

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE SENATE  
Third Special Session

June 28, 1986

The eleventh meeting of the Senate Taxation Committee was called to order by Chairman Thomas E. Towe in Room 325 of the State Capitol at 8:10 am.

ROLL CALL: All members of the committee were present.

CONSIDERATION OF HB 35: Representative Red Menahan, House District 67, was recognized as chief sponsor of the bill. He said that he was introducing the bill in behalf of those with nonproductive patent mining claims.

PROPONENTS

Mr. Gary Langley, Executive Director of the Montana Mining Association, said that the laws in 1978 valued patented mining claims at the price paid to the U.S. Government, and that now they were valued as any other property. He said that the 1985 Legislature had said that a \$1,500 test must be met to qualify as agriculture land and that other land would be reappraised as suburban property. He noted the case of Margaret Reed, whose claim had changed in value from \$2,121 to \$315,000. He said this was not an isolated case. He said that the claims should be valued low as the proceeds are taxed and severance taxes are also paid to the state. He said that many claims are not accessible by road. He said there is no value, except under the surface, to many claims. He said they do not have houses on them. He said the bill was drafted very tightly to insure that it could not be used except in a legitimate mining claim situation. He said the bill was a good alternative to dealing with the many appeals that would result if it did not pass.

Mr. Dennis Burr, representing the Montana Taxpayers Association, said that the 1985 legislation had been the law of unintended results. He said that the federal government values the claims at \$10 per acre.

Mr. Peter Antonioli, owner of mining claims, submitted his testimony in writing (Exhibit 1).

Mr. William R. Hanson, owner of patented mining claims, submitted his testimony in writing (Exhibit 2).

Ms. Jo Brunner, Montana Grange, said that they support the bill. She said it is time that various interests should be classified appropriately.

Mr. Greg Groepper, Administrator of the Property Tax Assessment Division of the Department of Revenue, said that mining claims usually have no value for anything else. He said they generally have no cabin, no house and limited access.

OPPONENTS

None were heard.

Questions from the committee were called for.

In response to a question from Senator Towe, Mr. Groepper said that qualifying land could have no other use. He said that if it had value as recreational land, it could not be classified in this way. He said if there is any gray area, the historical evidence of the land would be used in its valuation.

Senator Towe questioned the fiscal note. Mr. Groepper said that the fiscal note had been written before the amendments to the bill were made in the House committee. He said that the impact of the present bill would be small.

Senator Towe asked Mr. Antonioli if the individual owner owned the patent. Mr. Antonioli said that a patented mining claim was an instrument of the federal government.

Senator Towe asked if they would be happy with an agricultural value put back on this property. Mr. Langley responded that would be satisfactory. Senator Towe asked how that would fit with the McCallum bill. Mr. Langley said that this bill was specific to mining claims. Representative Menahan noted that many are under 20 acres and the McCallum bill deals with tracts larger than that.

MOTION: Senator Brown moved that HB 35 be concurred in. The motion carried unanimously.

Chairman Towe then brought the committee's attention to SB 24. He said that the Senate had refused to accept a report without recommendation.

FURTHER CONSIDERATION OF SB 24:

MOTION: Senator Goodover moved that the committee reconsider its action in reporting SB 24 to the Senate floor without recommendation.

The motion carried unanimously.

MOTION: Senator Goodover moved that SB 24 do pass.

MOTION: Senator Eck moved as a substitute motion that SB 24 be laid on the table.

Senators Eck, Lybeck and Towe voted yes. Senators Brown, Goodover, Hager, Halligan, Hirsch, McCallum, Neuman, Severson, Mazurek voted no. The motion failed.

Taxation Committee  
June 28, 1986  
page three

Question was called on the do pass motion.

Senators Goodover, Hager, Hirsch, McCallum, Severson voted yes. Senators Brown, Eck, Halligan, Lybeck, Neuman, Mazurek and Towe voted no. The motion failed.

MOTION: Senator McCallum moved that SB 24 do not pass.

Question was called. Senators Brown, Eck, Halligan, Lybeck, Neuman, Mazurek and Towe voted yes. Senators Goodover, Hager, Hirsch, McCallum and Severson voted no. The motion carried.

CONSIDERATION OF SB 21: Senator McCallum said the amendments on SB 21 were still being worked with.

Senator Eck asked for indication of what kind of amendments would be proposed. Mr. Jim Lear, committee staff, was recognized. He said that most of the amendments would have to do with Mr. Gordon Morris' concern. He said that his concerns were warranted and need be clarified with reference to the levies.

Mr. Lear also said that a hold harmless clause would be clarified, a new subsection would be added to handle deposits to the local block grants and that effective date and a repealer to the block grant program would be added. He said the amendments would also clarify district court fees.

The committee discussed the sentiments on the floor in relationship to the bill. Some felt the bill should be reported out. Senator Smith, sponsor of the bill, was recognized and said that the amendments would need to be printed to clean up the bill.

Senator Towe said that the committee could take action now and avoid having to come back to handle the amendments. He asked Senator Goodover if he had any objection to the amendments. Senator Goodover said he had none.

MOTION: Senator McCallum moved that SB 21 be amended per Mr. Lear's outline.

Senator Severson raised the question of retail value definition. He said this bill was simple in concept and that it treated people better than a fee system does. He said this may not be the time and place, however, as the amendments had not even been written.

Senator Eck agreed with Senator Severson. She objected to doing something even if the committee didn't know what it was doing. She said a decision should be made, but should be addressed as carefully as possible. She said it could be looked at again in January.

Chairman Towe agreed to wait until the amendments were drafted and said that it was possible that another bill would be coming

Taxation Committee  
June 28, 1986  
page three

from the House.

Senator McCallum withdrew his motion.

Chairman Towe also asked Mr. Lear to draw up a provision for mailing registration.

Senator Goodover requested a minority report on SB 24.

Chairman Towe recessed the meeting.

When the committee resumed, Senator Hager was excused.

CONSIDERATION OF HB 14: Representative Francis Bardanoue, House District 16, was recognized as chief sponsor of the bill. He said that the bill would prorate revenue into the local revenue sharing block grant program. He said that without passage of the bill full funding of the block grant program would be necessary and the Legislature would have to come up with an additional \$8 million. He said this cuts all across the board. He said the bill got 55 votes in the House. He said that the Governor supported the bill. He said that as he was absent a magic source of money this bill was a way of balancing the budget and that he urged that the bill be passed not because it was a good bill, but because it was a fiscal necessity.

#### PROPONENTS

Mr. Newell Anderson, Administrator of the Local Government Assistance Division of the Department of Commerce, said that not enough revenues were available for anticipated costs. He said this bill would allow the state to prorate existing dollars. He said that without the bill claims would exceed revenue by 50 percent. He said that many options had been reviewed and that proration was the most reasonable among them. He said the conclusion was that proration was the least negative when compared to a tax increase or a deficit. He said that current statutory authority could resolve the issue but the absence of this amendment would make a legal challenge or supplemental funding likely possibilities. Written testimony is in Exhibit 5.

#### OPPONENTS

Senator Ed Smith, Senate District 10, said that all the anticipated revenue is already built into the bill. He said that his bill would help and that if the local block grants were not fully funded the burden would rest on the backs of local taxpayers. He questioned the figures presented by the Department and submitted his own estimates in Exhibit 3. He compared the exhibit with the fiscal note on the bill. He said the shortfalls would affect the schools, counties and cities causing them to cut essential services.

Taxation Committee  
June 28, 1986  
page four

Mr. Gordon Morris, Montana Association of Counties, said that they had heard all the arguments and that they still opposed the bill, knowing its effect on local governments. He said this bill passing would cause tax increases at the local levels. He said the bill represents a blatant intrusion on county government by bureaucrats in the state administration. He noted the shift from the county treasurer to the Department of Justice on pages 6 and 8 of the bill. He said that the county treasurers should keep the responsibility. He quoted Governor Schwinden speaking to MACO and said that he concluded that HB 14 should not pass.

Mr. Eric Feaver, Montana Education Association, said that HB 14 represents a \$4 million loss to school districts across the state. He said that the money had been promised and this was renegeing on the promise. He said it was a tax transfer back to local school districts. He said that SB 17 should be passed instead, that SB 21 should be given a do pass. He said he resented being called selfish because they were asking for what they had been told they would get.

Ms. Terry Minnow, Montana Federation of Teachers and Montana Public Employees Association, said that other alternatives should be used.

Mr. Don Peoples, Chief Executive of Butte-Silver Bow, said the bill represented a tax increase to property taxpayers. He said the Legislature can say they did not increase taxes, but that this bill accomplishes that. He said the bill has significant impact. He said it would cause Butte-Silver Bow to increase 14 mills. He said Anaconda-Deer Lodge had already lost 50 percent of its taxable valuation. He said they would need an additional 25 mills if the bill passed. He said that local government problems are difficult and that they had already been through enough pain. He said Butte-Silver Bow is down from 413 to 300 employees. He said the state made an obligation in the past. He said the bill doesn't represent 5 percent or 10 percent, but that local government is losing a total of 50 percent.

Mr. Alec Hansen, Montana League of Cities and Towns, said that the Legislature should resist being asked to nullify the contract with local governments and should authorize full funding of the block grant program. He noted that the spending of local government is already at one half the rate of inflation. He said all the cuts that could be made have been made and now essential services will have to be cut. He said the foundations of safe, decent, livable communities are being harmed. He discussed examples of counties where enormous losses have already been felt. He said that the effects of this bill could not be handled without a major increase in property taxes. He said the bill threatens

Taxation Committee  
June 28, 1986  
page five

schools, local governments, across the board. He said that these entities are willing to contribute to the solution of the state's funding crisis, but that to take 50 percent cuts when state offices are taking 5 percent is unfair.

He said there are alternatives. He suggested that SB 21 would help as it would offer an equitable, reliable, uniform, progressive funding source to local governments. He said there are other proposals as well. He said the agreements with local governments are not like Indian treaties to be abrogated. He said the committee should consider SB 21 and kill this bill.

Questions from the committee were called for.

Senator Severson said that he had promised not to vote for any tax increases and he wasn't going to. He asked Representative Bardanouve why the Swift-Severson bill wasn't coming out of the House. Representative Bardanouve answered that it lacked about 40 votes. He said he had tried a companion bill but that it only got 38 votes to bust the trust. He said that the House won't tap the trust.

Senator McCallum asked Mr. Hansen if the Smith bill would fund the block grant program if this bill were killed. Mr. Hansen said that there would be changes under Smith's bill and that some counties would lose money. He said the loss to Silver Bow, for example, would be about two-thirds. He said that the support for the Smith bill was based on wanting a uniform and fair system.

Mr. Morris said that they had looked at the numbers and even beyond the numbers they were looking for a superior system for local government revenue. He said that with the amendments on SB 21, they were satisfied that this was a better system.

Representative Bardanouve answered that he hadn't read the Smith bill. He said that it would be an alternative and there would be less yo-yo effect in local government financing than existed with oil. He said that when oil came back to \$40 per barrel these same people would want this bill.

Senator Towe asked Mr. Dave Hunter, Director of the Governor's Office of Budget and Program Planning, some questions on the fiscal note. Mr. Hunter said that there was not enough available for FY 86 and that the Department of Commerce had borrowed from FY 87 to make full payment in FY 86. He said now they cannot pay back the loan. He said that accounts for the shortfall in the next year. He said the shortfall in FY 86 was \$1.6 million and in FY 86 would be \$6.23 million.

Senator Towe asked Mr. Hunter if this bill failed and nothing else were done, would he then acknowledge that full funding of the block grant program would have to occur. Mr. Hunter said

Taxation Committee  
June 28, 1986  
page six

that no, the administration did not acknowledge that. He said he believed there was a legal question to be tested in court. He said that regardless of the fate of this bill the administration will prorate the block grant funding in 1987 and await a court decision.

Senator Goodover said that this crisis has been coming for 15 years and in light of that he could not understand why 72 percent voted to renew this administration.

Representative Bardanouve closed saying that this legislative process was very unusual. He said that his wings have vanished and he now wears horrible horns of the devil. He said the issue is understood. He said that he hears this bill is going to raise property taxes. He said that Mr. Peoples has already shown that local governments can do more with less in Butte. He said that Mr. Peoples should be running our schools as well. He said that the House overwhelmingly rejected use of coal trust dollars and that the Senate had also rejected use of this. He said that government costs money. He said that property assessments are not popular. He said that the same people pay and that it is just a matter of how. He said this bill is the best alternative to pay less and balance the budget.

Chairman Towe recessed the meeting.

Chairman Towe reconvened the meeting.

CONSIDERATION OF SB 17: Senator Eck discussed the status of the bill. She said that the bill would require extensive amendment to change the quarterly payments to monthly, to affect those whose yearly withholding was more than \$600,000, to limit it to 20 employees or more. She said that the employers wanted to submit weekly and did not want to file a return with each payment. She said they would attach a coupon at the end of the quarter and at that time file a federal and state report. She said the one-time yield would be about \$7 million.

MOTION: Senator Eck moved that SB 17 be amended per the standing committee report attached here.

Senator Towe answered a question from Senator Severson saying that all now report quarterly unless they pay less than \$10 per quarter. He said that businesses paying under \$600,000 would report and pay in the same manner they do now.

Senator Eck responded to a question from Senator Mazurek. She said that the money was directed to a local government block grant. She said it would be attached to Representative Bardanouve's bill. She said it could be passed with that funding mechanism or it could be diverted to the general fund. She said that she would like to have the bill amended so that the fate of the money was certain.

Taxation Committee  
June 28, 1986  
page seven

Senator Brown asked if it could be made applicable to businesses that pay below \$600,000 and how much more money could be generated if that were done. Senator Eck said she choose this way because the employers affected agreed to do it. She said that they do not object. She said this method is appropriate for all whose weekly withholding is \$1000 or more.

Senator Mazurek asked Mr. Hunter about the allocation of this to the block grant program. Mr. Hunter said that if there was an ending fund balance of about \$5 million and this did not create an expenditure base for future years there would be no objection from the executive.

MOTION: Senator Brown moved as a substitute motion that SB 17 be amended to include a threshold amount of \$200,000, and that the dollars be earmarked to fully fund units of local government.

Senator Halligan objected saying that the people affected by this amendment would have no chance to testify and that those in the \$600,000 and above category had already agreed.

Senator Brown asked Mr. Dan Bucks, Deputy Director of the Department of Revenue, what additional burden would be created by lowering the threshold. Mr. Bucks said that many are already withholding weekly for the federal government. He said that some pay the state weekly as a matter of convenience now. He said that a coupon type form and computer changes would be necessary.

Senator McCallum asked how it was related to worker's compensation and unemployment. Mr. Bucks said that it affected only the withholding for income tax. Mr. Bucks said that the withheld dollars must come to the state when the paycheck is issued to the individual.

Question was called on Senator Brown's motion. Senators Brown, McCallum and Towe voted aye. The remainder of the committee voted no. The motion failed.

Question was called on Senator Eck's original motion. Senator Goodover voted no. All other committee members voted aye. The motion carried.

MOTION: Senator Eck moved that SB 17 be amended to provide a coordinating instruction to make passage of SB 17 effective only if used to fully fund the block grant program.

Mr. Hunter was recognized and said that the words "fully fund" should not be used. He suggested that the committee pass the bill in its existing form without this amendment and that an appropriation measure should follow.

Senator Eck withdrew the motion.



Taxation Committee  
June 28, 1986  
page eight

MOTION: Senator Eck moved that SB 17 do pass as amended.

Senator Goodover said the money should go to the general fund and be appropriated from there.

Senator Neuman said that he opposed the bill because one-time money was too painful in the long run.

Question was called on the motion. Senators Hirsch, McCallum and Neuman voted no. All other members of the committee voted yes. The motion carried.

CONSIDERATION OF HB 14: Senator Eck suggested that HB 14 be acted on with a delayed effective date.

MOTION: Senator Halligan moved that all funds available should go to the local government block grant program.

Mr. Hunter was recognized and said that there are 2 block grant programs and that \$7.4 million would be needed to fully fund them. He said the dollar appropriation could not be identified.

Mr. Hunter said that a coordinating instruction could be in HB 14 to make the appropriation effective only if SB 17 passes. He said it was the feeling of the administration that SB 17 would produce just under \$7 million.

Question was called on Senator Halligan's motion. The motion carried unanimously.

MOTION: Senator Halligan moved that HB 14 do pass as amended. The motion carried unanimously.

CONSIDERATION OF SB 21: Some committee members felt the change contemplated should wait for a year. Senator Smith said that if the problem were taken care of now then the bill would be in line to address it.

MOTION: Senator Halligan moved that SB 21 be amended per Exhibit 4. The motion carried unanimously.

MOTION: Senator Goodover moved that SB 21 as amended be tabled. The motion carried unanimously.

CONSIDERATION OF HB 44: Senator Towe carried the bill for Representative Keenan as the bill was a product of the Revenue Oversight Committee.

He walked the committee through the provisions of the bill which are basically to allow local governments to use tax revenues paid under protest.

Taxation Committee  
June 28, 1986  
page nine

PROPONENTS

Mr. Gordon Morris, Executive Director of the Montana Association of Counties, said that he had worked with the bill through the Revenue Oversight Committee and the House and that MACO supported the bill.

Mr. Eric Feaver, President of the Montana Education Association, said that they support the bill.

Mr. Doug Schmidts, County Commissioner for Jefferson County, said that they concur with the bill as written.

OPPONENTS

None were heard.

Questions from the committee were called for.

Senator Hager said it seemed that any government unit can ask for money and that no reason is needed for them to obtain it.

Senator Goodover asked why the bill was before the committee. Chairman Towe answered that it represented unfinished business from the last session.

Senator Towe said it was true that local governments can get the money if the protest goes on and on for a long time. He said the provisions are needed in those counties who work with the problem of protest going on in large amounts for long periods of time.

MOTION: Senator Neuman moved that HB 44 be concurred in. Question was called. Senators McCallum and Mazurek had been excused to attend another committee meeting in progress. Senators Goodover and Hager voted no. All other members of the committee voted yes. The motion carried.

Chairman Towe adjourned the last meeting of the the Taxation Committee in the third special session of the forty-ninth session.

---

Chairman

PROPOSERS

Mr. Gordon Morris, Executive Director of the Montana Association of Counties, said that he had worked with the bill through the Revenue Oversight Committee and the House and that MACO supported the bill.

Mr. Eric Feaver, President of the Montana Education Association, said that they support the bill.

Mr. Doug Schmidts, County Commissioner for Jefferson County, said that they concur with the bill as written.

OPPOSERS

None were heard.

Questions from the committee were called for.

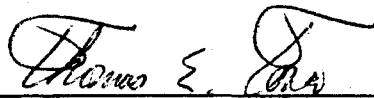
Senator Hager said it seemed that any government unit can ask for money and that no reason is needed for them to obtain it.

Senator Goodover asked why the bill was before the committee. Chairman Towe answered that it represented unfinished business from the last session.

Senator Towe said it was true that local governments can get the money if the protest goes on and on for a long time. He said the provisions are needed in those counties who work with the problem of protest going on in large amounts for long periods of time.

MOTION: Senator Neuman moved that HB 44 be concurred in. Question was called. Senators McCallum and Mazurek had been excused to attend another committee meeting in progress. Senators Goodover and Hager voted no. All other members of the committee voted yes. The motion carried.

Chairman Towe adjourned the last meeting of the the Taxation Committee in the third special session of the forty-ninth session.

  
\_\_\_\_\_  
Chairman

TESTIMONY IN SUPPORT OF H.B. 35  
JUNE 28, 1986  
PETER S. ANTONIOLI

1986 represents the first time that new appraisals have been made on patented mining claims that reflect the provisions of enactments of the 1979 legislature that use the test of "productivity" or "market" as the mechanism for placing values on tracts of land for taxation purposes.

This has had a devastating impact on those owners of patented mining claims since the definition of "productivity" did not include the development and production of the mineral estate. They have seen their appraised values rise several thousand percent with an equally dramatic impact on their taxes.

As an example, a patented mining claim might have agriculture land on one side (valued at \$3.75 per acre if bona fide) and forestry on the other (valued at something less than \$50.00 per acre if bona fide) and find that because of the "market" test, the land on the patented mining claim is valued at from \$100.00 to \$5000.00 per acre.

Past legislatures have had the foresight to enact rules that the Department of Revenue must use when appraising land that is held for bona fide agriculture or forestry purposes. These rules ensure that those owners are protected from the impact of having their lands appraised for recreational or suburban tract purposes to insure that the true productive values of the land are not lost to some short term suburban or recreational benefit.

The time has come to extend this same protection to owners of patented mining claims who maintain their ownership for bona fide mineral production purposes. As agriculture and forestry represent a productive segment of Montana's economy, minerals have in the past and will also in the future contribute to that productive capacity.

Owners of patented mining claims, and the mineral industry that they represent, need your help if we are to prevent the loss of this key source of productive capacity, tax revenue and potential for jobs for the State of Montana.

The rules have been drawn so that abuse is prevented and owners of cabins or other recreational retreats are valued according to the market test. It allows those who maintain their interest in these patented mining claims for the development of the mineral estate to have the same protection you have provided to agriculture and forestry in the past to insure that the productive value of the land is not lost.

I urge your support of H.B. 35.

Thank you.

SENATE TAXATION

EXHIBIT NO. 1

DATE June 28, 1986

BILL NO. HB 35

TESTIMONY OF W. R. HANSEN  
IN SUPPORT OF HOUSE BILL 35  
BEFORE THE SENATE TAXATION COMMITTEE

My name is W. R. Hansen. I live in Billings and near Glasgow where I work with my father on the family farm that my Grandfather homesteaded in 1913. I urge your support for the passage of House Bill 35 which will correct an obvious inequity in the taxation of patented mining claims.

I am actively involved in exploration and development of mineral resources in Montana, and I own patented mining claims which are used for no purpose other than possible development for their mineral values.

Because of the cyclical nature of the mineral business, it is essential that claim owners be encouraged, or at least allowed to maintain possession of nonproductive claims in adverse economic times.

House Bill 35 simply allows for the taxation of patented mining claims at a level consistent with what they have been for many years instead of raising the taxes up to several thousand percent.

I URGE YOUR SUPPORT!

SENATE TAXATION  
EXHIBIT NO. 2  
DATE June 28, 1986  
BILL NO. HB 35

*Smith*

Effect on Each County of Prorating L&EG beginning in FY87.

County	County Class	FY86 Reimb.	Projected FY87 Grant Requests (X 1.0206)	Prorated FY87 Reimbursement	FY87 Shortfall =	County Mills
Beaverhead	5	\$104,585.80	\$106,740.27	\$57,565.03	\$49,175.24	3.352
Broadwater	5	\$39,303.42	\$40,113.07	\$21,632.96	\$18,480.09	1.625
Carbon	2	\$143,157.30	\$146,106.34	\$76,795.15	\$67,311.19	2.240
Carter	6	\$24,901.52	\$25,414.49	\$13,706.04	\$11,708.46	1.444
Cascade	1	\$1,666,972.96	\$1,701,312.60	\$917,517.89	\$783,794.72	6.553
Chouteau	2	\$33,741.60	\$34,436.68	\$18,571.70	\$15,864.98	0.519
Custer	4	\$312,303.63	\$324,860.68	\$175,197.37	\$149,663.32	6.070
Daniels	6	\$25,947.36	\$26,481.82	\$14,281.68	\$12,200.20	1.510
Dawson	3	\$255,846.40	\$261,116.84	\$140,620.31	\$120,296.53	4.057
Deer Lodge	6	\$446,311.50	\$457,546.72	\$246,754.54	\$210,791.77	22.547
Fergus	3	\$279,675.00	\$285,436.31	\$153,935.80	\$131,500.51	5.904
Flathead	1	\$1,152,896.94	\$1,176,646.62	\$634,565.52	\$542,081.10	6.068
Gallatin	1	\$1,235,172.46	\$1,261,647.01	\$707,371.23	\$604,275.78	9.664
Garfield	2	\$12,203.40	\$12,450.75	\$10,349.57	\$8,641.18	1.163
Glacier	2	\$76,508.79	\$78,126.07	\$43,211.59	\$36,514.08	0.731
Golden Valley	2	\$6,151.76	\$6,275.49	\$3,255.99	\$2,692.50	0.546
Granite	2	\$50,902.40	\$51,932.99	\$17,008.96	\$14,530.01	2.535
Hill	2	\$225,162.00	\$230,262.14	\$125,522.55	\$107,279.59	2.166
Jefferson	4	\$192,691.49	\$196,655.83	\$106,056.49	\$90,599.34	5.208
Judith Basin	3	\$18,959.15	\$19,349.71	\$10,435.30	\$8,914.41	0.952
Lake	3	\$187,332.33	\$191,191.43	\$103,169.54	\$88,081.89	3.223
Lewis & Clark	1	\$1,279,455.92	\$1,305,210.67	\$704,225.69	\$601,566.98	9.725
Liberty	3	\$66.10	\$67.00	\$37.64	\$32.60	0.015
Lincoln	2	\$195,919.08	\$199,955.01	\$107,835.74	\$92,119.27	2.569
Madison	4	\$64,783.55	\$66,119.12	\$35,657.50	\$30,460.62	1.711
McCone	5	\$52,126.70	\$53,213.11	\$12,729.16	\$10,873.95	1.004
Meagher	2	\$43,065.46	\$43,973.02	\$23,714.65	\$20,255.37	2.459
Mineral	7	\$104,125.32	\$106,270.30	\$57,311.57	\$46,958.73	10.526
Missoula	1	\$2,611,725.20	\$2,665,526.74	\$1,437,518.57	\$1,228,008.17	9.846
Musselshell	3	\$35,636.82	\$36,370.94	\$19,614.85	\$16,756.09	0.575
Park	4	\$334,571.66	\$341,445.04	\$130,211.31	\$111,233.73	5.876
Phillips	2	\$11,241.04	\$11,472.61	\$1,157.19	\$8,235.42	0.135
Pondera	3	\$75,167.87	\$76,716.33	\$41,373.12	\$35,343.31	1.441
Powell	5	\$102,252.04	\$104,432.03	\$59,552.96	\$50,899.07	3.576
Prairie	6	\$19,977.40	\$20,362.93	\$10,995.75	\$9,393.18	1.406
Ravalli	3	\$253,827.92	\$259,118.01	\$139,742.34	\$119,375.67	4.542
Roosevelt	1	\$57,050.30	\$58,225.54	\$21,401.03	\$26,824.50	0.335
Sanders	3	\$140,656.70	\$143,556.27	\$77,419.90	\$66,136.37	3.146
Silver Bow	2	\$1,273,657.00	\$1,299,694.33	\$701,033.01	\$598,661.32	13.491
Stillwater	4	\$70,295.55	\$71,746.70	\$38,693.00	\$33,053.70	2.148
Sweet Grass	6	\$57,104.89	\$58,281.24	\$31,431.07	\$26,850.17	3.823
Teton	3	\$109,146.96	\$111,395.39	\$60,075.53	\$51,319.85	2.494
Toole	2	\$40,666.67	\$41,504.40	\$22,293.32	\$19,121.08	0.394
Treasure	7	\$7,342.04	\$7,493.29	\$4,041.13	\$3,452.16	0.741
Valley	1	\$264,695.00	\$270,147.72	\$145,690.66	\$124,457.05	2.464
Wheatland	6	\$45,434.00	\$46,452.34	\$27,208.95	\$23,243.39	3.255
Wibaux	3	\$6,123.24	\$6,249.38	\$3,370.29	\$2,879.09	0.114
Yellowstone	1	\$3,133,606.92	\$3,196,155.22	\$1,724,767.27	\$1,473,391.95	6.983
		\$16,543,742.13	\$17,160,109.81	\$9,214,447.22	\$7,945,662.59	3.331

SENATE TAXATION

EXHIBIT NO. 3

DATE June 28, 1986

BILL NO. HB 14

*Smith* fund Black Grant Program fully or reduce 50% of that amount if not fully funded

Impact of LGBG Proration on Selected Counties' COUNTY GENERAL FUNDS

County	Total LGBG Revenue FY86	Total COUNTY GENERAL FUND (budgeted FY86)	% LGBG of Total Budgeted	CUT OR RAISE* in FY87
Cascade	\$105,000	\$4,410,899	2.38%	1.28%
Butte-Silver Bow	\$191,809	\$5,721,620	3.35%	1.81%
Lewis & Clark	\$63,298	\$2,574,664	2.46%	1.33%
Missoula	\$211,293	\$7,825,463	2.70%	1.46%
Yellowstone	\$194,223	\$6,755,094	2.88%	1.55%
Beaverhead	\$8,000	\$980,862	0.82%	0.44%
Dawson	\$23,000	\$1,323,151	1.74%	0.94%
Hill	\$7,300	\$1,452,035	0.50%	0.27%
McCone	\$2,200	\$558,749	0.39%	0.21%
Roosevelt	\$3,000	\$2,091,872	0.14%	0.08%

\* CUT OR RAISE means that, under proration, about 53.93% of the LGBG revenue would either have to be raised OR the County General Fund expenditures would have to be cut by this percent to stay within unaugmented revenues in FY87.

NOTE: Block grant revenue and total revenue numbers were taken from the 1985-1986 county budgets.

The following shows the percent of the total LGBG award that goes into the county's general fund and the state reimbursement per motor vehicle:

Cascade	80%	\$28.09	
Butte-Silver Bow	79%	\$47.26	
Lewis & Clark	77%	\$30.21	(39.91)
Missoula	70%	\$43.40	
Yellowstone	81%	\$30.61	
Beaverhead	71%	\$13.86	
Dawson	76%	\$25.60	
Hill	69%	\$16.50	
McCone	68%	\$7.62	
Roosevelt	59%	\$9.07	

SENATE TAXATION

EXHIBIT NO. 3

DATE June 28, 1986

BILL NO. HB14

Impact of LGBG Proration on Selected Counties' major CITY GENERAL FUND

County	Total LGBG Revenue FY86	Total CITY GENERAL FUND (budgeted FY86)	% LGBG of Total Budgeted	CUT OR RAISE* in FY87
Great Falls	\$231,000 ✓	\$8,531,626	2.71%	1.46%
Butte-Silver Bow	n/a	n/a	n/a	n/a
Helena	\$120,000	\$4,805,591	2.50%	1.35%
Missoula	\$280,000	\$9,910,580	2.83%	1.52%
Billings	\$499,345	\$16,461,933	3.03%	1.64%
Dillon	\$7,000	\$424,868	1.65%	0.89%
Glendive	\$24,000	\$1,116,891	2.14%	1.16%
Havre	\$25,704	\$1,316,633	1.95%	1.05%
Circle	\$2,500	\$156,348	1.60%	0.86%
Wolf Point	\$5,000	\$454,346	1.10%	0.59%

\* CUT OR RAISE means that, under proration, about 53.93% of the LGBG revenue would either have to be raised OR the City General Fund expenditures would have to be cut by this percent to stay within unaugmented revenues in FY87.

NOTE: Block grant revenue and total revenue numbers were taken from the 1985-1986 city budgets.

SENATE JOURNAL

EXHIBIT NO. 3

DATE June 28, 1986

BILL NO. HB14



Impact of LGEG Proration on Selected Counties' COUNTY SCHOOL DISTRICT FUNDS

10/16

County	Total LGEG Revenue FY86	Total COUNTY SCH.DIST.FUND (budgeted FY86)	% LGEG of Total Budgeted	CUT OR RAISE* in FY87
Cascade	\$1,000,184	\$39,444,242	2.54%	1.37%
Butte-Silver Bow	\$815,140	\$19,278,420	4.23%	2.28%
Lewis & Clark	\$806,056	\$24,755,402	3.26%	1.76%
Missoula	\$1,331,980	\$35,859,386	3.71%	2.00%
Yellowstone	\$1,648,828	\$58,552,210	3.16%	1.70%
Beaverhead	\$59,614	\$4,228,478	1.41%	0.76%
Dawson	\$148,391	\$6,893,510	2.15%	1.16%
Hill	\$125,469	\$11,784,965	1.06%	0.57%
McCone	\$11,100	\$1,733,380	0.64%	0.35%
Roosevelt	\$25,672	\$11,645,126	0.22%	0.12%

\* CUT OR RAISE means that, under proration, about 53.93% of the LGEG revenue would either have to be raised OR the County School District Fund expenditures would have to be cut by this percent to stay within unaugmented revenues in FY87.

NOTE: The block grant amount for the school district was obtained by taking the ratio of school district levies to total county levies times block grant submitted to the county 3/1/86.

-----  
ADDITIONAL NOTES:

A 50% reduction in the block grant program will also cause a reduction in the revenue for the foundation program (\$1.2 million) state assumption of welfare (\$.145 million) and the six-mill university levy collection (\$.135 million).

SENATE TAXATION

EXHIBIT NO. 3

DATE June 28, 1986

BILL NO. HB14

Amend SB 21, Introduced Copy

1. Title, line 6.  
Following: "7-1-2111,"  
Insert: "15-1-501,"
2. Title, line 7.  
Following: "15-31-114,"  
Insert: "15-36-112,"
3. Page 1, line 24.  
Following: "made,"  
Insert: "except for light vehicles subject to taxation  
under 61-3-504(2),"
4. Page 2, line 20.  
Following: "plus:"  
Insert: ":"
5. Page 2.  
Following: line 24  
Insert: "(a) that portion of the taxable value of the  
county on December 31, 1981, attributable to automobiles and  
trucks having a rated capacity of three-quarters of a ton or  
less; and"
6. Page 2, line 25.  
Following: "{b}"  
Insert: "(b)"
7. Page 25.  
Following: "61-3-536,"  
Insert: "(v) anticipated revenue from light vehicle  
property taxes imposed under 61-3-504(2);"  
Renumber: subsequent subsections
8. Page 26, line 24.  
Following: "county"  
Insert: ", except for light vehicles subject to taxation  
under 61-3-504(2),"
9. Page 28, line 23.  
Following: "15-23-601"  
Strike: "."  
Insert: "; and"
10. Page 28.  
Following: line 23  
Insert: "(g) anticipated revenue from light vehicle  
property taxes imposed under 61-3-504(2)."
11. Page 29, line 5.  
Following: "county"

SENATE TAXATION

EXHIBIT NO. 4

DATE June 28, 1986

BILL NO. SB 21

Insert: ", except for light vehicles subject to taxation under 61-3-504(2),"

12. Page 30, line 19.  
Following: "15-23-601"  
Strike: "."  
Insert: "; and"

13. Page 30.  
Following: line 19  
Insert: "(d) anticipated revenue from light vehicle property taxes imposed under 61-3-504(2)."

14. Page 31, line 7.  
Following: "district"  
Insert: ", except for light vehicles subject to taxation under 61-3-504(2),"

15. Page 31, line 15.  
Following: "district"  
Insert: ", except for light vehicles subject to taxation under 61-3-504(2),"

16. Page 31.  
Following: line 24  
Insert: ", plus anticipated revenue from light vehicle property taxes imposed under 61-3-504(2),"

17. Page 32, line 5.  
Following: "district"  
Insert: ", except for light vehicles subject to taxation under 61-3-504(2),"

18. Page 32, line 13.  
Following: "and"  
Insert: ", plus anticipated revenue from light vehicle property taxes imposed under 61-3-504(2), and"

19. Page 35, line 14.  
Following: "61-3-536"  
Insert: ", including anticipated revenue from light vehicle property taxes imposed under 61-3-504(2)"

20. Page 41.  
Following: line 8  
Insert: "(e) anticipated revenue from light vehicle property taxes imposed under 61-3-504(2); plus"  
Renumber: subsequent subsections

21. Page 54, line 23.  
Following: "Guide"  
Insert: ", not including additions or deductions for options and mileage"

SENATE TAXATION  
EXHIBIT NO. 4  
DATE June 28, 1986  
BILL NO. SB 21

22. Page 58, line 11.  
Following: "trueks"  
Insert: "light"

23. Page 58, line 13.  
Following; "on"  
Insert: "light"

24. Page 63, line 11.  
Following: "of"  
Strike: "the"  
Insert: "a fully funded fiscal year"

25. Page 63, line 18.  
Following: "total"  
Strike: "state revenue"  
Following: "loss"  
Insert: "for all counties losing revenue"

26. Page 63.  
Following: line 23  
Insert: "Section 30. Section 15-1-501, MCA, is amended to read:

"15-1-501. Disposition of moneys from certain designated license and other taxes. (1) The state treasurer shall deposit to the credit of the state general fund all moneys received by him from the collection of:

(a) fees from driver's licenses, motorcycle endorsements, and duplicate driver's licenses as provided in 61-5-121;

(b) electrical energy producer's license taxes under chapter 51;

(c) severance taxes allocated to the general fund under chapter 36;

(d) liquor license taxes under Title 16;

(e) telephone [company] license taxes under chapter 53; and

(f) inheritance and estate taxes under Title 72, chapter 16.

(2) Seventy-five percent of all moneys received from the collection of income taxes under chapter 30 and corporation license and income taxes under chapter 31, except as provided in 15-31-702, shall be deposited in the general fund subject to the prior pledge and appropriation of such income tax and corporation license tax collections for the payment of long-range building program bonds. The remaining 25% of the proceeds of the corporation license tax, excluding that allocated to the counties under 15-31-702, corporation income tax, and income tax shall be deposited to the credit of the state special revenue fund for state equalization aid to the public schools of Montana.

(3) The state treasurer shall also deposit to the credit of the state general fund all moneys received by him from the collection of license taxes, ~~SEVERANCE TAXES~~ and all net

EXHIBIT NO. 4  
DATE June 28, 1986  
BILL NO. SB 21

revenues and receipts from all other sources under the operation of the Montana Alcoholic Beverage Code.

~~(4) Thirty-three-and-one-third-percent-of-the-total collections-of-the-oil-severance-tax-under-chapter-36-shall be-deposited-into-the-local-government-block-grant-account within-the-state-special-revenue-fund.~~ After the distribution provided for in 15-36-112, the remainder of the oil severance tax collections shall be deposited in the general fund."

Section 31. Section 15-36-112, MCA, is amended to read:

"15-36-112. Disposition of oil and gas severance taxes.

(1) Each year the department of revenue shall determine the amount of tax collected under this chapter from within each county.

(2) The severance taxes collected under this chapter are allocated as follows:

~~{a}-33-1/3%-of-the-oil-severance-tax,-not-to-exceed-\$42 million-for-the-biennium-ending-June-30,-1985,-is-deposited in-the-local-government-block-grant-account-within-the-state special-revenue-fund;~~

~~{b}~~(a) the amount, if any, by which the tax collected from within a county for any fiscal year exceeds the total amount collected from within that county for the previous fiscal year, by reason of increased production and not because of increase in or elimination of federal price ceilings on oil and gas, is statutorily appropriated, as provided in 17-7-502, for allocation to the general fund of the county for distribution as provided in subsection (3);

~~{c}~~(b) any amount not allocated to ~~the-local-government block-grant-account-or~~ the county under subsection (2)(a) or ~~{2}{b}~~ is allocated to the state general fund.

(3) (a) The county treasurer shall distribute the money received under subsection (2)~~{b}~~(a) of this section to the county and to all the incorporated cities and towns within the county in the following manner. The county receives the available money multiplied by the ratio of the rural population to the county population. Each incorporated municipality receives the available money multiplied by the ratio of the population of the incorporated municipality to the county population. The rural population is that population of the county living outside the boundaries of an incorporated municipality. Population shall be based on the most recent figures as determined by the department of commerce.

(b) The money distributed under this subsection may be used for any purpose as determined by the governing body of the county, city, or town."

Renumber: subsequent sections

27. Page 64, line 11.  
Following: "29,"

SENATE TAXATION

EXHIBIT NO. 4

DATE June 28, 1986

BILL NO. SB 21

Strike: "31,"  
Following: "35,"  
Insert: "37,"

28. Page 64, line 13.  
Following: line 12  
Strike: subsection (2) in its entirety  
Renumber: subsequent subsections

29. Page 64, line 14.  
Following: line 13  
Strike: "(3) Section 32 is"  
Insert: "(2) Sections 30 through 32 and 34 are"

SENATE TAXATION

EXHIBIT NO. 4

DATE June 28, 1986

BILL NO. SB 21

OFFICE OF BUDGET AND PROGRAM PLANNING AND  
LEGISLATIVE FISCAL ANALYST COOPERATIVE FISCAL STATUS

According to the request received from Senate leadership, the OBPP and the LFA have presented a combined fiscal status using HJR 1 revenue estimates. Some immaterial compromises have been made and our best estimate of current legislative action is listed.

---

OBPP and LFA Cooperative Fiscal Status  
June 28, 1986 - 11:00 a.m.  
(Thousands)

---

		1987 Biennium
Beginning Balance 7/1/85		\$ 27,545
Prior Year Adjustments		4,455
Revenue - HJR1		<u>685,762</u>
Funds Available		\$717,762
Disbursements		
Appropriations		
Supplementals		
Other		
Public Schools		
Block Grant - Public Schools		
Block Grant - Other		
Reversions		
Total Disbursements		<u>\$815,594</u>
Projected Deficit 6/30/87		<u><u>\$ (97,832)</u></u>

SENATE TAXATION  
\$786,406 EXHIBIT NO. 5  
DATE June 28, 1986  
BILL NO. HB 14

SENATE TAXATION  
EXHIBIT NO. \_\_\_\_\_  
DATE \_\_\_\_\_  
LL NO. \_\_\_\_\_

---

There is a projected deficit of \$98 million as shown in Table 1. If the legislative action shown in Table 2 receives final approval in the legislative process, the deficit will be reduced to \$38 million.

---

Table 2  
Legislative Action Taken and Assumed to Remain - (Thousands)

---

1.	Across-the-Board Cuts	\$11,588
2.	Other Appropriations and Senate Action	6,028
3.	SRS Benefit Changes and Funding Match	3,239
4.	Liquor System Reductions	1,100
5.	Highway Patrol Fund Switch	3,083
6.	Postpone new Program Startups	675
7.	Delay New Water Development Projects	947
8.	Eliminate General Fund Support for Parks	412
9.	Coal Tax Lobby Reduction	55
10.	Close Detention Center at Mountain View	56
11.	Delay Capitol Renovation	4,949
12.	Cap Park Acquisition Trust for 3 Years	1,683
13.	Delay Alternative Energy Loans and Grants	1,350
14.	Utilize DOLI Penalty and Interest Money	384

----- CONTINUED -----

- - - - - TABLE 2 CONTINUED - - - - -

15.	Establish Deputy County Attorney Account	520
16.	Legislative Council Code Account	500
17.	Social Security Interest Earnings	2,000
18.	Appropriate Coal Board Funds	1,680
19.	Increased Interest Due to Balance Budget	4,655
20.	Remove the Limits on TRANS	458
21.	Cut Legislators Pay	116
22.	SB 10 - Early Payment of Foundation Payments	(389)
23.	HB 33 - Limit G.A. Benefits	1,144
24.	HB 36 - Sell Youth Treatment Center	3,875
25.	HB 45 - P.S.C. Regulated Utility Tax	1,637
26.	HB 31 - Pay Plan Freeze	8,128

Total	\$ 59,873
Deficit - Table 1	<u>(97,832)</u>

Remaining Deficit	<u><u>\$(37,959)</u></u>
-------------------	--------------------------

Table 3 shows \$28.7 million of Governor's proposals which have incomplete action. If all the Governor's proposals shown in Table 3 are accepted, there will be an ending fund balance of \$(9.3) million.

Table 3  
Governor's Proposals Passed One House - (Thousands)

SB 9	School Foundation 1% Increase	8,422
SB 14	Gas Tax	
	Move Federal Mineral Leasing	7,305
	Move Coal Tax (\$5,937)	-0-
	Credit Interest to G.F.	6,251
HB 14	Pro-Rate Local Government Block Grant	<u>6,696</u>

Total	\$ 28,674
Deficit - Table 1 and 2	<u>(37,959)</u>

Remaining Deficit	<u><u>\$(9,285)</u></u>
-------------------	-------------------------

Table 4 shows the Governor's proposals which have not gotten out of committee. If these bills worth \$6.7 million pass, the ending general fund balance will be \$(2.6) million.

Table 4  
Governor's Proposals in Committee  
(Thousands)

SB 12	Redirect RIT Tax (\$4,063)	\$ -0-
SB 13	Redirect Education Trust Coal Tax	<u>6,732</u>

Total	\$ 6,732
Deficit- Table 1, 2, and 3	<u>(9,285)</u>

Remaining Deficit	<u><u>\$(2,553)</u></u>
-------------------	-------------------------



HOUSE BILL # 14

SENATE TAXATION

TESTIMONY BY NEWELL ANDERSON  
ADMINISTRATOR

EXHIBIT NO. 5

LOCAL GOVERNMENT ASSISTANCE DIVISION  
DEPARTMENT OF COMMERCE

DATE June 28, 1986

BILL NO. 14B14

IN SUPPORT OF THE BILL PROPOSING AUTHORITY TO PRORATE THE  
LOCAL GOVERNMENT BLOCK GRANT PROGRAM

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

IT IS NOT A PLEASANT TASK THAT THE DEPARTMENT PROPOSES IN HOUSE BILL 14. WE DO NOT COME TO THIS SPECIAL SESSION ON THIS BILL WITH ANYTHING SHORT OF A REAL AND PAINFUL ISSUE. IT IS AN ISSUE THAT IS NOT PECULIAR FROM THE VERY REASON THIS SESSION IS CONVENED - NOT ENOUGH REVENUES TO COVER ANTICIPATED COSTS IN FY '87.

HOUSE BILL 14 VERY SIMPLY AMENDS THE LOCAL GOVERNMENT BLOCK GRANT PROGRAM STATUTORY DEFINITIONS TO ALLOW THE STATE TO PRORATE DISBURSEMENTS FROM THIS PROGRAM BASED ON REVENUES RECEIVED RATHER THAN ON CLAIMS MADE. LET THERE BE NO MISTAKE, WITH EXISTING REVENUE SOURCES AND ESTIMATES, CLAIMS FOR DISBURSEMENTS WILL EXCEED REVENUES BY NEARLY 50% IN FY '87. THIS BILL ALSO AMENDS THE CERTIFICATION OF VEHICLE COUNTS BY MOVING THIS RESPONSIBILITY FROM THE COUNTY TREASURERS TO THE DEPARTMENT OF JUSTICE - MOTOR VEHICLE DIVISION.

LET ME BRIEFLY DESCRIBE THE REASONS WHY WE, OF THE DEPARTMENT OF COMMERCE ARE REQUESTING THIS LEGISLATION.

FIRST - THE REGULAR SESSION OF THE 49th LEGISLATURE PREDICTED THAT REVENUES MAY BE SHORT WHEN HOUSE BILL 500 PASSED. IN JANUARY OF 1986, THE DEPARTMENT COMPLETELY IDENTIFIED THAT THE REVENUES COMING IN FROM THE 1/3rd RECEIPTS OF THE OIL SEVERANCE TAX WOULD NOT EQUAL THE CLAIMS FOR DISBURSEMENTS REQUIRED BY STATUTE. IT WAS DETERMINED THAT FULL FUNDING WAS THE ONLY OPTION AVAILABLE TO THE DEPARTMENT FOR THE MARCH 1, 1986 DISTRIBUTION. IN ORDER TO ACCOMPLISH THAT FULL FUNDING, THE DEPARTMENT HAD TO BORROW FROM THE GENERAL FUND, \$7.880 MILLION. ON JUNE 30, 1986, THIS PROGRAMS YEAR END FUND BALANCE IS PROJECTED TO BE A NEGATIVE \$1.674 MILLION.

NEXT - THE DEPARTMENT REVIEWED EVERY OPTION WE COULD CONCEIVE OF SINCE MARCH OF THIS YEAR, LOOKING FOR OPTIONS THAT COULD ENHANCE THE FUTURE REVENUES FOR THIS PROGRAM. EVERY ONE OF THOSE OPTIONS INCLUDED SIGNIFICANT INCREASES IN EITHER TAXES OR FEES. GOVERNOR SCHWINDEN HAS MADE IT VERY CLEAR THAT INCREASES SUCH AS THESE WERE "ONLY AS A LAST RESORT". FUND TRANSFERS TO MAKE UP THE SHORTFALL COULD NOT SERIOUSLY BE CONSIDERED BECAUSE OF THE MAGNITUDE - \$7.9 MILLION - AN AMOUNT LARGER THAN THE TOTAL GENERAL FUND BUDGET OF THE ENTIRE DEPARTMENT OF COMMERCE.

FINALLY - THE DEPARTMENT ANALYZED THE OPTIONS AND CONCLUDED THAT PRORATION WAS THE MOST RESPONSIBLE OF THOSE THAT WE REVIEWED. IT IS NOT WITHOUT PAIN. IT DOES EFFECT LOCAL GOVERNMENTS AND THEIR REVENUES. THOUGH THE NUMBER OF 50% DOES REPRESENT THE APPROXIMATE DEFINITION OF DISBURSEMENTS PROJECTED UNDER PRORATION, THAT NUMBER CANNOT BE USED IN REALISTICALLY DEFINING THE IMPACT ON LOCAL GOVERNMENTS. MORE REALISTIC IS THE EXAMPLE OF HOW FY '86 DISBURSEMENTS RECEIVED BY A SPECIFIC UNIT OF LOCAL GOVERNMENT RELATED TO THAT UNITS TOTAL GENERAL FUND. SUCH AN EXAMPLE WOULD BE: (NOTE HAND OUT)

\* YELLOWSTONE COUNTY - TOTAL COUNTY GENERAL FUND = \$6,755,094; TOTAL LGBG FUNDS DISBURSED TO COUNTY GENERAL FUND = \$194,223; % LGBG REVENUE IS TO TOTAL GENERAL FUND = 2.88%; IF PRORATION IS UTILIZED IN THIS CASE THE YELLOWSTONE COUNTY GENERAL FUND REVENUES WOULD BE REDUCED BY 1.55%.

\* CARRYING THAT SAME DISTRIBUTION TO THE CITY OF BILLINGS THE FIGURES WOULD BE: TOTAL CITY GENERAL FUND = \$16,461,933; TOTAL LGBG FUNDS DISBURSED TO BILLINGS GENERAL FUND = \$499,345; % LGBG REVENUE IS TO TOTAL CITY GENERAL FUND = 3.03%; IF PRORATION IS UTILIZED IN THIS CASE THE BILLINGS CITY GENERAL FUND REVENUES WOULD BE REDUCED BY 1.64%.

\* CARRYING THAT SAME DISTRIBUTION TO THE YELLOWSTONE COUNTY SCHOOL DISTRICTS THE FIGURES WOULD BE: TOTAL COUNTY SCHOOL DISTRICT FUND = \$58,552,210; TOTAL LGBG FUNDS DISBURSED TO YELLOWSTONE COUNTY SCHOOLS = \$1,848,828; % LGBG REVENUE IS TO TOTAL SCHOOL FUND = 3.16%; IF PRORATION IS UTILIZED IN THIS CASE THE YELLOWSTONE COUNTY SCHOOL DISTRICTS FUND REVENUES WOULD BE REDUCED BY 1.70%.

OUR CONCLUSION, BASED ON THESE TYPE OF EXAMPLES, IS THAT WHERE PRORATION MEANS A REDUCTION OF 1.55% ON REVENUES TO A COUNTY GOVERNMENT'S GENERAL FUND, THIS IMPACT IS LESS NEGATIVE THAN EITHER INCREASING THE STATES ALREADY SUBSTANTIAL DEFICIT BY ANOTHER \$7.9 MILLION OR RAISING FEES ON MONTANA CITIZENS AUTOMOBILES BY 20 TO 185%.

THE AMENDMENT THAT TRANSFERS THE CERTIFICATION OF VEHICLE NUMBERS FROM THE COUNTY TREASURERS TO THE DEPARTMENT OF JUSTICE IS SIMPLY INTENDED TO PROVIDE THE QUANTIFICATION OF VEHICLES BE DONE AT THE END OF THE REGISTRATION SYSTEM RATHER AT THE BEGINNING. THE UNIFORMITY OF INFORMATION WILL BE ENHANCED, THUS INCREASING THE ACCURACY OF REIMBURSEMENTS.

SOME WILL SAY THAT THIS PROPOSAL IS AN UNFORTUNATE EFFORT TO PASS THE PAIN ON TO LOCAL GOVERNMENTS. WE DO NOT PUT THIS PROPOSAL TO THE LEGISLATURE WITHOUT RECOGNITION OF ITS PAIN - A PAIN THAT IS NO DIFFERENT THAN THAT WHICH THE WHOLE OF STATE GOVERNMENT IS NOW DEALING WITH. OTHERS WILL SAY THAT THE STATE IS FORCING LOCAL GOVERNMENTS TO RAISE LOCAL TAXES BY THIS PRORATION PROPOSAL. WE RECOGNIZE THAT IS AN OPTION TO LOCAL GOVERNMENTS, BUT IT SHOULD NOT BE CONSIDERED WITHOUT CONSIDERATION GIVEN TO REDUCING BUDGETS - AS THE STATE GOVERNMENT IS NOW DOING.

IN CONCLUSION MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, WE ENCOURAGE YOUR SUPPORT FOR HB 14. THE STATUTORY AUTHORITY TO PRORATE THESE FUNDS WILL RESOLVE THIS \$7.9 MILLION FISCAL ISSUE. IT WILL PUT THE STATE IN A POSITION WHERE STATE GOVERNMENT WILL PAY OUT FROM THIS PROGRAM - EXACTLY THAT AMOUNT WHICH THE STATE RECEIVES IN REVENUES. WE BELIEVE THAT THE ABSENCE OF THIS AMENDMENT TO THE LOCAL GOVERNMENT BLOCK GRANT PROGRAM WILL VERY LIKELY LEAD TO SIGNIFICANT LEGAL CHALLENGES OR A REQUEST TO THE NEXT LEGISLATURE FOR A SIGNIFICANT SUPPLEMENTAL APPROPRIATION.

THE OPTIONS AVAILABLE ARE CLEARLY LEGISLATIVE POLICY ISSUES. WE BELIEVE PRORATION AUTHORITY NEED BE SERIOUSLY CONSIDERED. THANK YOU FOR THE TIME TO DISCUSS THIS PROPOSAL WITH YOU. I WOULD BE HAPPY TO ANSWER ANY QUESTIONS.

SENATE TAXATION

EXHIBIT NO. 5

DATE June 28, 1986

BILL NO. 11B14

- END -

7. Page 1, line 19.

Following: "(2)"

Strike: "(a)"

8. Page 1, line 20.

Following: "whose"

Strike: "projected"

9. Page 1, line 21.

Following: "withholdings"

Strike: "usually equals or exceeds \$50,000 in one month"

Insert: "equalled or exceeded \$600,000 for the preceding calendar year"

10. Page 1, lines 22 and 23.

Following: "file" on line 22

Strike: " , in lieu of the return and payment required under subsection (1), "

11. Page 1, line 23.

Following: "a"

Insert: "weekly"

12. Page 2, line 3.

Following: line 2

Strike: "(b)"

Insert: "(3)"

Following: "The"

Strike: "report"

Insert: "return"

Following: "(2)"

Strike: "(a)"

13. Page 2, lines 4 through 6.

Following: "be" on line 4

Strike: "filed"

Insert: "submitted"

Following: "the" on line 4

Strike: the remainder of subsection (b)

Insert: "date on which federal income tax weekly withholding payments are due, unless a different date is specified by the department."

14. Page 2, lines 7 through 24.

Following: line 6

Strike: subsections (2)(c) and (3) in their entirety

15. Page 3, line 3.  
Following: "quarterly"  
Strike: "monthly"  
Insert: "quarterly"

16. Page 3, line 4.  
Following: "quarterly"  
Strike: "monthly"  
Insert: "quarterly"

17. Page 3, line 5.  
Following: "quarterly"  
Insert: "quarterly"

18. Page 3, line 6.  
Following: "(1)"  
Strike: ", (2), or (3)"

19. Page 3, lines 21 through 23.  
Following: "3." on line 21  
Strike: "Effective date -- applicability"  
Insert: "Applicability"  
Following: "act" on line 22  
Strike: "is effective on passage and approval and"

20. Page 3, line 24.  
Following: line 23  
Strike: "August 1, 1986"  
Insert: "April 1, 1987"

SB17.SCE

AND AS AMENDED, DO PASS

# STANDING COMMITTEE REPORT

JUNE 28, 1986

MR. PRESIDENT

We, your committee on **TAXATION**

having had under consideration **HOUSE BILL** No. **14**

**third** reading copy ( **blue** )  
color

## MODIFICATION OF LOCAL GOVERNMENT BLOCK GRANT PROGRAM

Respectfully report as follows: That **HOUSE BILL** No. **14**

**be amended as follows:**

1. Title, line 7.

Following: "PROGRAM;"

Insert: "PROVIDING A CONTINGENT APPROPRIATION FROM THE  
GENERAL FUND TO THE LOCAL GOVERNMENT BLOCK GRANT ACCOUNT;"

2. Page 8.

Following: line 21

Insert: "NEW SECTION. Section 8. Appropriation. There is  
appropriated \$7 million from the general fund to the local  
government block grant account for fiscal year 1987."

Renummer: subsequent section

3. Page 8, line 22.

Following: "date"

Strike: ". This act is"

Insert: "-- coordination. (1) Sections 1 through 7 and  
this section are"

4. Page 8.

Following: line 23

Insert: "(2) Section 8 of this act is effective only if  
Senate Bill 17 is passed and approved."

H814.SCR

**AND AS AMENDED, BE CONCURRED IN**  
**DOUBLED**

**DOUBLED**

Senator Thomas E. Towe, Chairman.

# STANDING COMMITTEE REPORT

JUNE 28, 1986

Page 1 of 3.

MR. PRESIDENT

We, your committee on

**TAXATION**

having had under consideration

**SENATE BILL**

**17**

No.

**first**

reading copy ( **white** )  
color

## CHANGING THE REPORTING AND TAX PAYMENT PERIODS FOR WITHHOLDING TAXES

Respectfully report as follows: That

**SENATE BILL**

**17**

No.

**be amended as follows:**

1. Title, lines 6 and 7.

Following: "PROVIDING" on line 6

Strike: "AN IMMEDIATE EFFECTIVE DATE AND"

2. Page 1, line 11.

Following: "Quarterly"

Strike: ", monthly, or bimonthly"

Insert: "or weekly"

3. Page 1, line 12.

Following: "(1)"

Strike: "On"

Insert: "Except as provided in subsection (4), on"

4. Page 1, line 12.

Following: "of"

Strike: "each month"

Insert: "April, July, October, and January"

5. Page 1, lines 13 and 14.

Following: "15-30-203"

Strike: ", except as provided in subsections (2) through (4),"

Insert: "whose total liability for withholding income taxes did not exceed \$600,000 for the preceding calendar year"

6. Page 1, line 18.

Following: "preceding"

Strike: "month"

Insert: "quarter"

~~XXXXXX~~

~~XXXXXXXX~~

continued

Chairman.

# STANDING COMMITTEE REPORT

JUNE 28, 1986

MR. PRESIDENT

We, your committee on **TAXATION**

having had under consideration **HOUSE BILL** No. **35**

**third** reading copy ( **blue** )  
color

**ESTABLISH CLASS 18 PROPERTY FOR MINING CLAIMS AND  
VALUE AT U.S. SALES PRICE**

Respectfully report as follows: That **HOUSE BILL** No. **35**

DO PASS

~~XXXXXXXXXX~~

.....  
**Senator Thomas E. Towe,** Chairman.

# STANDING COMMITTEE REPORT

JUNE 28, 1986

MR. PRESIDENT

## TAXATION

We, your committee on

## HOUSE BILL

44

having had under consideration

No.

third

reading copy ( blue )  
color

## REVISE PROCEDURE FOR PROTESTING TAX AND LICENSE FEES

## HOUSE BILL

44

Respectfully report as follows: That

No.

BE CONCURRED IN  
~~SENATE~~

~~SENATE~~

Senator Thomas E. Towe,

Chairman.