

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE SENATE

June 20, 1986  
First Meeting

The third meeting of the Senate Taxation Committee was called to order by Chairman Thomas E. Towe at 8:40 am, Friday, in Room 413-415 of the State Capitol.

ROLL CALL: All members of the committee were present except Senator Hirsch was excused to attend a meeting of the Senate's State Administration Committee.

CONSIDERATION OF SB 16: Senator J. D. Lynch, Senate District No. 34, was recognized as chief sponsor of the bill. He said that SB 16 was introduced to give the Legislature some options in the financial decisions to be made. He said that it was not a panacea, but that it was an answer to the current crisis. First, it would produce general fund revenue. Second, while it does not meet the kind of criteria for use set out in the coal tax trust legislation of 1975, it was acknowledged at that time that \$100 million in trust should be adequate and now the state has near triple that amount. He said that the rainy day has come and the money must be used.

He pointed out that this was not a raid on the fund itself, but that it only diverted money intended for the fund. He said that second, all the money would be returned if possible. With the current devastating economic climate in the state he said that we need to help our people right now with this money. He said that he did not divert the dollars to a specific program because he felt that should be a decision of the appropriations process and that this bill only freed the money to general fund use.

In conclusion he said that the constituency was in favor of this bill. He said it was not his intention to raid the tax forever, but only as a way of meeting this crisis. He said it was difficult but the time had come to do this.

PROPONENTS

Senator Allen Kolstad, Senate District No. 7, said that this was a back-up measure for the dilemma. He said that it was apparent each day that the Legislature was falling far short of a balanced budget. He said that SB 16 could greatly help the situation. He likened the situation to a family with no money for necessities who refused to cash their certificates of deposit. He said, "Let's not file a Chapter 11 with millions in the bank."

Mr. Ben Havedahl, Montana Motor Carriers, submitted his testimony in writing (Exhibit 1).

Mr. Larry Tobiason, Montana Automobile Association, said that his organization was in full support of the measure. He said that the

road users were once again being asked to bail the state out. He said that if the new gasoline taxes are added to the current ones, that Montana would have the highest gasoline tax in the nation. He said the future for which the coal tax trust was saved is now.

Mr. Jerome Anderson, representing the Tobacco Institute, said that Montana had experienced a truly severe budget crunch in 1961 and faced it without a back-up like the coal tax. He said now that this source was available it should be used.

Mr. Tom Maddox, Montana Association of Tobacco and Candy Distributors, said that until a real tax reform could be done in regular session SB 16 represented a valuable alternative in answer to the current crisis.

#### OPPONENTS

Senator Chet Blaylock, Senate District No. 43, rose in opposition to SB 16. He said that he knew the introducers were sincere, but that the proposal must be seriously addressed. He said the \$39 million figure in the bill was exactly the same amount as the interest drawn from the trust in the last year. The coal tax trust is an endowment to state government and as such the fund belongs to everybody. It does help us, and we are using it, he said. Nothing else helps as much. He said the water bonding program is an example of vital programs supported by the trust. He said the only reason this was being considered was the severity of the time. He said that oil and gas taxes would fall on all of us equally and that Montana has the most miles of road per capita of any state in the union and that is why we also have the highest gasoline tax. He talked about a 1970 dip into the common school fund for money loaned to farmers and ranchers that was never paid back in dollars. He said the land returned to the state became beneficial to schools only after years and years. "We can work our way out. We are not starving. This is not a disaster," he concluded.

Mr. Russ Brown, Northern Plains Resource Council, said that the committee must look at the long-term crisis and not respond as though it were a temporary crunch. He said they would be deluged with these kinds of bills and needed to resist.

Mr. George Ochenski, Montana Environmental Information Center, said this is a trust and should be treated accordingly. He said we are to live off the interest only and should examine all other possibilities before this bill should be passed. He noted to the committee and sponsor that no repayment schedule was included in the bill.

Questions from the committee were called for.

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Senator Towe addressed a technical problem in the bill noting that it was not clear whether the \$39 million was to come from the bond suspense remainder or from the tax collection itself. He discussed with the sponsor the technical difficulty and unclarity of the bill as written.

Senator Severson was recognized and discussed his own bill to divert one-fourth of the incoming coal tax trust money. He said that his bill had been directed through the appropriations process and wondered why this one had not. Senator Severson asked Senator Lynch if there was any specific direction in the bill about where the money should be spent. Senator Lynch said that he wanted the money directed to the general fund and that the regular appropriations process could determine its spending. Senator Severson also queried the \$39 million figure. Senator Lynch said it was provided by the Legislative Council.

Senator Eck asked if it was intended that this money be used to replace the gasoline tax increase. Senator Lynch said that it was to be used to provide additional general fund revenue. Senator Eck asked if Senator Lynch would object to a repayment schedule being incorporated into the bill. He said that he fully intended a repayment provision and would fully support this.

Senator Lybeck questioned the \$39 million figure. Senator Lynch said he was looking for viable options to the currently presented alternatives all of which were not acceptable. He said the \$39 million figure came from anticipated revenue to coal tax trust less the bond payments.

Senator Towe said that the crisis was minimal compared to that to be faced in the next general session. Senator Lynch said that this special session was to answer the short-term problem and that long-term answers must come later. He said the 10 to 14 day session would not allow time to make the difficult decisions.

Senator Towe asked Senator Lynch if he would support this concept again. Senator Lynch answered, "This is a one-time shot and should never be used as a permanent source of income." He said again that he thought it should be paid back. Senator Towe asked if that would not just magnify the budget problems. Senator Lynch said that he felt the economy would again turn upwards.

Senator Eck asked Senator Kolstad if he would reconsider this as a source of income. Senator Kolstad said that he would not make a commitment not to consider this again.

Senator Lynch closed saying that people are personally suffering these hard economic times and that the bill is needed to continue funding the various important functions of state government.

Discussion of SB 16 continued. Senator McCallum asked if it would require only a majority vote in committee or the three-fourths required in the Constitution. Senator Towe said that it would need 38 votes on the floor of the Senate on third reading and before that a majority vote would move the bill forward.

Senator Brown asked if the three-fourths vote would still be required if a repayment schedule were added to the bill. Senator said that precedent was established to require the three-fourths even for some investment issues.

MOTION: Senator McCallum moved that SB 16 do pass.

Senator Brown said that he wanted a repayment schedule added to bill and felt that would be a way of increasing support for the measure. Senator Eck suggested that it could be tied to resource revenues.

The committee also felt that the flaws jeopardizing the water bond program should be corrected.

Senator Severson discussed the actual and projected revenues and then again questioned the \$39 million figure in the bill.

Senator McCallum withdrew the motion that SB 16 do pass.

MOTION: Senator Goodover moved that SB 16 be amended as follows:

1. Page 1, lines 15 through 17.

Following: "Transfer."

Strike: "Subject to the provisions of 17-5-703(2) relating to principal and interest payments on bonds, there"

Insert: "There"

2. Page 1, line 20.

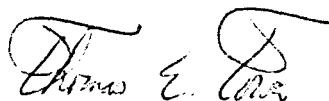
Following: "Constitution"

Insert: "less amounts that may be required under 17-5-703(2) to pay principal and interest payments on bonds if the money flowing into the trust is insufficient to make the \$39,000,000 transfer and pay principal and interest on bonds."

The motion carried unanimously.

After further discussion of amendment to the bill, Chairman Towe condensed the issues into the transfer of the ending fund balance to the coal tax trust and other repayment options. He directed the staff to construct the language for amendments for consideration at another meeting on this day.

The meeting was adjourned at 10 am.

  
Thomas E. Towe

Senate Taxation Committee

ROLL CALL VOTE

Date 20 June 86

Bill No. First meeting

Motion: \_\_\_\_\_

Attendance

	YES	NO
Senator Brown	✓	
Senator Eck	✓	
Senator Goodover	✓	
Senator Hager	✓	
Senator Halligan	✓	
Senator Hirsch	<i>excused</i>	
Senator Lybeck	✓	
Senator McCallum	✓	
Senator Neuman	✓	
Senator Severson		
Senator Mazurek	✓	
Chairman Towe	✓	

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NAME: Ben Haddon DATE: 6/20/86

ADDRESS: PO Box 1714 Abbeville MI

PHONE: 442 6600

REPRESENTING WHOM? Montana Motor Carriers Assn

APPEARING ON WHICH PROPOSAL: SB 16

DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

COMMENTS: The Montana Motor Carriers Assoc supports the use of COAL TAX TRUST Funds to fund the general fund deficit for the fiscal year ending Jul 1987.

MMCA opposes the increasing of <sup>the</sup> diesel fuel tax by 3¢ per gallon as an alternative means of funding our general fund deficit. The diesel fuel tax rate, state and federal combined is currently 32¢ per gallon and gasoline 24¢. Diesel fuel is already burdened with an 8¢ per gallon highway tax. Any increase in taxes on the trucking industry will have an adverse impact on the industry at a time when we are struggling to survive economically. We plan to present more details on our position on Tuesday when this committee hears SB 14.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.