

MINUTES OF THE MEETING
TAXATION COMMITTEE
HOUSE OF REPRESENTATIVES
50TH LEGISLATIVE SESSION

January 14, 1987

The meeting of the Taxation Committee was called to order by Chairman Ramirez on January 14, 1987, at 9 a.m. in Room 312B of the State Capitol.

ROLL CALL: All members were present. Also present was Dave Bohyer, Researcher, Legislative Council.

CONSIDERATION OF HOUSE BILL NO. 97: Representative Tom Asay, House District 27, sponsor of the bill, told the Committee the bill authorizes the Coal Board to finance local government public works projects on a statewide basis. He explained that new language allows the Board to look at statewide infrastructure needs, instead of limiting them to coal-impacted areas. Rep. Asay said the Legislature needs to recognize the problems with infrastructure and to facilitate movement in this area.

CONSIDERATION OF HOUSE BILL NO. 32: Representative Les Kitselman, House District 95, sponsor of HB 32, said the bill would expand the purpose of coal severance tax bonds to local governments for public works. He advised the Committee that the 1985 Legislature felt this function should be placed with the Department of Commerce, and said interest in the trust fund is pledged on a two to one ratio to make bonds salable. Rep. Kitselman stated bonds must then come before the Legislature, and are retired as they are sold.

PROPOSERS OF HOUSE BILL NOS. 32 AND 97: Former state senator Pat Goodover, Great Falls, advised the Committee he supported both HB 97 and 32.

Irene Russell, Great Falls Area Chamber of Commerce and Legislative Action Committee, stated her support of both HB 97 and 32.

George Roski, former state senator from Great Falls, stated his support of both bills and read from a prepared statement (Exhibit #1).

Alec Hansen, Montana League of Cities and Towns, told the Committee his organization supports HB 32, as municipalities need approximately \$100 million to bring their water systems up to acceptable standards. He warned that enormous problems loomed ahead if the situation were not addressed now.

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OPPONENTS OF HOUSE BILL 32 AND/OR 97: Gary Fritz, Administrator, Water Resources Division, Department of Natural Resources and Conservation (DNRC), told committee members HB 32 would affect the Department's Water Development Program. He explained the Department is currently authorized \$180 million and would use \$80 million of that balance this year. He said every dollar used for non-water projects takes dollars away from water projects, in the form of a long-term impact. (Exhibit #2)

Mr. Fritz said Legislative Council Researcher, Karen Renne, discussed the situation with the Water Policy Committee, and was told the fund should not be diminished.

QUESTIONS ON HOUSE BILLS 32 AND/OR 97: Rep. Ream asked if the percentage shown on line 19, page 12 of the bill, would become a problem. Rep. Kitselman replied he thought it had and suggested the Committee work with Mr. Fritz to resolve the matter.

Rep. Raney asked if such action required a policy change by the Legislature. Rep. Kitselman replied it did not, and said an opportunity is being made available for both water policy and water projects, if the Legislature is interested in doing both.

Rep. Raney commented that water project progress would be slowed. Rep. Kitselman replied that the reduction in dollars for bonds would spread the projects out over a longer period of time, but would permit both focuses to continue on a parallel.

Rep. Patterson asked about the Governor's program on infrastructure. Rep. Kitselman replied the Infrastructure Committee was formed as a result of the Governor's study. He said work in the amount of \$2 billion needs to be completed now, adding that portions of the funds could also be used for bridges, roads, libraries, jails, etc.

Rep. Sands asked where the standards are that designate who receives what funds. Rep. Kitselman replied those standards would be developed via policy of the Water Development Board, adding that the Infrastructure Committee could also establish policy.

Rep. Sands commented that the program would be difficult to administer without standards or some type of framework. Rep. Kitselman replied that would not be necessary, as a bond program would be established. He said a legislative board or a policy board would also be set up.

Rep. Sands asked how Rep. Asay's bill (HB 97), tied in with HB 32. Rep. Asay responded and said that although both bills address infrastructure, they are not related. He stated that HB 97 slightly alters the existing program and does not disrupt it, while some form of structuring needs to take place with HB 32. He commented that he believed HB 32 would fit in well with the situation addressed in HB 97.

Rep. Koehnke commented that HB 97 merely removed the provision that funding would be derived from dollars presently designated for coal-impacted areas.

Rep. Ellison asked Mr. Fritz how long bonding authorization would last at the present rate of expenditure. Mr. Fritz replied DNRC has used \$80 million of its authorized spending authority in three to four years. He estimated the remainder would last another ten to twelve years, if it were used for water projects only. He cautioned that this was just an estimate, but the funds would not last nearly as long if they were also used for other projects.

Rep. Williams asked if HB 97 still used the Coal Board for authorization of expenditures, and if the existing program were affected. Rep. Asay replied it did and said the existing program is not affected.

Rep. Ream asked Rep. Asay if he did not anticipate further coal development impact to his area since HB 97 removes impacted areas. Rep. Asay replied the bill should still leave room for future impacted areas and that perhaps the language needs to be clarified. He added that the Committee could address this situation during executive session.

Rep. Raney commented that he was confused about bond ratings and bond availability, and asked how bonding is lowered. Mr. Fritz replied the bill contains two separate parts: (1) the analysis; and (2) the share of coal severance tax from water debt service which backs bonds and which has been pledged to bond buyers. He said HB 32 would take one-half of that away and added that those funds are also used for debt service payments on bonds.

Mr. Fritz stated the changes proposed by HB 32 could result in law suits, penalties, accelerated debt service, and a higher bond rating. He explained that on one hand, \$180 million in spending authority means a large bonding program, and that on the other hand, the Board should have .625% of coal severance tax trust fund collections and a smaller bonding program.

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Rep. Ellison told Rep. Asay he has problems in his district with areas impacted by hardrock mining projects and asked Rep. Asay if he experienced similar problems. Rep. Asay replied his area had a positive reaction to the bill.

Rep. Patterson asked if HB 97 would cause the Coal Board to act beyond its original boundaries. Rep. Asay replied it would, adding he believes there is a need to utilize past problems to take positive steps in the future.

Rep. Raney asked Rep. Kitselman if he had been aware of the potential for bonding suits. Rep. Kitselman stated the situation could be resolved by the amendment he is working on now.

CLOSING ON HOUSE BILL NO. 97: Rep. Asay stated that he sees the proposed legislation as a positive step toward addressing a particular problem, while not impacting another program. He stated the bill could be fine-tuned as needed, and that he didn't see HB 97 and HB 32 as being either related or contradictory in nature. He told the Committee HB 97 could stand alone and said it's time to take a positive step.

Rep. Asay explained that line 12, on page 5 of the bill still makes provisions for drafts within impacted areas.

CLOSING ON HOUSE BILL NO. 32: Rep. Kitselman reminded committee members his bill came out of Infrastructure Committee to address infrastructure problems. He advised the Committee there are three existing water policy programs now, of which he is requesting a share of funds for similar projects. Rep. Kitselman said the litigation problem could be resolved with an amendment and told the Committee the problem needs to be addressed now.

EXECUTIVE SESSION:

DISPOSITION OF HOUSE BILL NO. 17: Rep. Williams made a motion that the bill be amended by inserting "licensed outpatient" on line 7, page 2 of the bill.

Dave Bohyer advised the Committee this is a grey area and that such language could significantly change the intent of the bill. He commented that if the language can survive a period of two years without being challenged, it would be established.

Chairman Ramirez suggested that if the Committee desired to limit the bill to non-profit outpatient facilities, it could kill HB 17 and come out with a committee bill.

Rep. Williams withdrew his motion to amend and made a substitute motion that HB Do Not Pass and that the Committee create its own bill, limiting centers to non-profit hospitals and surgical centers. The motion CARRIED unanimously.

Chairman Ramirez stated the Committee needs to be aware that it is not granting the exemption to profit-making surgical centers. He also commented that there is difficulty in setting hearing schedules because fiscal notes are being delayed.

DISPOSITION OF HOUSE BILL NO. 56: Chairman Ramirez advised committee members action on the bill would be deferred until he could talk to Rep. Cobb about a proposed amendment.

Rep. Ream told Rep. Asay there seems to be a conflict between HB 56 and HB 97. He asked if the bills could be discussed together. Rep. Asay agreed to offer written amendments within a few days.

Chairman Ramirez agreed that executive action would be taken on HB 56 and HB 97 on the same date.

DISPOSITION OF HOUSE BILL NO. 87: Rep. Marion Hanson made a motion that the bill Do Pass.

Dave Bohyer reminded the Committee that the bill sponsor asked for an amendment to change the effective date to January 1, 1987 (Exhibit #3).

Rep. Ellison made a substitute motion that the Committee accept the proposed amendment. The motion CARRIED with all members voting aye except Rep. Keenan, who voted no.

Rep. Hanson made a motion that HB 87 Do Pass As Amended. The motion CARRIED unanimously.

DISPOSITION OF HOUSE BILL NO. 91: Rep. Raney made a motion that HB 91 Do Pass. The motion CARRIED unanimously.

DISPOSITION OF HOUSE BILL NO. 14: Rep. Ream made a motion that HB 14 Do Pass.

Rep. Asay advised that HB 97 could be affected by the passage of HB 14.

Rep. Hanson stated that if HB 97 doesn't pass, perhaps the Committee should pass out HB 14.

Rep. Ellison made a substitute motion that HB 14 Do Not Pass. He reminded committee members of the identical situation existing in Park County, which he discussed during hearing of the bill. Rep. Raney added his agreement.

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Rep. Sands stated he, too, agreed, adding that it doesn't make sense for the Coal Board to get involved in loans in a big way because it has insufficient staff to handle such matters and it is a prescription for insolvency for local governments.

Rep. Williams added his agreement and said that on line 25, page 8 of the bill a special assessment would be treated no differently than a mill levy, giving too much authority to local governments.

Chairman Ramirez stated the Committee could salvage the sentence pertaining to local authority on page 9.

A roll call vote was taken and the motion CARRIED with all members voting aye except Reps. Hanson, Ream and Schye (attached).

OTHER BUSINESS: Chairman Ramirez advised the Committee he wanted to defer action on HB 97 until he had discussed HB 32 with Rep. Kitselman. He added that the Committee does need to address infrastructure. Rep. Williams stated his agreement.

Chairman Ramirez told the Committee a representative of Western Sugar Company would be in Helena on Thursday, January 15, to discuss the property tax burden in Montana versus that experienced in other states. He stated that information would be heard at 8:30 a.m. Rep. Patterson stated his agreement.

Rep. Gilbert advised committee members of an error on page 22 of the Montana Forward Coalition book, wherein 5% of market value should actually be 16%.

Chairman Ramirez commented that the Committee would hear all hotel, motel tax bills on Friday, January 16.

ADJOURNMENT: There being no further business before the Committee, the meeting was adjourned at 11 a.m.



Representative Jack Ramirez,
Chairman

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STANDING COMMITTEE REPORT

JANUARY 14

19 87

Mr. Speaker: We, the committee on HOUSE TAXATION

report HOUSE BILL NO. 14

do pass

do not pass

be concurred in

be not concurred in

as amended

statement of intent attached

Rep. Jack Ramirez

Chairman

REVISING PROVISIONS FOR REPAYMENT OF COAL BOARD LOANS.

FIRST reading copy (WHITE)
color

STANDING COMMITTEE REPORT

JANUARY 14

19 87

Mr. Speaker: We, the committee on HOUSE TAXATION

report HOUSE BILL NO. 17

do pass
 do not pass

be concurred in
 be not concurred in

as amended
 statement of intent attached

**EXEMPT OUTPATIENT SURGICAL
CENTERS FROM PROPERTY
TAXATION**

Rep. Jack Ramirez,

Chairman

FIRST reading copy (WHITE)
color

STANDING COMMITTEE REPORT

JANUARY 14 19 87

Mr. Speaker: We, the committee on HOUSE TAXATION

report HOUSE BILL NO. 87

do pass be concurred in as amended
 do not pass be not concurred in statement of intent attached

Rep. Jack Ramirez

Chairman

EXTENDING ELDERLY PROPERTY TAX CREDIT TO ELDERLY PERSONS WHO MOVE RESIDENCE.

Be amended as follows:

1. Title, line 6.

Strike: "AND"

2. Title, line 7.

Following: "MCA"

Insert: "; AND PROVIDING A RETROACTIVE APPLICABILITY DATE"

3. Page 4.

Following line 10

Insert: "NEW SECTION. Section 4. This act is applicable retroactively, within the meaning of 1-2-109, to taxable years beginning after December 31, 1986."

STANDING COMMITTEE REPORT

JANUARY 14

19 87

Mr. Speaker: We, the committee on HOUSE TAXATION

report HOUSE BILL NO. 91

do pass
 do not pass

be concurred in
 be not concurred in

as amended
 statement of intent attached

Rep. Jack Ramirez

Chairman

ELIMINATES THE TERMINATION DATE FOR THE AGRISULTURE IN THE SCHOOLS PROGRAM.

FIRST reading copy (**WHITE**)
color

1-14-87
HB 32

INFRASTRUCTURE WHITE PAPER

EXHIBIT # 1
DATE 11-4-87
HB'S 32 + 97

On April 24, 1986 the legislative action committee of the Great Falls Chamber of Commerce passed a motion to have a committee explore the creation of jobs thru bonding the state with Coal Trust money to repair Montana's 100 year old infrastructure.

The committee was appointed to include Warren O'Keefe, Pat M. Goodover, Bob Reiquam and Irene Russell, and it was charged to have a report on it's findings for the May 22nd meeting.

The committee met, elected Irene Russell sub-committee chairman, and Linda Rayho volunteered to act as secretary-recorder. Committee discussion determined that the project for jobs thru infrastructure repair needed credibility by experts involved in bonding, in business promotion and related fields of expertise. It was decided that Goodover and Russell make contact with recognized Montanans. Contacts have been made with Gene Hufford and Mark Semmens of DA Davidson Co., Maxine Johnson of the University of Montana Research Center, Mike Fitzgerald of the Montana International Trade Commission, Jack Stevens of the Coal Board; and Rep. Jack Ramirez of Billings, who has been involved in legislation on infrastructure solutions during the 1985 session. All of the individuals named above agree that the coal tax trust money, and other coal tax income can and should be used for the benefit of all the people of Montana - not just for special interest groups and projects. Demands are being made, and will continue to be made, for use of coal tax money for agriculture, for education, for buildings, and for other projects which require funding. Knowledgeable people involved in these programs have offered to meet with groups such as ours which are interested in providing jobs in the private sector for Montanans and discussing ways to fund rebuilding the state infrastructure.

With this credibility for the jobs project at least initially endorsed for further consideration, the committee offers the following resolution -

RESOLUTION

WHEREAS the state of Montana will be observing it's 100th anniversary in 1989, and age is taking it's toll on Montana's communities, cities, towns and counties by deteriorating infrastructure,
and

WHEREAS the 1986 Montana Infrastructure Survey reports current requirements of cities and towns to update this variety of deteriorating streets, alleys, water systems, sewer systems, city and county courthouses, jails, schools, and other public facilities,
and

WHEREAS Montana has used coal tax money to bond itself for 500 million dollars for statewide water projects, a possible alternative for infrastructure funding using the coal trust fund to provide guarantees for bonding and not a withdrawal of trust monies,
and

WHEREAS the coal tax trust fund of some 250 million dollars has been earmarked for "future generations" when the coal supply has been depleted,
and

WHEREAS it is reported that Montana alone has coal reserves to supply the entire US requirements for about 4000 years, and Wyoming has reserves for another 3000 years, at current extraction rates,
and

WHEREAS the present generations including our children and grandchildren are entitled to benefits from the coal tax trust, and are in need of opportunities now, to allow them to be educated and employed in Montana during their lifetimes,
and

WHEREAS the present generations can provide a legacy for future generations by updating and re-building our 100 year old infrastructure, to assure future generations of a modernized state they can be proud of,
and

WHEREAS time is of the essence in starting a program of job opportunities for every citizen desiring to work in Montana, including college graduates, architects, engineers, geologists, steel engineers, bridge builders, large equipment operators, laborers, and craftsmen, plus others,
and

WHEREAS people with jobs and salaries become taxpayers and buyers of merchandise which broadens the tax base, creates more jobs, and lessens the need of increasing taxes which in turn would also attract new business investments from outside the state as the business image of the state improves,
and

WHEREAS the coal board has for ten years used coal tax money in coal impact areas, providing cities & towns & counties with new infrastructure facilities, such as we are recommending for all areas of the state,
and

WHEREAS the coal board has extensive experience in determining the established criteria for the use of coal tax funds, and which members have the expertise to review and administer statewide infrastructure repairs,
and

WHEREAS recent problems with nuclear power plants has resulted in closings of nuclear plants which could make greater demands for our coal with additional income to the state for an infrastructure project.

NOW THEREFORE, be it resolved that the legislative action committee present this resolution for consideration by the Chamber of Commerce Board, who in turn would recommend action toward the ends discussed herein with all other state agencies interested in jobs for Montanans and infrastructure repairs. An educational campaign should be launched during the June special session to convince the state legislature to introduce legislation in the 1987 session and to the general public.

Respectfully submitted,

Irene Russell

Irene Russell, Chairperson
May 22, 1986

One amendment

EXHIBIT #2
DATE 1-14-87
HE 32

Representative Kitselman

AMENDMENT TO HOUSE BILL 32
(suggested by DNRC)

1. Page 4, line 2

Following: line 1

Insert: "(4) Money must be withdrawn from the coal severance tax bond fund and paid to the public works debt service account as necessary to provide for payment of principal and interest on the coal severance tax bonds secured by the pledge of the coal severance tax bond fund in 17-5-705."

EXHIBIT # 3
DATE 1/4-87
87

Proposed Amendments

House Bill No. 87
First Reading (White) Copy

1. Title, line 6.
Strike: "AND"

2. Title, line 7.
Following: "MCA"
Insert: "; AND PROVIDING A RETROACTIVE APPLICABILITY DATE"

3. Page 4.
Following line 10
Insert: "NEW SECTION. Section 4. This act is applicable retroactively, within the meaning of 1-2-109, to taxable years beginning after December 31, 1986."

VISITORS' REGISTER

House Taxation COMMITTEE

BILL NO. HB 32

DATE Jan 14, 1966

SPONSOR Kitselman

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
PAT M Gardner	GT Falls	✓	
Wm A Russell	✓	✓	
Walter J. Fisher	✓	✓	
Lysla Haller	Helena		
James McCleery	"		
Walt Moss	MEIC		
Sam Fisher	State Librarian		

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

