

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.

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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.

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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, represening 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

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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

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they feel that additonal 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

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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 proposers.

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.

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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

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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.

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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.

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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.

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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

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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.

PROPONENTS: 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.

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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

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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

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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.

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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

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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 1/2 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-

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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.

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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
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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 biennium 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 lose 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
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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 legitimacy ending fund balance was - in his opinion, to which Mr. Hunter answered that the governor recommended \$16 million in the general fund.

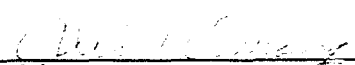
There were no further questions.

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 parameters 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

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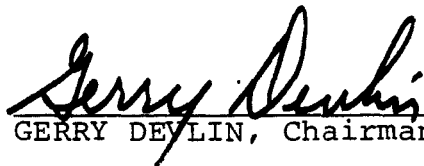
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The hearing on House Bill 3 was closed.

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


GERRY DEVLIN, Chairman


Alice Omang, Secretary

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--who 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

	<u>Roll</u>	<u>SB 142</u>	<u>HB 870 Repeal</u>		<u>Reinstate</u>	
	<u>Forward</u>	<u>Repeal</u>	<u>& Replacement</u>	<u>Proration</u>	<u>PCE</u>	<u>Total</u>
<u>House Bill 2</u>			<u>w/ Gen. Fund</u>		<u>Inflator</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>
¹ Appropriation increase or general fund revenue decrease						
² Through 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>

¹ Appropriation increase or general fund revenue decrease
² Through 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 Repeal	HB 870 Repeal & Replacement w/ Gen. Fund	Proration	Reinstate PCE Inflator	Total
<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: Mons 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.

WITNESS STATEMENT

Exhibit 5
HB 3
6/27/85

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 regisiterd 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
should be 1st priority to the poor

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 Schmuck	Helena	MT School Bd Assoc	X	
Larry Tobiason	"	M. A. A.		X
B. Morris	Helena	MA Co	X	
Cydonia Paladichuk	Sidney	Co Treas.	X	
Robert Mullen	"	MA Co	X	
Michael Adkins	Helena	Revenue Court		
Bill Anderson	Helena	CPI	X	
John Shontz	Sidney	Richland City	X	
Marie Heldegar	Helena Co.	U.S.C.	X	
John Lakson	DOR			
Tom Manning	Mineral Co	MA Co	X	
Alec Hausen	Helena	MLCT	✓	
Don Pomeroy	Butte	Butte School Bd	✓	
Ad Vest	Gt. Falls	Gt. Falls Public Schools Mt. Assoc. of Sch. Admin	✓	
Vicki Jelen	Gt. Falls	City of Gt. Falls	✓	
Tom Larson	"	MT & NEAF	✓	
K. D. Thomas	Gt. Falls	Gt. Falls Sch. Bd	✓	
John Reish	Butte	School Dist 12	✓	
Norm Mansfield	Helena	MA Co		✓

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	Orinda	S.P.M.		X
Tom Schuster	Helena	MPA		X
Larry Tobiason	"	M.A.A.	X	
Dean Mansfield	"	MADA	X	
Jim Marston	"	M.A.A.	X	
Owen Nelson	"	MEA		X
Robert P. Miller	Helena	Self	X	
Gordon Miller	Helena	M.A.C.	X	X
Robert Mullen	Liberty	M.A.C.		X
Clorie Paladichuk	"	Po Treasurer		X
Michael R. R.	Helena	Superior Court		
Bill Anderson	Helena	OPT	X	
John Shontz	Sierra	Richland C.S.		X
Mike H. Clear	Helena	M.A.C.		X
John LaFleur		TOR		X
Tom Menden	Merced Co	M.A.C.		X
Kevin Fabian	Helena	M.A.C.	X	
Dennis Burn	Calaveras	MONTANA	X	
Dr. R. R.	B. H.	B.H.		L
Monty T. R.	Helena	St. Stanislaus	X	
Gene Huntington	Helena	Governor		X
Chris. R. R.	St. Falls	St. Commission		✓
Bob West	St. Falls	M.A.S.A.		✓
Tom Menden		M.T.S.E.		✓
Tom Menden	St. Falls	City M.A.T.		✓

[illegible]

MINUTES OF THE MEETING
TAXATION COMMITTEE
HOUSE OF REPRESENTATIVES
SPECIAL SESSION I

June 28, 1985

The second meeting of the House Taxation Committee was called to order in room 317 by Chairman Gerry Devlin at 10:30 a.m.

ROLL CALL: All members were present as were Dave Bohyer, Researcher for the Legislative Council, and Alice Omang, secretary.

Chairman Devlin announced that if all those witnesses, who testified last night at the joint meeting, wished to have their testimony recorded into today's minutes, just indicate that this is what they wish to do and that testimony will be included in the minutes of this meeting and the same testimony does not have to be repeated at this meeting.

CONSIDERATION OF HOUSE BILL 2: Representative Williams, District 85, informed the committee that he was a member of the Revenue Oversight Committee and that this bill merely corrects an oversight that was made in the regular session. He referred to the new language in subsection 2 and section 2, which added an effective date with a retroactive clause.

PROPOSERS: Gordon Morris, representing the Montana Association of Counties, wished his testimony from last night's hearing to go on record for this hearing. See Exhibit 1.

Gloria Paladichuk, representing the Montana Association of County Treasurers, testified that the county treasurers are now in the process of determining what the non-tax revenue will be, which includes the flat fees. She explained that if the non-tax revenue is insufficient, the remainder will have to be raised by mill levies. She contended that if this error in the law is not rectified, it will mean an increase in taxes on real estate and personal property. She advised that some of the treasurers had been polled regarding the date of July 1, and they felt that there would not be a problem if they had to go back and try to raise the additional tax if some people had come in before the passage of this bill.

Taxation Committee
June 28, 1985
Page Two

Alec Hansen, representing the Montana League of Cities and Towns, requested that his testimony of the previous night be recorded. He had indicated that this proposal is a simple and quick solution that goes directly after the problem, which was in Senate Bill 142, in that it will reinstate the inflationary adjustment without disturbing other local government programs or requiring a general fund appropriation. He contended that the repeal of the inflationary adjustment was a mistake, it had never been before a committee nor was it debated by those who had been affected.

Chip Erdman, representing the Montana School Board Association, stated that he would like his comments of the previous night recorded. He had informed the committee that he felt that this bill addresses an honest mistake in a straight forward manner; that Butte-Silver-Bow would lose approximately \$50,000.00 in money, for which they had already budgeted; and if this is not rectified, they will have to ask for an increased mill levy. He stated that, due to the current economy in the state of Montana, most districts have already cut their programs and staff to bring the mill levy down to an acceptable level. He urged passage of this bill.

Owen Nelson, representing the Montana Education Association, stated his support for this bill and advised that they also supported Senate Bill 142. He urged the committee to support the recommendation of the Revenue Oversight Committee.

There were no further proponents.

OPPONENTS: Representative Pistoria, House District 36, Great Falls, stated that it was a lot of baloney to say that Great Falls will loose \$162,000.00 if this bill does not pass. He contended that they have a reserve of \$14,166,391.65, and he will be voting against making any changes and any increase in taxes. He distributed Exhibits 2 and 3 to the committee.

Larry Tobiason, representing the Montana Automobile Association, expressed his desire to have the testimony from the previous night's meeting entered in the minutes. He had stated that they feel that additional funding is needed for the counties, cities, towns and schools, but they believe that there is a better way to fund them than with these bills.

Dean Mansfield, representing the Montana Automobile Dealers' Association, stated that they were opposed to this mechanism of funding and would like to support another bill.

There were no further opponents.

QUESTIONS ON HOUSE BILL 2: Representative Asay noted that it was stated that a mistake was made and that they (the legislators) were here to rectify that mistake and reinsert the inflator and he asked if that was really the mistake that was made and was the intent to stop the inflation factor from continuing past this year. He said, as he understood, the intent was to stop that automatic increase beyond this point. Representative Williams replied that he thought that the legislative intent was not to remove the implicit price deflator as it existed in the original legislation that was passed in 1981 - that that was continued and the only thing that was suppose to be removed by Representative Gilbert's amendment was the inflator not to be applied to the funds going to the district courts.

Representative Asay asked if they were not stopping the inflation from continuing beyond this year. Representative Gilbert responded that he was strongly opposed to any inflators on taxes or fees and he could not understand how the state of Montana should have an inflator on taxes, when people do not have an inflator on their income and he felt that now there is a \$9.5 million saving for the taxpayer in the state of Montana. He said that he thought he explained the amendment quite clearly in that he wanted to do away with the inflator. He thought it was a mistake to put the inflator in in 1981.

Taxation Committee
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Page Four

Representative Switzer asked Representative Williams how they first became aware that there was no error and how they determined that this was an error rather than legislative intent. Representative Williams replied that when they started to put this in the codes, they felt there was an error and they pointed it out to the Revenue Oversight Committee. He explained that as the bill was finally passed the Gilbert amendment was only to apply to the court fees; they researched this and found that this was not the intent of the legislature and that is the reason they asked for the special session.

There were no further questions.

Representative Williams closed and the hearing on this bill was closed.

CONSIDERATION OF HOUSE BILL 3: Representative Marks, House District 75, stated that the main difference between these two bills is the impact it will have on the motoring public. He stated that he would be agreeable to striking the section of the bill that deals with the \$2 million that would go to the cities and counties and he hoped that the committee would strongly consider putting the prorata section in the bill. He distributed to the committee a comparison of House Bill 2 and House Bill 3. See Exhibit 4. He also recommended that the committee adopt an amendment that would take out the inflator and instead put into the statutes what the fees would be. He explained the handouts to the committee and remarked that this would give the taxpayer a little break and would keep the pain from getting worse.

PROPONENTS: Larry Tobiason, President of the Montana Automobile Association, desired his testimony from the previous night to be entered in the minutes. He stated that the motorist is the most taxed segment of people; motorist costs are going up in every category and this bill will give them some tax relief. He felt that this is not a time to raise taxes especially when there is no need to.

Janelle Fallon, representing the Montana Chamber of Commerce, offered testimony in support of this bill. See Exhibit 5.

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Page Five

Dean Mansfield, representing the Montana Automobile Dealers' Association, testified in the previous hearing that they did oppose SB 142 and HB 170 on the grounds that it was a selective tax on automobile owners and an erosion of the flat fee system. He said that they feel that this bill will protect the flat fee system and fund the programs through the general fund.

Representative Mercer, House District 50, stated that he had a proposed amendment, which was identical to the one Senator Mazurek offered and which would transfer the administration from the Supreme Court over to the Department of Commerce.

Dennis Burr, representing the Montana Taxpayers' Association, emphasized the three things they would like to see, i.e. (1) to use Representative Mark's method of using general fund money to provide for local government; (2) to remove the inflation factor from all the vehicle fees and specify the dollar amounts; and (3) accept the amendment concerning the administration of district court funds being removed from the Supreme Court to the Department of Commerce.

There were no further proponents.

OPPONENTS: Alec Hanson, representing the Montana League of Cities and Towns, showed the committee a list of all the cities and counties in the state of Montana and the amount of money that they are suppose to receive under the program on the 30th of June; and he declared that this money has been budgeted; those people are counting on that money and it has been integrated into their mill levies. He said that to take that money away is to steal those checks right out of the mail box. He indicated that the proposal that Representative Marks has presented to this committee would leave that money alone and this bill looks much better to them than it did last night.

Gordon Morris, representing the Montana Association of Counties, stated that he would like to concur in Mr. Hanson's remarks.

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June 28, 1985
Page Six

Chip Erdman, representing the Montana School Board Association, stated in his testimony last night that they had some concerns with this bill and they do not feel that it is appropriate at this time. He noted that this would repeal House Bill 870 and Senate Bill 142 and does some mischief to 175. He contended that there are some significant changes and the ramifications of this bill are not known. He testified further that their main objection to this bill was mainly the prorata provision that would allow a decrease in the funds for local government. He explained that the way it is set up now, the fees that local government receive are the equal amount of the motor vehicle ad valorem taxes they would have received and that was the major source of their funding and when the fee system was introduced, it was the understanding that local governments could continue to rely on that. He advised that this takes out that relationship to what the motor vehicle fees would have been and leaves it up to individual legislative appropriations.

There were no further opponents.

QUESTIONS ON HOUSE BILL 3: Representative Ellison declared that the people affected by this were warned when they went to the fee system from ad valorem, when they tied their horses to the oil severance tax that they were running the risk that when oil production went down or if the price of oil went down that their money would be gone and now the same people are coming in here now saying that we (the legislature) guaranteed them all this money and they were warned repeatedly. He asked if they recall this.

Mr. Hansen responded that it was his recollection that the proposal to tie the fee system to the oil severance tax did not come from the League of Cities and Towns and he did not know if it came from the counties, but he thought that that proposal came from the administration. He explained that the first year that it was done, the transfer was made from the oil tax through the general fund as an appropriation back to the cities and the second time, the block grant program was set up and it was recognized that if there was a shortfall in the amount of oil taxes, then the loss to each county would be reimbursed and this was in the law and did not say "may", but said "shall". He contended that the method of doing that will be before the legislature now and it will be before the legislature again. He emphasized that they really have to do something about the motor vehicle reimbursement program.

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Representative Keenan noted that on page 2 of the hand-out that it noted that House Bill 3 would continue the application of the PCE inflator adjustment on a calendar year basis, but, as she understood this, he was going to a straight-fee-system basis and that would be the Sands amendment.

Representative Marks replied that that was correct and that the magnitude of impact on the vehicle would be the same as if the inflator had stayed in for this biennium so those figures are just restated in the law. He advised that if the legislature, in a subsequent session, wanted to revise that, then they could do that with a change in the law. He noted that on page 6 of the handout shows the fiscal impact of House Bill 3 if you eliminate the encumbrance of the \$2 million.

Representative Keenan asked if they were talking about a \$7.4 million tax reduction.

Representative Marks responded that he thought it would be around \$6 million - Mr. Hunter indicated in the fiscal note that \$4.5 million (whatever it was in the bill) would be sufficient to fund the block grant program. He advised that you have to put the amount of shortfall of \$2 million and that would be about \$6.5 million, but Mr. Hunter thought that \$4.5 million might be a little high by about \$.5 million, so he feels that it might be about \$6 million.

David Hunter, from the Office of Budget and Program Planning, replied that the \$7.4 million figure is the correct figure in terms of impact and on the second page of the fiscal note, it shows \$28,400 ending fund balance compared to the \$21,000. He explained that basically what Representative Marks' bill does in its current form is that the bill repeals the vehicle fees that would be used for the district court and that costs the state government \$5.28 million in revenue that they would not receive and his bill appropriates \$4.4 million of general fund appropriations, which also reduces the general fund appropriation, so there is a cost of about \$9.6 million total. He continued that because the block grant was given all taxing jurisdictions, which includes the 45 mills for the foundation program and the 6 mills for

Taxation Committee
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Page Eight

the university system, they get some of that money back as general fund revenue, which makes the net impact \$7.4 million. He continued that if you took Representative Sand's amendment, which would disburse the general services block grant to \$2 million and added an additional \$2 million general fund appropriation, you would have a net cost to the general fund of \$9.4 million.

Representative Keenan said that as she calculates this out, as they left the regular session, there was an ending fund balance somewhere around \$30 million.

Representative Marks clarified that this includes \$12 million of GAAP money.

Representative Keenan asked if this is to be reverted back to the foundation program and Representative Marks responded that it would take an action to do this - it would revert to the general fund in fiscal year 1987 unless the legislature does something otherwise and he predicts that they will in the 1987 session - it will probably go to the foundation program.

Representative Keenan asked if they take the \$9 million figure - general appropriations - take the \$12 million out of that as they have had some intent for that - then you are down to about \$21 million and if you take another \$9 million from that, you are way down below the \$10 million mark as an ending fund balance, and looking at the drought situation with the forest fire in Missoula (\$86,000.) and the danger of additional forest fires, how does he propose to take care of some of the problems that might come up with \$9 million left as a surplus.

Representative Marks replied that there is nobody more concerned about the drought than he is right now, but he feels that there is a misunderstanding about the GAAP money as all during the session, when they were working to come up with a balanced budget, they talked about having a \$15 million ending fund balance at the end of 1987 and this was their target and they were not

talking about any GAAP money. He continued that they discovered the GAAP money and were able to get their hands on \$27 million, if they wanted it; and of that money \$15 million was put into the foundation program and the general fund lessened its obligation by the same amount. He explained that the same thing is happening here and he maintains that there will still be approximately \$20 million ending fund balance, if they fund House Bill 3 with general fund moneys. He said that part of that GAAP money is still part of the balance and will be unless the legislature does otherwise and he predicted that they would do otherwise - he thought they would take it and appropriate it probably to the foundation program. He continued that it would then mean that there would be \$12 million less of general fund money that would have been taken had the GAAP money not been there. He concluded that he feels that they are still over the \$15 million that they thought they had; and, for all purposes, it is general fund money and it will have a general fund impact.

Mr. Hunter responded that he thought Representative Marks is correct but with one important exception. He explained that the governor's office recommended a \$16 million ending fund balance in their original budget and they continue to maintain that that is an adequate general fund balance. He said that the critical thing that was done with the GAAP money is that this legislature took one-time revenue and a one-time transfer of \$15 million and used it for the foundation program and they built a base of expenditures that are going to require funding in the next session. He informed the committee that his understanding is that the \$12 million that was left there was to help the 1987 session fund that on-going base of expenditures - if they spend that money now, then you make your task more difficult in the 1987 session, because you have used all of the \$27 million of GAAP money in expenditures and you do not have that money and you do have a 4 and 4 foundation program, which was over the governor's recommendation, which is an ongoing base of expenditures that has to be funded in the next session.

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June 28, 1985
Page Ten

Representative Iverson asked if the fact is that they will end up with a balance of around \$18 million and Mr. Hunter replied that that was correct.

Representative Raney indicated that they did not raise any new source of revenue to fund school districts this time - they used the GAAP money and they realized that two years from now, they would probably be in the same bind and they decided that they should save half the GAAP money and use it two years from now, and if they don't do that and continue to appropriate it, they will have a \$12 million shortfall in the next session.

Representative Marks replied that you can't count the money twice - there would be \$18 to \$19 million left and if part of it is GAAP, it does not make any difference and it will be used to fulfill their obligations. He indicated that he was concerned about how much money was left to cover everything, but the question whether it is GAAP money or general fund money doesn't make any difference to him, because it is all the same money.

Representative Iverson stated that this is right, but they are looking at a tax increase to cover this - either now or later - and it just seems to make all the sense in the world to not institute a tax increase and not extract more money from the public until you need to.

Representative Sands asked if the pro rata provision is not in and if enough money to fund the program is not available, what would Mr. Erdman propose should be done. Mr. Erdman replied that the appropriation should be made up from the general fund to fully fund the revenue that would be lost to the counties.

Representative Sands questioned if this bill requires that, as the bill is now without the Marks amendment.

Mr. Erdman responded that the way he sees the bill with the pro rata amendment is just the money that is raised from the severance tax without any additional appropriation from the general fund and that would be distributed pro rata.

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June 28, 1985
Page Eleven

Representative Sands asked if he sees the bill creating an obligation to provide funds from the general fund if there is not enough from the vehicle fees to fund the block grant program, without the amendment.

Mr. Erdman answered that he believes that that is the status of the law right now and he believes that this bill would change that.

Representative Marks clarified that he thought there was a real serious question as to what the law is right now and that some people feel differently about that; and, in the event of a short fall there could be a number of options - the people who were short could sue the state, if they chose to; the legislature could supply a supplemental; or they could pro rate it. He thought that they should make a definition and pro rate it as they are building in an obligation for future legislatures if they don't. He concluded that he thought it would be fair; oil money is not very predictable; vehicle money is predictable; and they could count on it.

Mr. Hunter advised that he thought that Representative Marks is correct - if a vehicle fee account is short on June 30, of next year, then they will have to make a decision to either pro rate that money out to the taxing jurisdictions or we will have to make a decision to come in for a supplemental in the 1987 session. He explained that if the law is left as it is, they think they will be \$1.5 million short and if the intent is to fully fund it, that will mean there will be a \$1.5 million supplemental that the 1987 session will have to consider and he thought that certainly the likelihood of a suit to treat that program as if there is a legal obligation to provide that money is there.

There were no further questions.

Representative Marks said that he thought the pro rata clause is very important and he thought that in fairness to the taxpayers, it is important to pass this bill instead of the others.

The hearing on this bill was closed.

Taxation Committee
June 28, 1985
Page Twelve

DISPOSITION OF HOUSE BILL 2: Representative Williams asked that no action be taken on this bill at this time, as the same bill is in the Senate and is in the process and, if it passes the Senate and comes to the House, they will be able to take some action on that later.

Chairman Devlin stated that, with no objection, they would pass action on this bill for this meeting.

DISPOSITION ON HOUSE BILL 3: Representative Gilbert moved that this bill DO PASS.

Representative Sands handed out copies of proposed amendments. See Exhibit 6. He explained that this amendment does (1) on page 3, takes away that part of the bill, which takes the \$2 million that was scheduled to go to local governments on the 1st of July and reverts it to the general fund, so that \$2 million would go to local government as scheduled; (2) takes out the inflator provision in the bill and replaces it with a flat fee, but the fee set for 1986 and 1987 are exactly the fees projected to be raised by the inflator for those years. and the current fiscal impact would be none - subsequent legislators would have to decide whether they are to raise that fee or not. He commented that he thought this was addressing an issue of significant tax policy - whether they build into the tax code an automatic inflator or whether they provide that any increases in these taxes should have to be addressed by the legislature. (3) This also appropriates \$1.5 million.

Representative Harrington said that he thought they were going right back to where they were before and they did not know what the consequences down the road is going to be and he thought it was irresponsible.

Representative Asay stated that he did not think that an automatic inflator clause should be built into taxes and it is something that the legislature should stand up to and vote for or against as they wish.

Representative Keenan asked Representative Marks if he would be agreeable to changing his amendment to raise the \$82 to \$95 and the \$47 to \$55 to pick up the \$2 million that is coming out of the general fund.

Taxation Committee
June 28, 1985
Page Thirteen

Representative Marks responded that he was not in favor or raising the fees any more than were under the law as if they had not met in 1985. He advised that he felt that there should be a 1985 column in there also and that would indicate what would happen the last six months of the year.

There was further discussion and Representative Sands moved the adoption of amendments 1 and 3. The motion carried unanimously. This motion also included a column for 1985.

There was some discussion as to whether there would be a fiscal impact using this schedule of fees, and Representative Switzer pointed out that this shows the need to put the fees down in black and white so everyone knows what the fees will be.

Representative Sands moved the adoption of amendment 2. A roll call vote was taken and the motion carried with a vote of 12 ayes and 8 nos. See Roll Call Vote.

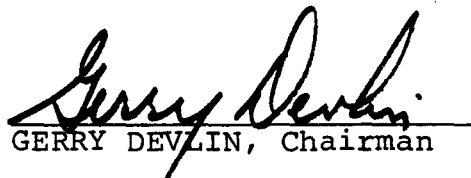
Representative Harp moved the adoption of the amendment proposed by Representative Mercer, which transfers the administration from the Supreme Court to the Department of Commerce. The motion carried unanimously. See Exhibit 7.

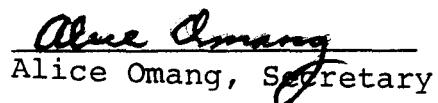
Representative Harrington moved that this bill be TABLED. A tied vote of 10 to 10 was recorded. See Roll Call Vote.

Representative Gilbert moved that the bill DO PASS AS AMENDED. The recorded vote showed a tie of 10 ayes and 10 noes. See Roll Call Vote.

Chairman Devlin announced that the bill will go to the floor of the House WITHOUT RECOMMENDATION.

ADJOURNMENT: There being no further business, the meeting adjourned at 12:10 p.m.


GERRY DEVLIN, 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	✓		

STANDING COMMITTEE REPORT

.....**JUNE 28**..... 19**85**.....

MR. **CHAIRMAN**.....

We, your committee on **TAXATION**.....

having had under consideration **HOUSE**..... Bill No. **3**.....

SECOND reading copy (**WHITE**)
color

Respectfully report as follows: That.....**HOUSE**..... Bill No.....**3**.....
be amended as follows:

1. Title, lines 7 and 8.

Strike: "PROVIDING FOR THE CARRYOVER OF FUNDS IN THE
LOCAL GOVERNMENT BLOCK GRANT ACCOUNT"

Insert: "CHANGING THE LIGHT VEHICLE LICENSING FEE BY
ELIMINATING THE INFLATOR PROVISION AND SETTING FORTH IN THE
SCHEDULE OF FEES THE AMOUNTS THAT WOULD HAVE BEEN CHARGED UNDER
SUCH INFLATOR"

2. Title, line 11.

Following: "ACCOUNT;"

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;"

3. Title, line 12.

DO PASS

Following: "SECTIONS"

Strikes: "7-6-389"

Insert: "61-3-533"

Following: "MCA"

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

4. Page 1, line 16, through line 17 of page 2.

Strike: Section 1 in its entirety

Insert: "Section 1. Section 61-3-533, MCA, is amended to read:

"61-3-533. Schedule of fees for automobiles and light trucks. (1) Except as provided in subsection (3) (2), the following schedule, based on vehicle age and weight, is used to determine the fee imposed by 61-3-533, with July 1 as the effective date for 1985 and January 1 as the effective date for 1986 and 1987:

Vehicle Age	Weight							
	2,250 pounds or less				More than 2,250 pounds			
	1985	1986	1987		1985	1986	1987	
Less than or equal to 4 years	\$80	\$82	\$70	\$86	\$102	\$106	\$90	\$111
More than 4 years and less than 8 years	46	47	48	49	57	59	50	61
8 years old and over	11	12	10	12	17	18	15	18

(2)---(1)---The fee for a light vehicle is determined by:
 (i)---multiplying the appropriate dollar amount from the table in subsection (1) by the ratio of the PCE for the second quarter of the year prior to the year of licensing to the PCE for the second quarter of 1981; and
 (ii)---rounding the product thus obtained to the nearest whole dollar amount.

(b)---"PCE" means the implicit price deflator for personal consumption expenditures as published quarterly in the Survey of Current Business by the bureau of economic analysis of the United States department of commerce.

(3) (2) The light vehicle license fee for disabled veterans qualifying under the provisions of 10-2-301 through 10-2-304 is \$5."

5. Page 4, line 11.

Following: line 10

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

Chairman.

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 7-6-2353.~~

(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--who 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 11], 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 580, L. 1985, is transferred to the Department of Commerce. In accordance with such transfer, the spending authority of the Supreme Court is

19
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 197 for certain District Court
operations."

Renumber: subsequent sections

6. Page 5, line 6.

Following: "and"

Strike: "4"

Insert: "13"

7. Page 5, line 8.

Following: "and"

Strike: "4"

Insert: "13"

8. Page 5, line 10.

Following: "(b)"

Strike: "Section"

Insert: "Sections"

Following: "3"

Insert: "through 13"

9. Page 4, line 13.

Strike: "\$4,420,874"

Insert: "\$5,934,801"

PC3/HR3.002 (Haiman)

AND AS AMENDED

NO RECOMMENDATION

Bill No. 413

ROLL CALL VOTE
HOUSE TAXATION COMMITTEE

Date: 6/28/54

NAME	AYE	NO	ABSTAIN
DEVLIN, GERRY, CHRM.	✓		
WILLIAMS, MEL, V-CHRM.		✓	
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		✓	

Motion:

Adoption of H.R. 413 - Land encroachment

Bill No. HB-3

ROLL CALL VOTE
HOUSE TAXATION COMMITTEE

Date: June 24, 1960

Table

NAME	AYE	NO	ABSTAIN
DEVLIN, GERRY, CHRM.		✓	
WILLIAMS, MEL, V-CHRM.	✓		
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	✓		

12-15

Motion: *To Pass*

Bill No. 4B-3

ROLL CALL VOTE
HOUSE TAXATION COMMITTEE

Date:

NAME	AYE	NO	ABSTAIN
DEVLIN, GERRY, CHRM.	✓		
WILLIAMS, MEL, V-CHRM.		✓	
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		✓	

Motion:

**MONTANA
ASSOCIATION OF
COUNTIES**

June 27, 1985

Exhibit 1
HB-2
6/28/85
Gordon Morris
1802 11th Avenue
Helena, Montana 59601
(406) 442-5209

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

Recd - Tues - April 2, 1985

Paul G. Pistoria

Exhibit 2
HB-2
6/28/85

Cash Balances Taken from Cascade County Treasurer's Records (All Funds)

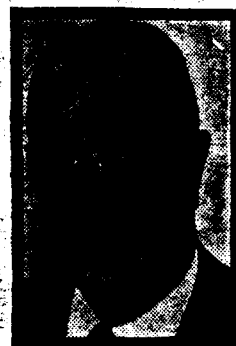
	<u>IC</u>	<u>Elem. 1</u>
APRIL, 1984	\$7,367,013.82	\$5,593,421.86
MAY, 1984	6,716,734.25	4,664,105.06
JUNE, 1984	6,958,951.53	5,085,748.37
JULY, 1984	4,682,930.29	4,766,328.81
AUGUST, 1984	4,562,423.78	4,561,308.63
SEPTEMBER, 1984	6,881,865.34	4,765,743.93
OCTOBER, 1984	5,871,500.36	2,923,244.82
NOVEMBER, 1984	5,449,412.78	2,870,782.48
DECEMBER, 1984	6,159,050.50	4,518,696.95
Additional information as 4/1/85:		
JANUARY 1985	8,186,777.87	5,979,613.78
FEBRUARY 1985	7,213,857.91	4,361,670.08

Total Balance
Mt. Falls School
District
Jan, 1985

\$ 8,186,777.87
5,979,613.78
\$ 14,166,391.65

Exhibit 3
HB-2
6/28/85

PLEASE, LISTEN TO ME. I AM NOT ALWAYS WRONG!



PAUL G. PISTORIA

I hope the citizens of Great Falls have NOT forgotten the criticism I have made of the Great Falls School Administration on the Hill for the past several years, under the rule of superintendent Harold Wenaas and some of the School Board Members.

FINALLY, it all came out in the open in 1984, when Mr. Wenaas retired. It proves that I was right and no one has challenged me since.

Our new school superintendent found out that we were left with a \$5,400,000 short fall in taxes and it caused us to pay a 31% increase in School Taxes.

You remember in March, 1984, when I suggested to Mr. Wenaas, Mr. Lamb and the School Board Members that they use the \$900,000 from the reserve fund to build the new CMR HIGH SCHOOL SHOP instead of us VOTING for a 1 mill levy each year for 3 years. In fact, the shop could have been built by now without any increase in taxes. They ridiculed me that it was NOT possible with only \$4,500,000 in the Reserve Fund and later they admitted to me they had \$6,000,000 in the Reserve Fund.

NOW HEAR THIS . . . since then I found out and, have it in my possession, that in April 1984 they had a TOTAL of \$12,960,435.68 in the Reserve Fund. Of this amount, \$7,367,013.82 was reserved for secondary education and \$5,593,421.86 for Elementary education. We were never told the TRUTH and that I was always wrong.

If they had taken the \$5,400,000 short fall from the Reserve it would have left \$7,560,435.68 in the Reserve Fund, which is more than enough.

We would NOT have had to pay the 31% increase in our taxes in 1984. That money belongs to the taxpayers.

THIS IS NOT THE END OF THIS ISSUE BY ME!

We must completely get RID of the CLICK (POLITICS) in our school system and not run by certain outside individuals as in the past, especially as in 1984.

NOW, on Tuesday, April 2, 1985 we have the opportunity to completely do the job.

I would APPRECIATE YOUR SUPPORT FOR DARLENE MEDDOCK on Tuesday, April 2, 1985.

Let's NOT let it happen again on this April 2, 1985. THANK YOU.

Sincerely yours,

Paul G. Pistoria

Pol. Ad. Paid for by Paul Pistoria,
2421 Central Ave., Great Falls, Mont. 59401

Paul G. Pistoria
State Representative

3



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



Exhibit 5
HB-3
6/29/85
Janette Fallon

MONTANA CHAMBER OF COMMERCE

P. O. BOX 1730

HELENA, MONTANA 59624

PHONE 442-2405

TESTIMONY IN SUPPORT OF REP. BOB MARKS'S PROPOSAL SPECIAL SESSION JUNE 27, 1985

We applaud Rep. Marks for his plan to address local government funding problems without raising motor vehicle fees.

As we were compelled continually to say during the regular session, Montana does not need any tax increased. Even though we are talking about an increase that was planned, if you "fix" the motor vehicle fees, we believe you should take advantage of this opportunity not to increase a tax.

More evidence has mounted since the 90th day that Montana should not raise taxes. The Bureau of Business and Economic Research at the University of Montana has reported that economic recovery is slower than expected in Montana. That is certainly what we hear from small business owners on Main Street throughout the state. Those of you who are small business owners are not alone if you have not been taking in much money this spring. The problems of agriculture will make the slowness of economic recovery even worse.

Also since you were last here, the Alexander Grant study of Manufacturing Climates in the 48 contiguous states has been released. This study, by a major accounting firm, is one of the most respected tools for comparing economic climates among states. Montana's rank of 34, down from 20 for 1983, is not outstanding. Particular attention should be paid to the taxation factor. Montana ranks 44th in state and local taxes per \$1000 of personal income. This is not a one-time aberration; Montana has consistently ranked 44th, 45th or 46th in this important factor throughout this decade.

You have met to consider raising one small tax and you have the opportunity not to do so. We respectfully urge you to take that opportunity.

6

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</u> <u>12/31/85</u>	<u>1/1/86 to</u> <u>12/31/86</u>	<u>1/1/87 to</u> <u>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 Forward	SB 142 Repeal	HB 870 Repeal & Replacement w/ Gen. Fund	Proration	Reinstate PCE Inflator	Total
<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>

¹ Appropriation increase or general fund revenue decrease

² Through 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

	<u>SB 142</u> <u>Repeal</u>	<u>HB 870 Repeal</u> <u>& Replacement</u> <u>w/ Gen. Fund</u>	<u>Proration</u>	<u>Reinstate</u> <u>PCE</u> <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 6
HB 3
6/28/85
Rep. Sands

PROPOSED AMENDMENTS TO HOUSE BILL NO. 3 - Introduced Copy
Requested by Rep. Sands

Amend House Bill No. 3.

1. Title, lines 7 and 8.

Strike: "PROVIDING FOR THE CARRYOVER OF FUNDS IN THE
LOCAL

GOVERNMENT BLOCK GRANT ACCOUNT"

Insert: "CHANGING THE LIGHT VEHICLE LICENSING FEES BY
ELIMINATING THE INFLATOR PROVISION AND SETTING FORTH
IN THE SCHEDULE OF FEES THE AMOUNTS THAT WOULD HAVE
BEEN CHARGED UNDER SUCH INFLATOR"

2. Title, line 12.

Following: "SECTIONS"

Strike: "7-6-309"

Insert: "61-3-533"

3. Page 1, line 16, through line 17 of page 2.

Strike: Section 1 in its entirety

Insert: "Section 1. Section 61-3-533, MCA, is amended to
read:

"61-3-533. Schedule of fees for automobiles and
light trucks. (1) Except as provided in subsection
(2), the following schedule, based on vehicle age
and weight, is used to determine the fee imposed by
61-3-532, with January 1 as effective date for the year
indicated:

Vehicle Age	Weight					
	2,850 pounds or less			More than 2,850 pounds		
	1986		1987	1986		1987
Less than or equal to 4 years	\$82	\$70	\$86	\$106	\$90	\$111
More than 4 years and less than 8 years	47	40	49	59	50	61
8 years old and over	12	10	12	18	15	18

(2) -- (a) -- The fee for a light vehicle is determined
by:

(i) -- multiplying -- the -- appropriate -- dollar -- amount
from -- the -- table -- in -- subsection -- (1) -- by -- the -- ratio
of the PCE for the second quarter of the year prior to
the year of licensing to the PCE for the second quarter
of 1981; -- and

(ii) -- rounding -- the -- product -- thus -- obtained -- to -- the
nearest whole dollar amount.

(b) -- "PCE" means the implicit price deflator for
personal consumption expenditures as published
quarterly in the Survey of Current Business by the
bureau of economic analysis of the United States
department of commerce.

(3) (2) The light vehicle license fee for disabled
veterans qualifying under the provisions of 10-2-301
through 10-2-304 is \$5."

4. Page 4, line 13.
Strike: "\$4,420,874"
Insert: "\$5,934,801"

5. Page 4, lines 15 through 18.
Following: "61-3-536."
Strike: "For" on line 15 through "sources." on line 18

PC3/HB3.001,pg2 (Heiman)

Exhibit 7
HB 3
6/28/85
Rep. Mercer

PROPOSED AMENDMENTS TO HOUSE BILL NO. 3

1. Title, line 11.

Following: "ACCOUNT;"

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 12.

Following: "MCA"

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

3. Page 4, line 11.

Following: line 10

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--who~~ 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 5, line 6.

Following: "and"

Strike: "4"

Insert: "13"

5. Page 5, line 8.

Following: "and"

Strike: "4"

Insert: "13"

6. Page 5, line 10.

Following: "(b)"

Strike: "Section"
Insert: "Sections"
Following: "3"
Insert: "through 12"

PC3/HB3.002 (Heiman)

CHAMBERLAIN Dore;

WITNESS STATEMENT

BILL NO. HOUSE BILL 3

Date: June 27, 1985

SPONSOR: REPRESENTATIVE MARKS

Name: George P. Lee

Representing: Butte Community College

I oppose this Bill on the grounds of security

economic & job training programs by the Butte Community College were rejected by PIC-Rep Councils. I further state that there are no jobs out in the economic sector, no job training programs.

① I am currently on General Assistance & would like you to use this money for training for jobs.

Also I would like you to, if the G.A. (August 1, 1985) is successful to fund that program.

If there aren't any jobs I further would like you to use these monies to fund General Assistance.

- Attached is the letter proposal to PIC-Rep, which was rejected.

Butte Community Union Statement to CEP Private Industry Council, June 20, 1985

Background

In enacting legislation to cut able-bodied Montanans under age 50 from general assistance, the legislature offered a small consolation. Joint Resolution 54 indicates legislative intent that those being cut from G.A. should receive assistance under the Jobs Training Partnership Act (JTPA).

To date, these programs have not served people receiving general assistance very well. Last year, only 6% of JTPA program enrollees were G.A. recipients.

The Butte Community Union asked the State Labor Department and the CEP Private Industry Council in April to consider a proposal to target these programs to meet the employment and training needs of the state's neediest citizens, primarily those to be cut off G.A. The CEP PIC responded by appointing a committee to study the issue, and BCU was invited to participate in that study.

Now that committee has come up with some recommendations to the PIC. BCU does support the committee's recommendations, even though we feel they don't go far enough. The recommendations represent a step in the right direction. One recommendation would raise the goal for G.A. recipients as a percentage of the total population served from 2% to 60%. (The G.A. category has been redefined to include ex-G.A. recipients and all those with incomes less than 40% of the poverty level.) This change would make the very poor a top priority, yet leave a substantial number of positions open to those with somewhat higher incomes.

The second change recommended by the committee is equally important. It would increase from 20% to almost 50% the proportion of funds to be used for services, needs-based payments, and work experience. This is critical to the very poor, since it would allow them to receive enough money to live on while they are enrolled in work experience training and job search activities.

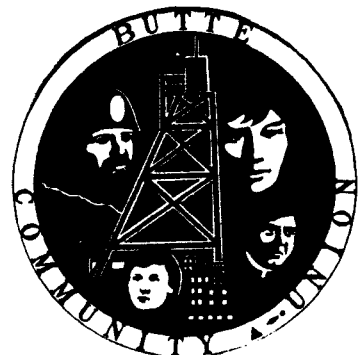
The committee did not recommend any reduction in the amount of money spent on staff rather than directly on program enrollees. BCU has noted that almost half of the money in adult training programs in both CEP and the Balance of State (BOS) are spent on staff. In the absence of any recommendation to re-direct these funds into direct payments to enrollees, BCU proposes an evaluation of the effectiveness of Job Service staff in finding jobs for the very low income. And we urge that Job Service staff funded under both JTPA and Wagner-Peyser be directed to focus job placement efforts on the very low income.

Many BCU members are in Helena today, attending the court hearing on a lawsuit seeking to stop the G.A. cuts. Whether or not that action is successful, we believe changes such as those proposed by the committee are necessary. BCU thanks this council for listening to our concerns.

James R. Ruse

Butte Community Union
PO Box 724
Butte MT 59703

782-0670



MINUTES OF THE MEETING
TAXATION COMMITTEE
HOUSE OF REPRESENTATIVES
SPECIAL SESSION I

June 28, 1985

The third meeting of the House Taxation Committee was called to order in room 317 of the state capitol at 4:20 p.m. by Chairman Gerry Devlin.

ROLL CALL: All members were present as were Dave Bohyer, Researcher for the Legislative Council, and Alice Omang, secretary.

CONSIDERATION OF SENATE BILL 1: Senator Hager, Senate District 48 - Billings Heights, stated that, as of last night, this bill was identical to House Bill 2; and it was heard in last night's session. He explained that this bill reinserts the inflation computation into the motor vehicle fee system and provides that the inflation factor does not apply to the district court fee. He continued that section 2 of the bill clarifies language that was adopted during the regular session; and sections 3 through 10 were amended into the bill during the Senate Taxation Committee meeting. He advised that these sections change all references to the Supreme Court to the Department of Commerce; and this is for the purpose of administering these district court fees. He concluded that section 11 is the funding; section 12 merely specifies that the bill is effective July 1, 1985 and terminates July 1, 1987; and a retroactive clause is included in the event this bill is not signed by the governor before the first of July.

Chairman Devlin announced that anyone who testified on this bill at last night's session could indicate that their testimony be recorded in the official minutes for this date.

PROPOSERS: Alec Hansen, representing the Montana League of Cities and Towns, testified previously that this is a simple and quick solution that goes directly after the problem that is in Senate Bill 142; it will reinstate the inflationary adjustment and provide that it applies only to the base fees. He continued that passage of this bill

Taxation Committee
June 28, 1985
Page Two

would rectify the \$9.4 million mistake without disturbing local government programs or requiring a general fund appropriation. Repealing the inflationary adjustment, he contended, was never heard before a committee nor was it debated by those who are most affected. He declared that the intent of the legislature was obvious; there is no logical or legitimate reason that these bills should not stand and the solution has been recommended by the Revenue Oversight Committee, reviewed by everyone and it will do the job.

Don Peoples, Chief Executive of Butte-Silver-Bow and also representing the Montana Urban Coalition, stated that it was critical that this problem be addressed and the necessary steps taken to correct this error. He advised that they are beginnning to see the effects of the loss of federal revenue; how difficult the budget process has been; and there is a real crisis in local governments in the state of Montana. He asked the committee to act quickly as the Revenue Oversight Committee has presented a simple solution to this problem.

Gordon Morris, representing the Montana Association of Counties, testified that they support this bill as amended. See Exhibit 1.

Gloria Paladichuk, President of the Montana Association of County Treasurers, requested that her testimony of the previous night be reflected in these minutes. She had advised that the county treasurers are now in the process of determing non-tax revenue, which includes the flat fees; and if this error is not rectified, it will mean an increase in taxes on all Montana real estate and personal property. She advised that some of the treasurers have been polled regarding the July 1st date and they do not believe that there will be a problem if they have to go back and try to raise the additional revenue if some people have come in and paid their taxes before the passage of this bill.

She further testified that she had heard the fact that this does not affect taxes and she wanted to remind the legislators that they had a class action lawsuit in 1982,

Taxation Committee
June 28, 1985
Page Three

because local government did not anticipate the motor vehicle flat fee as other non-tax revenue and the 1983 legislature passed a law that required them to refigure all the mill levies so they are just asking to be entitled to the non-tax revenue of the motor vehicle flat fees.

Representative Williams, House District 85, Laurel, rose in support of this bill, saying that this is a duplicate of House Bill 2 and he urged the committee's concurrence in this bill.

There were no further proponents.

OPPONENTS: Representative Marks, House District 75, stated that he opposed this bill because they (the legislators) had an opportunity to pass a better bill. He offered some proposed amendments - (1) if there were a shortfall, the funds would be distributed on a pro rata basis to the local governments; and (2) rather than having an escalator, change this to showing the fee itself so that the next legislature can come in and determine if they want to change that.

There were no further opponents.

QUESTIONS ON SENATE BILL 1: Chairman Devlin asked how are the county officials going to go back, under the retroactive clause, and pick up the extra amount due if a person has previously bought his license plate.

Senator Hager responded that they have the records of whom has bought their licenses and they will just send out a letter notifying them that they owe an additional \$10.00 or whatever.

Chairman Devlin asked if they thought there might be a better way to address this; to which Senator Hager replied that he had not had any treasurers ask him about it and they are responsible for collecting it.

Chairman Devlin questioned if there would not be quite a few who are going to fall through the cracks.

Taxation Committee
June 28, 1985
Page Four

Ms. Paladichuk replied that it is going to be difficult, because you are going to give them a registration with a due date and then you are asking them to come in to pay more. She indicated that they would attempt to go back and require them to pay an additional fee and she did not know what they could do, if they refused to.

Chairman Devlin asked what are these people at the county level going to do if this is the case.

Senator Hager responded that the only reason the retro-active clause was in there was in case they did not get their business done in one day.

Representative Williams clarified that if the original bill had gone through like it was suppose to have been, it would have gone into effect on July 1, and the same thing could have happened if these people did come in and apply for their license before that time, there would be the same problem and he did not see where it makes any difference. He concluded that it did not sound like it was a very significant problem.

There were no further questions.

Senator Hager closed and the hearing on this bill was closed.

EXECUTIVE SESSION:

DISPOSITION OF SENATE BILL 1: Representative Asay moved to amend the bill on page 3, line 2 by inserting a new section that in the case of a shortfall, the funds would be distributed on a pro rata basis to the counties.

Representative Cohen said that if there were a shortfall instead of the state meeting its obligations to our communities and our school districts and if we are just going to give them less money, he is opposed to this.

Representative Asay responded that this would not necessarily be made up from the general fund - it would be up to the legislature - it could be supplemental or it could be handled in this manner as well.

Taxation Committee
June 28, 1985
Page Five

Representative Keenan asked if they intended to pro rata block grants or pro rata district court expenses.

Representative Asay answered that the block grant is what is intended. Representative Keenan noted that there is already a cap on the block grant.

Representative Asay clarified that they are saying that if there is a shortfall, this should be pro rated.

Representative Williams indicated that the appropriation is already capped and if there is a shortfall, he sees nothing wrong with them coming in and asking the legislature for more.

Representative Sands explained that he thought it was real important to have that pro rata language in - even though there is a cap there, nothing is said about what will happen if there is a shortfall. He continued that Mr. Erdman implied that if it did not meet the full funding levels projected, that they would sue the state of Montana to get it. He distributed to the committee a copy of the proposed amendments, which were for House Bill 2, but this bill is virtually the same bill. See Exhibit 2.

Representative Asay stated that the government is not entitled to 100% of their needs at all times and they need to realize some of the difficulties that are being faced and he did not feel that they would help the economic situation one bit, if they just fund all the money every department asks for.

Representative Williams commented that in going from the ad valorem tax to the fee system, the legislature felt that they were obligated to fund local government near the level at which the ad valorem tax was providing funds. He thought they still have the obligation even though the severance tax has gone down and if there is a shortfall, they should have the right to come to the legislature and ask for additional funding. For this reason, he concluded, he opposed the amendment.

Taxation Committee
June 28, 1985
Page Six

Representative Sands asked Representative Williams if he would prefer that the local governments come to the legislature and ask for additional funds if there is a shortfall or whether they go to court and sue the state of Montana.

Representative Williams acknowledged that they have the right to go to court anytime they want to, but he hoped that they would come to the legislature first.

Representative Sands explained that that is what this amendment does - it says that they do not have a right of action in court if there is a shortfall - it is pro rata reduced, unless they come to the legislature and make an appeal to provide more money.

Representative Keenan moved that Senate Bill 1 DO PASS.

A vote was taken on the adoption of the amendment and it failed with a 10 to 10 vote. See Roll Call Vote.

Representative Sands distributed a proposed amendment, which had been prepared for House Bill 2, but is basically the same idea for Senate Bill 1. See Exhibit 2. He explained that it was his intention to put the vehicle fees right in the statute; to eliminate the price inflator formula; and for this year and next year, to put the same fees in the statute that would have been there if the price inflator formula were used. He advised that, after that time, if there were going to be any increase in fees, that they will not come automatically, but will come only through an act of the legislature. He said that this addresses an important matter of tax policy, i.e., should they have increases occur automatically or whether tax increases should only be done by an act of the legislature. He commented that this would make the vehicle fees consistent with the income tax.

Representative Raney said that this same amendment lost in the Senate by a vote of 19 to 28 and he felt it was futility to pass this over to the Senate and stick around for three or four more hours.

Taxation Committee
June 28, 1985
Page Seven

Chairman Devlin stated that he thought the place for this is in the legislature; these escalator clauses have been in effect for some time and it will have to be done now or some time down the road; and he would hope that it would start now.

Representative Williams commented that he agreed that the legislature should make that decision, but this special session was not called to make that decision - it was called to put the escalator back in.

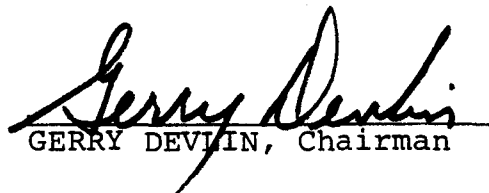
A roll call vote was taken on the adoption of the amendment and it failed on a 10 to 10 vote. See Roll Call Vote.

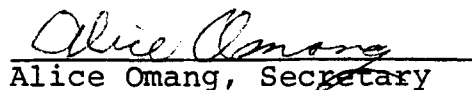
Representative Iverson declared that, since they have not been able to pass anything that is reasonable, they should kill this bill. He indicated that he represents a bunch of people who have had to borrow money to pay their taxes, have to borrow money to buy their license plates, and are borrowing to eat. He stated that this is entirely inappropriate, particularly when they have money in the general fund to go back to these people for this. He exclaimed that it was unconscionable to do what they are considering doing and he asked everyone to vote against this bill.

Representative Williams stated that he thought it was their responsibility to do exactly what they are doing and Senate Bill 1 does exactly what they intended to do in the regular session; and he urged everybody to support this bill.

A vote was taken on the DO PASS motion. There were 11 voting aye and 9 voting no. See Roll Call Vote.

ADJOURNMENT: There being no further business, the meeting was adjourned at 4:55 p.m.


GERRY DEVLIN, 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	✓		

STANDING COMMITTEE REPORT

June 28

1985

MR. ~~SPEAKER~~:

We, your committee on **TAXATION**

having had under consideration **SENATE** Bill No. **1**

~~Third~~ reading copy (**Blue**)
color

Respectfully report as follows: That **SENATE** Bill No. **1**

BE CONCURRED IN

~~XXXXXX~~
DO PASS

Bill No. SP-1

ROLL CALL VOTE
HOUSE TAXATION COMMITTEE

Date: 6/24/57

Asay

NAME	AYE	NO	ABSTAIN
DEVLIN, GERRY, CHRM.	✓		
WILLIAMS, MEL, V-CHRM.		✓	
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		✓	

10 10

Motion: *Rep. Asay's motion - pro*

Bill No. SB-1

ROLL CALL VOTE
HOUSE TAXATION COMMITTEE

Date: 1/26/21

NAME	AYE	NO	ABSTAIN
DEVLIN, GERRY, CHRM.	✓		
WILLIAMS, MEL, V-CHRM.		✓	
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			

Motion:

*Rep. Sands move to wait
for a vote*

Bill No. SB-1

ROLL CALL VOTE
HOUSE TAXATION COMMITTEE

D. Price

Date: 6/28/55

NAME	AYE	NO	ABSTAIN
DEVLIN, GERRY, CHRM.		✓	
WILLIAMS, MEL, V-CHRM.	✓		
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	✓		

11 9

Motion:

D. Price

Exhibit 2
SB-1
6/28/85
Rep. ~~Sands~~ Asay

PROPOSED AMENDMENTS

House Bill No. 2 Introduced (White) Copy

1. Title, line 8.

Following: "1985"

Insert: ", AND SECTION 61-3-536, MCA"

2. Page 2.

Following: line 22

Insert: "Section 2. Section 61-3-536, MCA, is amended to read:

"61-3-536. State aid for local government. (1) Each county treasurer shall compute:

(a) the total amount received during the period from January 1, 1981, to December 31, 1981, for property taxes on automobiles and trucks having a rated capacity of three-quarters of a ton or less, denoted CT;

(b) the total amount that would have been received during the same period if the license fee system had been in effect, denoted CF; and

(c) the number of light vehicles registered in the county on December 31, 1981, denoted NC.

(2) The three quantities, CT, CF, and NC, shall be certified to the department of revenue by February 1, 1982. The department shall compute for each county a quantity called county revenue loss, denoted CRL, and county loss per vehicle, denoted CLV, and defined as follows:

(a) CRL = larger of:

(i) 0; or


(ii) CT - CF;

(b) CLV = CRL/NC.

(3) In order to be eligible for reimbursement payment, a light vehicle must be such that it would have been subject to ad valorem tax if it had been registered prior to January 1, 1982.

(4) Prior to February 1 of year denoted Y, the county treasurer shall determine and certify to the department the number of eligible light vehicles registered in the county on December 31 of the prior year, denoted NC(Y). Prior to March 1 of year Y, the department of revenue shall transmit to the department of commerce the amount of CLV x NC(Y) for each county.

(5) On March 1 of year Y, the department of commerce shall transmit to each county treasurer a warrant in the amount of CLV x NC(Y) or its pro rata share of such amount if funds in the local government block grant account are insufficient to make full payment to each county.

 *Sander*

(6) Upon receipt of the payment provided for in subsection (5), the county treasurer shall credit the payment to a motor vehicle suspense fund and, at some time between March 15 and March 30, shall distribute to the taxing jurisdictions as provided in 61-3-509."

Renumber: subsequent sections

(Bohyer) /hb3/ROC85

EX 7.117 2
SB-1
6/28/85
Rep. Sands

PROPOSED AMENDMENTS
House Bill No. 2 Introduced (White) Copy

1. Title.

Following: "AN ACT" on line 4

Strike: "REINSERTING"

Insert: "ELIMINATING"

2. Title, line 5.

Following: "COMPUTATION"

Strike: "INTO"

Insert: "FROM"

3. Title, lines 6 and 7.

Following: "SYSTEM;" on line 6

Strike: the remainder of line 6 through "FEE;" on line 7

Insert: "REVISING THE LIGHT VEHICLE LICENSE FEE;"

4. Page 1, line 16.

Strike: "(3)"

Insert: "(2)"

5. Page 1, line 17.

Following: "following"

Strike: "schedule"

Insert: "schedules"

Following: "weight,"

Strike: "is"

Insert: "are"

6. Page 1.

Following: line 18

Insert: "(a) for the period beginning July 1, 1985, and
ending December 31, 1985:"

7. Page 1, line 25.

Strike: "\$70"

Insert: "\$82"

Strike: "\$90"

Insert: "\$106"

8. Page 2, line 4.

Strike: "40"

Insert: "47"

Strike: "50"

Insert: "59"

9. Page 2, line 6.

Strike: "10"

Insert: "12"

Strike: "15"

Insert: "18"

Donna
G

10. Page 2.

Following: line 6

Insert: "(b) beginning January 1, 1986:

Vehicle Age	2,850 Pounds or less	District Court Fee	Weight More Than 2,850 Pounds	District Court Fee
Less than or equal to 4 years	\$86	\$7	\$111	\$7
More than 4 years and less than 8 years	49	5	61	5
8 years old and over	12	2.50	18	2.50"

11. Page 2.

Strike: lines 7 through 18 in their entirety

Renumber: subsequent subsection

12. Page 3.

Following: "1987." on line 9

Strike: the remainder of line 9 through line 11

(Bohyer)/hb3/ROC85

MINUTES OF THE MEETING
SENATE TAXATION COMMITTEE
MONTANA STATE SENATE

June 28, 1985

The first meeting of the Senate Taxation Committee for the special session was called to order by Chairman Tom Towe, on Friday, June 28, 1985, at 11:00 a.m. in Room 325, Capitol.

The members of the Committee are: Senator Tom Towe, Chairman, Senator Joe Mazurek, Vice-Chairman, Senator Bob Brown, Senator Dorothy Eck, Senator Pat Goodover, Senator Tom Hager, Senator Mike Halligan, Senator Les Hirsch, Senator Ray Lybeck, Senator George McCallum, Senator Ted Neuman, and Senator Elmer Severson. The Legislative Council Staff person is Jim Lear and the Secretary is Glenda Pennington. All the members were present at the hearing.

Senator Towe said that the informal hearing held on June 27, 1985, had been extensive, and he did not feel that all of the testimony had to be heard again. Senator Severson made a motion that the testimony taken during the meeting held June 27, 1985, be incorporated into this meeting and reported in these minutes as if fully set forth herein. Question was called and the motion was passed unanimously. (See Exhibit A)

CONSIDERATION OF SENATE BILL 1: Senator Hager said that he had explained the bill fully at the June 27th meeting, and that he would not take up the committee's time by going over it again.

PROPOSERS: None. (See Exhibit A)

OPPOSERS: None. (See Exhibit A)

COMMITTEE QUESTIONS: None. (See Exhibit A)

Senator Mazurek passed out an amendment to Senate Bill 1, and explained that it seems lengthy because it changes existing law. He said that very simply what it does is transfer the handling of the district courts' block grants from the Supreme Court to the Department of Commerce, which has a program already set up. Senator Mazurek made a motion that his amendment be adopted.

Senator McCallum asked why it should go to the Department of Commerce. Senator Mazurek explained that in 1979 the legislature established a district court grant in aid of emergencies. The program was established by the Department of Commerce. In 1983, it was transferred from the Department of Administration to the Department of Commerce, and they have a program in place already to accept this.

Senator Towe said that Senate Bill 25 was one of the products of an interim study committee which addressed the unification of the courts. He said they worked closely with the Administrator of the Supreme Court and they thought the Supreme Court was in tune with what they were doing at that time. He said they wanted them to administer it because they are the only ones that had the authority to make sure that the district courts did not exceed their budgets. At the time, however, they had a different Chief Justice. Chief Justice Turnage does not want that responsibility. Senator Towe said that he was in favor of the amendment and would reluctantly recommend its adoption.

Senator Goodover asked if this was within the scope of the call. Senator Towe said that they had asked that question of the staff researcher, and he said that this was a proper issue. He said that the rules say the scope of the call should be liberally construed. Senator Towe does not feel that this should be forwarded to the rules committee unless we are specifically asked to do so. He said if there is a dispute, the final authority would rest with the Supreme Court and they would probably say this is within the scope of the call.

Senator Halligan said that if a dispute arose over these revenues that the Supreme Court could be disqualified from hearing it because of a conflict of interest. Senator Mazurek said that that is why the amendment is proposed.

Senator Brown asked if Senator Mazurek drafted the amendment. Senator Mazurek replied that Greg Petesch had drafted them at his request, but he had checked them very carefully. Senator Brown replied that after the last error, they had to be sure the amendment was correct. Senator Mazurek said that he was satisfied with the amendment. He said it simply strikes the Supreme Court and inserts the Department of Commerce.

Senator Towe asked Senator Mazurek if he had checked Section 11 which is the appropriation section. Senator Mazurek replied yes. He said the figures are out of the Supreme Court's budget. He said these figures represent the amount allocated for district court fees.

Senator Towe asked Mike Abley (Administrator of the program for the Supreme Court) if he checked the amounts. Mr. Abley replied that he had checked the amounts.

Senator Towe asked why the different amounts? Mr. Abley replied that he didn't know, but it may be changes between then and now. Mr. Abley replied that he knows how much comes out of their budget, and those are the figures that are in the amendment. Senator Towe

read from page 3 of the fiscal note which was entered last night with House Bill 3, which lists a reduction to general fund revenues by \$5,286,249 over the biennium. Mr. Abley replied that he does not know where they got that figure. Senator Mazurek said that he felt the difference comes because they are taking figures out of the appropriation bill, and they are simply transferring the moneys from the Supreme Court to the Department of Commerce. Senator Towe replied that there was one million more appropriated than would be generated by vehicle fees. Tom Crosser from the Office of Budget and Program Planning, said that he thinks the difference relates to a lag in payments they make. He said Norm Rostocki did the fiscal notes and they were checked. He wasn't sure where the difference lies.

Senator Keating said that Mr. Abley should know specifically what was given to him for this purpose. He said fiscal notes are based on estimates. He felt it should have been more accurate.

Senator Towe said that he did not think this should be held up for this matter, so he asked Mr. Crosser to verify figures and make sure they are accurate in the amendment. He then asked Jim Lear to research the entire amendment and make sure that it is okay.

Question was called, and with Senator Neuman, Senator McCallum, and Senator Goodover voting no, the amendment was adopted.

Senator Towe said that in the bill it lists registration of cars. He said that if you had an old car that had not been registered last year, and you attempted to have it registered after July 1st, if this bill were in effect, would you have to pay the extra fees for the back year? Larry Majerus, Administrator, Motor Vehicle Division, Department of Justice, said that he had checked with many counties and that they assured him that they were treating back taxes as just back taxes and not a new registration, and the new fees would only apply to the current period. He said this would not be a major problem.

Senator Towe said that the recorded minutes should reflect that it was the intent of the Legislature that the payment of back taxes and fees for years prior to the effective date of the act are not considered a registration after the effective date of the act as mentioned in Senate Bill 1. They are simply back taxes and the new fee will not apply to the back years.

Judy Rippingale, the Legislative Fiscal Analyst, appeared at the hearing and Senator Towe asked her the same question that he asked Mr. Crosser regarding the differences between the amounts listed in the amendment and the amount listed in the fiscal note. Ms.

Rippingale replied that she had given the figures to Greg Petsch and that they are right out of House Bill 500. She said that \$5.2 to \$5.3 million the general fund is subsidizing because the court fees were not enough.

Senator Brown asked which figure is correct. Senator Mazurek replied that the amendment figures are correct. Ms. Rippingale said that these vehicle fees did not raise enough money to cover costs put in. She said the amounts generated by the fees are approximately \$1 million short of the expenses assumed by the state.

EXECUTIVE ACTION ON SENATE BILL 1: Senator Hager moved that SENATE BILL 1 do pass as amended. With Senator Goodover voting no, SENATE BILL 1 DO PASS AS AMENDED.

The meeting was adjourned at 11:27 a.m.



SENATOR TOM TOWE, CHAIRMAN

NOTE: It was determined after the meeting adjourned that approximately \$1.1 million in grant-in-aid emergency money previously allocated to the district courts would not be necessary after the passage of SB 25 and SB 142 so the amount needed in SB 142 was reduced by that amount prior to passage.

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

An informal, special meeting of the joint Senate and House of Representatives Taxation Committees was called to order by Chairman Tom Towe and Chairman Gerry Devlin at 7:00 o'clock p.m. on Thursday, June 27, 1985, in Room 325, Capitol.

Senator Towe opened the meeting by telling the members of the Committee that this will be an informal meeting and we will not act upon the bills. He said that Senator Hager would present Senate Bill 1 and Representative Williams would present House Bill 2, since the bills were identical. He then told the Committees how it came about that there were two identical bills. Following the above presentations, Senator Towe said he would then call for proponents and opponents, and he asked that anyone that had any amendments to either of the bills introduce them at that time.

Representative Devlin reiterated what Senator Towe said and asked that the proponents and opponents be brief. Representative Devlin felt that it would be impossible to act on either bill as the members had just had them put in front of them. He said Representative Marks would also present House Bill 3 but that that would be separate.

Senator Towe introduced the secretaries for the special session, who are Glenda Pennington for the Senate Taxation Committee and Alice Omang for the House Taxation Committee. Next he introduced the researchers for both committees, who are David Boyer for the House Taxation Committee and Jim Lear for the Senate Taxation Committee.

SENATE BILL 1: Senator Tom Hager, Senate District 48, Billings Heights, is the sponsor of this bill entitled, "AN ACT REINSERTING THE INFLATION COMPUTATION INTO THE LIGHT MOTOR VEHICLE FEE SYSTEM; PROVIDING THAT THE INFLATION COMPUTATION DOES NOT APPLY TO THE DISTRICT COURT FEE; AMENDING SECTION 2, CHAPTER 685, LAWS OF 1985; AND PROVIDING AN EFFECTIVE DATE AND A TERMINATION DATE." Senate Bill 1 and House Bill 2 were drawn up by the Revenue Oversight Committee early in June. Senator Hager said this is a very simple bill and the explanation is very brief. He said this bill rectifies the situation created by the passage of Senate Bill 142 during the regular session. As stated in the title, the bill reinserts the inflation computation into the light motor vehicle fee system and provides that the inflation factor does not apply to district court fees. Section 1 of the bill accomplishes this on page 2, line 7 through 18. Section 2 of the bill clarifies the language adopted during the regular session in House Bill 870.

Page 2
Senate and House Taxation Committees
Special Meeting
June 27, 1985

By changing the terminology of additional light vehicle license fee and additional fee to read block grant fee, the disposition of the additional fee imposed by House Bill 870 will be clarified. Section 3 of the bill merely specifies that the bill is effective July 1st, 1985 and terminates July 1st, 1987. Now the retroactivity clause is included due to the possibility that the bill may not be passed and approved prior to July 1st, 1985, which is the effective date of Senate Bill 142. Now this means that if for some reason the Governor should not sign this bill until say July 3rd or July 4th, that persons buying licenses for their cars on the 1st or 2nd of July would then have to pay the additional fee that is in this retroactivity clause.

HOUSE BILL 2: Representative Mel Williams, House District 85, is the sponsor of this bill entitled, "AN ACT REINSERTING THE INFLATION COMPUTATION INTO THE LIGHT MOTOR VEHICLE FEE SYSTEM; PROVIDING THAT THE INFLATION COMPUTATION DOES NOT APPLY TO THE DISTRICT COURT FEE; AMENDING SECTION 2, CHAPTER 685, LAWS OF 1985; AND PROVIDING AN EFFECTIVE DATE AND A TERMINATION DATE." Representative Williams said that he concurs with the explanation of Senator Hager since the bills are identical. He concurs with the proposed legislation to correct the oversight made by all the parties involved during the regular session in the passage of Senate Bill 142. As you know and have been reminded that the Revenue Oversight Committee recommended we hold a one-day special session to correct our oversight. And then the cover letter that we mailed out to every legislator, we mailed a proposed solution to the problem, which is the bill almost identical to Senator Hager's bill and my bill with a couple slight amendments. Representative Williams feels that this is the best approach to fulfilling the legislature's obligation to financing the block grant program and our district court system. He urged passage of this solution to the problem.

PROPONENTS: Alex Hansen, representing Montana League of Cities and Towns. Mr. Hansen said that this proposal is a simple and quick solution that goes directly after the problem in Senate Bill 142. He said that this special session was convened to solve that problem. Mr. Hansen said this bill will reinstate the inflationary adjustment and provide that it applies only to the base fees. He said it would rectify the \$9.4 million dollar mistake without disturbing other local government programs or requiring a general fund appropriation. Mr. Hansen said that repeal of the inflationary adjustment was a mistake. He said this was never heard before a committee nor was it debated by those affected. Mr. Hansen said the intent of the legislature was obvious, and there is no logical or legitimate reason that these bills should not stand. He said this solution has been recommended by the Revenue Oversight Committee and reviewed by everyone, and it will do the job.

Don Waldron, Superintendent of Schools at Hellgate Elementary in Missoula, and he is here representing the Legislative Committee of the School Administrators of Montana. He said that vehicle license fees are not a favorite subject of school administrators because in his district when they changed to flat fees, he lost about 10% of his taxable valuation. He said that in their wisdom they did put the inflationary clause in, which took some of the sting out of it. He said that what this means to his district is not a lot of money, \$3800, but that represents 4 mills to the taxpayers, and they will have to have that money through a millage collected from them, or they will have to have it through the actions of the legislature here in the next couple of days. He told the committee that he hoped they had the courage to amend it back to where it does the job that was originally intended.

Chip Erdmann, representing Montana School Board Association, supports this bill. Mr. Erdmann said that he felt that this bill addresses an honest mistake in a straight forward manner. He said that Butte-Silver Bow would lose \$50,000 in money that they have already budgeted for. He said the amounts affected by this bill had already been budgeted for. Mr. Erdmann said that if this is not rectified by the '86-'87 budget that they have the option of going to the voters and asking for an increased mill levy to make up this loss. However, under the current economy in Montana, as I'm sure you are all aware, most of the districts have already cut programs and staff to bring the local voted levy down to an acceptable level. He urged passage of these bills.

Terry Minow, representing Montana Federation of Teachers and State Employees, supports this bill. She said that this bill addresses an honest mistake in a straight forward manner. She said that failure to pass this bill would have a serious impact in many counties, including Butte-Silver Bow. She said that most school districts had already set their budgets on the vehicle registration fee money before they realized that a mistake had been made. She said school districts need this revenue to maintain balanced budgets. (See Exhibit 1)

Don Peoples, Chief Executive of Butte-Silver Bow and also Chairman of the Montana Urban Coalition, supports this bill. Mr. Peoples felt that it was critical that this problem be addressed and the necessary steps taken to correct the error. He said they are beginning to see the effects of those losses of federal revenue. He told how difficult the budget process has been for them. Mr. Peoples said there is a real crisis in Montana local governments. He asked the committees to act quickly as the Revenue Oversight Committee presents a simple solution to the problem. He urged them to pass Senate Bill 1 and House Bill 2.

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Owen Nelson, representing Montana Education Association, supports these two bills. He said his group supported Senate Bill 142 and the intent of that bill and these bills would implement that intent.

Bill Anderson, representing the Superintendent of Public Instruction, supports these bills. They support the need for correction of this oversight. He said many of the schools had already budgeted and these funds are needed for those budgets.

Gloria Paladichuk, President of the Montana Association of County Treasurers, supports these bills. She said they are now in the process of determining nontax revenue, which includes the flat fees. She said besides their nontax revenues, the remainder has to be raised by mill levies. Ms. Paladichuk said that if this error is not rectified, it will mean an increase in taxes for all Montana real estate and personal property taxes. She has polled some of the treasurers regarding the July 1st date and she does not believe it will be any problem if they have to go back and try to raise the additional revenue if somebody has come in before the passage of the bills.

Ardi Aiken, City Commissioner, Great Falls, supports these bills. She said, "what this means to the City of Great Falls is \$61,000." She said this was somewhat more than 1 mill. Ms. Aiken said they are already into their budgeting and they are counting on this \$61,000 in order to balance the budget. She said local governments do not have the option of going to the voters if they do not get that fee.

Dick Reich, Clerk for School District in Billings, supports these bills. He said that rather than repeat what has already been said, they are dramatically affected by this issue and the Billings schools are affected by approximately \$165,000 loss of revenue.

Gordon Morris, Executive Director for Association of Counties, supports these bills on behalf of MACO.

Jerry Weast, Superintendent of Schools in Great Falls, representing the Montana Association of School Administrators, and on behalf of both organizations, would like to go on record as supporting these two bills.

OPPONENTS: Robert VanDerVere, concerned citizen lobbyist, and he felt there was one thing here that hadn't been mentioned. He said he opposed these bills because during the last session regarding older vehicles, they changed the law and made it retroactive to January 1st, so the counties will be getting a lot of additional money on license fees. He said he had checked with some of the Treasurers and they said that people are licensing their old vehicles now that they only go back one year.

Larry Tobiason, President of the Montana Automobile Association, opposes these bills. He said they oppose them not because they feel that additional funding is not needed, but they feel that there is a better method of funding in House Bill 3.

Dean Mansfield, Montana Automobile Dealers Association, opposes these bills.

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

AMENDMENTS: Senator Mazurek entered a proposed amendment. He passed out copies to the committees. He said this is rather a lengthy looking amendment, but it is very simple in nature. He said that as they may recall Senate Bill 25 and 142 passed together. Senate Bill 25 was the bill which gave the funding of the district courts for the criminal portions of the district courts to the Supreme Court for disbursement to the counties. As you will probably recall, we have a district court block grant program in place 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. That is operated by the Department of Commerce. This rather lengthy amendment would do one simple thing, and that would take the administration of the district court block grant program from the Supreme Court Administrator's office and transfer it to the Department of Commerce which has an existing program in place, so that we would not have a duplication of effort. It also eliminates one other potential problem and that is 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 the dispute since the Supreme Court would not be in a position to do so since it is the one dispersing the funds. The amendment would do one other thing, in the proposed new section 11 to the bill which would transfer the money appropriated to the Montana Supreme Court from the general fund, the money which comes from the increased vehicle fees. It would transfer that from the Supreme Court to the Department of Commerce so they could administer the funds. That's all that the amendments do. He says that this is basically a housekeeping amendment, and he feels that it is an oversight that they should have picked up last time.

PROPONENT FOR AMENDMENT: Gordon Morris, Montana Association of Counties, said he had reviewed these amendments and he supports the amendments as introduced.

OPPONENT: None.

COMMITTEE QUESTIONS: Representative Sands said that it seems they are addressing some pretty fundamental tax policies with this bill. He said he had some tax policy questions; 1. Do you 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 we have had tax indexing in real property taxation and income taxation, do you think it is an appropriate tax policy to have an inflation adjustment built into this type of personal property taxation?

Don Waldron replied from the school's standpoint that they did make some changes on the anticipation of revenues, but it was so late most of us had passed out mill levies and we have already had authority from our public for a certain amount of money. Now, the way we reduce that money is with those anticipated revenues, which this falls under, so what it means to the taxpayers is that we get it from you in anticipated revenues as we anticipated, and we think you intended, or do we turn around and have that reduced, which means we collect more of the mill levy we requested.

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

Mr. Waldron replied that he thinks it is what they intended. He said his district would probably be hurt the most because he is a lower millage district, but the higher millage districts their taxpayers would be hurt by having it put back on the property tax.

Alec Hansen said that he would like to reiterate what Mr. Waldron said. He thinks that we have got to begin to understand the relationship between what the Legislature does and what happens to the tax system back home. If you take nine and one-half million dollars out of the tax base, somebody is going to have to make up the difference. He said that cities have lower rates of growth and spending than any other jurisdiction across the board. He said they had done it by cutting services. If this money is taken away from the cities, towns, schools and counties, somebody is going to have to make up the difference. This will, of course, fall on the property tax owner, and that's why this bill is so important.

Gordon Morris responded to Representative Sand's question by pointing out that the philosophical question in terms of a tax increase is not before you with the particular bill you have introduced tonight, Senate Bill 1 and House Bill 2. That issue was debated on the floor of both the House and the Senate on the earlier and original version of the bill, and it was everybody's assumption that what is being discussed here tonight was the original intent of the legislation as introduced. I don't think we are debating a tax increase by way of the bill that you have before you because that issue was in fact, discussed, debated and it was the intent of the legislature as I understand it, and I think most people here in the room do, that the increase was to be there. This is not a new tax.

Mr. Peoples responded to the second question of Representative Sands saying that he thinks you have to recognize that in 1981 when the legislature removed the ad valorem system and replaced it with the flat fee system, they did remove from local governments probably the only source of revenue that was keeping pace with inflation. Are you going to see raises, the answer is yes.

Gloria Paladichuk said that as a collector of taxes, some of the Montana taxpayers that I think will be extremely affected if this error is not rectified are the Montana Farmers. She felt real property taxes would increase. Their livestock taxes, etc.

Representative Koehnke asked what percentage of our budget does this inflation factor amount to? Senator Towe said what he was asking was what amount of money that this bill will raise, what percentage of the budget does that represent?

Mr. Waldron said that he could only speak for his own district. He said it should be looked at two ways, the mill levy request from the taxpayers represents about 10-11% of that. From the total budget for the district and general fund, we are talking a lot less, because in my case, I'm only voting about 21% of the budget. He said that's about 10%.

Jerry Weast said that speaking for the Great Falls public schools, they have already cut their budget back about 2.8 million below the voted levy. They have lowered their taxes about 1.3 million over this years taxes. What this represents is another \$168,000 that will lower taxes or 2.2 mills.

Senator Goodover asked each of those that spoke in connection with this issue that was raised by the previous two legislators if they had all indicated in testimony before this committee in the past, that all of you are looking for new sources of revenue other than property taxes. Is that correct? Senator Goodover said if that was the case, they have to find other sources of revenue and that means new jobs for people that are not now working, that are on unemployment, and so on. He said this is not going in that direction. He said they are adding another tax. He said none of the people at the hearing feel that this is a live or die position. He said the taxation program has to be reduced if they are going to get new jobs. He said the farmers can't stand any more increases in taxes.

Senator Hager asked Mr. Reich if the \$165,000 shortfall was for one year or two years? Mr. Reich replied that it is a one year adjustment.

Senator Lybeck said that in regard to what affect this would have on the individual counties, he talked with the county official and they informed him that it would be about a 10% reduction, and in Flathead County last year, they collected \$2,047,000 in flat vehicle fees. This would be about a \$205,000 reduction. He said his next question to the commissioner was who would get the cut, and he told him that historically when they go on this budget cutting the Sheriff's office gets cut, and drug enforcement. He said Northwest Montana has a serious drug problem.

Representative Devlin asked Ms. Paladichuk if in the retroactive clause in this, how would you go back on someone who has bought their license after July 1, but before this goes into effect? How would you propose to collect that after they have a free and clear registration. Ms. Paladichuk said it would be difficult and some of them would probably slip through the cracks. She proposes making a stipulation on their registration receipt of possibly additional fees due in order to make that a legal registration, and then write up an additional registration slip for the fees collected. Representative Devlin asked if this would take a lot of time out of the office. Ms. Paladichuk said that it was history that people didn't come in on the first day. She said they didn't have a rush of people until the 25th of the month, which is the last due date. Representative Devlin asked her if she didn't think there would be in this case. She replied that they have only had five or six people

renew ahead of time so far. She said in this particular instance, she is only speaking for her county.

Senator Towe asked her about her reference to the 25th, and when the people whose registration has to be renewed in July would have to come in. Ms. Paladichuk replied that if they terminated the end of July, they have until August 25th. They have a 25 days grace into the following month. She said the ones that are due by July 25th now, actually have an expiration date of June 30th. She said that as she reads the bill, it is anything on or after July 1st, so no matter when the expiration date was, it would take on the new fee. Senator Towe asked her how many in Richland County had already come in and paid their fee. Ms. Paladichuk replied that she didn't think there were more than 5 or 6.

Representative Devlin said there are some school districts throughout the state that went under the assumptions that they were going to have a 3 plus 3 from the foundation program. They set theirs at 3, expecting a 3%, and instead they got a 4%. Do you have any idea what the balance would be if they were to lose this money from this vehicle fees and those school districts that have set at 3 and are getting 4, what the trade-off there would be. What amount of money would they be losing or would they be gaining? Mr. Weast said that would have to be addressed on each individual school district basis. He did not know. Representative Devlin asked Mr. West, regarding the above question, if maybe those schools were not losing anything at all. Mr. Weast replied that that was true, in fact, they may have a net gain.

Senator Mazurek and Senator Towe discussed Senator Mazurek's amendment and whether it was within the call of the special session. Senator Mazurek felt that it was within the scope of the call. Senator Towe asked Jim Lear, Staff Researcher, if he had a chance to look into the question. Mr. Lear replied that he did. He said he had checked Mason's Manual, which is about the only authoritative treatise that he could refer to for some type of guidance. He referred to Section 780 of Mason's Manual on Legislative Procedures. He explained the various sections that dealt with the question, and concluded that the amendment was within the scope of the call. Mr. Lear concluded that it does address district court fees and details as to its disposition, and should be given the benefit of the doubt.

Representative Switzer did not feel that the amendment was germane. Senator Towe said that he felt the amendment was not germane and was not within the scope of the call. Senator Mazurek said that he offers this amendment in good faith. He said all this amendment does is correct an oversight that happened during the regular session.

Representative Williams closed by saying he appreciated the testimony on House Bill 2 and Senate Bill 1. He thought the arguments were valid. Representative Williams said that he thinks the error or oversight should be corrected and he thinks this was the legislative intent. Representative Williams does not think that the opposition to the fees on automobiles is great. He said he had talked to a number of people in his district about the increase in the fees. He sincerely feels that the people would prefer this over an added mill levy to their property taxes.

Senator Hager closed by saying that he would like to make a couple of points. He said that in talking to a number of legislators that it was their intent to do exactly what this bill will do. He thinks that they should take care of the problem in a timely manner. He asked the committee members to remember that this bill has an impact of \$160,000 to \$165,000 to some of the school districts for one year, and this bill, if it is passed, will be in effect for two years. He urged them to pass one or the other.

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

HOUSE BILL 3: Representative Bob Marks, House District 75, is the sponsor of this bill entitled, "AN ACT TO REPEAL SECTION 18, CHAPTER 680, LAWS OF 1985, AND CHAPTERS 685 and 702, LAWS OF 1985, RELATING TO INCREASING LIGHT VEHICLE LICENSING FEES; PROVIDING FOR THE CARRYOVER OF FUNDS IN THE LOCAL GOVERNMENT BLOCK GRANT ACCOUNT; ALLOWING FOR PRORATION OF DISBURSEMENTS FROM THE LOCAL GOVERNMENT BLOCK GRANT ACCOUNT FOR LIGHT MOTOR VEHICLE FEE REIMBURSEMENT; PROVIDING AN APPROPRIATION TO THE LOCAL GOVERNMENT BLOCK GRANT ACCOUNT; AMENDING SECTIONS 7-6-309 AND 61-3-536, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE." Representative Marks told the committee that he felt this bill was within the scope of the call. He quoted briefly from the notification of the request for special session to substantiate his position. Rep Marks said that he had had this bill drawn after talking with some of his friends in the legislature who felt they should have a new approach to the problem. He felt that there was not as much impact to the school districts as had been reported. He believes that those school districts that built their budgets on the Governor's recommendation will be getting a windfall. Representative Marks felt that the input on the two bills passed in the last session was limited. He feels there will be more input with these bills. He then gave the committee a short outline of what the bill will do. He said it would repeal Senate Bill 142 and House Bill 870. He said this would put the law exactly the same as if they had not met at all in 1985 relative to vehicle fees. He said this would put the law back to where it was in 1983 with the inflator back in.

Representative Marks said the inflator would continue as long as the statute continued. He said the bill would amend Section 7-6-309 and it would preclude the distribution of the surplus funds in the block grant account, which will before the end of the biennium we're in, which is in the next couple of days, it will probably have to be tomorrow or Saturday or Sunday, or something, before July, that money will be distributed to cities and counties. Instead of distributing that money, my proposal would carry that money forward and reappropriate it to the local government block grant program. That would be distributed on a broader base including school districts and special entities. He said this should be included in any bill that is adopted; it would provide that in the event there were a shortfall in the block grant account at the end of the biennium that that shortfall would be prorated to all taxing jurisdictions. He thinks that is extremely important. Again, he said it would be just as if we hadn't met, as far as the fee structure on cars and other vehicles. The difference needed to fund the program, would amount to \$4.4 million, and he thinks the fiscal note, which he will explain, will have a slightly different opinion of that. He said their estimate is, using the figures in his bill, House Bill 3, indicates that there may be about one-half a million dollars more in there than they might need. (Both fiscal notes attached marked Exhibit 3.) He cautioned them that if they should decide to go that route, he would have no adversity to either reduce the general fund amount by that amount respectively, if you chose to do it. If you came out short, the previous section would be applied that there would be a prorata reduction, so that they wouldn't be coming back in for supplemental. The other thing the bill does because of the repeal of SB 142 and HB 870, it puts the escalator period back to January instead of July as is the case now, so those folks who have occasion to 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, and then the escalator would take effect and they would pay that for the entire year, and '87 up until the 1st of July when the bill sunsets as far as that provision. He told the committees that it was necessary to offer some tax relief to people who are taxpayers and users of automobiles. One of the reasons was because the agriculture society needs a break due to the drought. Representative Marks also felt that retired people need a break. He said his bill will not raise the fees, basic fee, it will reintroduce the inflator. He called the committees' attention to the fiscal note and mentioned some comparisons. He said Curt Nichols of the Fiscal Analyst's office would have a spread sheet prepared for them before they take executive action. He draws their attention to page 5, and goes into a lengthy explanation of the differences listed there.

Representative Marks said there is an estimated ending fund balance of \$30.3 million. He reminded them that they had a target during the session of trying to have an ending fund balance of around \$15 million give or take. Representative Marks feels that if they pass House Bill 3, and even if you want to give the recipients there asking for help all the money they ask for.. "I won't say that, there isn't that much money," all the money asked for in the bills, then you would still have an ending fund balance of over \$20 million. He thinks this would be fair to the taxpayer and fair to the general fund.

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

Janelle Fallon, Montana Chamber of Commerce, supports this bill. She said Montana does not need any tax increase. She believes they should take advantage of this opportunity presented by Representative Marks 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. She said that they have been hearing this from throughout the state, from small businesses on main streets that they are not making any money. She said Montana ranks 44th in taxes per \$1,000 of personal income.

Robert VanDerVere, concerned citizen lobbyist, supports this bill. He feels that the people should get a free ride for a couple of years so this can be looked into. Mr. VanDerVere feels that the counties are already getting more money, and the people need the relief.

Dennis Burr, representing Montana Taxpayers' Association, supports this bill. He said the committees and legislators should not have already made up their minds that there was only one solution to the problem. He said they support HB 3 as an alternative method of funding local government and doing what they wanted to do in coming back. Mr. Burr feels that Representative Marks' bill is a lot simpler than the other one because it takes some of the confusion out. He said that it appears that the state can afford to fund local government during these two years with available revenue. He feels that they should spell out what the

fees are. He said they believe the inflation factor included in the fee schedule should be taken out. Mr. Burr said if they want these fees to "creep" every year that that can be specified in the law. Mr. Burr believes that Senator Mazurek's amendment should be adopted. He urged them to take the inflator clause out, specify the fees, and accept HB 3 as a funding mechanism in that the state appears to be able to afford that now.

Dean Mansfield, representing Montana Automobile Dealers Association, supports this bill. He said they did oppose both SB 142 and HB 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. Mr. Mansfield said they don't believe that automobile owners should have to pickup the tab on their own. He said that four years ago the legislature adopted the flat fee system to reduce taxes and fees on automobiles at the urging of the public. He believes that that system should be protected. Mr. Mansfield believes that HB 3 will protect the flat fee system by funding the programs through the general fund.

Mons Teigen, representing Montana Stockgrowers' Association, supports this bill. (See Exhibit 4) Mr. Teigen told the committees about the terrible drought situation, and the problems of the farmers and ranchers. He said farmers and ranchers don't have any inflation factor built into their cash flow. They think HB 3 permits the accomplishment of all the goals that they are attempting to reach, without burdening the taxpayers with an additional tax no matter how small.

Representative Patterson, House District 97, Yellowstone, supports this bill. He was the one who called Representative 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. Representative Patterson feels that without HB 3 there will be some pretty hefty tax increases on the motoring public. 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, 1 and 2. One added fees for the courts, one added fees for the block grants and schools, which may amount to some \$5 or \$10 bucks per taxpayer. Senator Goodover told about all the problems and increases in taxes in Cascade County. He told about how our tax system was inhibiting new businesses in Montana because Montana is the fifth highest property tax state in the country. He said HB 3 is an alternative and it should be studied. He said that we must get people working. Senator Goodover felt that the committees should look at job building programs during this special session, and he went into much detail on the ways to accomplish this end.

Representative Dean Switzer, House District 28, supports this bill. Representative Switzer said that he didn't have as much to say about HB 3 as he did about SB 142. He said the alleged error in SB 142 was the best part of the bill. He said HB 3 would not be so selective a tax.

OPPONENTS: Gordon Morris, representing Montana Association of Counties, opposes this bill. (See Exhibit 5) Mr. Morris entered written testimony.

Don Peoples, Chief Executive of Butte-Silver Bow, opposes this bill. He said if the legislature stops the checks for the block grants, the government of Butte-Silver Bow will lose \$134,000 out of FY '84-'85 budget. They are expecting that check in the next few days, and that is part of the current fiscal year budget. He said they would have very few alternatives as to how to take care of this deficit. He said they would have to levy approximately 3 mills to make up that shortage. He said to the property owners in Butte that would mean an increase of \$7.50 to \$8.00. Mr. Peoples said that Anaconda-Deer Lodge would lose about \$50,000. He said it would cost the residents of Anaconda approximately 4.25 mills to pick up the loss of that amount of revenue. He said that what is happening in Butte is certainly going to happen across the state of Montana. Mr. Peoples has a real problem with the supposed \$30 million extra in the fund. He said if they are going to end up with that much money, it seems funny that they would need to steal the \$2 million that is already in the budgets of cities and counties across the state of Montana.

Gene Huntington, appearing on behalf of Governor Schwinden, opposes this bill. He said their opposition is generally concerned with the appropriateness of considering HB 3 in a special session. Mr. Huntington said the poll for the special session set out the purpose to correct action taken during the 1985 regular Legislative Session. That is what they believe the poll was about, that's what the public believed the poll was about, and that's what most Legislators thought the poll was about. He said the proposal in HB 3 emerged after the poll was basically complete, and they feel that the issues implicit in HB 3 are inappropriate for a special session. He said HB 3 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 said the three major policies they are dealing with are the basic budget compromise that was probably the major struggle of the '85 Session. The formulas for distributing the block grants, which was a major effort leading up to the '83 Session, and the whole scheme for distributing state aid to district courts, which represented a major effort of the last interim. He said this was to be a one-day session to correct an oversight of the 1985 regular Session.

Alec Hansen, representing Montana League of Cities and Towns, opposes this bill. Mr. Hansen said that under Representative Marks' proposal, according to the fiscal notes, the cities and towns will lose \$217,000 as a result of this bill. He said this was one of those 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 nontax revenue for the current fiscal year. He said 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 before that can be done, first they have to be subtracted from the budget of every city, town and county in the state of Montana. He said this proposal begins by shooting a \$2 million hole in the budgets of every local government in this state. Mr. Hansen said that he is opposed to the provision to prorate motor vehicle reimbursement payments to the counties if a deficit occurs, because this conveniently relieves the Legislature of the legal obligation to fine the motor vehicle expense account. 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 said that all they are asking the legislature to do is to honor the commitments that it has made to the cities, towns and counties in Montana.

Chip Erdmann, representing School Board Association, opposes this bill. He said they have some concern with HB 3 although they are not impacted to the same extent financially as the cities and towns are, their concerns regard the appropriateness of this measure at this time. Mr. Erdmann said this does propose a specific method in the way they fund these areas. It repeals HB870 and SB142, and by implication does some mischief to SB25. He said this may well go beyond the scope of the call. He agrees that there may be something wrong with the fee system, and that it probably deserves a look, but 870 and 142 were discussed and debated at length during the regular session. He does not feel it is right for a one-day special session to come in and reverse the decisions that were made in the last session. Mr. Erdmann does not think that anyone knows all the ramifications of that bill.

Louise Kunz, Montana Low Income Coalition, opposes this bill. (See Exhibit 6) They feel that if there is extra money in the general fund, the general assistance fund should be reimplemented. She feels the low income people have first claim to any funds.

Stephen Jelinek, representing Butte Community Union, opposes this bill. (See Exhibit 7)

Terry Minow, Montana Federation of Teachers and the Montana Federation of State Employees, opposes this bill. She feels that further depleting the general fund to remedy an admitted mistake seems to us to be a back door approach to solving the problem. Ms. Minow said 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. She said passing HB 3 will further compound the lack of general fund dollars to properly fund state government and the foundation program.

Jerry Prue, Butte Community Union, opposes this bill. He said he opposes this bill on three or four points. He said he is on GA right now and would urge them to use this money for training and jobs. He asked that the GA fund be funded because if there are no jobs, how are they going to live?

Al Johnson, City Manager of Great Falls, said he signed the register as an opponent to Representative Marks' bill, but that 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 feels that Representative Marks is presenting an alternative. However, he feels that there is a part of his bill that he objects to, and that is the part that revokes the payments on the existing block grant program. He said that the problem they were there to correct right now means a loss of \$61,000 per year, or slightly more than 1 mill. If that part of Representative Marks' bill that would revoke the block grants is passed, Great Falls would lose 2½ mills. He asked them not to tamper with existing block grant payments.

Don Waldron, representing Legislative Committee of School Administrators of Montana, listed two points. One, as a citizen, he was shocked to arrive at 5 and see this issue before them. He said that he didn't read about it in the paper. Two, nobody has said it is okay to have a surplus, well he thinks it is fine.

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

AMENDMENTS: None.

COMMITTEE QUESTIONS: Senator Mazurek said that Representative Mercer had proposed his amendment by form of another bill, and they had discussed it and thought this would be the simplest

Page 17
Senate and House Taxation Committees
Special Meeting
June 27, 1985

route to go. He asked about the relationship of Representative Marks' bill to SB 25, and he notes that the fiscal note says that local governments won't be affected by the repeal of 142. I assume that is because there was money appropriated in House Bill 500 for the district court funding program, and he was just curious if he had spoken with the Council or looked into the question? SB 25 did contain co-ordination instructions, and he was curious if this bill will impact the district court funds. Representative Marks replied that the co-ordinator was also repealed, so the concern that Mr. Morris had about the inappropriateness of the bill because it leaves 25 hanging out there is not the case because if you look at the title, this bill deals with SB25 and it is co-ordinated. SB25 does not depend on vehicle fees.

Senator Towe said but the provision in SB25 saying this bill is not effective unless 142 passes, it is not repealed but still in the law. Representative Marks replied that that is the part that is repealed in the bill as he understands it from talking with the Council staff. Mr. Hieman, Legislative Council, said that in the bill where they repeal Section 18, Chapter 6, that is the co-ordination section of SB25.

Senator Halligan asked a member of the budget office; one of the problems we had with SB142 during the hearings and we later had to raise the fee in the middle of the whole process was because the allocation in the general fund of HB500 to fund district court costs of going for the previous year, an amount in the '86 budget was actually going for '85, is that taken care of in Representative Marks' bill? There was actually a \$3 million shortfall. David Hunter replied that there is no problem of that nature. He said the fiscal note says the cost of district courts of 5.286 million, that was consistent with the cost that was considered in the session.

Representative Williams asked Representative Marks what ending fund balance they are using. Representative Marks replied that they are using figures in appropriation report that was sent out by the budget office that indicated about 30.3 million dollars. He said he thought if they would draw their attention to the fiscal note on HB3, the budget office has indicated that might not be quite that high. He thinks they started with a 28 million dollar ending fund balance. He will accept that if they will do the funding with general funds for the purposes of the grant program, and you would still end up with a positive ending fund balance of over 20 million dollars. Representative Williams said that they picked up the numbers from the Fiscal Analyst's office today and they showed 0.2 million. Have you seen that? Representative Marks said that that was not a public report.

He said he asked for it today and the answer he got was that that had not been published. He said he is using the figures from the budget office. He said they were the same figures used at the end of the session. Representative Marks feels like there is an adequate amount there. He is comfortable with the estimate.

Senator Towe asked Representative Marks that if he understands the explanation of the budget office is that the only way that they arrived at the \$30 million was because they showed a reversion of the entire \$12 million, and that there was essentially a gentlemen's agreement during the session of the GAP money that would not be used this time and would be reserved, and they said 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 GAP money of which we had intended only to use 15. If you subtract that 12 million from the 30, then you get 18 million, and their 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 supposed to be 15 million and according to the LFA is supposed to be 22 million. Even with the Governor's budget office figures, there would be a problem with your funding, which appears to be between 9 and 11 million extra drain on the general fund. Representative Marks replied that that was a legitimate question. He said the 12 million in question that is the remainder of the GAP money after they use 15 for the foundation program was in HB800, taken from the fund that it was in at the time, and 15 million was transferred to the foundation program. That backed out a respective amount of general fund money. He said the same thing will occur with the 12 million at the end of the '87 biennium. Senator Towe said that that has now occurred and is included in the 30 million, because they are doing it as of the '85 biennium. Representative Marks concurred that it was in there, but he said you can't spend the money twice. He said he tried that last session and got away with it, but he is not trying it now. He said it was his impression that that money would revert to the general fund at the end of the '87 biennium. He said 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 general fund needed to do it, just exactly the same way we did this time. Senator Towe asked to rephrase his question; if in fact the ending fund balance of the Governor's budget office were \$18 million, would you then think that this was a responsible thing to do to pass HB3? Representative Marks said that was a hypothetical question. He said it was unfair to address. He said if you take the 12 million and secure it in the foundation program, then it means you have 12 million

dollars 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 dollars or so to go into the next biennium to meet all our obligations, then if you have 12 million dollars already pigeon-holed away in a fund that will relieve your general fund of 12 million, it seems to me that you would be in pretty good shape, because it would reduce your demand on the general fund for the '89 biennium by that respective amount.

Senator Towe said he would ask one more question on a different side. If they were to take 2 million dollars and make sure that the cities and counties didn't lose that 2 million as being reverted. In other words, if we took that out of the general fund also, we have to increase the appropriation in your bill for about 6½ million is that right? Representative Marks replied that it depends on whose figure you use. Using the figures that were published by the budget office, and drawing attention to page 4 (Exhibit 3). Page 4 indicates what happens if HB 3 were to go into effect with the provisions that have been discussed, including the seizure or the Indian-giving, hand-shake and all that Little Big Horn talk. It indicates that you will have a half a million dollars surplus in the account--494 million dollars, so I guess in answer to your question, Senator, and using the budget offices' revised ending fund balance of 28 million, and indicating that they think that 4,400,000 is too much general fund to accomplish that, then you could back that much out and it would take 1½ million additional to satisfy the folks who think we are Indian-giving. If that were the case, you would still have an ending fund balance of about \$19 million, which is 4 million more than we thought we needed. There was more discussion regarding the funding of Representative Marks' bill between Representative Marks and Senator Towe.

Senator Towe asked Mr. Hunter if the 28.4 million shown on page 2 included the 12 million reversion from the GAP money as your note on HB800 seems to indicate or not? Mr. Hunter replied that it includes 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 '87 biennium and not the '85 biennium, would that 28 million have to be reduced back to 12 million? Mr. Hunter replied that that is correct. Senator Towe said similarly they would have to reduce the 21 million which is the effect under this bill by 12 million. Mr. Hunter replied that that is correct.

Senator Towe said if they were to deduct further the 2 million on the special general services reversion, they would have to reduce it by another 2 million. Mr. Hunter said that is correct. Senator Towe said that would give an ending fund balance of 7 million dollars. Mr. Hunter replied that that is correct. He said that he thinks Representative Marks really characterized the 12 million dollars correctly. Whether you leave the 12 million dollars in the foundation program, and consider it as what you are going to spend on the foundation program or revert it to the general fund, it really has the same impact. The budget agreement was to leave that there, and in effect you really had a 30 million ending fund balance when you left the regular session because the agreement was that we would have an ending fund balance in the 15-20 million dollar range, plus the 12 million dollars we use for the foundation program, so the 30 million dollars no matter where, are really the same thing. Either way you look at it, you are going to reduce that ending fund balance. You are going to spend it down by about 7.4 million dollars.

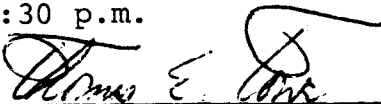
Senator Towe asked what a legitimate ending fund balance was in Mr. Hunter's opinion. Mr. Hunter replied that the Governor recommended 16 million dollars in the general fund.

Representative Marks closed by saying that he would like to make some remarks about the testimony given and then make some closing remarks. He said that if you take HB 3 as it is, and use Mr. Hunter's figures, his figures show that there may be \$500,000 too much in the appropriation, and you could reduce that by that amount. Representative Marks went into other ways that you could work with the funding on this bill. He explained what he thinks the confusion regarding the GAP money is. Representative Marks feels that there will be an adequate ending fund balance with his bill. He could not understand why the people representing the schools were against him, because he said that under his bill they would get more money. He said this is a fair way to fund this program if you want it funded. He said this committee can set the parameters of the funding. Representative Marks does not believe that the committees are demanded to come in and appropriate 9 million dollars through fees at all. He doesn't feel they are demanded to "correct" it to any particular figure. He thinks they can do what they want to do.

The hearing was closed on HOUSE BILL 3.

Senator Towe explained to the committees how it came about that they have two identical bills and why.

The meeting was adjourned at 10:30 p.m.


SENATOR TOM TOWE, CHAIRMAN

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
<i>Dep W Alderson</i>	<i>Orinda</i>	<i>S. A. M.</i>		X
<i>Tom Brundage</i>	<i>Orinda</i>	<i>MPEH</i>		X
<i>Larry Tobiason</i>	<i>"</i>	<i>M. A. A.</i>	X	
<i>Alan Mansfield</i>	<i>"</i>	<i>MADA</i>	X	
<i>Jim Mason</i>	<i>"</i>	<i>M.A.A.</i>	X	
<i>Owen Nelson</i>	<i>"</i>	<i>MEA</i>		X
<i>Tom Nelson</i>	<i>"</i>	<i>MEA</i>	X	
<i>Robert Mullen</i>	<i>Sunny</i>	<i>MACO</i>		X
<i>Gloria Paladichuk</i>	<i>"</i>	<i>PO Treasurer</i>		X
<i>John Shontz</i>	<i>S. Inn</i>	<i>Ribbed CS</i>		X
<i>Gene Huntington</i>	<i>Bellevue</i>	<i>Governer</i>		X
<i>Ed West</i>	<i>Gr. Falls</i>	<i>MASA</i>		X



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 1984 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.

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--who 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

Exhibit 3
Taxation Committee
6-27-85

STATE OF MONTANA

REQUEST NO. FNN 001-85

A L L N O T I C E

Form BD-15

In compliance with a request from the Senate, there is hereby submitted a Fiscal Note for House Bill 200, Chapter 3, Chapter 4, Part 2 of the Montana Code Annotated (MCA). Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION

This bill reinstates the inflation clause that was repealed by SB 142 of the 1985 regular session to provide for automatic inflation of vehicle fees. Bill

ASSUMPTIONS:

1. The number of registered vehicles remains constant at the 1984 level: 649,466.

2. The inflation deflator for personal consumption expenditures (PCE) is:

FY 86: 1.175921

FY 87 and 88: 1.26456153482

Category	FY 86	FY 87	FY 88
Personal Consumption Expenditures (PCE)	1.175921	1.26456153482	1.26456153482
Vehicle Fees	1.175921	1.26456153482	1.26456153482
Other Fees	1.175921	1.26456153482	1.26456153482
Total	1.175921	1.26456153482	1.26456153482

David
Yonster

BUDGET DIRECTOR
Office of Budget and Program Planning

Date: June 27, 1985

INCREASED REVENUE DUE TO PROPOSED LEGISLATION:

	<u>FY1986</u>	<u>FY1987</u>	<u>BIENNIIUM</u>	<u>PERCENTAGE</u>
Cities	\$ 331,974	\$ 399,774	\$ 731,748	0.0775
Counties	920,103	1,108,019	2,028,122	0.2148
Universities*	112,657	135,665	248,322	0.0263
Foundation*	850,710	1,024,453	1,875,163	0.1986
School Dist	1,817,932	2,189,214	4,007,146	0.4244
Other	250,158	301,249	551,407	0.0584
TOTAL	\$4,283,534	\$5,158,374	\$9,441,908	1.0000

*General fund impact for biennium 1986-87, 123,485

FISCAL IMPACT ON VEHICLE FEES:

The effect of this bill will be to raise light vehicle fees as is shown below:

	<u>Calendar 1986</u>		<u>Calendar 1987</u>	
	<u>Effective</u>	<u>Proposed</u>	<u>Effective</u>	<u>Proposed</u>
	<u>July 1, 1985</u>	<u>Bill</u>	<u>July 1, 1985</u>	<u>Bill</u>
LIGHT FEES				
CLASS 1	\$ 83.00	\$ 95.00	\$ 83.00	\$ 99.00
CLASS 2	48.00	55.00	48.00	57.00
CLASS 3	14.00	16.00	14.00	16.00
HEAVY FEES				
CLASS 1	\$104.50	\$120.50	\$104.50	\$124.50
CLASS 2	59.00	68.00	59.00	70.00
CLASS 3	19.50	22.50	19.50	22.50

NOTE:

This bill will not affect revenues generated for the local government block grant, nor will the revenue generated for district courts. This is because SB 142 and HB 870 of the 1985 regular legislative session are left intact.

STATE OF MONTANA

REQUEST NO. FNN002-85

Form BD-15

THE UNIVERSITY OF CHICAGO

In compliance with a written request of the Senate, dated June 27, 1985, there is hereby submitted a Fiscal Note for House Bill 1, known as the Montana Code Annotated (MCA). Background information used in developing this bill is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

This bill transfers \$1,200,000 and \$5,000,000, passed by the 1955 regular session. Additional general funds are appropriated for local government block grant expenditures, and revenue for cities and counties is deferred from FY 85 to FY 86 and FY 87. Also, the state provides for local governmental units for vehicle fee replacement is limited to the appropriation. AGENCY HEADQUARTERS

ASSUMPTIONS:

1. The number of registered vehicles will remain constant at the 1984 level of 649,466.
2. The implicit deflator for personal consumption expenditures (PCE) is: 1.175921 for FY 1986.
1.226258 for FY 1987.

David Hunter

BUDGET DIRECTOR
Office of Budget and Program Planning
Date: June 27, 1985

PROJECTED GENERAL FUND STATUS
1986-87 Biennium (Millions)

	CURRENT LAW	AS PROPOSED
Beginning Fund Balance	22.195	22.195
Estimated Revenues	774.180	774.180
Repeal of SB142		(5.286)
Total Available	796.375	791.089
General Appropriation Bill	703.308	703.308
Tans Interest	6.000	6.000
Debt Service	20.201	20.201
Miscellaneous Appropriations	1.557	1.557
Pay Plan	16.500	16.500
Foundation Program	32.560	32.560
Legislative Feed Bill	4.400	4.400
Other Reversions	(13.000)	(13.000)
Foundation Program Reversion	(3.624)	(5.898)
Proposed Block Grant Appropriation		4.421
Total Disbursements	767.902	770.049
Ending Fund Balance	28.413	21.040

Senate Bill 142 (SB142) as passed by the 49th Legislature required that the additional vehicle fees generated would be deposited to the state general fund to fund the costs associated with operating district courts. With the sunset provision as specified in SB 142, the state general fund would be obligated to fund district courts beginning in 1988 but without the necessary revenue to cover the costs. This would be an ongoing biennial expense of approximately \$5.3 million.

House Bill 142 as passed by the 49th Legislature required that the state's financial records and reports be prepared in accordance with generally accepted accounting principles (GAAP). This legislation enabled the accelerated distribution of \$27 million of interest and income monies to the foundation program. The intent was to use \$15 million for funding public schools and leave the remaining \$12 million as a cushion for subsequent years. However, state law requires that all non-general fund monies be expended before any general fund monies can be used. This law has the effect of reducing the general fund need for public schools by \$12 million. After adjusting for all other legislation passed by the 49th legislature, the \$12 million expected reversion was reduced to approximately \$3.6 million.

EFFECT OF PROPOSED REPEALERS AND APPROPRIATIONS

	Proposed Appropriations	Reinstatement Of Inflation	Total Impact
Cities	\$ (342,639)	\$ 731,748	\$ (217,016)
Counties	(949,663)	2,028,122	1,555,800
Universities	(116,276)	248,322	301,123
Foundation	(878,000)	1,875,163	2,273,882
School Districts	(1,875,163)	4,007,146	4,859,191
Other	(2,007,921)	551,404	668,650
Total	\$ (4,469,662)	\$ 9,441,905	\$ 9,441,630

NOTE: Local governments are not affected by the repeal of SB 142 (district court expenses). This occurs because there is a general fund appropriation in SB 142 to cover the costs. However, SB 142 provided the funding mechanism by increasing vehicle fees and depositing these fees into the general fund. Therefore, the effect of repealing SB 142 will be to reduce general fund revenues by \$5,286,249 over the biennium.

LOCAL GOVERNMENT BLOCK GRANT SUMMARY
CURRENT LAW (MILLIONS)

	FY1986	FY1987	Biennium
Revenue			
Oil Severance	12.327	11.637	23.964
General Fund	1.500	1.500	3.000
HB 870 Fee Increase	2.211	2.211	4.422
Total Revenue	16.038	15.348	31.386

Expenditures

General Purpose Block Grant 16.449 16.449 32.898

(SHORTFALL) (9.411) (1.101) (1.512)

LOCAL GOVERNMENT BLOCK GRANT SUMMARY
PROPOSED LAW (MILLIONS)

	FY1986	FY1987	Biennium
Revenue			
Oil Severance	12.327	11.637	23.964
General Fund	1.500	1.500	3.000
HB 870 Fee Increase	2.210	2.210	4.420
General Fund	1.004	1.004	2.008
FY85 Block Grant Excess *	17.041	16.351	33.392
Total Revenue			

Expenditures

General Purpose Block Grant 16.449 16.449 32.898
Funds Available for
GENERAL SERVICES GRANT 0.592 (0.098) 0.494
OR, SHORTFALL

* Assumes biennial appropriation will be allocated equally between fiscal years.

AB-3

FEE SCHEDULE AND CALENDAR YEAR

		1986		1987	
		Effective 7/1/86	Proposed	Effective 7/1/87	Proposed
LIGHT FEES					
CLASS 1	70	82	82	83	86
CLASS 2	40	48	47	48	49
CLASS 3	10	14	12	14	12
HEAVY FEES					
CLASS 1	90	104.50	106	104.50	110
CLASS 2	50	59	59	59	61
CLASS 3	15	19.50	18	19.50	18
NUMBER OF VEHICLES					
	614970	649466	649466	649466	649466

*PCE-inflator used: FY86 - 1.175921
FY87 - 1.226258

OTHER FISCAL IMPACTS:

This bill provides language which allows the state to reimburse local governments subject to the legislative appropriation rather than a reimbursement equal to motor vehicle fee replacement.

TECHNICAL:

The amount proposed on page 2, lines 10-13 states that funds remaining for the general services block grant will not revert to the general fund if not expended. Existing language requires that all remaining funds be distributed within the requirements set forth for the general services block grant.

Exhibit 4
Taxation Committee
6-27-85

WITNESS STATEMENT

BILL NO. HOUSE BILL 3

Date: June 27, 1985

SPONSOR: REPRESENTATIVE MARKS

Name: Mons Teigen

Representing: MT Stockgrowers Assn.

Support:

This measure permits the accomplishment of all of the goals.

of HB 1 + 2 without any increased taxes.

**MONTANA
ASSOCIATION OF
COUNTIES**

*Exhibit 5
Taxation Committee
6-27-85*

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

Exhibit 6
Taration Committee
6-27-85

WITNESS STATEMENT

BILL NO. HOUSE BILL 3Date: June 27, 1985SPONSOR: REPRESENTATIVE MARKSName: Louise KelloggRepresenting: MT Low Income
Coalition

We strongly oppose any "excess" General funds
 being used in this manner. During the entire debate
 on the Gen. Assistance issue it was said again & again,
 that there was no money to fund it. As of this
 moment many people in MT. face being without
 any MEANS of support on July 1.

If these truly are excess funds then people have
 just taken it to them.

Exhibit 7

Mr. Starnes & Members of the Comm. Taxation Committee
6-27-85

WITNESS STATEMENT

BILL NO. HOUSE BILL 3Date: June 27, 1985SPONSOR: REPRESENTATIVE MARKSName: Stephen Jelinek Representing: Butte Comm. Union

I am a G.A. Recp. Looking For work
I'm also registered with job service

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

STANDING COMMITTEE REPORT

June 28

1945

MR. PRESIDENT

We, your committee on

TRANSPORTATION

having had under consideration

SENATE BILL

No. **1**

first

reading copy (**white**)
color

A BILL FOR AN ACT ENTITLED: "AN ACT REPRESENTING THE INFLATION COMPUTATION INTO THE LIGHT MOTOR VEHICLE FEE SYSTEM; PROVIDING THAT THE INFLATION COMPUTATION DOES NOT APPLY TO THE DISTRICT COURT FEE; AMENDING SECTION 2, CHAPTER 685, LAWS OF 1935; AND PROVIDING AN EFFECTIVE DATE AND A TERMINATION DATE."

Respectfully report as follows: That

SENATE BILL

No. **1**

be amended as follows:

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: "1935"

Insert: ", SECTIONS 1 THROUGH 5, 10, 15, AND 16 OF CHAPTER 680, LAWS OF 1935"

3. Page 3, line 2.

Following: line 1

Insert: "Section 3. Section 1, Chapter 680, Laws of 1935, is amended to read:

"Section 1. State assumption of certain district court expenses. (1) Effective July 1, 1935, 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.

XXXXXX

XXXXXXXX

Chairman.

(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.

(3) 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--the 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 1953, 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 46-15-184, MCA, is amended to read:

"46-15-184. 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

(7) 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 44-17-206 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/LC1AHEED

AND AS AMENDED

DO PASS