

MINUTES OF THE MEETING
HIGHWAYS AND TRANSPORTATION COMMITTEE
49th LEGISLATURE-SPECIAL SESSION III

June 19, 1986

The meeting of the Highways and Transportation Committee was called to order by Chairman John Harp on June 19, 1986 in Room 312-c of the State Capitol at 8:07 a.m.

ROLL CALL: All members were present. Also present was Tom Gomez, legislative researcher from the Legislative Council.

HIGHWAY DEPARTMENT

(A:1:007) Gary Wicks, Highway Department Director, presented a slide presentation and discussed the Governor's proposal concerning the five (5%) percent budget reductions. Wicks stated that the major difference between the Governor's proposal and the LFA proposal is that the governor's proposal will make it possible for the highway department to keep the current program going. The LFA proposal would end in 1987 with a cash balance in the highway special account, but would ultimately created a \$30 million deficit in FY 88 and a \$90 million deficit in FY 89, and the Reconstruction Trust Fund would be terminated. The governor's proposal would assure the program to continue without the additional fuel tax increases until 1991, and replaces the funds taken out of the highway special account and placed in the general fund.

(A:1:038) Wicks stated that prior to 1983, the interstate highway system was in need of radical change: The interstate was behind schedule, even though work had been ongoing for thirty years, seventy-five miles of unfinished interstate needed to be completed, and the primary system was in dire need of reconstruction. The 1983 legislative session, in conjunction with the highways committee approved \$150 million bonding authority; authorized the RTF program to spend \$140 million to reconstruct the primary system for the next ten years, an amount that was over and above other available highway funds; and funded the program with a fuel tax increase for the next four years. Although the highway department did not realize the total six cents a gallon fuel tax increase, the department realized that 1987 Legislative session would hear the department asking for additional funds. Wicks stated that the highway department made significant gains in the quality of the Montana highway systems.

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In 1981, the department contracted \$70 million, and in 1983, the department contracted \$178 million worth of highway construction. For all intent and purposes, the interstate system has been completed. Now, the primary system is the main concern of the highway department. The department has been able to make significant progress because of the RTF program. Sealant cover, repaving, and reconstruction, along with standard changes in innovation methods have meshed together to produce better Montana roads. The Lodge Grass South project implemented a foam mixed asphalt technique to be more cost effective which saved \$9 million. Management changes, administrative cost readjustments, and better utilization of man power have reduced costs. If the state of Montana is going to enter the next century with a solid highway program, decisions must be made now. The state is in risk of losing highway federal money if the drinking age in Montana is not changed to twenty-one years of age.

(A:1:226) (See Exhibit A) Wicks distributed fact sheets that outlined the Governor's proposed budget. The areas involved in the budget are: Fuel tax is increased by \$.5 on gasoline and \$.3 on diesel effective approximately August 1, 1986; mineral royalties are transferred to the foundation program; coal tax money is transferred into the general fund; interest from highways special account will go into the general fund; and the highway patrol will be funded completely out of the highway special account, which is approximately \$9 million. In addition to the fuel tax increase, the department will utilize the existing bonding authority. Referring to the LFA proposal, Wicks stated that \$16 million shortage would be realized within the first year, but the RTF program would have to be terminated next year to avoid the \$38 million deficit. (See Exhibit B)

OPPONENTS:

(A:1:318) Ben Hardahl, Montana Motor Carriers Association, submitted written testimony against any increase in the state's diesel fuel tax. (See Exhibit C)

(A:1:522) Tom Harrison, representing the Montana Automobile Association and Montana Automobile Dealers Association, stated that the associations' opinion is that it is wrong to take the highway patrol completely out of the trust fund. The patrol is involved in the safety of the motoring public and that it should be more broadly based than on a user tax. Nor do the associations agree with attempting to extract the mineral royalties at this time. The money should be replaced as far as the highway commission is concerned Harrison urged the

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committee to review the coal tax proposal which is immediate fund availability. The proposed fuel tax increase will make Montana the highest gas tax state in the United States, and give Montana the distinction of having a gas tax in excess of the diesel tax.

(A:1:593) Keith Olson, Montana Logging Association's Executive Director, stated that over one-third of the association's members are involved in the logging business and are owner-operators of a single unit. Olson reemphasized the economic plight of the logging industry and stated this is not a time for increases in operating expenses to the small businesses of Montana. Olson stands in opposition to this bill.

(A:1:636) Doug Alexander, President of the Western Petroleum Marketers Association, expressed definite opposition to increases in fuel taxes. (See Exhibit D)

(A:2:002) Steve Visocan, Western Petroleum Marketers Association's Vice-president, distributed a graph that compared the possible diesel rate of Montana to the other states. (See Exhibit E) Visocan stated that this proposed rate will significantly hurt operators that operate close to border towns that provide an alternative fuel purchasing opportunity. Visocan stands in opposition to this bill.

Lorna Frank, Montana Farm Bureau Federation submitted written testimony stating that the Montana Farm Bureau opposes both the gas and diesel fuel tax increase. (See Exhibit F)

PROPOSERS:

(A:2:002) Bill Olson, Montana Contractors Association, stands in favor of this bill. Olson stated that the construction dollars generate \$2.35 in economic activity.

QUESTIONS FROM THE COMMITTEE:

(A:2:054) Representative Koehnke asked Ben Hardahl how many miles can a semi-truck go between fill ups. Hardahl responded that a three hundred gallon tank can drive across the entire state of Montana. The taxes are paid and collected in this way: A driver working on a permit still pays the taxes on the basis of the miles traveled. A quarterly report is filed, but a private owner-operator trucker will use over-size tanks and drive straight through Montana if the diesel rates in Montana are higher.

(A:2:071) Representative O'Connell asked Colonel Landon, Chief of the Highway Patrol, where the patrol should be funded. Landon replied that the highway patrol is close to 100% in working with the highways. Landon believes, also, that close to 100% of the highway patrol's effort is on the highways. Funding should come from the highway users funds, namely the gas tax according to Landon. The total highway patrol budget is less than 3.5% of the highway department budget. Currently the funding for the uniformed officers' salaries and benefits come from the highway special account. Some radio equipment, sponsored in the last two sessions to improve the state-wide communication system has been funded, also.

(A:2:095) Representative Keyser inquired about the number of miles of road seal and cover. Keyser asked if it would be better to reduce the seal and cover and the oiling of the highways, and try to increase the actual repair on the primary systems. Wicks answered no. Overall, the seal and cover will save money in the long run because the life of the pavement is extended.

(A:2:130) Representative Koehnke asked what portion of the interstate will not be let to contract this year. Wicks replied that a four-mile job south of Dillon on I-15 will be let to contract in September 1986; the construction will start in approximately 1988. Now, the highway is a two-lane interstate, but two more lanes will be added during the construction.

(A:2:136) Chairman Harp asked if the interest on the highway special account goes into the general fund. The fuel tax proposal that will fund the highway program will be until 1991. The three million dollars is not for just 1987, it is for 1988, 1989, 1990 and 1991. Harp asked Wicks what the interest earned was on the special account. Wicks replied approximately \$4.5 million is the interest.

(A:2:196) Under the bonding program, Wicks stated that the department would develop bonds for additional revenue. This would be within the 1983 authorization of \$150 million. The bond proceeds would be used to help fund the construction costs; the department would use the bond proceeds for the construction cost, the department would use the bond proceeds for the construction costs.

(A:2:208) Chairman Harp asked about the \$150 million bonding program that was authorized in 1983; what amount has been used in the program. Wicks stated that two bond issues have been completed: A short time bond anticipation issue for \$43 million and a bond issue for \$64 million for a total of \$107 million.

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ADJOURN: There being no further business before the committee,
Chairman John Harp adjourned the meeting at 9:10 a.m.

A handwritten signature in cursive script, appearing to read "John Harp", written in dark ink.

REPRESENTATIVE JOHN HARP, CHAIRMAN

DAILY ROLL CALL

HIGHWAYS AND TRANSPORTATION COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date June 19, 1986

NAME	PRESENT	ABSENT	EXCUSED
Harp, John, Chairman	X		
Abrams, Hugh, Vice-Chairman	X		
Campbell, Bud	X		
Compton, Duane	X		
Glaser, William	X		
Harbin, Raymond	X		
Howe, Ramona	X		
Kennerly, Roland ✓	X		
Keyser, Kerry	X		
Koehnke, Francis	X		
O'Connell, Helen	X		
Peterson, Mary Lou	X		
Smith, Clyde	X		
Zabrocki, Carl	X		

VISITORS' REGISTER

HIGHWAYS AND TRANSPORTATION COMMITTEE

BILL NO. _____

DATE June 19, 1986

SPONSOR _____

NAME (please print)	REPRESENTING AND RESIDENCE	SUPPORT	OPPOSE
Ben Hardan	MT Motor Commers Assn		
Jim Mawson	MONTANA AUTO ASSOC		
BOB KUCHENBROD	DEPT OF JUSTICE		
Emily Suter	Highway Patrol		
Col. R.W. Gaudin	" "		
Bill Olson	MT Contractors Assn		
Tom Hammer	MT Auto Assoc. MT. Auto Dealers Assoc		
Lerna Frank	Montana Farm Bureau		
Dorey Alexander	Western Petroleum Markets		
Steve Visocian	Western Petroleum Markets		
Norm Rostack	OBPP		
John Augustine	CONOCO INC		
KEITH OLSON	MT. Logging Assn.		
Dean Mansfield	MT. Auto Dealers Association MT. Heavy Truck Association		
Earl Anderson	M. F. I.		
Larry Tobiasson	"		
Bill Salzman	Dept of Highways		
Ed Newman	SENATE		
Gray Wick	MDOT		

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

Highways and Transportation COMMITTEE

BILL NO. _____ DATE June 19, 1986

SPONSOR _____

NAME (please print)	REPRESENTING AND RESIDENCE	SUPPORT	OPPOSE
<i>W. J. Gosnell</i>	<i>Highways</i>		

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.