIAN	✓		
HARP, JOHN	✓		
HARRINGTON, DAN	✓		
IVERSON, DENNIS	✓		
KEENAN, NANCY	✓		
KOEHNKE, FRANCIS	✓		
PATTERSON, JOHN	✓		
RANEY, BOB	✓		
REAM, BOB	✓		
SANDS, JACK	✓		
SCHYE, TED	✓		
SWITZER, DEAN	✓		
ZABROCKI, CARL	✓		

*Exhibit 1
Taxation Committee
6-27-85*



MONTANA FEDERATION OF STATE EMPLOYEES

AFT, AFL-CIO

P.O. Box.1246

Helena, Montana 59624

(406) 442-2123

ARTCRAFT, BUTTE



TESTIMONY OF TERRY LYNN MINOW, MONTANA FEDERATION OF STATE EMPLOYEES AND MONTANA FEDERATION OF TEACHERS, BEFORE THE HOUSE AND SENATE TAXATION COMMITTEES, ON JUNE 27, 1985

Mr. Chairmen, members of the committees, my name is Terry Minow. I represent the Montana Federation of Teachers and the Montana Federation of State Employees.

As a representative of city and county employees and as a representative of teachers throughout Montana, I rise in support of HB 2 and SB 1. These bills address an honest mistake in a straightforward manner. In Butte-Silver Bow, as in many counties and cities throughout the state, the failure to pass a bill of this kind would have a serious impact. It is estimated that Butte-Silver Bow would lose approximately \$50,000 in vehicle registration fees. In a community that is already facing layoffs of city and county personnel due to financial difficulties, this is a significant amount of lost revenue.

Similarly, school districts set their budgets based on an estimate of vehicle registration fee revenue before they realized that a mistake had been made. Mill levies have been passed and budgets set--school districts need this revenue to maintain their balanced budgets.

We wish to oppose Representative Mark's HB 3. Further depleting the general fund to remedy an admitted mistake seems to us to be a back door approach. The 1985 Legislature balanced the budget by transferring monies from one fund to another, leaving the 1987 Legislature many difficult decisions to make about how to raise sufficient tax revenue to fund essential social services. Passing HB 3 will further compound the lack of available general fund dollars to properly fund state government and the Foundation Program.

Please give HB 2 and SB 1 a "Do Pass" recommendation and HB 3 a "Do Not Pass" recommendation. Doing so will facilitate a short special session, one that has taken a straightforward approach to an honest mistake.

Thank you for your consideration.

**MONTANA
ASSOCIATION OF
COUNTIES**

Exhibit 2
SB1 - HB2
6/27/85
Gordon Morris
1802 11th Avenue
Helena, Montana 59601
(406) 442-5209

June 27, 1985

Dear Legislators:

In response to Representative Marks' letter of June 25, 1985 I feel the following points need to be made. He has raised several issues relative to his proposal to fund District Courts and Motor Vehicle State Reimbursement from the General Fund and by stopping distribution of the General Services Block Grant monies. I would like to comment on these issues:

1. Representative Marks has indicated that the legislature should consider repealing SB 142 as passed by the 49th Legislature. I wish to point out that SB 142 is linked to SB 25, the District Court Funding bill and if SB 142 were to be repealed it would negate or repeal SB 25. Before any action on SB 142 is taken relative to its possible repeal this issue would have to be explored and SB 25 in all likelihood amended so as to not be tied directly to the passage of SB 142.
2. The proposed repeal of HB 870 must be weighed in light of projected revenue. It should be noted that HB 870 provides revenue to the General Purpose portion of the local government block grant program, and for all intents and purposes under provisions set forth in HB 500, there will be no General Services Block Grant in the coming biennium due to the cap that was placed on it.
3. Representative Marks further proposes amending Section 7-6-309(4) of the Montana Code Annotated to stop distribution June 30 of approximately \$2 million into the Block Grant Account. It should be noted that the \$2 million is an allocation to the General Services portion of the Block Grant and as such has been anticipated by municipalities and counties throughout the state based upon correspondence from the Community Development Division of the Department of Commerce in June of 1984. In that correspondence it was pointed out that "in the coming fiscal period, FY 85, there will only be one General Services payment, June 30, 1985. There has been some confusion the past few months concerning in which fiscal year this revenue should be accounted. Recent discussions with the Montana Association of Counties and the League of Cities and Towns has resulted in agreement that the June 30, 1985 payment should be counted as revenue for FY 85." In this correspondence, local governments were advised to anticipate approximately \$1.987 million of non-tax revenue.

Legislators
June 27, 1985
Page 2

This action was necessitated by virtue of the need to anticipate the revenue in the actual fiscal year in which it would be received, June 30, 1985, i.e. FY 85.

As a consequence, the proposal to amend Section 7-6-309(4), MCA, to stop distribution of the approximate \$2 million of FY 1985 surplus would have the resulting effect of leaving local jurisdictions with a \$2 million shortfall in their FY '85 budget that would have to be made up by increased levies in FY '86.

In making these points I would hope that the legislature would act expeditiously on SB 142 and restore the inflation factor as identified as our best solution. It may be acceptable to repeal HB 870; however, I think I would speak in opposition to any effort to repeal SB 142 because of its link to SB 25, and further, would have to protest any diversion of the \$2 million "supposed" surplus in the block grant account. These are new issues unrelated to the error in SB 142, perhaps beyond the limited scope of this special session.

Sincerely,



GORDON MORRIS
Executive Director

GM/mrp

PROPOSED AMENDMENTS TO _____ BILL NO. _____ [L.C. 1 OR 4]

1. Title, line 7.

Following: "FEE;"

Insert: "TRANSFERRING THE ADMINISTRATION OF STATE FUNDING FOR DISTRICT COURTS FROM THE SUPREME COURT TO THE DEPARTMENT OF COMMERCE; APPROPRIATING TO THE DEPARTMENT OF COMMERCE FUNDING FOR THE STATE FUNDING OF DISTRICT COURTS; DELETING THE FUNDING FROM THE SUPREME COURT BUDGET;"

2. Title, line 8.

Following: "1985"

Insert: ", SECTIONS 1 THROUGH 5, 10, 15, AND 16 OF CHAPTER 680, LAWS OF 1985"

3. Page 3, line 2.

Following: line 1

Insert: "Section 3. Section 1, Chapter 680, Laws of 1985, is amended to read:

"Section 1. State assumption of certain district court expenses. (1) Effective July 1, 1985, the state shall, to the extent that money is appropriated, fund the following district court expenses in criminal cases only:

- (a) salaries of court reporters;
- (b) transcripts of proceedings;
- (c) witness fees and necessary expenses;
- (d) juror fees;
- (e) indigent defense; and
- (f) psychiatric examinations.

(2) ~~The supreme-court-administrator, under the direction of the--supreme--court-and~~ department of commerce, in consultation with the district judges for each judicial district, shall include within the supreme--court's department's biennial budget request to the legislature a request for funding the expenses listed in subsection (1).

(3) If money appropriated for the expenses listed in subsection (1) is insufficient to fully fund those expenses, the county is responsible for payment of the balance. If no money is appropriated, the county is responsible for payment of all expenses."

Section 4. Section 2, Chapter 680, Laws of 1985, is amended to read:

"Section 2. Fiscal administration for payment of court expenses. The ~~supreme-court-administrator~~ department of commerce shall:

(1) establish procedures for disbursement of funds for payment of district court expenses listed in [section 1], including prorating of those funds if they are insufficient to cover all expenses listed in [section 1];

(2) ~~in--consultation--with--the--department--of--commerce~~ develop a uniform accounting system for use by the counties in reporting court expenses at a detailed level for budgeting and auditing purposes; and
(3) provide for annual auditing of district court expenses to assure normal operations and consistency in reporting of expenditures."

Section 5. Section 3, Chapter 680, Laws of 1985, is amended to read:

"Section 3. Reimbursement for juror and witness fees. According to procedures established by the ~~supreme--court--administrator~~ department of commerce under [section 2(1)], each clerk of district court shall submit to the ~~supreme--court--administrator~~ department a detailed statement containing a list of witnesses and jurors for criminal cases only and the amount of per diem and mileage paid to each by the county. Upon receipt and verification of the statement, the ~~administrator~~ department shall promptly reimburse the designated county for the cost of witness and juror fees on a full or prorated basis in accordance with [section 2]. The county shall deposit the amount reimbursed in its general fund unless the county has a district court fund. If the county has a district court fund, the amount reimbursed must be deposited in such fund."

Section 6. Section 4, Chapter 680, Laws of 1985, is amended to read:

"Section 4. Section 3-5-602, MCA, is amended to read:

"3-5-602. Salary and expenses -- apportionment. (1) Each reporter is entitled to receive a base annual salary of not less than \$16,000 or more than \$23,000 and no other compensation except as provided in 3-5-604. The salary shall be set by the judge for whom the reporter works. The salary is payable in monthly installments out of the general funds of the counties comprising the district for which the reporter is appointed and out of an appropriation made to the ~~supreme-court~~ department of commerce as provided in subsection (2).

(2) The ~~supreme-court-administrator~~ department of commerce shall determine the total number of civil and criminal actions commenced in the preceding year in the district court or courts in the judicial district for which a reporter is appointed. The state shall pay its portion of the reporter's salary based on the proportion of the total number of criminal actions commenced in the district court or courts in the district and the amount appropriated for that purpose. Each county shall pay its portion of the remainder of the salary based on its proportion of the total number of civil and criminal actions commenced in

the district courts in the district. The judge or judges of the district shall, on January 1 of each year or as soon thereafter as possible, apportion the amount of the salary to be paid by each county in his or their district on the basis prescribed in this subsection. The portion of the salary payable by a county is a district court expense within the meaning of 7-6-2351, 7-6-2352, and 7-6-2511.

(3) In judicial districts comprising more than one county, the reporter is allowed, in addition to the salary and fees provided for in subsection (1), his actual and necessary travel expenses, as defined and provided in 2-18-501 through 2-18-503, when he goes on official business to a county of his judicial district other than the county in which he resides, from the time he leaves his place of residence until he returns thereto. The expenses shall be apportioned and payable in the same way as the salary."

Section 7. Section 5, Chapter 680, Laws of 1985, is amended to read:

"Section 5. Section 3-5-604, MCA, is amended to read:

"3-5-604. Transcript of proceedings. (1) Each reporter must furnish, upon request, with all reasonable diligence, to a party or his attorney in a case in which he has attended the trial or hearing a transcript from his stenographic notes of the testimony and proceedings of the trial or hearing or a part thereof, upon payment by the person requiring the same of \$2 per page for the original transcript, 50 cents per page for the first copy, 25 cents per page for each additional copy.

(2) If the county attorney, attorney general, or judge requires a transcript in a criminal case, the reporter is entitled to his fees therefor, but he must furnish it. Upon furnishing it, he shall receive a certificate for the sum to which he is entitled. The reporter shall submit the certificate to the ~~supreme court--administrator--~~department of commerce which, in accordance with [section 2], is responsible for the prompt payment of all or a portion of the amount due the reporter. If the ~~supreme-court-administrator~~department, in accordance with [section 2], pays none or only a portion of the amount due, the county shall pay the balance upon receipt of a statement from the reporter.

(3) If the judge requires a copy in a civil case to assist him in rendering a decision, the reporter must furnish the same without charge therefor. In civil cases, all transcripts required by the county shall be furnished, and only the reporter's actual costs of preparation may be paid by the county.

(4) If it appears to the judge that a defendant in a criminal case is unable to pay for a transcript, it

shall be furnished to him and paid for by the state in the manner provided in subsection (2) to the extent funds are available. The county shall pay the remainder as required in [section 1]."

Section 8. Section 10, Chapter 680, Laws of 1985, is amended to read:

"Section 10. Section 46-8-201, MCA, is amended to read:

"46-8-201. Remuneration of appointed counsel. (1) Whenever in a criminal proceeding an attorney represents or defends any person by order of the court on the ground that the person is financially unable to employ counsel, the attorney shall be paid for his services such sum as a district court or justice of the state supreme court certifies to be a reasonable compensation therefor and shall be reimbursed for reasonable costs incurred in the criminal proceeding.

(2) The expense of implementing subsection (1) is chargeable as provided in [section 1] to the county in which the proceeding arose, the ~~office-of-supreme court-administrator~~ department of commerce, or both, except that:

(a) in proceedings solely involving the violation of a city ordinance or state statute prosecuted in a municipal or city court, the expense is chargeable to the city or town in which the proceeding arose; and

(b) when there has been an arrest by agents of the department of fish, wildlife, and parks or agents of the department of justice, the expense must be borne by the state agency causing the arrest."

Section 9. Section 15, Chapter 680, Laws of 1985, is amended to read:

"Section 15. Section 46-15-104, MCA, is amended to read:

"46-15-104. Expenses of witness. (1) When a person attends before a magistrate, grand jury, or court as a witness in a criminal case upon a subpoena or in pursuance of an undertaking, the judge, at his discretion, by a written order may direct the clerk of the court to draw his warrant upon the county treasurer in favor of such witness for a reasonable sum, to be specified in the order, for the necessary expenses of the witness.

(2) According to procedures established by the ~~supreme---court--administrator~~ department of commerce under [section 2(1)], the clerk of district court shall submit to the ~~supreme-court-administrator~~ department a detailed statement containing a list of witnesses and the amount of expenses paid to each by the county. Upon receipt and verification of the statement, the ~~administrator~~ department shall promptly reimburse the designated county for all or a portion of the cost

of witness expenses. The county shall deposit the amount reimbursed in its general fund unless the county has a district court fund. If the county has a district court fund, the amount reimbursed must be deposited in such fund."

Section 10. Section 16, Chapter 680, Laws of 1985, is amended to read:

"Section 16. Section 46-18-235, MCA, is amended to read:

"46-18-235. Disposition of money collected as fines and costs. The money collected by a court as a result of the imposition of fines or assessment of costs under the provisions of 46-18-231 and 46-18-232 shall be paid to the county general fund of the county in which the court is held, except that:

(1) if the costs assessed include any district court expense listed in [section 1], the money collected from assessment of these costs must be paid to the ~~supreme-court-administrator~~ department of commerce for deposit into the state general fund to the extent the expenses were paid by the state; and

(2) if the fine was imposed for a violation of Title 45, chapter 9, the court may order the money paid into the drug forfeiture fund maintained under 44-12-206 for the law enforcement agency which made the arrest from which the conviction and fine arose."

Section 11. Appropriation transfer. The general fund appropriation to the Supreme Court for state funding of certain District Court operations contained in item No. 4 of the Judiciary budget as contained in House Bill 500, L. 1985, is transferred to the Department of Commerce. In accordance with such transfer, the spending authority of the Supreme Court is reduced \$3,170,633 for fiscal year 1986 and \$3,152,873 in fiscal year 1987, and there is appropriated to the Department of Commerce from the general fund \$3,170,633 for fiscal year 1986 and \$3,152,873 in fiscal year 1987 for certain District Court operations."

Renumber: subsequent sections

4. Page 3, line 4.

Following: "approval"

Insert: ", "

Following: "and"

Strike: "applies"

Insert: "sections 1 and 2 apply"

5. Page 3, line 6.

Following: "1985"

Strike: "it applies"

Insert: "sections 1 and 2 apply"

6. Page 3, line 9.

Following: "(2)"

Strike: "This act terminates"

Insert: "Sections 1 and 2 terminate"

PC3/LC1AMEND



STATE OF MONTANA
Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/449-2986

Exhibit 4
HB-3
6/28/85
Rep. Marks

JUDY RIPPINGALE
LEGISLATIVE FISCAL ANALYST

June 28, 1985

TO: Representative Bob Marks
House Republican Leader

FROM: Curt Nichols
Deputy Fiscal Analyst

SUBJECT: Comparison of House Bill 2 and House Bill 3

Table 1 below compares the fees that would be effective under House Bill 2 and 3. The table also lists the currently effective fees and those that would be in effect July 1, 1985 without special session action.

Table 1
Vehicle Fee Rate Comparisons

	- - - - Under 2850 Lbs - - - -			- - - - Over 2850 Lbs - - - -		
	<u>0-4 Yrs</u>	<u>5-7 Yrs</u>	<u>Over 8 Yrs</u>	<u>0-4 Yrs</u>	<u>5-7 Yrs</u>	<u>Over 8 Yrs</u>
<u>Currently effective</u> <u>thru 6/30/85</u>	\$80.00	\$46.00	\$11.00	\$102.00	\$57.00	\$17.00
<u>1985 Regular Session</u>						
7/1/85 - 6/30/87	83.00	48.00	14.00	104.50	59.00	19.50
<u>HB 2</u>						
7/1/85 - 12/31/85	93.00	54.00	15.00	116.50	66.00	21.50
1/1/86 - 12/31/86	95.00	55.00	16.00	120.50	68.00	22.50
1/1/87 - 6/30/87	99.00	57.00	16.00	125.50	70.00	22.50
<u>HB 3</u>						
7/1/85 - 12/31/85	80.00	46.00	11.00	102.00	57.00	17.00
1/1/86 - 12/31/86	82.00	47.00	12.00	106.00	59.00	18.00
1/1/87 - 6/30/87	86.00	49.00	12.00	111.00	61.00	18.00

The difference in fees for House Bills 2 and 3 are entirely due to the repeal of Senate Bill 142 and House Bill 870 of the 49th Legislature regular session. The Legislative Council informs me that both House Bill 2 and House Bill 3 would continue the application of the PCE inflator adjustment on a calendar year basis. Senate Bill 142 had stricken the inflator effective July 1, 1985. Table 2 shows the fee difference between House Bill 2 and House Bill 3 during the 1987 biennium.

Table 2
Fee Rate Differences House Bill 2 versus House Bill 3

- - - Fee Class - - -		Amount HB 2 greater than HB 3 fees		
<u>Weight</u>	<u>Age</u>	<u>7/1/85 to 12/31/85</u>	<u>1/1/86 to 12/31/86</u>	<u>1/1/87 to 6/30/87</u>
under 2850	0-4	\$13.00	\$13.00	\$13.00
	5-7	8.00	8.00	8.00
	over 8	4.00	4.00	4.00
over 2850	0-4	14.50	14.50	14.50
	5-7	9.00	9.00	9.00
	over 8	4.50	4.50	4.50

PRORATION CLAUSE

House Bill 3 includes a proration clause applying to the general purpose block grant. The general purpose block grant provides replacement funds for revenues lost upon implementation of the vehicle fee system. This proration clause means that any shortfall in funds to make the payments calculated under 61-3-536, MCA for the general purpose block grant will be met with a pro-rata reduction in the grants. We assume without this clause a supplemental appropriation would be requested of the 1987 legislature for such shortfall. We estimate the shortfall at \$2,186,000 in the 1987 biennium. The fiscal note on House Bill 3 indicates the shortfall would be \$1,512,000.

ROLL FORWARD

House Bill 3 includes a provision to 'roll forward' the balance in the block grant from fiscal 1985 to the 1987 biennium. This 'roll forward' takes funds that would have been distributed to cities and counties as general services block grants on June 30, 1985 and applies them toward the general purpose block grant in the 1987 biennium. The effect of this varies based upon how a shortfall in general purpose block grant is to be handled. If you assume, as I have, a shortfall in the general purpose block grant will be met with a supplemental appropriation the 'roll forward' reduces the supplemental appropriation. If you assume a shortfall in the general purpose block grant will be met with a pro-rata reduction of grants the 'roll forward' shares with all local taxing jurisdictions, the funds that would have been received only by cities and counties.

IMPACT ON GOVERNMENTAL UNITS

Table 3 compares the fiscal impact of House Bills 2 and 3 on the different governmental units. The allocation of impacts are based upon the percentages used in the fiscal notes prepared by the Office of Budget and Program Planning.

The effect of reinstatement of the vehicle fee is shown as an increase of \$8,519,000. This is lower than the \$9.5 million loss shown earlier as \$8,519,000 reflects fee adjustment based on calendar years beginning January 1. The \$9.5 million was based upon adjustments based on fiscal years beginning July 1.

Table 3
Fiscal Impacts of House Bill 2 and House Bill 3

	Roll <u>Forward</u>	SB 142 <u>Repeal</u>	HB 870 Repeal & Replacement <u>w/ Gen. Fund</u>	<u>Proration</u>	Reinstate PCE <u>Inflator</u>	<u>Total</u>
<u>House Bill 2</u>						
State Direct ¹					\$ -0-	\$ -0-
State Indirect ²					1,915,923	1,915,923
Cities					660,222	660,222
Counties					1,829,881	1,829,881
School Districts					3,615,464	3,615,464
Other					<u>497,510</u>	<u>497,510</u>
Total					<u>\$8,519,000</u>	<u>\$8,519,000</u>
<u>House Bill 3</u>						
State Direct ¹	\$2,007,921	\$(5,285,954)	\$(4,421,149)	\$178,079	\$ -0-	\$(7,521,103)
State Indirect ²	-0-	-0-	-0-	(40,050)	1,915,923	1,875,873
Cities	(1,104,357)	-0-	-0-	(13,801)	660,222	(457,936)
Counties	(903,564)	-0-	-0-	(38,251)	1,829,881	888,066
School Districts	-0-	-0-	-0-	(75,577)	3,615,464	3,539,887
Other	-0-	-0-	-0-	(10,400)	<u>497,510</u>	<u>487,110</u>
Total	<u>\$ -0-</u>	<u>\$(5,285,954)</u>	<u>\$(4,421,149)</u>	<u>\$ -0-</u>	<u>\$8,519,000</u>	<u>N/A</u>

¹Appropriation increase or general fund revenue decrease

²Through foundation program and university levy

Table 3 indicates the net general fund cost of House Bill 3 would be \$5,645,230. The 'roll forward' is shown as benefiting the state as the underlying assumption was that in absence of special session, any shortfall in the general purpose block grant would be made up through a supplemental appropriation. If that assumption were changed to one of proration of any shortfall, this effect would be modified as shown in Table 4. This indicates the net general fund cost would be \$7,339,599.

Table 4
Fiscal Impacts of House Bill 2 and House Bill 3
Assuming Proration is Current Policy

	<u>Roll Forward</u>	<u>SB 142 Repeal</u>	<u>HB 870 Repeal & Replacement w/ Gen. Fund</u>	<u>Reinstate PCE Inflator</u>	<u>Total</u>
<u>House Bill 2</u>					
State Direct ¹				\$ -0-	\$ -0-
State Indirect ²				1,915,923	1,915,923
Cities				660,222	660,222
Counties				1,829,881	1,829,881
School Districts				3,615,464	3,615,464
Other				<u>497,510</u>	<u>497,510</u>
Total				<u>\$8,519,000</u>	<u>\$8,519,000</u>
<u>House Bill 3</u>					
State Direct ¹	\$ -0-	\$(5,285,954)	\$(4,421,149)	\$ -0-	\$(9,707,103)
State Indirect ²	451,581	-0-	-0-	1,915,923	2,367,504
Cities	(948,743)	-0-	-0-	660,222	(288,521)
Counties	(472,263)	-0-	-0-	1,829,881	1,357,618
School Districts	852,162	-0-	-0-	3,615,464	4,467,626
Other	<u>117,263</u>	<u>-0-</u>	<u>-0-</u>	<u>497,510</u>	<u>614,773</u>
Total	<u>\$ -0-</u>	<u>\$(5,285,954)</u>	<u>\$(4,421,149)</u>	<u>\$8,519,000</u>	<u>N/A</u>

¹Appropriation increase or general fund revenue decrease
²Through foundation program and university levy

Table 5 compares House Bill 2 and House Bill 3 if the 'roll forward' provisions were dropped from House Bill 3. With the proration clause retained, this means that while cities and counties receive the June 30, 1985 distribtuion of \$2,007,921, all taxing jurisdiction would share in the shortfall in the 1987 biennium.

Table 5
Fiscal Impacts of House Bill 2 and House Bill 3
with Elimination of 'Roll Forward' from House Bill 3

	SB 142 <u>Repeal</u>	HB 870 Repeal & Replacement w/ Gen. Fund	<u>Proration</u>	Reinstate PCE <u>Inflator</u>	<u>Total</u>
<u>House Bill 2</u>					
State Direct ¹				\$ -0-	\$ -0-
State Indirect ²				1,915,923	1,915,923
Cities				660,222	660,222
Counties				1,829,881	1,829,881
School Districts				3,615,464	3,615,464
Other				<u>497,510</u>	<u>497,510</u>
Total				<u>\$8,519,000</u>	<u>\$8,519,000</u>
 <u>House Bill 3</u>					
State Direct ¹	\$(5,285,954)	\$(4,421,149)	\$2,186,000	\$ -0-	\$(7,521,103)
State Indirect ²	-0-	-0-	(491,632)	1,915,923	1,424,291
Cities	-0-	-0-	(169,415)	660,222	490,807
Counties	-0-	-0-	(469,553)	1,829,881	1,360,328
School Districts	-0-	-0-	(927,738)	3,615,464	2,687,726
Other	<u>-0-</u>	<u>-0-</u>	<u>(127,662)</u>	<u>497,510</u>	<u>369,848</u>
Total	<u>\$(5,285,954)</u>	<u>\$(4,421,149)</u>	<u>\$ -0-</u>	<u>\$8,519,000</u>	<u>N/A</u>

¹Appropriation increase or general fund revenue decrease
²Through foundation program and university levy

Exhibit 4
6/27/85
HB-3

WITNESS STATEMENT

BILL NO. HOUSE BILL 3

Date: June 27, 1985

SPONSOR: REPRESENTATIVE MARKS

Name: Mous Teigen

Representing: Mt. Stockgrowers Assn.

Support

This measure permits the accomplishment of all of the goals.

of HB 1 + 2 without any increased taxes.

Mr. Chairman & Members of the Comm.

Exhibit 5
HB 3
6/27/85

WITNESS STATEMENT

BILL NO. HOUSE BILL 3

Date: June 27, 1985

SPONSOR: REPRESENTATIVE MARKS

Name: Stephen Jelinek

Representing: Butte Comm. Unit

I am a G.A. Recp. Looking For Work
I'm also regisitered with job service

I would to urge you to hold
on to these monies pending the
outcome of the G.A. Lawsuite
Because if the law suite is
favorable to the poor this money
1st priority to the poor

Please sign Register if testifying and note for or against bill.

COMMITTEE: House Taxation
 Bill No: House Bill 2
 Sponsor: Rep. Williams

Date: June 27, 1985

VISITOR'S REGISTER

NAME	TOWN	REPRESENTING	Proponent	Opponent
Chip Erdmann	Helena	MT SCHOOL Bd Assoc	X	
Don Waldron	Malta	S. A. M.	X	
Tom Schmieder	Helena	MPBA	X	
Larry Tobiason	"	M. A. A.		X
B. Morris	Helena	MA Co	X	
Cyrcia Paladichuk	Sidney	Co Treas.	X	
Robert Mullen	"	MACO	X	
Muchnick	Helena	Revenue Court		
Bill Anderson	Helena	CPI	X	
John Shontz	Sidney	Richland CTY	X	
Marie Heldear	Wolfsen Co.	U. S. C.	X	
John LaFaron	DOR			
Tom Mansueti	Mineral Co	MACO	X	
Alec Hausen	Helena	MLCT	✓	
Don Powers	Butte	Butte School Bd	✓	
Ad Vest	Gt. Falls	Gt. Falls Public Schools Mt. Assoc. of Sch Admin	✓	
Jodi Jensen	Gt. Falls	City of Gt. Falls	✓	
Tom Johnson	"	MT & U. S. F.	✓	
Al D. Thomas	Gt Falls	Gt. Falls Sch Bd	✓	
John Reeb	Butte	School Dist 12	✓	
Norm Mansfield	Helena	MAIX		✓

Please sign Register if testifying and note for or against bill.

COMMITTEE: House Taxation

Date: June 27, 1985

Bill No: House Bill 3

Sponsor: Representative Marks

VISITOR'S REGISTER

NAME	TOWN	REPRESENTING	Proponent	Opponent
Don Wilcox	Orleans	S.P.M.		X
Tom Skudder	Helena	M.P.A.		X
Larry Tobiason	"	M.A.A.	X	
Dean Mansfield	"	MADA	X	
Jim Marston	"	M.A.A.	X	
Owen Nelson	"	M.E.A.		X
Robert P. ...	Helena	Self	X	
Gordon ...	Helena	M.A.C.O.	X	X
Robert Mullen	Sunny	M.A.C.O.		X
Clorie Paladichuk	"	Ps Treasurer		X
Michael ...	Helena	Superior Court		
Bill Anderson	Helena	O.P.T.	X	
John Shontz	S. Inn	Ribbed CS4		X
Marie H. Clear	Helena Co	M.A.C.O.		X
John LaFleur		T.O.P.		X
Tom Mountain	Missoula Co	M.A.C.A.		X
Kevin Fabian	Helena	M.A.C.O.	X	
Deanna Burn	Bozeman	MONTANA	X	
Dr. ...	Bozeman	B.H.S.		L
Wendy ...	Helena	M. S. ...	X	
Gene Huntington	Helena	Govermor		X
Chris ...	St. Falls	St. Comm. ...		✓
Bob ...	St. Falls	M.A.S.A.		✓
...		M.T.S.E.		✓
...	St. Falls	City M.A.T.		✓

