

MINUTES OF THE MEETING
HIGHWAYS AND TRANSPORTATION COMMITTEE
50TH LEGISLATIVE SESSION
HOUSE OF REPRESENTATIVES

January 15, 1987

Representative John Harp, Chairman of the Highways and Transportation Committee, called the meeting to order at 1:00 p.m. in Room 317 of the Capitol, Helena.

ROLL CALL

All members were present. Also present was Mary McCue, Legislative Council staff researcher.

GARY WICKS, Director of the Department of Highways, talked to the committee about Montana highway problems and needs. A subcommittee, chaired by Senator Joe Mazurek, had been appointed to study highway needs, and they recommended unanimously that the Reconstruction Trust Fund (RTF) be restored. The RTF program improves primary system roads. It was a \$40 million 10-year program authorized in 1983. Tax moneys are being collected that are going to the highway program. 12% presently goes to the highway program. Under current legislation, 6% is pledged to collect tax money to back up bonds. Up to \$150 million per year is authorized to come from user fees. A report had been distributed to the committee. Mr. Wicks would like the program reaffirmed as the Legislature did in 1983. In 1981 there was a lot of concern about roads, and they looked at uses and came up with recommendations prior to 1983, and the Legislature enacted those recommendations. They recognize that they couldn't maintain a Montana primary system with the federal aid program which had been the tradition since the 1940's. They must do something else. EXHIBIT #1.

They did three things. First, they established the RTF program to redo the primary system up to modern standards. The Highway Department was authorized and commissioned to spend \$40 million over a 10-year period. Second, they were authorized to borrow \$150 million to complete the interstate system ahead of schedule. Third, they funded it in part by passing a 6 cent increase in gas taxes, making the tax 11 cents on gas and 17 cents on diesel fuel. They did not get all of that money. Some continued to fund the Highway Patrol, and some was for local government roads, but there was enough money to start the program. After the 1983 Legislative Session, they went on to do what was necessary.

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The Interstate System was completed in October 1986, which was a \$1 billion investment in Montana's highway system paid for by 90% federal money and by 10% Montana money. However, most people rely on the primary system. They shifted to the primary system and in 1984, 1985, and 1986, worked on the primary system. Since 1983, 450 miles of critical primary roads have been designated and they have let 172 miles of those roads. Since 1983 1800 miles of primary roads have been worked on. The RTF program paid for many roads. The report to the Legislature started in 1983 showing what was done with the money made available to the Department. The Legislature funded them through 1987, and they will have to come back to the Legislature in 1987 to get funds for the future. The Special Session was unhelpful as far as the highway program was concerned. They moved the program up, the Governor's coal tax and mineral moneys were put into the Foundation Program, and they took the interest on the Highway Act and put it in the general fund out of the Highway Patrol account. About \$6 million a year went to \$9 million a year and they replaced those funds to the RTF with a 5 cent gas increase and a 3 cent diesel increase, but they only got a 3 cent gas increase and left with the coal tax money. We were expecting to need money in 1987 before the Special Session ever came about and now we must look at where we're going after 1989. When letting a contract, it is based on the low bid. A contractor submits a bill every month and the Department pays on that program. It may take 3 years to pay all the money on that contract out. In July and August they looked at 1989 and saw that if the RTF were continued, they would be \$79 million in the hole. The Highway Commission in September, as a result, ended the RTF program for 1987, 1988, and 1989, eliminating \$85 million in contracts. \$250 million RTF funds are recommended.

Gas taxes do not all go to the highway fund. (See "Where the money comes from and where it goes", and also the distribution of highway special revenue funds.) The Highway Department doesn't get all user fee moneys. A total of about \$22 million comes off the top and will go up about \$3 million in 1987. Rep. Kadas remarked that the 1987 coal tax money is 8% and 12% for 1988 and continues at 12% indefinitely unless the law is changed.

Mr. Wicks said their intention is to work on primary roads. They have increased mileage for maintenance responsibility. They are paying back borrowed funds at the rate of \$53 million per year. There will be no highway program without the RTF

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program. They could get through 1993 without additional revenue, but then there would be no RTF program. It gets pretty chancey after 1993--changing the way the money is paid out. He doesn't know how fast the money will be paid out because of the circumstances. It's hard to budget for things such as the federal match, as they may get more federal dollars than anticipated and have to match that money before it becomes available. Montana weather is also hard to budget for, as it is unpredictable and they don't know if there will be a good or a bad winter. Unless money was in the earmarked account, there would have to be a special session of the legislature. They can get through 1993 as long as they could have an RTF program.

Rep. Kadas asked about their inventories and was told they consist of gravel piles, oil, cement, etc. that are in their inventory.

Rep. Stang asked what the projected indication from the gas tax income would be. Mr. Wicks replied that even though they are seeing more traffic on the highways, the fuel used is less. There is a drop off of about 2% per year. The Budget Office predicts a quicker drop off.

They discussed what would have to be done if the RTF is put back in and they get back on schedule. There is \$37 million in the highway earmarked account. (See page 2 of handout.)

The RTF needs to be restored and funded, as they need additional revenues of \$15 million. They count very much on the coal tax at the level talked about, bonding, and in 1987 the existing debt needed to be restored and bring in about \$100 million of new money that has to be paid off. Those three things would allow the RTF to be restored through 1993, which is the time period for which it is authorized.

Rep. Kadas asked for an explanation of refinancing of bonds. Mr. Wicks said they were authorized \$150 million, and they ended up borrowing \$100 million: \$60 million to fund the state share of federal highway programs, \$40 million of bond anticipation notes which are currently being paid off to collect money for the interstate system and allows it to be paid off more quickly. He would pay some of this money off before issuing new bonds. He would issue \$150 million worth of bonds, have to pay off outstanding bonds, which would be about \$150 million, and have \$100 million left.

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By restoring the date and lowering payments for the first years, it would stretch out to the year 2000. Debts are identified on page 3. They are paying bonds off. Need a lot of time if they are going to do some bonding. If the legislature gives them some money, they will try to implement plans already ready.

Funding proposals show where some of the states are headed. Compared to Wyoming, which has a weight distinction tax, the trucking association objects to that in Montana. They indicate \$100 million per year of mineral taxes per year. We would have to increase the gas tax to 20 cents per gallon which Wyoming does not have. They are running into significant problems with their highways because of poor mineral revenues in the past several years. Montana keeps her relative position with surrounding states in spite of a lot of miles per capita.

Improvements in the DOH itself include their computer system and design as authorized by the legislature. \$1 million eliminates \$300,000 of salaries and allows them to do a lot of things better with higher quality results. Management systems are in place and working. FTEs have been reduced by well over 200.

EXHIBIT #4 shows highways are lowest in cost increases. These numbers include federal funds. They still are a long ways from keeping up with other programs dealt with.

They have done everything they said they would do in the previous bienniums. The program is worth its cost. With RTF and federal funds they will have funded 2,800 miles by 1993. Without RTF they will be able to work on 800 miles. They can go back and do reseal cover to protect and take care of that investment. If not funded, they will add few new roads. If restored by 1993, we can have a good primary system. Economically, construction dates are an important part of that economy. With the RTF they will have the opportunity to continue the construction program and keep the jobs currently going along with that program. Outstanding contracts are at the lowest level in five year and they are uncertain of federal funding. HJR 5 urges Congress to act on the refunding bill.

Highways are absolutely critical and are connected with tourism. HB 161 would prohibit weight restriction on 93. When it is done to haul seed potatoes, others will request restrictions be lifted. At the time of breakup the DOH will oppose that highway bill. With the RTF program, they could restore that highway surface.

Another reason for building now is excellent prices. The industry is hungry and a lot more dollars worth of work will be accomplished. Cheaper supplies such as asphalt and concrete are also available.

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Tax exempt securities are excellent with 6.75% on short-term borrowing and about 7% on long-term.

750 reasonably well paid jobs would be provided through the RTF. This is something the legislature can do something about.

Needed revenues are represented in HB 136. If the coal tax is continued, and additional bonding is obtained, they can have the RTF program back on line by May or June and doing work that will have to be done in the future anyway. He hoped for support for revenue to get this program back on line.

Rep. Mercer asked, assuming the \$150 million provided on page 3, what happens after 1993? Mr. Wicks advised the program will be ended after 1993. It will have to be shut off so the debt can be paid off. If it continued after 1993, it would have to be looked at again. If the coal tax were continued and an additional \$15 million were appropriated, that would pay the bonds off without stealing from any other program. 1988 and 1989 are based on assumptions. Clearly they will be back in before 1994.

Rep. Koehnke asked how long the tax rate would have to stay at that rate? Mr. Wicks said bonds are stretched out until 2002 or 2003. Rep. Koehnke said that would be encumbering that 10-year period. Mr. Wicks said that would drop the construction program to where it is right now. Would be back to no RTF.

Rep. Glaser remarked regarding #4, adjusted numbers to 1985, construction cost index has gone up faster than the CPI.

Rep. Thomas mentioned pages 33-35, Exhibit A, the black is what is scheduled with the federal program using match programs. Still a question of federal revenues, but expect Congress to fund the program.

Rep. Glaser asked when construction could be started? When Congress adjourns, it will be Fall if Congress doesn't pass the bill now and nothing can be done until fall. Mr. Wicks said if Congress did not authorize any highway programs, states could spend whatever authorization they had in the state throughout the remainder of the fiscal year. They have a balance in apportionments and could set up a highway bill and authorize expenditure of that amount of dollars per year, then they pass an appropriation act and say you can only commit a lower figure over the years. So they have been getting less than authorization to spend, so there is a balance that they have carried forward. On the primary system authorization is difference between money authorized to be spent and the amount that can be budgeted. Out of the \$105 million normally authorized, they may be able to let a \$60 million contract. If the bill is not passed by March, the construction season will have been lost.

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Rep. Roth asked what is done with the money when projects come in under budget? Mr. Wicks replied they try to move projects up the line to capture that money and keep the program on track. Mr. Wicks said they don't get the money in their hands. They contract up to the authorized amount of money, and pay with state funds and are reimbursed. Most bids have been coming in under their low bids.

Rep. Swysgood asked the amount authorized? Mr. Wicks repeated \$105 million, the federal portion of the interstate was paid with 92% federal funds, 8% state. On the secondary roads 82% is federal and 18% state maximum. This is strictly an earmarked account.

Rep. Mercer was concerned about the money from Rep. Driscoll's gas tax bill not going into the RTF program. He asked for a committee bill to be drafted that would require that a fuel tax be enacted cutting back diesel requiring that that money go into the RTF earmarked fund. Mr. Wicks stated that Rep. Driscoll wanted the revenue from the gas tax to go into the construction program. It is clear enough that it is going to the RTF. If some extra federal funds become available, he would like some flexibility and have enough money to provide match money. Money going to the highway fund won't be protected any more than going into the highway earmarked fund itself.

Rep. Glaser suggested adding a repealer to Rep. Driscoll's bill saying if this money is taken away, this tax will not be available. The Governor wants the coal tax money going to the highway to remain in the highway account. Without the coal tax money going there, they won't be able to match funds. Mr. Wicks stated 12% of the coal tax money goes into the highway account.

Rep. O'Connell was considering have a bill drafted that would allow no highway funds to be diverted for any reason.

Rep. Swysgood has some problems with the fuel tax bill. The trucking industry is complaining the tax money that is supposed to go to highways, goes to some other fund. Mr. Wicks said if the fuel tax is increased, it would increase the cost to truckers. The question is how to allocate the monies. Construction people will benefit by better roads. Trucking does more damage to the roads, but that industry is an important part of Montana's economy and you have to strike a balance. People are filling up in Wyoming and Washington and crossing Montana, but they still pay the tax because it is apportioned.

Federal tax reform has had an impact on the bonding program. Mr. Wicks said they had used arbitrage and gained some money through that that went into the general fund. Arbitrage has been changed by tax reform and almost removed now. It is good for only 90 days.

#3

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They have to look at long-term financing and what the present value of money is. Rep. Kadas mentioned it affected the general fund.

The meeting adjourned at 2:30 p.m.

John Harp, Jr.

REP. JOHN HARP, Chairman

DAILY ROLL CALL

HIGHWAYS & TRANSPORTATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date January - 15, 1937

[illegible]



The Big Sky Country

EXHIBIT 71
DATE 3-1-87
HON. J. P. MAZUREK

MONTANA STATE SENATE

SENATOR JOSEPH P. MAZUREK

SENATE DISTRICT 23

HOME ADDRESS

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STANDING COMMITTEES:

JUDICIARY, CHAIRMAN

TAXATION, VICE CHAIRMAN

EDUCATION

LEGISLATIVE ADMINISTRATION

COMMITTEE ON COMMITTEES

PERMANENT COMMITTEES:

REVENUE OVERSIGHT

RESERVED WATER RIGHTS COMPACT

MEMORANDUM

TO: Members of the 50th Legislature

FROM: *Joe Mazurek* Senator Joe Mazurek, Chairman
Joint Committee on Highway Financing

RE: Highway Reconstruction Trust Fund
Financing Needs

DATE: January 12, 1987

In November 1986, an Ad Hoc Joint Committee on Highway Financing was appointed by the leadership of both houses to review the present situation on highway funding and determine if additional revenues would be necessary to continue the Reconstruction Trust Fund program begun in 1983. Members of the committee were Senators Neuman, Crippen, Brown, Lybeck, Farrell, Hager, Gage, Abrams, Stimatz, and Mazurek; and Representatives Bradley, Miller, Nathe, Gilbert, Harper, Peck, Spaeth, Mercer, Harp, Quilici, and Donaldson.

The Committee conducted two meetings to determine the status of highway program financing. The Committee reviewed the impact of the Special Session III, 1986, on the RTF program.

During these meetings, testimony and information was received from the Department of Highways, Legislative Auditors office, Legislative Fiscal Analyst office, Montana Contractors Association, Montana Motor Carriers Association, Highway Users Federation, Montana Petroleum Marketing Association, and individual contractors and refiners regarding the highway construction program.

The information received during the meetings demonstrate the need for continuation of the RTF program and the impact the highway construction program has on the economy of Montana. One contractor cited statistics indicating the loss of revenues to the general fund and jobs resulting from a reduced highway

program. Another individual in the oil industry pointed out the negative impact on Montana's crude oil industry because of the reduction in asphalt production. Given the competition among contractors, the significant reductions in the price of asphalt and concrete, and the low interest rates for bonding, now is an ideal time to maintain the recent level of construction activity. Further, it was determined that to gain the benefit of this summer's construction season, the Legislature must act quickly.

At the conclusion of the second meeting, the Committee unanimously voted to restore and continue the RTF program at the level authorized in 1983. The RTF program was authorized to expend up to \$40 million per year on highway system improvements. The Committee agreed that the RTF program was essential to improving the primary highway system, and the RTF cannot continue without additional revenues. Without the RTF, only 800 miles of primary system improvements can be made through 1993. With the RTF, approximately 2,800 miles of primary system improvements could be made through that period.

The Committee determined that to continue the RTF program the following actions are necessary:

1. Continue the current level of coal severance tax revenues;
2. Continue bonding to the presently authorized level through the RTF period; and,
3. Raise an additional \$15 million in revenues for the RTF program.

Specifically, the Committee makes the following recommendations to the 50th Legislature:

- .. The RTF program be funded and restored to the authorized level. This recommendation passed unanimously.
- .. That currently authorized coal severance tax revenues be retained by the RTF program, and these revenues be pledged for bonding purposes. This recommendation passed unanimously.
- .. The amount of highway revenues presently being provided to the Department of Fish, Wildlife, and Parks' snowmobile and motorboat programs be reduced by half to no more than \$500,000 per year total. This motion passed 9 to 8.

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- .. The \$15 million required to restore the RTF program be derived from motor fuel tax increases, and that the makeup of the additional \$15 million derived from the fuel taxes be based fairly on the users in combination with appropriate reductions where other savings can be made.

We urge that the 50th Legislature consider and act quickly on these recommendations. If the state is to gain the benefit of this summer's construction season, provide jobs, and take advantage of the competitive prices currently in place, the Legislature must provide additional revenues as soon as possible.

JM:WSG:ts:li

Attachment : Distribution of Highway Special Revenue Funds

Distribution prior to deposit in Highway Fund:

Department of Fish, Wildlife and Parks:

Snowmobiles	- 1/2 of 1% =	\$324,761	(60-3-201, MCA)
Motorboats	- 9/10 of 1% =	584,571	(60-3-201, MCA)

Department of Commerce:

Aeronautics	- 1/25 of 1% =	25,852	(60-3-201, MCA)
Gasohol		773,863	(15-70-201, MCA)
Gas Tax Refunds		3,221,389	(15-70-223, MCA)

Shrinkage:

Gasoline	- 2% of first 6¢	(esti)	540,114	(15-70-205, MCA)
Diesel	- 1% of first 6¢	(esti)	<u>66,150</u>	(15-70-327, MCA)

Total before deposit \$5,536,700

Net Revenues to Highway Fund

Gasoline revenues for fiscal 1986	\$59,576,264
Diesel revenues for fiscal 1986	18,576,576
GVW income for fiscal 1986	<u>22,583,650</u>
total to Highway Fund	\$100,736,490

Distribution from the net:

Local Government pass-through	14,000,000	(15-70-101, MCA)
Highway Patrol (will increase to \$9,351,765 in fiscal 1987 due to 100% assumption)	6,913,827	(44-1-501, MCA)
Local Government planning grant	75,000	
Department of Revenue - Motor Fuel Tax Division (collection costs)	787,852	
Department of Commerce - local planning grant	<u>75,000</u>	
Total from net	\$21,851,679	

Gasoline is estimated to go to \$65,299,704 in fiscal 1987 due to the 2¢ per gallon increase effective August 1, 1986.

As a rule, 1¢ on gasoline yields \$4 million;

1¢ on diesel yields \$1 million;

Therefore, a 1¢ increase on both yields approximately \$5 million.

EXECUTIVE BUDGET PROPOSAL-CURRENT CONSTRUCTION WORK

	ACTUAL FY86	BUDGETED FY87	BUDGETED FY88	BUDGETED FY89	BUDGETED FY90	BUDGETED FY91	BUDGETED FY92	BUDGETED FY93	TOTAL BUDGETED
BEGINNING CASH BALANCE	\$73,540,370	\$45,286,748	\$24,938,692	\$18,598,354	\$12,106,138	\$5,702,737	\$8,956,146	\$13,237,043	\$45,286,748
REVENUE									
G. V. W.									
Gas Tax	22,583,450	22,809,487	23,037,582	23,267,938	23,500,437	23,735,643	23,973,000	24,212,728	164,537,835
Diesel Tax	59,576,264	65,299,704	65,517,209	64,373,063	63,251,803	62,152,947	61,076,108	60,020,785	401,491,441
Accounts Receivable	18,576,576	18,576,576	18,576,576	18,576,576	18,576,576	18,576,576	18,576,576	18,576,576	130,836,032
Mineral Royalties	1,014,755	1,497,631	1,014,755	1,014,755	1,014,755	1,014,755	1,014,755	1,014,755	7,586,161
Coal Tax	7,577,783	0	0	0	0	0	0	0	0
Interest Income	1,684,344	6,144,000	9,440,000	8,373,000	8,147,000	7,161,000	7,161,000	7,161,000	53,787,000
Stores	3,466,038	0	0	0	0	0	0	0	0
Prior Year Revenue Adj.	12,792,441	12,643,971	13,602,298	13,672,810	14,250,709	14,535,723	14,826,437	15,122,966	98,654,914
Modified Revenue	250,393	0	0	0	0	0	0	0	0
Bond Proceeds	0	0	0	0	0	0	0	0	0
TOTAL REVENUE	127,522,264	128,971,369	131,188,420	129,478,164	128,741,480	127,176,664	126,627,876	126,108,810	896,292,783
AVAILABLE CASH	\$201,062,834	\$172,258,117	\$156,147,112	\$148,076,518	\$140,847,618	\$132,879,401	\$135,384,022	\$139,345,853	\$941,579,331
EXPENDITURES									
G. V. W.									
General Operations	3,205,616	3,388,159	3,497,307	3,503,362	3,698,162	3,772,125	3,847,568	3,924,519	25,631,202
Construction To Be Let	4,547,463	4,944,397	5,378,930	5,208,734	5,411,875	5,520,112	5,630,515	5,743,125	37,837,688
Maintenance	14,649,544	7,037,058	26,399,212	25,601,183	12,201,099	62,786	0	0	71,321,338
Preconstruction	41,546,502	38,688,379	40,620,936	40,872,194	43,679,305	44,552,896	45,443,949	46,352,828	300,210,487
Equipment	4,787,503	3,163,851	4,563,797	3,923,336	4,050,017	4,131,017	4,213,638	4,297,911	28,347,567
Head Quarters Building	2,910,182	2,247,850	1,675,099	1,450,099	1,479,101	1,508,683	1,538,856	1,569,634	11,469,322
A. & E.	646,106	588,505	591,525	597,881	603,000	606,750	631,020	656,262	4,274,943
Local Government	732,886	791,314	761,000	761,000	776,220	791,744	807,579	823,731	5,512,588
Bond Principal & Interest	14,150,000	14,150,000	14,150,000	14,150,000	14,150,000	14,150,000	14,150,000	14,150,000	99,050,000
Reconstruction Trust	14,127,179	15,975,094	15,973,573	15,975,105	15,972,821	3,292,143	0	0	67,188,736
Reconstruction To Be Let	29,660,678	83,292,830	0	0	0	0	0	0	33,292,830
Department of Revenue	787,832	753,879	826,596	805,517	818,919	835,298	852,004	869,044	5,761,237
Department of Justice	6,913,827	9,283,571	9,506,483	9,449,159	9,636,102	9,828,824	10,025,401	10,225,909	67,935,451
Stores	12,442,555	12,643,971	13,402,298	13,672,810	14,250,709	14,535,723	14,826,437	15,122,966	98,654,914
Modified Adjustment	0	300,000	0	0	0	0	0	0	300,000
Entity Consolidation Adjustment	5,324,531	0	0	0	0	0	0	0	0
Prior Year Adjustment	(696,358)	29,367	0	0	0	0	0	0	29,367
TOTAL EXPENDITURES	\$155,776,086	\$147,299,425	\$137,540,758	\$135,970,388	\$135,144,881	\$123,923,255	\$122,346,979	\$123,836,742	\$928,070,420
ENDING CASH BALANCE	\$45,286,748	\$24,938,692	\$18,598,354	\$12,106,138	\$5,702,737	\$8,956,146	\$13,237,043	\$13,509,111	\$13,509,111

10-1-1987
Date 10-1-1987
10-1-1987

	ACTUAL FY86	BUDGETED FY87	BUDGETED FY88	BUDGETED FY89	BUDGETED FY90	BUDGETED FY91	BUDGETED FY92	BUDGETED FY93	TOTAL BUDGETED
BEGINNING CASH BALANCE	\$73,540,570	\$45,286,748	\$24,958,692	\$44,803,575	\$43,786,129	\$875,189,530	\$8102,936,121	\$8129,655,224	\$45,286,748
REVENUE									
C. V. W.									
Gas Tax	22,583,650	22,899,487	23,037,582	23,267,958	23,500,637	23,735,643	23,973,000	24,212,728	164,537,035
Diesel Tax	59,576,264	65,299,704	65,517,209	64,373,065	62,251,803	62,152,967	61,076,108	60,020,785	441,691,641
Accounts Receivable	18,576,576	18,576,576	18,576,576	18,576,576	18,576,576	18,576,576	18,576,576	18,576,576	130,836,032
Mineral Royalties	1,014,755	1,497,631	1,014,755	1,014,755	1,014,755	1,014,755	1,014,755	1,014,755	7,586,161
Coal Tax	7,571,783	0	0	0	0	0	0	0	0
Interest Income	1,584,344	6,144,000	9,440,000	8,573,000	8,147,000	7,161,000	7,161,000	7,161,000	53,787,000
Stores	3,466,058	0	0	0	0	0	0	0	0
Prior Year Revenue Adj.	12,792,441	12,643,971	13,602,298	13,672,810	14,250,709	14,535,723	14,826,437	15,122,966	98,654,914
Modified Revenue	250,393	0	0	0	0	0	0	0	0
Bond Proceeds	0	0	0	0	0	0	0	0	0
TOTAL REVENUE	127,522,264	1126,971,369	1131,188,420	1129,478,164	1128,741,480	1127,176,664	1126,627,876	1126,108,810	\$896,292,783
AVAILABLE CASH	\$201,062,834	\$172,258,117	\$156,147,112	\$124,674,589	\$90,955,351	\$51,987,134	\$23,691,755	\$83,546,414	\$941,579,531
EXPENDITURES									
C. V. W.									
General Operations	3,205,416	3,388,159	3,497,307	3,503,362	3,698,162	3,772,125	3,847,568	3,924,519	25,631,202
Construction	4,567,463	4,944,397	5,378,930	5,208,734	5,411,875	5,520,112	5,630,515	5,743,125	37,837,688
Construction To Be Let	14,669,564	7,057,058	26,399,212	25,601,183	12,201,099	62,786	0	0	71,321,338
Maintenance	41,546,502	38,488,379	40,620,936	40,872,194	43,679,305	44,552,896	45,443,949	46,352,828	300,210,487
Preconstruction	4,787,503	3,165,851	4,565,797	3,923,336	4,050,017	4,131,017	4,213,638	4,297,911	28,347,567
Equipment	2,910,182	2,247,830	1,635,099	1,450,099	1,479,101	1,508,683	1,538,856	1,569,634	11,469,322
Head Quarters Building	646,106	586,505	591,525	597,881	603,000	606,750	631,020	656,262	4,274,943
A. & E.	732,886	791,314	761,000	781,000	776,220	791,744	807,579	823,731	5,512,588
Local Government	14,150,000	14,150,000	14,150,000	14,150,000	14,150,000	14,150,000	14,150,000	14,150,000	99,050,000
Bond Principal & Interest	14,127,179	15,975,094	15,973,573	15,975,105	15,972,821	3,292,143	0	0	67,188,736
Reconstruction Trust	29,660,478	33,292,030	7,134,596	2,907,354	0	0	0	0	43,333,980
Reconstruction To Be Let	0	0	16,267,333	23,582,984	31,000,000	31,000,000	31,000,000	31,000,000	163,850,317
Department of Revenue	787,852	733,879	826,596	805,317	818,919	835,298	852,004	869,044	5,761,237
Department of Justice	6,913,827	9,283,571	9,504,485	9,449,159	9,636,102	9,828,824	10,025,401	10,225,909	67,955,431
Stores	12,442,555	12,643,971	13,602,298	13,672,810	14,250,709	14,535,723	14,826,437	15,122,966	98,654,914
Modified Adjustment	0	300,000	0	0	0	0	0	0	300,000
Entity Consolidation Adjustment	5,324,531	0	0	0	0	0	0	0	29,367
Prior Year Adjustment	(696,358)	29,367	0	0	0	0	0	0	0
TOTAL EXPENDITURES	\$155,776,086	\$147,299,425	\$160,950,687	\$162,466,718	\$166,144,881	\$154,923,255	\$153,346,979	\$156,836,742	\$1,101,962,687
ENDING CASH BALANCE	\$45,286,748	\$24,958,692	\$44,803,575	\$43,786,129	\$875,189,530	\$8102,936,121	\$8129,655,224	\$8160,383,156	\$45,286,748

BASE COMBINED WORKSHEET
FOR EARMARK & RTF
December 31st, 1986

EXECUTIVE PROPOSAL RTF 31M 313
BONDS ISSUED

	ACTUAL FY86	BUDGETED FY87	BUDGETED FY88	BUDGETED FY89	BUDGETED FY90	BUDGETED FY91	BUDGETED FY92	BUDGETED FY93	TOTAL BUDGETED
BEGINNING CASH BALANCE	\$73,540,570	\$45,286,748	\$132,433,786	\$122,208,365	\$108,460,714	\$89,991,946	\$68,207,474	\$43,872,348	\$45,286,748
REVENUE									
G. V. M.									
Gas Tax	22,503,650	22,809,487	23,037,582	23,267,958	23,500,637	23,735,643	23,973,000	24,212,728	164,537,035
Diesel Tax	59,576,264	65,299,704	65,517,209	64,373,063	63,231,803	62,132,967	61,076,108	60,020,785	441,691,641
Accounts Receivable	18,576,576	18,576,576	18,576,576	18,576,576	18,576,576	18,576,576	18,576,576	18,576,576	130,036,932
Mineral Royalties	1,014,755	1,497,631	1,014,755	1,014,755	1,014,755	1,014,755	1,014,755	1,014,755	7,586,161
Coal Tax	7,577,783	0	0	0	0	0	0	0	0
Interest Income	1,684,344	6,144,000	9,440,000	8,573,000	8,147,000	7,161,000	7,161,000	7,161,000	53,787,000
Stores	3,466,038	0	0	0	0	0	0	0	0
Prior Year Revenue Adj.	12,792,441	12,643,971	13,602,298	13,672,810	14,250,709	14,535,723	14,826,437	15,122,966	98,654,914
Modified Revenue	0	0	15,193,473	14,889,598	14,591,812	14,299,976	14,013,977	13,793,697	86,722,533
Bond Proceeds	0	100,000,000	0	0	0	0	0	0	100,000,000
TOTAL REVENUE	127,522,244	226,971,369	146,381,893	144,367,762	143,333,292	141,476,640	140,641,853	139,842,507	1,083,015,316
AVAILABLE CASH	\$201,062,894	\$272,238,117	\$278,815,679	\$266,376,327	\$251,794,006	\$231,468,586	\$208,849,327	\$183,714,855	\$1,128,302,064
EXPENDITURES									
G. V. M.									
General Operations	3,205,616	3,388,159	3,497,307	3,503,362	3,698,162	3,772,125	3,847,568	3,924,519	25,631,202
Construction	4,567,463	4,944,397	5,378,930	5,208,734	5,411,873	5,520,112	5,630,313	5,743,125	37,837,688
Construction To Be Let	14,669,564	7,057,058	26,999,212	25,601,183	12,201,099	62,786	0	0	71,321,338
Maintenance	0	0	0	0	8,417,551	20,335,154	20,380,012	22,100,813	11,233,330
Preconstruction	41,546,502	38,688,379	40,620,936	40,872,194	43,679,303	44,552,896	45,443,949	46,352,828	300,210,487
Equipment	4,787,503	3,165,851	4,565,797	3,923,336	4,050,017	4,131,017	4,213,638	4,297,911	28,347,567
Head Quarters Building	2,910,182	2,247,850	1,675,099	1,450,099	1,479,101	1,508,683	1,538,856	1,569,634	11,469,322
A. & E.	446,106	588,505	591,525	597,881	603,000	606,750	631,020	656,262	4,274,943
Local Government	732,886	791,314	761,000	761,000	776,220	791,744	807,579	823,731	5,512,388
Bond Principal & Interest	14,150,000	14,150,000	14,150,000	14,150,000	14,150,000	14,150,000	14,150,000	14,150,000	99,050,000
Reconstruction Trust	14,127,179	8,500,000	11,650,000	11,650,000	11,630,000	11,630,000	11,630,000	11,630,000	87,410,000
Reconstruction To Be Let	29,666,678	39,292,030	7,134,576	2,907,354	0	0	0	0	43,333,980
Department of Revenue	0	0	16,267,333	29,582,984	31,000,000	31,000,000	31,000,000	27,000,000	159,850,317
Department of Justice	787,852	753,879	826,576	805,517	818,919	835,298	852,004	869,044	5,761,237
Stores	6,913,827	9,283,571	9,506,465	9,449,159	9,636,102	9,828,824	10,025,401	10,225,909	67,955,451
Modified Adjustments	12,442,555	12,643,971	13,602,298	13,672,810	14,250,709	14,535,723	14,826,437	15,122,966	98,654,914
Entity Consolidation Adjustment	0	0	0	0	0	0	0	0	300,000
Prior Year Adjustment	5,324,531	29,367	0	0	0	0	0	0	29,367
TOTAL EXPENDITURES	\$155,776,086	\$139,824,331	\$156,607,114	\$158,115,613	\$161,802,060	\$163,261,112	\$164,976,979	\$173,596,742	\$1,118,183,951
ENDING CASH BALANCE	\$45,286,748	\$132,433,786	\$122,208,365	\$108,460,714	\$89,991,946	\$68,207,474	\$43,872,348	\$10,118,113	\$10,118,113

Funding proposals in the Region:

EXHIBIT A

DATE 10/1/87

HB 1000

Effect
of Proposal
Gas Diesel

State	Present Tax Gas	Diesel	Proposals and Comments	Effect of Proposal Gas	Diesel
N. Dak.	13¢	13¢	4¢ and 4¢, plus increases in registration fees.	17¢	17¢
S. Dak.	13	13	4¢ and 4¢, Governor has not approved as yet.	17	17
Idaho	14.5	14.5	Are requesting 6¢ to Governor over three years at 2¢ + 2 + 2 by 1989.	20.5	20.5
Wash.	18	18	Are requesting 7¢ per gallon.	25	25
Oregon	11	11	Will go to 12¢ automatically in January, 1987. Requesting revenues for \$512 million program for six years - automatic - to take them to 24¢ by 1993. Overall, they want a 1.5 billion 20-year program. Asking 2¢ per year for six years, doubling of registration on vehicles from \$10 to \$20, increasing weight-distance tax on trucks over the six years by relationship of increase of fuel taxes on a percentage basis. Requesting a new tax called "system access tax" of 2% on new and used vehicle sales (they don't have a sales tax in Oregon).	24	24
Wyoming	8	8	Not requesting any change except as necessary to maintain existing program level. Their fund balance is decreasing due to reduced extraction tax revenues and there is some fear there may be attempts to divert revenue from the highway fund.	8	8
Colorado	18	20.5	No additional request for revenues, since they just received increase in 1986. Are requesting authority to issue bonds and form a DOT.	18	20.5
Utah	14	14	Are requesting 5¢ per gallon. They say they have legislative support.	19	19
Nevada	13	13	Requesting increases over two years; first year 3¢ per gallon on gas to 16¢, 4¢ on diesel to 17¢, truck weight from \$8/2000 lbs to \$11/2000 lbs, and second year, 2¢ gas to 18¢, and 3¢ diesel to 20¢. All vehicle registration up by \$2 each, and truck weight from \$11/2000 lbs to \$15/2000 lbs.	16	17
Montana	17	17	\$15 million in revenues - equates to 3¢ per gallon on gas and diesel.	18	20 (second year)
				20	20

79
DATE: 11/12/84
NO. 111-11111

Increases in State and Local General Expenditures,
Montana, Fiscal Years 1969-1984
(In Millions of 1985 Dollars)

	<u>1969</u>	<u>1984</u>	<u>Increase</u>	
			<u>Dollars</u>	<u>Percent</u>
All direct general expenditures	\$1,096	\$2,017	\$921	84
Local schools	310	567	257	83
Higher education	125	172	47	38
Highways	261	274	13	5
Public welfare	76	192	116	153
Health & hospitals	49	111	62	126
All other	275	701	426	155

Source: U.S. Bureau of the Census, Governmental Finances, 1968-69 and 1983-84.

INTRODUCED BY

BILL NO. 136

Alarke Hamilton ^{Bradley} ⁹ ^{Blowing} ^{Rocky}, Whal
Keene ¹¹⁰⁰ ⁹ ^{Blowing} ^{Rocky}, Whal
A BILL FOR AN ACT ENTITLED, "AN ACT TO INCREASE GASOLINE

Brown v. Board of Education

REWARDING SECTION 15-70-20A AND 15-70-321, MCA; AND
 13200 Rock Creek Drive, N.E. C. Smith, Jr.
 PROVIDING AN EFFECTIVE DATING SERVICE
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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-70-204, MCA, is amended to read:

"15-70-204. Gasoline license tax -- rate. (1) Every distributor shall pay to the department of revenue a license tax for the privilege of engaging in and carrying on business in this state in an amount equal to 1 cent for each gallon of aviation gasoline, which shall be allocated to the department of commerce as provided by 67-1-301, as amended, and 17 20 cents for each gallon of all other gasoline distributed by him within the state and upon which the gasoline license tax has not been paid by any other distributor.

(2) Gasoline exported or sold for export out of the state shall not be included in the measure of the distributor's license tax.

(3) Alcohol that is blended or is to be blended with gasoline to be sold as gasoline is subject to a tax per

gallon equal to the license tax imposed on nonaviation gasoline distributors under subsection (1)."

Section 2. Section 15-70-321, MCA, is amended to read:

"15-70-321. Tax on diesel fuel and volatile liquids.

The department shall, under the provisions of rules issued by it, collect or cause to be collected from the owners or operators of motor vehicles a tax in an amount equal to 17 20 cents for each gallon of diesel fuel or other volatile

NEW SECTION. Section 3. Effective date. This act is effective July 1, 1987.

-End-

FACT SHEET
HB 136, Rep. Driscoll

BACKGROUND: The Reconstruction Trust Fund Program (RTF) was created and initially funded by the 48th Legislature to begin reconstruction of the state's deteriorating primary highway system. The 48th Legislature provided bonding authority up to \$150 million to provide up-front funding to begin the RTF and to complete the interstate system in Montana ahead of schedule.

Since 1983, with the RTF and the regular federal-aid primary programs, the department has been able to complete the reconstruction, resurfacing and preservation of approximately 1800 miles of the primary system. The number of miles of seal and cover work which extends the life of good roads has tripled. Over 700 miles of primary roads have been moved to the good to excellent category under the highway rating system.

Primary roads, the two-lane rural roads such as U.S. 93, MT 200, U.S. 2 and U.S. 12, MT 3 and MT 78, U.S. 212 and U.S. 87 serve most Montanans and are most in need of work.

CURRENT STATUS: The RTF program is out of funds and has been shut down. The Highway Commission eliminated all projects being funded from the RTF beginning in fiscal 1987 through 1993. This represents \$85 million worth of work on the primary for fiscal years 1987, 1988 and 1989, and a total of \$250 million through 1993.

A Joint Committee on Highway Financing reviewed the RTF funding situation and determined that the RTF could not be restored without additional funding. The Committee recommended to the 50th Legislature that an additional \$15 million in fuel tax revenues be provided.

PROPOSED BILL: HB 136 would provide an additional \$15 million in revenues by increasing motor fuel taxes by 3¢ per gallon on gasoline and 3¢ on diesel fuels. A 1¢ increase on gasoline yields approximately \$4 million; 1¢ on diesel yields approximately \$1 million.

The \$15 million in additional revenues, together with issuing new bonds up to the authorized level and retention of the current level of coal taxes, would restore the RTF through fiscal 1993. Work would proceed on an additional 2800 miles of the primary system. Without the RTF, the department would only address approximately 800 miles on the primary system, since only federal-aid funds are now available.

The difference between the 2800 and 800 miles is critical to Montana. Completion of the RTF program, as authorized, would provide a primary highway system that will greatly enhance Montana's ability to transport its agriculture, timber and other products. Tourism will benefit and Montanans will finally see some improvements on roads that have been promised for years. Further, it is estimated 750 construction jobs are directly related to reinstating the RTF program and hundreds more are affected through industries such as oil, concrete and heavy equipment.

Montana is not unique in the need for highway funds. Washington, North Dakota, Oregon, Utah and Nevada are all requesting significant increases in fuel taxes and in some case registration fees for their respective highway programs. Further, South Dakota and Idaho have proposals before their Governors for consideration. Colorado raised its fuel taxes during the 1986 session to 18¢ on gas and 20.5¢ on diesel.

The Idaho, Washington and Oregon proposals would put those states above the Montana fuel tax rate, even with passage of HB 136.

Of all the major state programs, the highway program has grown the least, according to the Bureau of Business and Economic Research - University of Montana. The Bureau, in reviewing the growth in government since 1969, estimates that highway expenditures have grown only 5% in 1985 dollars between 1969 and 1984. This compares to 153% for public welfare, 126% for health and hospitals, and 83% for local schools.

Competition for contracts, low prices for asphalt and concrete, low interest rates for bonding, and the need for private sector jobs means it is a good time to act. Revenue now would put all of these factors to work to ensure Montana's primary highways are ready for the 21st Century.

DJU:ml:2/a

Our crumbling roads need funds

The Legislature took a wrong turn last year when it shifted money dedicated for highway reconstruction to other uses. Money for the highway Reconstruction Trust Fund must be restored.

The best way to put the highway program back on track is by increasing state fuel taxes and dedicating the money to the reconstruction trust. Rep. Jerry Driscoll, D-Billings, has introduced a bill to do that, and it deserves support.

Creation of the trust fund was one of the major accomplishments of the 1983 Legislature. The fund was to finance a 10-year, \$1.3 billion highway reconstruction program, which was one of the cornerstones of Gov. Ted Schwinden's Build Montana project.

The need for the highway work is painfully obvious to all who travel Montana's highways. After a decade of neglect, Montana's highway system entered the 1980s in a shameful state of disrepair. A report prepared for the 1983 Legislature classified 453 miles of primary highways — most in western Montana — as "critically deficient." Hundreds of additional miles also need repair.

Since the fund was created, the state Highway Department has improved about 600 miles of state highway, including the stretch of Highway 93 between the Wye and Evaro in Missoula County and stretches of Highway 2 near Columbia Falls, Hungry Horse and West Glacier.

Much more remains to be done, including portions of Highway 93 in Ravalli, Lake and Flathead counties and a particularly grim section of Highway 2 between Libby and Troy.

The Reconstruction Trust Fund was intended to improve a total of 2,800 miles of highways by 1993. However, unless the Legislature provides funding for

the project, 2,000 miles of those highways won't be rebuilt.

A legislative committee estimates that it'll take \$15 million a year to restore the vital highway project. Increasing the tax on gasoline and diesel by only 3 cents a gallon would raise the necessary money. Such an increase would be a manageable burden in these days of relatively low fuel prices.

Sen. Bruce Crippen, R-Billings, suggests a different means of raising the same amount of money: Increase the gasoline tax by 3.5 cents and the diesel tax by 1 cent. Crippen's proposal would ease the burden on truckers and farmers — two groups who make considerable use of state highways. The Legislature should demand proof that diesel users need special shelter from the fuel tax increase before embracing Crippen's proposal.

However the tax is applied, the money needs to be raised. If the financially strapped Legislature decides to raise the fuel tax even further, to pay for other projects, \$15 million a year of the tax should be allocated to the highway fund.

A 3-cent increase would raise Montana's fuel tax to 20 cents a gallon. That's roughly in line with fuel taxes enacted or under consideration in other Western states. Washington, for example, is considering a proposal to raise its gas tax to 25 cents a gallon, while Utah is pondering a gas tax of 19 cents a gallon. Taxes of a similar level have been imposed or proposed in North Dakota, Colorado and Nevada.

The fuel tax is the best vehicle for paying for necessary highway repairs. Under this tax, those who benefit from the highway work — motorists — are the ones who pay. Although motorists won't enjoy paying an additional 3 cents a gallon for their fuel, the tax increase is preferable to continued neglect of our highways.

GAZETTE OPINION

1/15/87

State roads need work

Gas, diesel tax solution

Montana's highway system is in the pits, or more accurately the potholes.

And there is little hope the situation will get better unless the Legislature acts quickly.

Rep. Jerry Driscoll, D-Billings, has proposed raising gasoline and diesel taxes by 3 cents a gallon to collect about \$15 million for state highways.

Anytime a tax increase is introduced, there is a great wailing and gnashing of teeth. Driscoll's bill is no exception to that rule.

But critics — truckers, for example — should consider a few points before airing their lamentations.

First, the 1983 Legislature created the Reconstruction Trust Fund (RTF), a \$40 million-a-year program, to rebuild the state's primary highways over a 10-year period.

But last summer, the Legislature diverted that money and refused to increase fuel taxes to make up the difference.

So reconstruction of state primary highways fell by the roadside.

And there have been cutbacks in federal

#7

Jan 15, 1987
Jerry Driscoll

EXHIBIT A
DATE Jan. 15, 1987
HB Gary Wike



MONTANA HIGHWAY PROGRAM

REPORT TO THE 50TH LEGISLATURE

MONTANA HIGHWAY PROGRAM REPORT TO THE 50TH LEGISLATURE

Montana Highway Commission

Ibert Hellebust, Chairman
Havre

Gerald Archambeault, Vice-Chairman
Glasgow

Maria N. Murray
Butte

Paul Foster
Billings

Roy Duff
Whitefish

Ted Schwinden, Governor

Gary J. Wicks, Director

Helena, Montana
November, 1986

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Report Highlights

- ☐ Travel in Montana is up 51% since 1970.
- ☐ Fuel consumption is down and, in turn, revenue is down. More vehicles are using the roads, but using less fuel.
- ☐ Eighty percent of Montana's roads are over 20 years old. Nearly 70% of the primary system needs improvement.
- ☐ With no alternatives available, a good highway system is all the more important to Montana communities.
- ☐ Federal-aid funds are, and will continue to be, insufficient to meet the needs on the primary system. Increased federal funding is unlikely. Congress' failure to reauthorize the highway program casts further uncertainty.
- ☐ Highway funding is complex. Cash needs must be projected years into the future.
- ☐ The 1983 Legislature addressed the gap between road needs and funding by establishing the Reconstruction Trust Fund (RTF). Investment of \$40 million per year over ten years was authorized.
- ☐ The commitment to rebuild Montana's roads with Montana dollars and reorganization of the highway department led to one of the most active periods of highway construction in Montana history.
- ☐ Early completion of the interstate system allowed Montana to shift emphasis to the primary system. Primary highways, the two-lane rural roads such as US 2, US 93, MT 200 and US 87, serve more Montanans and carry as much or more traffic than the interstate highways.
- ☐ Work is started on many of Montana's most notorious road sections. From 1984-1987, approximately \$580 million was spent on construction and design work progressed on roads Montanans want fixed most.
- ☐ Since 1983, over 700 miles of primary roads have been added to the "good to excellent" category.
- ☐ Of the current 17¢ tax on motor fuels, only 12¢ goes to build and maintain state roads. The remainder goes to the Montana Highway Patrol, local governments and other uses.
- ☐ By the end of fiscal '89, cash balances were projected to be below minimum levels. Recognizing this, the Montana Highway Commission was forced to eliminate the RTF. Future projects, if let to contract, likely couldn't be paid for.
- ☐ Without the RTF program, Montana will fall further and further behind.



The Big Sky Country

EXHIBIT #1
DATE Jan 15, 1987
HB Harry Wicks

MONTANA STATE SENATE

SENATOR JOSEPH P. MAZUREK

SENATE DISTRICT 23

HOME ADDRESS:

516 HAYES
HELENA, MONTANA 59601
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STANDING COMMITTEES:

JUDICIARY, CHAIRMAN
TAXATION, VICE CHAIRMAN
EDUCATION
LEGISLATIVE ADMINISTRATION
COMMITTEE ON COMMITTEES

PERMANENT COMMITTEES:

REVENUE OVERSIGHT
RESERVED WATER RIGHTS COMPACT

MEMORANDUM

TO: Members of the 50th Legislature

FROM: *Joe Mazurek* Senator Joe Mazurek, Chairman
Joint Committee on Highway Financing

RE: Highway Reconstruction Trust Fund
Financing Needs

DATE: January 12, 1987

In November 1986, an Ad Hoc Joint Committee on Highway Financing was appointed by the leadership of both houses to review the present situation on highway funding and determine if additional revenues would be necessary to continue the Reconstruction Trust Fund program begun in 1983. Members of the committee were Senators Neuman, Crippen, Brown, Lybeck, Farrell, Hager, Gage, Abrams, Stimatz, and Mazurek; and Representatives Bradley, Miller, Nathe, Gilbert, Harper, Peck, Spaeth, Mercer, Harp, Quilici, and Donaldson.

The Committee conducted two meetings to determine the status of highway program financing. The Committee reviewed the impact of the Special Session III, 1986, on the RTF program.

During these meetings, testimony and information was received from the Department of Highways, Legislative Auditors office, Legislative Fiscal Analyst office, Montana Contractors Association, Montana Motor Carriers Association, Highway Users Federation, Montana Petroleum Marketing Association, and individual contractors and refiners regarding the highway construction program.

The information received during the meetings demonstrate the need for continuation of the RTF program and the impact the highway construction program has on the economy of Montana. One contractor cited statistics indicating the loss of revenues to the general fund and jobs resulting from a reduced highway

program. Another individual in the oil industry pointed out the negative impact on Montana's crude oil industry because of the reduction in asphalt production. Given the competition among contractors, the significant reductions in the price of asphalt and concrete, and the low interest rates for bonding, now is an ideal time to maintain the recent level of construction activity. Further, it was determined that to gain the benefit of this summer's construction season, the Legislature must act quickly.

At the conclusion of the second meeting, the Committee unanimously voted to restore and continue the RTF program at the level authorized in 1983. The RTF program was authorized to expend up to \$40 million per year on highway system improvements. The Committee agreed that the RTF program was essential to improving the primary highway system, and the RTF cannot continue without additional revenues. Without the RTF, only 800 miles of primary system improvements can be made through 1993. With the RTF, approximately 2,800 miles of primary system improvements could be made through that period.

The Committee determined that to continue the RTF program the following actions are necessary:

1. Continue the current level of coal severance tax revenues;
2. Continue bonding to the presently authorized level through the RTF period; and,
3. Raise an additional \$15 million in revenues for the RTF program.

Specifically, the Committee makes the following recommendations to the 50th Legislature:

The RTF program be funded and restored to the authorized level. This recommendation passed unanimously.

That currently authorized coal severance tax revenues be retained by the RTF program, and these revenues be pledged for bonding purposes. This recommendation passed unanimously.

The amount of highway revenues presently being provided to the Department of Fish, Wildlife, and Parks' snowmobile and motorboat programs be reduced by half to no more than \$500,000 per year total. This motion passed 9 to 8.

50th Legislature
January 12, 1987
Page 3

- .. The \$15 million required to restore the RTF program be derived from motor fuel tax increases, and that the makeup of the additional \$15 million derived from the fuel taxes be based fairly on the users in combination with appropriate reductions where other savings can be made.

We urge that the 50th Legislature consider and act quickly on these recommendations. If the state is to gain the benefit of this summer's construction season, provide jobs, and take advantage of the competitive prices currently in place, the Legislature must provide additional revenues as soon as possible.

JM:WSG:ts:li

EXHIBIT

DATE Jan. 15, 1987HB Gary Wicks

Attachment : Distribution of Highway Special Revenue Funds

Distribution prior to deposit in Highway Fund:

Department of Fish, Wildlife and Parks:

Snowmobiles	- 1/2 of 1%	=	\$324,761	(60-3-201, MCA)
Motorboats	- 9/10 of 1%	=	584,571	(60-3-201, MCA)

Department of Commerce:

Aeronautics	- 1/25 of 1%	=	25,852	(60-3-201, MCA)
Gasohol			773,863	(15-70-201, MCA)
Gas Tax Refunds			3,221,389	(15-70-223, MCA)

Shrinkage:

Gasoline	- 2% of first 6¢	(esti)	540,114	(15-70-205, MCA)
Diesel	- 1% of first 6¢	(esti)	<u>66,150</u>	(15-70-327, MCA)

Total before deposit	\$5,536,700
----------------------	-------------

Net Revenues to Highway Fund

Gasoline revenues for fiscal 1986	\$59,576,264
Diesel revenues for fiscal 1986	18,576,576
GVW income for fiscal 1986	<u>22,583,650</u>
total to Highway Fund	\$100,736,490

Distribution from the net:

Local Government pass-through	14,000,000	(15-70-101, MCA)
Highway Patrol (will increase to \$9,351,765 in fiscal 1987 due to 100% assumption)	6,913,827	(44-1-501, MCA)
Local Government planning grant	75,000	
Department of Revenue - Motor Fuel Tax Division (collection costs)	787,852	
Department of Commerce - local planning grant	<u>75,000</u>	
Total from net	\$21,851,679	

Gasoline is estimated to go to \$65,299,704 in fiscal 1987 due to the 2¢ per gallon increase effective August 1, 1986.

As a rule, 1¢ on gasoline yields \$4 million;

1¢ on diesel yields \$1 million;

Therefore, a 1¢ increase on both yields approximately \$5 million.

#12
Jan 15, 1987
Hampshire

	ACTUAL FY86	BUDGETED FY87	BUDGETED FY88	BUDGETED FY89	BUDGETED FY90	BUDGETED FY91	BUDGETED FY92	BUDGETED FY93	TOTAL BUDGETED
BEGINNING CASH BALANCE	873,340,370	845,286,748	824,958,492	818,598,354	812,106,138	85,702,737	88,956,146	813,237,043	845,286,748
REVENUE									
G. V. M.	22,583,450	22,809,487	23,837,582	23,267,958	23,500,637	23,735,643	23,973,000	24,212,728	164,537,035
Gas Tax	59,576,244	65,299,704	65,517,209	64,373,065	63,251,803	62,152,967	61,076,108	60,020,765	441,691,641
Diesel Tax	18,576,576	18,576,576	18,576,576	18,576,576	18,576,576	18,576,576	18,576,576	18,576,576	130,036,032
Accounts Receivable	1,014,755	1,497,631	1,014,755	1,014,755	1,014,755	1,014,755	1,014,755	1,014,755	7,586,161
Mineral Royalties	7,577,783	0	0	0	0	0	0	0	0
Coal Tax	1,684,344	6,144,000	9,440,000	8,573,000	8,147,000	7,161,000	7,161,000	7,161,000	53,787,000
Interest Income	3,466,058	0	0	0	0	0	0	0	0
Stores	12,792,441	12,643,971	13,402,298	13,672,810	14,250,709	14,585,723	14,826,497	15,122,966	98,654,914
Prior Year Revenue Adj.	250,398	0	0	0	0	0	0	0	0
Modified Revenue	0	0	0	0	0	0	0	0	0
Bond Proceeds	0	0	0	0	0	0	0	0	0
TOTAL REVENUE	127,582,244	126,971,369	131,188,420	129,478,144	128,741,486	127,176,644	126,437,676	125,108,810	886,232,783
AVAILABLE CASH	9201,062,834	8172,258,117	8156,147,112	8148,076,518	8140,847,618	8132,879,401	8135,584,022	8139,345,853	8941,579,531
EXPENDITURES									
G. V. M.	3,205,616	3,388,159	3,497,307	3,503,362	3,498,162	3,772,125	3,847,568	3,924,519	25,631,202
General Operations	4,567,463	4,944,397	5,378,930	5,208,734	5,411,875	5,320,112	5,630,515	5,743,125	37,837,688
Construction	14,669,344	7,057,058	26,999,212	25,601,183	12,201,099	62,786	0	0	71,321,338
Construction To Be Let	0	0	0	0	8,417,551	20,335,154	20,380,012	22,100,813	71,233,530
Maintenance	41,546,502	38,688,379	40,620,936	40,872,194	43,678,305	44,532,896	45,443,949	46,252,828	300,210,487
Preconstruction	4,787,503	3,165,851	4,365,797	3,923,336	4,050,017	4,131,017	4,213,638	4,297,911	28,347,567
Equipment	2,910,182	2,247,859	1,675,099	1,450,899	1,479,101	1,308,683	1,369,856	1,569,634	11,469,322
Head Quarters Building	646,106	588,305	591,325	597,881	603,000	606,750	631,020	656,262	4,274,943
A. & E.	732,886	791,314	761,000	761,000	776,250	791,744	807,579	829,731	5,512,588
Local Government	14,150,000	14,150,000	14,150,000	14,150,000	14,150,000	14,150,000	14,150,000	14,150,000	99,050,000
Bond Principal & Interest	14,127,179	15,975,094	15,973,573	15,973,105	15,972,821	8,292,143	0	0	67,188,736
Reconstruction Trust	29,660,678	33,292,030	0	0	0	0	0	0	33,292,030
Reconstruction To Be Let	0	0	0	0	0	0	0	0	0
Department of Revenue	787,852	753,879	826,596	805,517	818,919	835,298	852,004	869,044	5,761,257
Department of Justice	6,913,827	9,283,571	9,506,485	9,449,159	9,436,102	9,828,824	10,025,401	10,225,909	67,955,451
Stores	12,442,355	12,643,971	13,402,298	13,672,810	14,250,709	14,585,723	14,826,497	15,122,966	98,654,914
Modified Adjustment	0	300,000	0	0	0	0	0	0	300,000
Entity Consolidation Adjustment	5,324,531	0	0	0	0	0	0	0	0
Prior Year Adjustment	(496,358)	29,347	0	0	0	0	0	0	29,347
TOTAL EXPENDITURES	8155,776,086	8147,259,425	8137,548,758	8135,970,380	8135,144,681	8129,923,253	8122,346,979	8125,836,742	8928,070,420
ENDING CASH BALANCE	845,286,748	824,958,492	818,598,354	812,106,138	85,702,737	88,956,146	813,237,043	813,509,111	813,509,111

	ACTUAL FY86	BUDGETED FY87	BUDGETED FY88	BUDGETED FY89	BUDGETED FY90	BUDGETED FY91	BUDGETED FY92	BUDGETED FY93	TOTAL BUDGETED
BEGINNING CASH BALANCE	973,340,370	\$45,286,748	\$24,958,692	(144,803,575)	(137,786,129)	(975,189,330)	(1102,936,121)	(1129,655,224)	\$45,286,748
REVENUE									
C.V.W.	22,383,430	22,809,487	23,037,382	23,267,958	23,300,637	23,735,443	23,973,000	24,212,728	164,537,035
Gas Tax	59,376,264	65,299,704	65,517,209	64,373,063	63,251,803	62,152,967	61,076,108	60,020,785	441,691,641
Diesel Tax	18,576,576	18,576,576	18,576,576	18,576,576	18,576,576	18,576,576	18,576,576	18,576,576	130,036,032
Accounts Receivable	1,014,755	1,497,631	1,014,755	1,014,755	1,014,755	1,014,755	1,014,755	1,014,755	7,586,161
Mineral Royalties	7,577,783	0	0	0	0	0	0	0	0
Coal Tax	1,684,344	6,144,000	9,440,000	8,573,000	8,147,000	7,161,000	7,161,000	7,161,000	53,787,000
Interest Income	9,466,858	0	0	0	0	0	0	0	0
Stores	12,792,441	12,449,971	13,402,298	13,672,810	14,250,709	14,535,723	14,826,437	15,122,966	98,654,914
Prior Year Revenue Adj.	250,393	0	0	0	0	0	0	0	0
Modified Revenue	0	0	0	0	0	0	0	0	0
Bond Proceeds	0	0	0	0	0	0	0	0	0
TOTAL REVENUE	127,322,264	\$126,971,369	\$131,188,420	\$129,478,144	\$128,741,480	\$127,176,664	\$126,427,876	\$126,108,810	\$896,292,783
AVAILABLE CASH	\$201,062,834	\$172,258,117	\$156,147,112	\$124,674,589	\$90,955,351	\$51,987,134	\$23,691,755	(13,546,414)	\$941,579,531
EXPENDITURES									
C.V.W.	3,205,616	3,388,159	3,497,307	3,503,362	3,498,162	3,772,125	3,947,368	3,924,519	25,631,202
General Operations	4,567,463	4,944,397	5,378,930	5,208,734	5,411,875	5,520,112	5,630,515	5,749,125	37,837,688
Construction	14,669,364	7,057,058	26,399,212	25,601,183	12,201,099	62,786	0	0	71,321,338
Construction To Be Let	0	0	0	0	8,417,551	20,335,154	20,380,012	22,100,813	71,233,530
Maintenance	41,546,502	38,688,379	40,620,936	40,872,194	43,679,305	44,552,896	45,443,949	46,352,938	300,210,487
Preconstruction	4,787,503	3,165,851	4,565,797	3,923,336	4,050,017	4,131,017	4,213,638	4,297,711	28,347,567
Equipment	2,910,182	2,247,850	1,675,099	1,450,899	1,479,101	1,508,683	1,538,856	1,569,834	11,489,322
Head Quarters Building	646,106	588,505	591,525	597,881	603,000	606,750	631,020	656,262	4,274,943
A. & E.	732,886	791,314	761,000	761,000	776,220	791,744	807,579	823,731	5,512,588
Local Government	14,150,000	14,150,000	14,150,000	14,150,000	14,150,000	14,150,000	14,150,000	14,150,000	99,050,000
Bond Principal & Interest	14,127,179	15,975,994	15,973,573	15,975,105	15,972,821	15,972,143	0	0	67,188,736
Reconstruction Trust	29,660,678	33,292,030	7,134,596	2,907,354	0	0	0	0	43,333,980
Reconstruction To Be Let	0	0	16,247,333	23,382,984	31,000,000	31,000,000	31,000,000	31,000,000	163,850,317
Department of Revenue	787,852	753,879	826,596	805,517	818,919	835,298	852,004	869,044	5,761,237
Department of Justice	6,913,827	9,283,571	9,506,485	9,449,159	9,636,102	9,828,824	10,025,401	10,225,909	67,955,451
Stores	12,442,555	12,443,971	13,402,298	13,672,810	14,250,709	14,535,723	14,826,437	15,122,966	98,654,914
Modified Adjustment	0	0	0	0	0	0	0	0	300,000
Entity Consolidation Adjustment	5,324,531	0	0	0	0	0	0	0	0
Prior Year Adjustment	(696,358)	29,367	0	0	0	0	0	0	29,367
TOTAL EXPENDITURES	\$135,776,086	\$147,299,425	\$160,950,687	\$162,460,718	\$166,144,881	\$154,923,255	\$153,346,979	\$156,836,742	\$1,101,962,687
ENDING CASH BALANCE	\$45,286,748	\$24,958,692	(144,803,575)	(137,786,129)	(975,189,330)	(1102,936,121)	(1129,655,224)	(1160,383,156)	(1160,383,156)

	ACTUAL FY86	BUDGETED FY87	BUDGETED FY88	BUDGETED FY89	BUDGETED FY90	BUDGETED FY91	BUDGETED FY92	BUDGETED FY93	TOTAL BUDGETED
BEGINNING CASH BALANCE	973,540,570	945,286,748	913,433,786	912,208,565	9108,460,714	889,991,946	868,207,474	843,872,348	945,286,748
REVENUE									
C. V. M.									
Gas Tax	22,589,650	22,809,487	23,037,582	23,267,958	23,500,637	23,735,643	23,973,000	24,212,728	164,537,035
Diesel Tax	59,576,264	65,299,704	65,517,209	64,373,065	63,251,803	62,132,967	61,076,108	60,020,785	441,691,641
Accounts Receivable	18,576,576	18,576,576	18,576,576	18,576,576	18,576,576	18,576,576	18,576,576	18,576,576	130,036,032
Mineral Royalties	1,014,755	1,497,631	1,014,755	1,014,755	1,014,755	1,014,755	1,014,755	1,014,755	7,586,161
Coal Tax	7,577,783	0	0	0	0	0	0	0	0
Interest Income	1,684,344	6,144,000	9,440,000	8,573,000	8,147,000	7,161,000	7,161,000	7,161,000	53,787,000
Stores	3,466,058	0	0	0	0	0	0	0	0
Prior Year Revenue Adj.	12,792,441	12,643,971	13,602,298	13,672,810	14,250,709	14,535,723	14,826,437	15,122,966	98,654,914
Modified Revenue	0	0	15,193,473	14,889,598	14,591,812	14,299,976	14,013,977	13,733,697	86,722,533
Bond Proceeds	0	100,000,000	0	0	0	0	0	0	100,000,000
TOTAL REVENUE	127,332,264	226,971,369	114,381,893	114,367,762	1143,333,292	1141,476,640	1140,641,853	1139,642,507	1,083,015,316
AVAILABLE CASH	9201,062,834	8272,258,117	8278,815,679	8266,576,327	8251,794,006	8231,468,586	8208,849,327	8183,714,853	91,128,302,064
EXPENDITURES									
C. V. M.									
General Operations	3,205,616	3,388,159	3,497,307	3,503,362	3,698,162	3,772,125	3,847,568	3,924,519	25,631,202
Construction	4,567,463	4,944,397	5,378,930	5,208,734	5,411,875	5,520,112	5,630,515	5,743,125	37,837,688
Construction To Be Let	14,669,564	7,037,058	26,399,212	25,601,183	12,201,099	62,786	0	0	71,321,338
Maintenance	41,546,502	38,688,379	40,620,936	40,872,194	43,679,305	44,552,896	45,443,949	46,332,828	300,210,487
Preconstruction	4,787,503	3,165,851	4,563,797	3,923,336	4,050,017	4,131,017	4,213,638	4,297,911	28,347,567
Equipment	2,910,182	2,247,850	1,675,099	1,450,899	1,479,101	1,508,683	1,538,856	1,569,634	11,469,322
Head Quarters Building	646,106	580,305	571,325	597,881	603,000	606,750	631,020	636,282	4,274,943
A. & E.	732,886	791,314	781,000	781,000	776,220	791,744	807,579	823,731	5,312,588
Local Government	14,150,000	14,150,000	14,150,000	14,150,000	14,150,000	14,150,000	14,150,000	14,150,000	99,050,000
Bond Principal & Interest	14,127,179	8,500,000	11,630,000	11,630,000	11,630,000	11,630,000	11,630,000	20,760,000	87,410,000
Reconstruction Trust	29,660,678	33,292,930	7,134,596	2,907,354	0	0	0	0	43,333,980
Reconstruction To Be Let	0	0	16,267,333	23,582,984	31,000,000	31,000,000	31,000,000	27,000,000	159,850,317
Department of Revenue	787,852	759,879	826,596	805,517	818,919	835,298	852,004	869,044	5,761,257
Department of Justice	6,913,827	9,283,571	9,506,485	9,449,159	9,636,102	9,828,824	10,025,401	10,225,909	67,955,451
Stores	12,442,555	12,643,971	13,602,298	13,672,810	14,250,709	14,535,723	14,826,437	15,122,966	98,654,914
Modified Adjustments	3,324,531	0	0	0	0	0	0	0	300,000
Entity Consolidation Adjustments	(696,358)	29,367	0	0	0	0	0	0	29,367
Prior Year Adjustments									
TOTAL EXPENDITURES	155,776,086	8139,821,331	8136,607,114	8136,115,619	8161,802,060	8163,261,112	8164,976,979	8173,596,742	1,118,183,951
ENDING CASH BALANCE	945,286,748	9132,433,786	9122,208,565	9108,460,714	889,991,946	868,207,474	843,872,348	810,118,113	

Funding proposals in the Region:

EXHIBIT # 3

Jan. 15, 1987
Gary Hulse

State	Present Tax		Proposals and Comments	Effect of Proposal	
	Gas	Diesel		Gas	Diesel
N. Dak.	13¢	13¢	4¢ and 4¢, plus increases in registration fees.	17¢	17¢
S. Dak.	13	13	4¢ and 4¢, Governor has not approved as yet.	17	17
Idaho	14.5	14.5	Are requesting 6¢ to Governor over three years at 2¢ + 2 + 2 by 1989.	20.5	20.5
Wash.	18	18	Are requesting 7¢ per gallon.	25	25
Oregon	11	11	Will go to 12¢ automatically in January, 1987. Requesting revenues for \$512 million program for six years - automatic - to take them to 24¢ by 1993. Overall, they want a 1.5 billion 20-year program. Asking 2¢ per year for six years, doubling of registration on vehicles from \$10 to \$20, increasing weight-distance tax on trucks over the six years by relationship of increase of fuel taxes on a percentage basis. Requesting a new tax called "system access tax" of 2% on new and used vehicle sales (they don't have a sales tax in Oregon).	24	24
Wyoming	8	8	Not requesting any change except as necessary to maintain existing program level. Their fund balance is decreasing due to reduced extraction tax revenues and there is some fear there may be attempts to divert revenue from the highway fund.	8	8
Colorado	18	20.5	No additional request for revenues, since they just received increase in 1986. Are requesting authority to issue bonds and form a DOT.	18	20.5
Utah	14	14	Are requesting 5¢ per gallon. They say they have legislative support.	19	19
Nevada	13	13	Requesting increases over two years; first year 3¢ per gallon on gas to 16¢, 4¢ on diesel to 17¢, truck weight from \$8/2000 lbs to \$11/2000 lbs, and second year, 2¢ gas to 18¢, and 3¢ diesel to 20¢. All vehicle registration up by \$2 each, and truck weight from \$11/2000 lbs to \$15/2000 lbs.	16	17
Montana	17	17	\$15 million in revenues - equates to 3¢ per gallon on gas and diesel.	18 (second year)	20
				20	20

EXHIBIT # 4
DATE Jan 15, 1987
BY Gary M. K. K.

Increases in State and Local General Expenditures,
Montana, Fiscal Years 1969-1984
(In Millions of 1985 Dollars)

	<u>1969</u>	<u>1984</u>	<u>Increase</u>	
			<u>Dollars</u>	<u>Percent</u>
All direct general expenditures	\$1,096	\$2,017	\$921	84
Local schools	310	567	257	83
Higher education	125	172	47	38
Highways	261	274	13	5
Public welfare	76	192	116	153
Health & hospitals	49	111	62	126
All other	275	701	426	155

Source: U.S. Bureau of the Census, Governmental Finances, 1968-69 and 1983-84.

EXHIBIT #5
DATE Jan 15, 1987
HB Gary Hicks

50th Legislature

LC 0547/01

LC 0547/01

1 H.B. BILL NO. 136
2 INTRODUCED BY Quail, Bland, Sargent
3 State Treasurer, Banking, Public, Utilities
4 A BILL FOR AN ACT ENTITLED "AN ACT TO INCREASE GASOLINE
5 LICENSE AND DIESEL FUEL TAXES FROM 15 CENTS A GALLON;
6 AMENDING SECTIONS 15-70-204 AND 15-70-321, MCA; AND
7 PROVIDING AN EFFECTIVE DATE THEREOF."
8 By: [Signature] [Signature] [Signature] [Signature]
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
10 Section 1. Section 15-70-204, MCA, is amended to read:
11 "15-70-204. Gasoline license tax -- rate. (1) Every
12 distributor shall pay to the department of revenue a license
13 tax for the privilege of engaging in and carrying on
14 business in this state in an amount equal to 1 cent for each
15 gallon of aviation gasoline, which shall be allocated to the
16 department of commerce as provided by 67-1-301, as amended,
17 and 20 cents for each gallon of all other gasoline
18 distributed by him within the state and upon which the
19 gasoline license tax has not been paid by any other
20 distributor.
21 (2) Gasoline exported or sold for export out of the
22 state shall not be included in the measure of the
23 distributor's license tax.
24 (3) Alcohol that is blended or is to be blended with
25 gasoline to be sold as gasohol is subject to a tax per

1 gallon equal to the license tax imposed on nonaviation
2 gasoline distributors under subsection (1)."
3 Section 2. Section 15-70-321, MCA, is amended to read:
4 "15-70-321. Tax on diesel fuel and volatile liquids.
5 The department shall, under the provisions of rules issued
6 by it, collect or cause to be collected from the owners or
7 operators of motor vehicles a tax in an amount equal to 20
8 cents for each gallon of diesel fuel or other volatile
9 liquid, except liquid petroleum gas, of less than 46 degrees
10 A.P.I. (American petroleum institute) gravity test when
11 actually sold or used to produce motor power to propel motor
12 vehicles upon the public highways or streets within the
13 state or used in motor vehicles, motorized equipment, and
14 the internal combustion of any and all engines, including
15 stationary engines, used in connection with any and all work
16 performed under any and all contracts pertaining to the
17 construction, reconstruction, or improvement of any highway
18 or street and their appurtenances awarded by any and all
19 public agencies, including federal, state, county,
20 municipal, or other political subdivisions."
21 NEW SECTION. Section 3. Effective date. This act is
22 effective July 1, 1987.

-End-

FACT SHEET
HB 136, Rep. Driscoll

BACKGROUND: The Reconstruction Trust Fund Program (RTF) was created and initially funded by the 48th Legislature to begin reconstruction of the state's deteriorating primary highway system. The 48th Legislature provided bonding authority up to \$150 million to provide up-front funding to begin the RTF and to complete the interstate system in Montana ahead of schedule.

Since 1983, with the RTF and the regular federal-aid primary programs, the department has been able to complete the reconstruction, resurfacing and preservation of approximately 1800 miles of the primary system. The number of miles of seal and cover work which extends the life of good roads has tripled. Over 700 miles of primary roads have been moved to the good to excellent category under the highway rating system.

Primary roads, the two-lane rural roads such as U.S. 93, MT 200, U.S. 2 and U.S. 12, MT 3 and MT 78, U.S. 212 and U.S. 87 serve most Montanans and are most in need of work.

CURRENT STATUS: The RTF program is out of funds and has been shut down. The Highway Commission eliminated all projects being funded from the RTF beginning in fiscal 1987 through 1993. This represents \$85 million worth of work on the primary for fiscal years 1987, 1988 and 1989, and a total of \$250 million through 1993.

A Joint Committee on Highway Financing reviewed the RTF funding situation and determined that the RTF could not be restored without additional funding. The Committee recommended to the 50th Legislature that an additional \$15 million in fuel tax revenues be provided.

PROPOSED BILL: HB 136 would provide an additional \$15 million in revenues by increasing motor fuel taxes by 3¢ per gallon on gasoline and 3¢ on diesel fuels. A 1¢ increase on gasoline yields approximately \$4 million; 1¢ on diesel yields approximately \$1 million.

The \$15 million in additional revenues, together with issuing new bonds up to the authorized level and retention of the current level of coal taxes, would restore the RTF through fiscal 1993. Work would proceed on an additional 2800 miles of the primary system. Without the RTF, the department would only address approximately 800 miles on the primary system, since only federal-aid funds are now available.

The difference between the 2800 and 800 miles is critical to Montana. Completion of the RTF program, as authorized, would provide a primary highway system that will greatly enhance Montana's ability to transport its agriculture, timber and other products. Tourism will benefit and Montanans will finally see some improvements on roads that have been promised for years. Further, it is estimated 750 construction jobs are directly related to reinstating the RTF program and hundreds more are affected through industries such as oil, concrete and heavy equipment.

Montana is not unique in the need for highway funds. Washington, North Dakota, Oregon, Utah and Nevada are all requesting significant increases in fuel taxes and in some case registration fees for their respective highway programs. Further, South Dakota and Idaho have proposals before their Governors for consideration. Colorado raised its fuel taxes during the 1986 session to 18¢ on gas and 20.5¢ on diesel.

The Idaho, Washington and Oregon proposals would put those states above the Montana fuel tax rate, even with passage of HB 136.

Of all the major state programs, the highway program has grown the least, according to the Bureau of Business and Economic Research - University of Montana. The Bureau, in reviewing the growth in government since 1969, estimates that highway expenditures have grown only 5% in 1985 dollars between 1969 and 1984. This compares to 153% for public welfare, 126% for health and hospitals, and 83% for local schools.

Competition for contracts, low prices for asphalt and concrete, low interest rates for bonding, and the need for private sector jobs means it is a good time to act. Revenue now would put all of these factors to work to ensure Montana's primary highways are ready for the 21st Century.

DJU:ml:2/a

DATE Jan 15, 1987

BY Gary Hicks

Missoulian editorial

1/14/87

Our crumbling roads need funds

The Legislature took a wrong turn last year when it shifted money dedicated for highway reconstruction to other uses. Money for the highway Reconstruction Trust Fund must be restored.

The best way to put the highway program back on track is by increasing state fuel taxes and dedicating the money to the reconstruction trust. Rep. Jerry Driscoll, D-Billings, has introduced a bill to do that, and it deserves support.

Creation of the trust fund was one of the major accomplishments of the 1983 Legislature. The fund was to finance a 10-year, \$1.3 billion highway reconstruction program, which was one of the cornerstones of Gov. Ted Schwinden's Build Montana project.

The need for the highway work is painfully obvious to all who travel Montana's highways. After a decade of neglect, Montana's highway system entered the 1980s in a shameful state of disrepair. A report prepared for the 1983 Legislature classified 453 miles of primary highways — most in western Montana — as "critically deficient." Hundreds of additional miles also need repair.

Since the fund was created, the state Highway Department has improved about 600 miles of state highway, including the stretch of Highway 93 between the Wye and Evaro in Missoula County and stretches of Highway 2 near Columbia Falls, Hungry Horse and West Glacier.

Much more remains to be done, including portions of Highway 93 in Ravalli, Lake and Flathead counties and a particularly grim section of Highway 2 between Libby and Troy.

The Reconstruction Trust Fund was intended to improve a total of 2,800 miles of highways by 1993. However, unless the Legislature provides funding for

the project, 2,000 miles of those highways won't be rebuilt.

A legislative committee estimates that it'll take \$15 million a year to restore the vital highway project. Increasing the tax on gasoline and diesel by only 3 cents a gallon would raise the necessary money. Such an increase would be a manageable burden in these days of relatively low fuel prices.

Sen. Bruce Crippen, R-Billings, suggests a different means of raising the same amount of money: Increase the gasoline tax by 3.5 cents and the diesel tax by 1 cent. Crippen's proposal would ease the burden on truckers and farmers — two groups who make considerable use of state highways. The Legislature should demand proof that diesel users need special shelter from the fuel tax increase before embracing Crippen's proposal.

However the tax is applied, the money needs to be raised. If the financially strapped Legislature decides to raise the fuel tax even further, to pay for other projects, \$15 million a year of the tax should be allocated to the highway fund.

A 3-cent increase would raise Montana's fuel tax to 20 cents a gallon. That's roughly in line with fuel taxes enacted or under consideration in other Western states. Washington, for example, is considering a proposal to raise its gas tax to 25 cents a gallon, while Utah is pondering a gas tax of 19 cents a gallon. Taxes of a similar level have been imposed or proposed in North Dakota, Colorado and Nevada.

The fuel tax is the best vehicle for paying for necessary highway repairs. Under this tax, those who benefit from the highway work — motorists — are the ones who pay. Although motorists won't enjoy paying an additional 3 cents a gallon for their fuel, the tax increase is preferable to continued neglect of our highways.

1/15/87

State roads need work

Gas, diesel tax solution

Montana's highway system is in the pits, or more accurately the potholes.

And there is little hope the situation will get better unless the Legislature acts quickly.

Rep. Jerry Driscoll, D-Billings, has proposed raising gasoline and diesel taxes by 3 cents a gallon to collect about \$15 million for state highways.

Anytime a tax increase is introduced, there is a great wailing and gnashing of teeth. Driscoll's bill is no exception to that rule.

But critics — truckers, for example — should consider a few points before airing their lamentations.

First, the 1983 Legislature created the Reconstruction Trust Fund (RTF), a \$40 million-a-year program, to rebuild the state's primary highways over a 10-year period.

But last summer, the Legislature diverted that money and refused to increase fuel taxes to make up the difference.

So reconstruction of state primary highways fell by the roadside.

Meanwhile, there have been cutbacks in federal funding for interstate highway construction and repair. To date, Congress has not appropriated any funds for badly needed work there.

That put a double whammy on Montana.

The state is tied together by a web of two-lane highways. The condition and safety of those roads varies greatly.

Most of us have seen the bumper sticker that adorns cars from Eureka to Darby: "Pray for me, I drive (Highway) 93".

State Highway Department Director Gary Wicks says the estimated \$15 million in increased revenue would allow the state to bond for \$40 million to bring the RTF back on track.

That is essential if we are to encourage tourists and industry to come to our state. It is essential if we are to preserve the highway system we now have. Maintenance is essential simply to maintain the status quo.

The tax increase is not pleasant, but it is a user fee. People who drive on the state's highways should pay for their upkeep. The tax is particularly onerous for professional haulers. But those dual tire tracks etched in the state's highways did not come from automobiles: they came from trucks. The trucking industry must pay continue to pay its share.

And finally, the Legislature must act quickly. The highway department believes it can let contracts this spring if the bill is passed by March. Otherwise, work will, for all practical purposes, be stalled another year.

Taxpayers get double benefits from this proposal. The state's highways will be made better and the economy will be boosted when construction workers are put back on the job.

The Legislature should pass this proposal *provided* that the money is spent specifically for the highway program.

EXHIBIT #7

DATE Jan 15, 1987

HB Gary Wicks