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

January 22, 1987

The meeting of the Taxation Committee was called to order by Chairman Ramirez on January 22, 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 BILLS NOS. 136 AND 255: Rep. Jerry Driscoll, House District #92, sponsor of HB 136, said the bill would increase gas and diesel fuel taxes from 17 to 20 cents per gallon to fund the Reconstruction Trust Fund (RTF) program. Rep. Driscoll provided fact sheets to support his testimony, (Exhibits #1, 2, 3, and 4).

Rep. Bob Gilbert, House District #22, sponsor of HB 255, told the Committee highways and education are the future of Montana and that he hopes the Legislature would go about funding these two entities in a proper way.

PROPONENTS: Rep. Ed Grady, House District #47, co-sponsor of HB 136, told the Committee it is disastrous that these funds were robbed from the RTF program. He stated that the Highway Commission had to make drastic cuts in project funding, and that the bill would bring approximately 2,000 jobs to the state.

Rep. Grady said he didn't want to raise taxes, but believes fuel tax increases must be made. He advised that there is a need to be fair with both the gas and diesel fuels tax, and that fuel costs are not so much the problem as Workers' Compensation and other issues. Rep. Grady asked the Committee to pass HB 136 without amendments, for discussion on the House floor.

Sen. Joe Mazurek, Senate District #23, told the Committee he primarily supports HB 136 and provided members with copies of the Joint Committee on Highways Finance Report (Exhibit #1a). He explained that there is a need to raise $15 million in revenue for the RTF, from motor fuels tax increases, and that it is not a partisan, but an objective matter.

Illert Hellebust, Chairman, Montana Highway Commission, read from a prepared statement in support of HB 136 (Exhibit #2).

Gene Fenderson, Montana Association of Construction and Building Trades Council, stated his support of HB 136, and said it is vital to the state in turning over dollars for highway construction. He explained that cost factors include 50-60% in building materials, purchased from out of state and that, in contrast, most workers and materials used in highway construction are from Montana.

Gary Wicks, Director, Montana Department of Highways (DOH), read from a prepared statement in support of HB 136 (Exhibit #3). He said the bill is an extension of a request made by the administration during special session, and would continue the RTF program. Mr. Wicks explained that the program was originally given $150 million in bonding authority and a six cent fuel tax, in 1983. He commented that projects have been completed as scheduled and that the interstate system would be completed by 1987.

Mr. Wicks said that between 1983 and 1986, the DOH worked on 1,800 miles of road, and moved 700 miles from poor to fair condition or from good to excellent condition. He advised committee members that in September, 1986, the Highway Commission cut $85 million from the FY87-89 construction program to compensate for the funding shortage.

Mr. Wicks stated it is important to note that the Joint Committee on Highway Finance voted unanimously to continue the RTF program and to impose a three cent tax on gas and on diesel fuel. He said the proposed funding would allow 458 miles of critical roads to be improved by 1993, which otherwise could not be completed until the 21st century.

Jerry Perkins, owner of Karst Stage, read from a prepared statement in support of HB 136. He told the Committee he is looking for an exemption for business to avoid passing transportation costs on to schools. He advised that he is willing to pay the tax and to come back for the exemption because he knows Montana roads need work.

Joe Weggenman, Executive Director, Helena Area Chamber of Commerce, told the Committee he is concerned with highway safety and tourism, and urged them to support HB 136.

Larry Tobiason, Montana Automobile Association (AAA), read from a prepared statement in support of HB 136 (Exhibit #4). He said 76% of AAA members are opposed to a gas tax increase, but statistics show that one 80,000 pound truck causes the same amount of highway damage as 9,100 cars.

Lloyd Lockrem, Montana Contractors' Association, read from a prepared statement in support of HB 136. He said Montana contractors are responsible for $45 million in payroll of which $1 million goes to the general fund, that they pay $1.6 million in construction diesel tax each year. Mr. Lockrem explained that if the RTF program is not funded, payroll will be reduced to $13 million and diesel fuel tax income will be reduced by $4.6 million. Mr. Lockrem stated that HB 136 would generate $830,000 in FY 88 general fund interest earnings.

Mr. Hugh Crane, Montana Contractors Association, stated his support of HB 136.

Mr. Allen Hobbs, Montana Refining Co., Great Falls, told the Committee his is a small company situated only in Montana and that he purchases Cut Bank crude oil for asphalt. He stated that when he can't sell the asphalt, he can't sell diesel fuel, and is presently shipping asphalt out of state at a low price.

Mr. Hobbs said he recently purchased Canadian light crude oil at $16 per barrel, as Montana crude oil is less desirable. He added that the Glacier pipeline from Canada is full right now because of purchases by Montana refineries.

Stuart Doggett, Montana Chamber of Commerce, urged the Committee to support HB 136.

Keith Anderson, Montana Taxpayers' Association, read from a prepared statement in support of HB 136. He stressed the importance of the RTF program, in putting people back to work.

Don Judge, AFL-CIO, stated his support of HB 136 and said that since 1972 his organization has held the position that fuel taxes should be used only to fund highway reconstruction and repair, and should not be used for any general fund purpose.

Tom Harrison, Montana Auto Dealers Association, stated his support of both bills and told the Committee a three cent gas and diesel fuels tax increase is a small price to pay for the benefits to be reaped.

OPPONENTS OF HOUSE BILLS NO. 136 AND 255: Ben Havdahl, Executive Vice President, Montana Motor Carriers Association, told the Committee he is opposed to HB 136 only and supports HB 255. Mr. Havdahl read from a prepared statement in support of HB 255 (Exhibit #5).

Steve Visocan, Western Petroleum Marketers, told the Committee he also represents Conoco and Exxon jobbers in Great Falls and

Helena. He explained that the jobbers are small, independent businesspeople that wholesale fuel, and said the majority of a fuel tax increase would be passed on to consumers. Mr. Visocan said holding costs are increasing and that dealers have been hurt by fuel shrinkage. He asked if the fuels taxes were actually a user tax when existing highway funds have been taken for other purposes, and provided committee members with copies of current diesel and gas tax rates for each state (Exhibit #6).

Rep. Paul Pistoria, House District 36, told the Committee he requested information on the $81 million loss in funding claimed by the Department of Highways and received a report that actual losses from the 1985 special session were only $2 million. He asked if a gas tax increase were really necessary in view of this information (Exhibit #7) and read from a prepared statement in opposition to both bills.

Keith Olson, Executive Director, Montana Logging Association, said he opposed HB 136 as it would increase operating expenses for loggers. He added that cutting jobs in one area to create jobs in another accomplishes very little.

<u>OPPONENTS OF HOUSE BILL NO. 255</u>: Bob Pansich, Administrator, Economic Development Board, said the Board would lose $1.5 million if HB 255 were to pass, as it receives 25% of the flow to the permanent trust after water bonds are paid. He proposed an amendment to line 7, page 2 of the bill by inserting "added to the Board of Investments".

Mike Micone, Executive Director, Western Environmental Trade Association, stated he was neither an opponent nor a proponent of HB's 136 and 255. He said the bill is supported by agricultural, labor and industrial organizations to promote jobs in the state, but increased taxes would have the effect of driving a number of businesses from the state. Mr. Micone commented that such a tax could reduce consumption and thus, be revenue neutral.

Roger Dundas, Toston, stated his opposition to HB 255, and commented that there is no market for hay right now. He said he could not conscience such a tax at such a cost to others. Mr. Dundas added that most trucks can cross Montana right now without refueling.

Lorna Frank, Montana Farm Bureau urged the Committee to give both bills a do not pass recommendation.

Terry Murphy, Montana Farmers Union, told the Committee the RTF program is necessary, and said he half opposes and half supports the bills. He requested that the Committee keep diesel fuel tax increases as low as possible.

Brian Enderle, Missoula Chamber of Commerce, said he could support the gas tax increase, but not a diesel tax increase, and would like to see HB 136 amended.

Rep. Tom Asay, House District #27, said he opposed the bill for the same reasons he had done so in the past. Rep. Asay stated he did not think imposing a tax when money is short, is the answer. He commented the legislature needs to be more responsible about where tax dollars are going, and said he wanted to know why the Department of Highways says its special session losses are $81 million, then the LFA says DOH losses are $2 million.

QUESTIONS ON HOUSE BILLS NO. 136 AND 255: Rep. Williams asked if Sen. Farrell's bill would reduce the property class for trucks and trailers. Ben Havdahl replied the cap would be 12%.

Rep. Williams asked if the industry would oppose HB 136, if that legislation were to pass. Ben Havdahl replied he was not in a position to answer the question, and said the reduction in Sen. Farrell's bill is equivalent to a 1.5 cent diesel tax. He commented that, if anything, the industry could live with a 1 cent tax.

Rep. Sands asked Gary Wicks why the major percentage of improvements to secondary highways since 1983 were in the eastern half of the state. Mr. Wicks replied that neither the DOH, nor the Highway Commission had any authorization on how the funds were to be distributed. He said dollars for the RTF program were spent on the basis of need on critical roads, most of which are in western Montana. He said district offices in Sidney, Fairview and Billings could provide this information, adding that more funds will go to eastern Montana in the coming years.

Rep. Ellison asked how much decline there has been during the past biennium in cost per mile for highway construction. Mr. Wicks replied that using the CPI, costs increased 5% between 1969 and 1984. He stated that using the construction price index would cause that figure to be higher.

Rep. Raney asked Mr. Wicks to provide the information referred to by Reps. Pistoria and Asay, prior to executive action on the bills. Mr. Wicks replied he would comply with that request.

Mr. Wicks went on to say that the information through 1989 was reviewed by both the Legislative Auditor and the Legislative Fiscal Analyst, who found no major differences. He advised that the cash flow chart indicates the DOH can get through 1993 if the RTF program is left in, and said page 3 of his report shows revised figures, should HB 136 pass. Mr. Wicks stated the DOH identified the rutting problem in 1982 in conjunction with Wyoming, Idaho, and Utah and found it had to improve specifications for asphalt. He added that some changes worked and some didn't, but most of the damage is caused by high-pressure truck tires.

Rep. Koehnke asked by how much bids were down from 1983. Mr. Wicks replied they were down 10-15%.

Rep. Ranirez asked Mr. Wicks to provide information on the amount needed to restore the RTF. Mr. Wicks replied that figure would be $15 million annually, from either fuels tax or coal tax dollars.

Rep. Ramirez asked if Rep. Gilbert's bill would work to resolve the cash shortage. Mr. Wicks replied the cash problem is currently revised without the RTF program, and a match in federal aid, and said debt service will be in 1991.

Rep. Ramirez commented that the state is in a serious situation and asked if some combination of the two bills or any other combination would resolve the situation. There was no response.

Rep. Koehnke advised that a 1 cent gas tax increase would raise $3 million annually, while a 1 cent diesel and other fuels tax would raise about $1 million and $3.8 million respectively.

Rep. Patterson asked Rep. Driscoll if the Montana Contractors preferred a 3 cent increase. There was no response.

Rep. Ramirez asked if the situation would be all right now, if the DOH knew $6 million would be there in two years. Mr. Wicks answered affirmatively, and commented that action sets an imposition on the 1989 legislature.

CLOSING ON HOUSE BILL NO. 136: Rep. Driscoll stated contractors pay off-road diesel fuel taxes, and that asphalt has dropped from a high of $180 per ton to $30 per ton.

CLOSING ON HOUSE BILL NO. 255: Rep. Gilbert stated his bill is a viable method of highway funding, would get the RTF program going, adding that is where coal tax dollars should be spent.

ADJOURNMENT: There being no further business before the Committee, the meeting is adjourned at 11:45 a.m.

Jack Ramirez

Representative Jack Ramirez, Chairman

DAILY ROLL CALL

HOUSE TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 1/20/87

NAME	PRESENT	ABSENT	EXCUSED
REP. RAMIREZ	✓		
REP. ASAY	✓		
REP. ELLISON	✓		
REP. GILBERT	✓		
REP. HANSON	✓		
REP. HARP	✓		
REP. HARRINGTON	✓		
REP. HOFFMAN	✓		
REP. KEENAN	✓		
REP. KOEHNKE	✓		
REP. PATTERSON	✓		
REP. RANEY	✓		
REP. REAM	✓		
REP. SANDS	✓		
REP. SCHYE	✓		
REP. WILLIAMS	✓		

CS-30

DATE 1-22-87
HB 136

FACT SHEET

HB 136, Rep. Driscoll

BACKGROUND: The Reconstruction Trust Fund Prog am (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

EXHIBIT #1a
DATE 1-22-87
HB 136

The Big Sky Country

MONTANA STATE SENATE

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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: 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.

.. 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

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

EXCUTIVE BUDGET PROPOSAL-CURRENT CONSTRUCTION WORK

EXHIBIT
DATE 1-22-87
HB 136

#2
1-22-87
136

	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	$18,598,354	$12,106,138	$5,702,737	$8,956,146	$13,237,043	$45,286,748
REVENUE									
G.V.W.	22,583,650	22,809,487	23,037,582	23,267,958	23,500,637	23,735,643	23,973,000	24,212,728	164,537,035
Gas Tax	59,576,264	65,299,704	65,517,209	64,373,065	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	3,466,058	0	0	0	0	0	0	0	0
Stores	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
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	127,522,264	$126,971,369	$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	$135,584,022	$139,345,853	$941,579,531
EXPENDITURES									
G.V.W.	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
General Operations	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	14,669,564	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	46,352,828	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	2,247,850	1,675,099	1,450,099	1,479,101	1,508,683	1,538,856	1,569,634	11,469,322
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	15,975,094	15,973,573	15,975,105	15,972,821	3,292,143	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	9,636,102	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 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	$137,548,758	$135,970,380	$135,144,881	$123,923,255	$122,346,979	$125,836,742	$928,070,420
ENDING CASH BALANCE	$45,286,748	$24,958,692	$18,598,354	$12,106,138	$5,702,737	$8,956,146	$13,237,043	$13,509,111	$13,509,111

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

EXCUTIVE PROPOSAL with RTF RESTORED
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	$107,015,092	$78,377,643	$45,317,063	$9,232,615	($29,116,488)	$45,286,748
REVENUE									
C.V.W.	22,583,650	22,809,487	23,037,582	23,267,958	23,500,637	23,735,643	23,973,000	24,212,728	164,537,035
Gas Tax	59,576,264	65,299,704	65,517,209	64,373,065	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	3,466,058	0	0	0	0	0	0	0	0
Stores	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
Prior Year Revenue Adj.	250,393	0	0	0	0	0	0	0	0
									0
Modified Revenue	0	0	0	0	0	0	0	0	0
Bond Proceeds	0	100,000,000	0	0	0	0	0	0	100,000,000
TOTAL REVENUE	127,522,264	$226,971,369	$131,188,420	$129,478,164	$128,741,480	$127,176,664	$126,627,876	$126,108,810	$996,292,783
AVAILABLE CASH	$201,062,834	$272,258,117	$263,622,206	$236,493,256	$207,119,123	$172,493,727	$135,860,491	$96,992,322	$1,041,579,531
EXPENDITURES									
C.V.W.	3,205,616	3,388,159	3,497,307	3,503,362	3,698,162	3,772,125	3,847,568	3,924,519	25,631,282
General Operations	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	14,669,564	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	46,352,828	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	2,247,850	1,675,099	1,450,099	1,479,101	1,508,683	1,538,856	1,569,634	11,469,322
Head Quarters Building	646,106	588,505	591,525	597,881	603,800	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	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	33,292,030	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	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	9,636,102	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 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	$139,824,331	$156,607,114	$158,115,613	$161,802,060	$163,261,112	$164,976,979	$177,596,742	$1,122,183,951
ENDING CASH BALANCE	$45,286,748	$132,433,786	$107,015,092	$78,377,643	$45,317,063	$9,232,615	($29,116,488)	($80,604,420)	($80,604,420)

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

EXCUTIVE PROPOSAL RTF 31M 383
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	$122,208,565	$108,460,714	$89,991,946	$68,207,474	$43,872,348	$45,286,748
REVENUE									
G V W	22,583,650	22,809,487	23,037,582	23,267,958	23,500,637	23,735,643	23,973,000	24,212,728	164,537,035
Gas Tax	59,576,264	65,299,704	65,517,209	64,373,065	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	3,466,058	0	0	0	0	0	0	0	0
Stores	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
Prior Year Revenue Adj.	250,393	0	0	0	0	0	0	0	0
									0
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	127,522,264	$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	$201,062,834	$272,258,117	$278,815,679	$266,576,327	$251,794,006	$231,468,586	$208,849,327	$183,714,855	$1,128,302,064
EXPENDITURES									
G V W	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
General Operations	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	14,669,564	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	46,352,828	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	2,247,850	1,675,099	1,450,099	1,479,101	1,508,683	1,538,856	1,569,634	11,469,322
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	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	33,292,030	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	27,000,000	159,850,317
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	9,636,102	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	93,654,914
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	$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	$122,208,565	$108,460,714	$89,991,946	$68,207,474	$43,872,348	$10,118,113	$10,118,113

9HM

EXHIBIT #2
DATE 1-22-87
HB 136

Testimony of

ILERT HELLEBUST

before the

HOUSE TAXATION COMMITTEE

on

HOUSE BILL 136

~~Mr.~~ CHAIRMAN RAMARIZ & COMMITTEE MEMBERS:

My name is Ilert Hellebust. I live in Havre and am the chairman of the Montana Highway Commission. I'm here to support House Bill 136 because it would provide $15 million, the amount necessary to restore and continue the ~~RTF program~~. RECONSTRUCTION TRUST FUND PROGRAM, WITHIN OUR HIGHWAY SYSTEM.

The focus of the RTF (RECONSTRUCTION TRUST FUND), is on our most important roads. Primary highways get us from here to there, they allow us to transport our commodities and welcome tourists to Montana.

Whether you're from the hi-line like I am and drive Highway 2, then Highway 87 to Great Falls, or you're in western Montana and drive Highway 93; whether you're in northeast Montana and drive Highway 13, or you're traveling any direction from Billings, you're driving on roads that have needed repair as long as most of us can remember. Since the program started in 1983, ambitious goals have been SET ~~met~~ AND MET, and the progress is very evident.

Three cents-a-gallon will allow us to complete the work started in 1983. The results will benefit every Montanan.

#2
1-22-87
HB136

I think this program is a bargain. The market PRICE INCREASES will LIKELY have far more impact on the price of gas & DIESEL than this modest tax increase. What's more, the 3¢ is not over and above what the department requested in the past -- the 3¢ is just the amount that wasn't funded in the Special Session.

I've seen many changes in the Highway Department over the last several years. We have a good system of priority-setting; projects are selected based on need -- not politics. Far more road construction is being done, but it's being done with a smaller department. The competitive bidding process is working well and I think we're getting good value on these jobs.

~~The~~ important thing now is to move ahead. ~~I urge your support for House Bill 136~~.

THIS ENDORSEMENT OF THIS LEGISLATION HAS UNANIMOUS SUPPORT OF ALL MEMBERS OF THE HIGHWAY COMMISSION. WE HOPE ALL REALIZE THAT THE IMPORTANT THING NOW, IS TO MOVE AHEAD. WE URGE YOUR SUPPORT FOR
~~DDU:kw:3f~~
HOUSE BILL 136,

#3 1-22-87 136

CURRENT STATE DIESEL TAX RATES

(AS OF JAN 1, 1987)

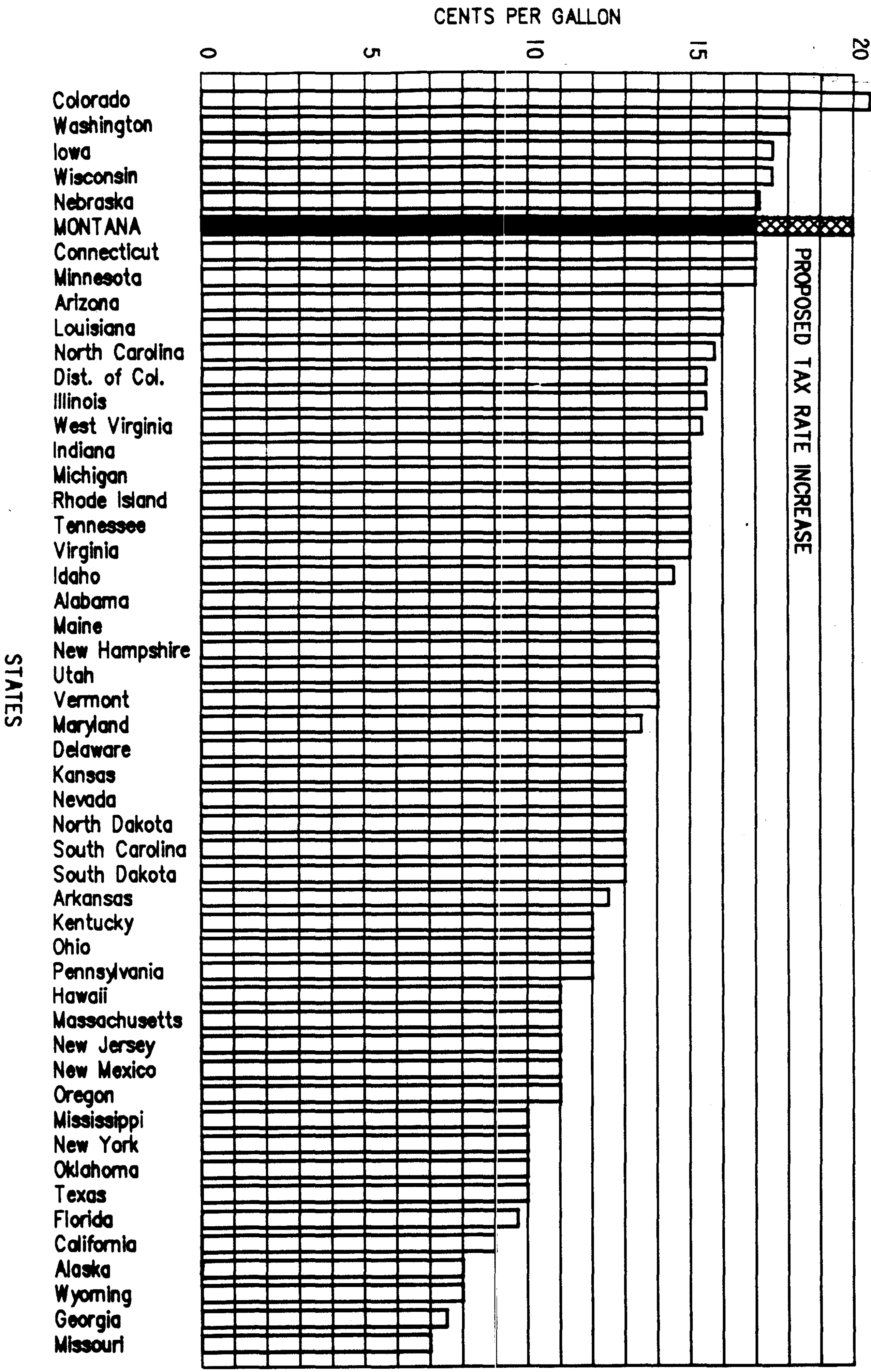


EXHIBIT
DATE 1-22-87
HB 136 & 255

Testimony by Gary J. Wicks
January 22, 1987

EXHIBIT #3
DATE 1-22-87
HB 136

HB 136

The Department of Highways supports HB 136 since the 3¢-a-gallon increase in gas and diesel taxes is an extension of the 5¢ on gas and 3¢ on diesel requested by the administration last June. It will provide sufficient funds to continue the program to improve Montana's highways.

That program, approved by the 1983 Legislature, consisted of three major parts: 1) establishment of the Reconstruction Trust Fund, authorizing the department to spend $40 million a year over the next 10 years to improve the primary system; 2) authorizing the issuance of $150 million worth of bonds to complete the interstate and match increased federal aid; and 3) a fuel tax increase of 6¢ a gallon, part of which went for cities and towns, and continued funding of the Highway Patrol.

The money you provided went into highway construction and the projects we said would be let to contract were let to contract. In September, the contract to complete the last stretch of the interstate was let, allowing Montana to complete this vital link years ahead of the schedule based on federal funding.

With the completion of the interstate, the department and Highway Commission have made improvement of the primary system their highest priority. In the three years funding for the RTF was available (FYs 1984/1985/1986) and through the biennium. The department will have improved 1,800 miles of primary, moved 700 miles of the 5,500-mile system from the "poor/fair" pavement category to "good/excellent" and let to contract 172 miles of the 458 miles of "red" roads identified in 1983. Projects such as DeSmet-Evaro - four-lanes on Highway 93, Coram-West Glacier on Highway 2, Sidney-Fairview on Highway 200, and Bowman's Corner - East on Highway 200 are just a few examples of what we've done in a short time with the RTF program.

Prior to the special session in June, the department recognized additional funds would be necessary in 1987 and planned to request an increase. The decision to reduce highway funding dramatically altered the planned construction program. When we examined projected cash flows after the special session, it was clear we could not continue the scheduled RTF projects and end 1989 with a positive balance. We faced the choice of reducing maintenance, failing to match federal aid, not meeting our debt service obligations or reducing the RTF. Clearly, reducing the RTF was the only prudent thing to do.

In September, the Highway Commission, acting on the basis of these reduced funding projections, cut $85 million worth of RTF projects from the 87-89 construction program. These projects are identified in the Highway Department's REPORT TO THE 50TH LEGISLATURE.

Since the special session, a legislative committee chaired by Senator Mazurek has reviewed highway financing, the highway program and funding alternatives. The committee asked the Legislative Fiscal Analyst and the Legislative Auditor to review the highway account balance sheets. It also heard testimony from other interested groups.

The committee's unanimous recommendation was that the RTF program be restored. It recommended an additional $15 million per year be provided from fuel taxes for highway construction and the primary system, and that the coal tax funds be retained by the RTF. The committee's report has been distributed to the Legislature.

HB 136 would fund the committee's recommendations. Assuming the 12 percent coal tax revenues continue and bonds issued up to the authorized level, the RTF can be restored and funded until 1993:

- With the RTF, we can improve or maintain 2,800 miles of primary between now and 1993, without it only 800 miles.

- With the RTF, we can continue the preventive maintenance program to get the most out of the taxpayers' investment, without it preventive maintenance is not possible.

- With the RTF, 458 miles of critical roads will be improved by 1993; without it, that will not be accomplished until after the beginning of the 21st Century.

- With the RTF, we can reconstruct:

  Highway 2 - Libby/Troy;
  Highway 93 - Darby South;
  Highway 12 - Avon/Elliston;
  Highway 87 - Big Sandy North & South;
  Highway 3 - Broadview North & South and Acton West;

Highway 13 - Scobey North;

Highway 78 - Absarokee/Columbus; and

Highway 2 - Browning East & West.

Without the RTF, these projects must be delayed or eliminated from the program.

- With the RTF and early approval by the Legislature, the highway construction program -- and Montanans -- can go back to work in May.

Since the special session, we have been working with legislators for a better understanding of Montana's highway problems. That cooperation has created bipartisan support. If politics can continue to be set aside, we will pass on to Montanans in the 21st Century not a Democrat or Republican highway system, but a <u>good</u> highway system, adequate to meet the needs of Montana's business, citizens, and economy. This is the clear choice facing this committee and this Legislature.

GJW:kw:3p

EXHIBIT #4
DATE 1-22-87
HB 136

MONTANA TRUCK USER FEE STUDY

December 30, 1986

(mggarep)

I. INTRODUCTION

A. OBJECTIVE

The purpose of this study, as defined by the Montana Grain Growers Association (MGGA) 1985-1986 Truck Transportation Resolution Item B., was for the Transportation Division of the Montana Department of Commerce to research Montana truck user fees to determine at what level truck user fees become counter-productive to the intents of producing revenue for highway construction and maintenance.

In other words at what level do Montana truck user fees become detrimental to the State's trucking industry and transportation service systems.

A truck user fee as defined for this study was: A fee charged a Montana motor carrier by a governmental entity for the use of government funded, constructed or maintained highway facilities. This also includes governmental fees charged for administrative purposes such as vehicle registration, title registration, recording of liens, etc.. Property taxes are not included under this definition.

B. BACKGROUND

MGGA's concern for the State's trucking industry can be easily understood when considering the importance of motor carriers to Montana particularly with respect to the following factors:

1. Our industries are highly resource oriented with many of our products being shipped from our State in a bulk, unfinished form such as grain, livestock, coal, ores, and lumber.

2. Due to Montana's distance from markets, transportation costs consume a significant portion of a product's dollar return when it is finally sold in a highly competitive market. This is particularly true of grain

and lumber.

3. With a lack of water transportation, there are only two modes, truck and rail, to transport resource and agricultural products from Montana.

4. Due to a lack of rail competition, Montana has had to depend on the trucking industry to provide competition.

5. Rail abandonment of branchlines has required a greater dependence on trucking.

6. Many of the communities in Montana depend on motor carriers for their transportation services particularly with respect wholesale and retail goods. Without trucking services many of these communities could not survive since there are no other forms of transportation available. This dependency on motor carrier services continues to become more critical. A number of the communities along the Empire Builder route such as Cutbank and Glasgow have recently lost their Amtrak freight service. Amtrak anticipates continuing to cut ticket and freight services at passenger depots along the Empire Route.

The importance of the motor carrier industry to Montana is continuing to grow. However at this same time increased costs particularly with respect to truck user fees have begun to make motor carriers less able to compete or for that matter to even stay in business.

II. STUDY PROCEDURES

In order to understand the impact of truck user fees on a motor carrier it was necessary to develop a motor carrier costing model to establish costs associated with specific haul movements.

A. MOTOR CARRIER COSTING MODEL

The Transportation Division of the Montana Department of Commerce developed a motor carrier costing model on a computer spreadsheet program. Transportation Division staff in 1986 conducted research and interviewed several agencies and motor carriers in efforts to obtain the most recent data with respect to each cost parameter. Once this data was obtained all costs were developed on a per year basis (annualized) in order to permit evaluation on a average year basis. Figure 1 in the Appendices illustrates the relationship of actual costs as compared to annualized costs which were used in this study. The following presents the cost parameters and costing model procedure used to establish truck user fee impacts:

1. Truck Characteristics-
   Truck Size
   Tractor
   Trailer
   Purchase Price

2. Fixed Costs-
   Tractor-trailer purchase price
   Property tax
   Insurance (vehicle and cargo liability)
   Administrative (support personnel for record keeping, dispatch, secretarial, etc.)

3. Variable Costs-
   Fuel Costs
   Maintenance Costs
   Tire Costs
   Driver Costs

4. Truck User Fee Costs-
   Presents 29 potential user fee costs administered by six (6) State and federal govenment agencies

5. Cost Per Vehicle-Mile and Ton-Mile -

6. Truck Income-
   Grain Hauling Rates (wheat).
   Potential for a backhaul

7. Profit Margin-
   Difference between income and costs without user fee costs

8. User Fee Scenario-
   Calculates user fees at +5%, +10%, +15%, and +20%

9. Profit Margin Scenario-
   Scenario illustrates the impact of user fees on costs and revenues with user fees at their present

level, and when user fees are raised +5%, +10%, +15%, and +20%.

10. User Fee Costs Per Bushel, Mile, Costs and Revenues
    Calculations of current user fee costs on a per bushel, mile, cost, and revenue basis.

B. VEHICLE TYPE SELECTION

Four truck vehicle type configurations were selected for analysis by the motor carrier costing model. These selected vehicle types represent the most common truck types found to be hauling grain, general commodity, and lumber loads and are listed as follows:

1. Grain - 7 axle-26 wheel-tractor, hopper trailer, dolly, and hopper pup trailer

2. Grain - 5 axle-18 wheel-tractor, hopper trailer

3. General Commodity -5 axle-18 wheel-tractor,van trailer

4. Lumber - 5 axle-18 wheel-tractor, flatbed trailer

C. STUDY ASSUMPTIONS

The following assumptions were made with respect to the study and costing model:

1. The costs and revenues developed for use in the costing model reflect actual costs and revenues but represent a hypothetical motor carrier situation.

2. All costs and revenues are presented on a single truck basis which may be part of a small trucking firm fleet or that of a single owner-operator.

3. The motor carrier owner-operator is full time in the transportation business.

4. The truck equipment is highly utilized and low in the amount of assessories.

5. The motor carrier hauls to one destination and returns.

III. THE MODEL

Table I presents model data input and calculation results for both the 7 axle and 5 axle grain trucks. Destinations used in the model include Butte, Montana and Lewiston, Idaho with the orgin for both grain trucks being Great Falls, Montana. The total 100,000 miles per year grain truck haul operations for both grain trucks were calculated relative to costs as occurring entirely within Montana.

Table II provides model results with respect to the selected general commodity and lumber truck configurations. The general commodity and lumber trucks each operate 115,200 miles per year between Missoula, Montana and Los Angeles, California. For purposes of this report the total 115,200 miles per year for both types of trucks were calculated with respect to costs as operating entirely within the State of Montana.

IV. FINDINGS

A. Grain Haul Motor Carriers

1. Total annual costs of a 7 axle two trailer grain hopper truck amounted to $104,541.50 per year of which truck user fees amounted to $13038.76 or 12.5% of total costs.

2. Relative to a 5 axle one trailer grain hopper truck total annual costs amounted to $92,303.69 per year of which truck user fees amounted to $10721.60 or 11.6% of the total costs.

3. Highest Grain Truck User Fees

	7 axle	5 axle
GVW Fees	$1775.00	$1653.00
Diesel Fuel Taxes		
State	$4250.00	$3400.00
Federal	$3750.00	$3000.00
Federal		
Truck Purchase Tax	$2122.56	$1795.20
Heavy Vehicle Tax	$ 550.00	$ 550.00
Tire Excise Tax	$ 329.60	$ 280.00
	$12,777.16	$10,678.20

Percent of Total (User Fees)	98.0	99.6

4. Truck Annual Profit Margin (excluding user fees with 10% backhaul rate)

   a. With a 7 axle grain truck hauling to Butte the motor carrier has a $347.00 profit margin however when current user fees are subtracted the net result is a loss of -$12,691.00.

   b. On a 5 axle truck hauling grain to Butte the profit margin was already at a loss of -$13,437.00. When current user fees are added in the loss increases to -$24,159.00.

   c. With a 7 axle grain truck hauling to Lewiston, Idaho the situation becomes worse. The operator already has a loss of -$26,603.00 with normal costs. When current level user fee costs are added the deficit increases to -$39,641.00.

   d. This same movement to Lewiston, Idaho for a 5 axle grain truck excluding user fee costs amounts to -$33,567.00. Adding current level user fees causes the deficit to climb to -$44,289.00.

5. Current User Fee Costs per:

	7 axle	5 axle
User fee costs/bushel		
To Butte	$.0374	$.0415
To Lewiston	$.0930	$.1032
User fee costs/mile (100,000 miles/year)	$.1304	$.1072
User fee costs/trip		
To Butte	$40.42	$33.23
To Lewiston	$100.40	$82.54
User fee costs as % of Annual Costs	12.47%	11.62%

User fee costs as % of Annual Revenues		
To Butte	14.20%	15.73%
To Lewiston	20.09%	22.33%

B. General Commodity Motor Carriers

1. Total annual costs of a 5 axle one van trailer truck amounted to $110,353.21 per year of which current truck user fees comprised $11,903.89 or 10.8% of total costs.

2. Highest General Commodity Truck User Fees

	5 axle
GVW Fees	$1718.53
Diesel Fuel Taxes	
State	$3916.80
Federal	$3456.00
Federal	
Truck Purchase Price	$1824.00
Heavy Vehicle Tax	$ 550.00
Tire Excise Tax	$ 322.56
	$11,787.89
Percent of total	99.0%

3. General Commodity Truck Annual Profit Margin (excluding user fees with a 83.3% backhaul rate)

   With a 5 axle general commodity truck hauling from Missoula to Los Angeles and back the operator has a profit margin of $20,351. Subtracting out current user fees the net return amounts to $8447.

4. Current User Fee Costs per:

	5 axle
User fee costs/mile	$.1033
User fee costs/trip	$248.00
User fee costs as a % of Annual Costs	10.8%

User fee costs as a % of Annual Revenue	10.0%

C. Lumber Haul Motor Carriers

1. Total annual costs of a 5 axle one flatbed trailer truck amounted to $108,860.68. Current user fees comprised of $11,927.89 or 10.9% of total costs.

2. Highest Lumber Truck User Fees

	5 axle
GVW Fees	$1718.53
Diesel Fuel Taxes	
State	$3916.80
Federal	$3456.00
Federal	
Truck Purchase Tax	$1848.00
Heavy Vehicle Tax	$ 550.00
Tire Excise Tax	$ 322.56
	$11,811.89
Percent of Total (User Fees)	99.0%

3. Lumber Truck Annual Profit Margin (excluding user fees with 50% backhaul)

   A 5 axle one trailer flatbed truck hauling from Missoula to Los Angeles roundtrip has a profit margin of $19,707. After subtracting out current user fees the net return amounts to $7,779.

4. Lumber Truck Current User Fee Costs per:

	5 axle
User Fee Costs/mile	$.1035
User Fee Costs/trip	$248.50

User Fee Costs as a % of Annual Costs	11.0%
User Fee Costs as a % of Revenue	10.2%

V. CONCLUSIONS

1. Of the trucks selected whether for grain, general commodity or lumber the costs generally run between $.92 and $1.05 per mile. The 7 axle grain truck costs were the highest at $1.045 with the three 5 axle trucks running between $.923 and $.958 per mile.

2. Truck user fee costs for the most part amount to between $.10 and $.13 (7 axle grain truck) per mile.

3. There does not appear to be a significant difference in truck user fees whether the commodity hauled is regulated or not.

4. The costing model suggests grain truck costs for both the 7 axle and 5 axle (without including current level truck user fee costs) for the most part exceed revenues regardless of the Butte, Montana or Lewiston, Idaho destinations. This in large part is due to the required use of specialized hauling equipment which in turn causes a reduced opportunity to obtain a backhaul. There is either a need to go to more versatile equipment to accommodate backhauls or develop backhauls for the specialized equipment currently being used.

5. General commodity and lumber truck costs do not exceed revenues even with the addition of current user fee costs. Study results suggest with general commodity and lumber truck operations profit margins of approximately $8,000.00 remain after total costs (including current truck user fee costs) are subtracted from revenues.

6. Using study assumptions almost 20% of present annual grain hauling revenues are used to pay current truck user fees.

7. Without increased backhauls or an increase in freight rates grain haulers will continue to operate at a deficit.

8. A possible solution may be the deregulation of types of commodities that could be used as a backhaul for grain motor carriers.

9. An increase in trucking costs and user fees tends to cost Montana more than the initial cost or user fee increase (refer to Figure 2 in the Appendices).

   (a) An increase in a truck user fee or other operating costs raises the cost of trucking which in turn raises truck rates (line T1-T1 level rises to T2-T2 level) .

   (b) A raise in truck rates justifies other transportation service modes to raise their respective hauling rates (line R1-R1 level rises to R2-R2 level.

   (c) Producers and all Montanans end up paying more for both truck and rail transportation.

10. Study results suggest relative to grain haulers with specialized equipment that with a lack of backhauls almost all truck user fees at the current level are counter productive to the intents of producing revenue for highway construction and maintenance since the grain motor carrier is required to operate at a loss.

APPENDICIES

Figure 1

TRUCKING COSTS

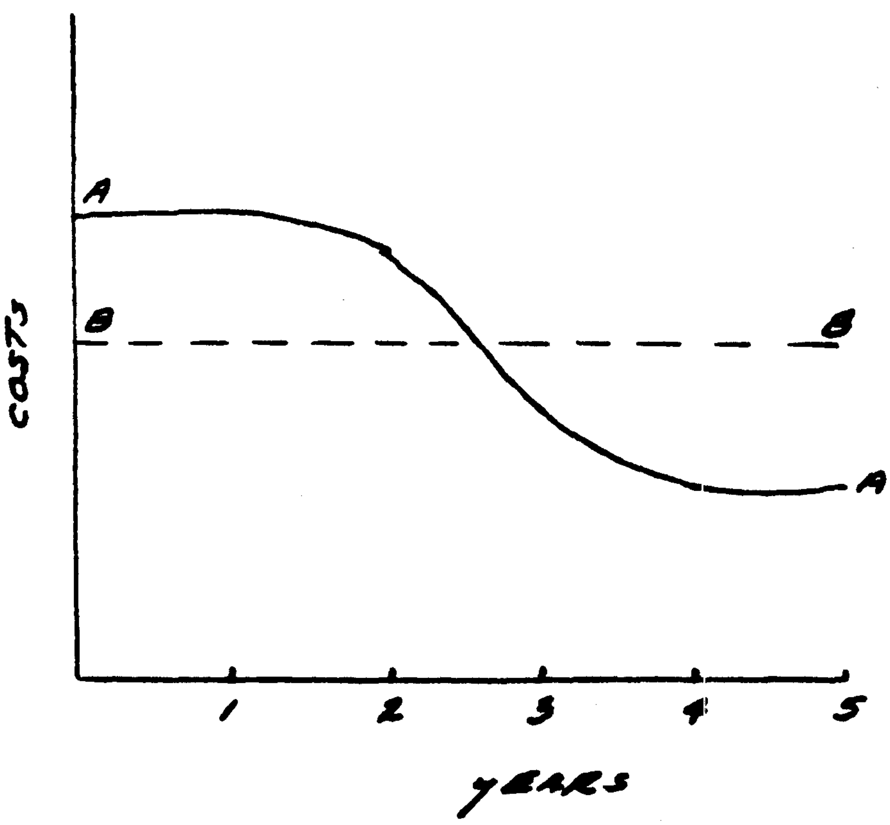


Figure 2

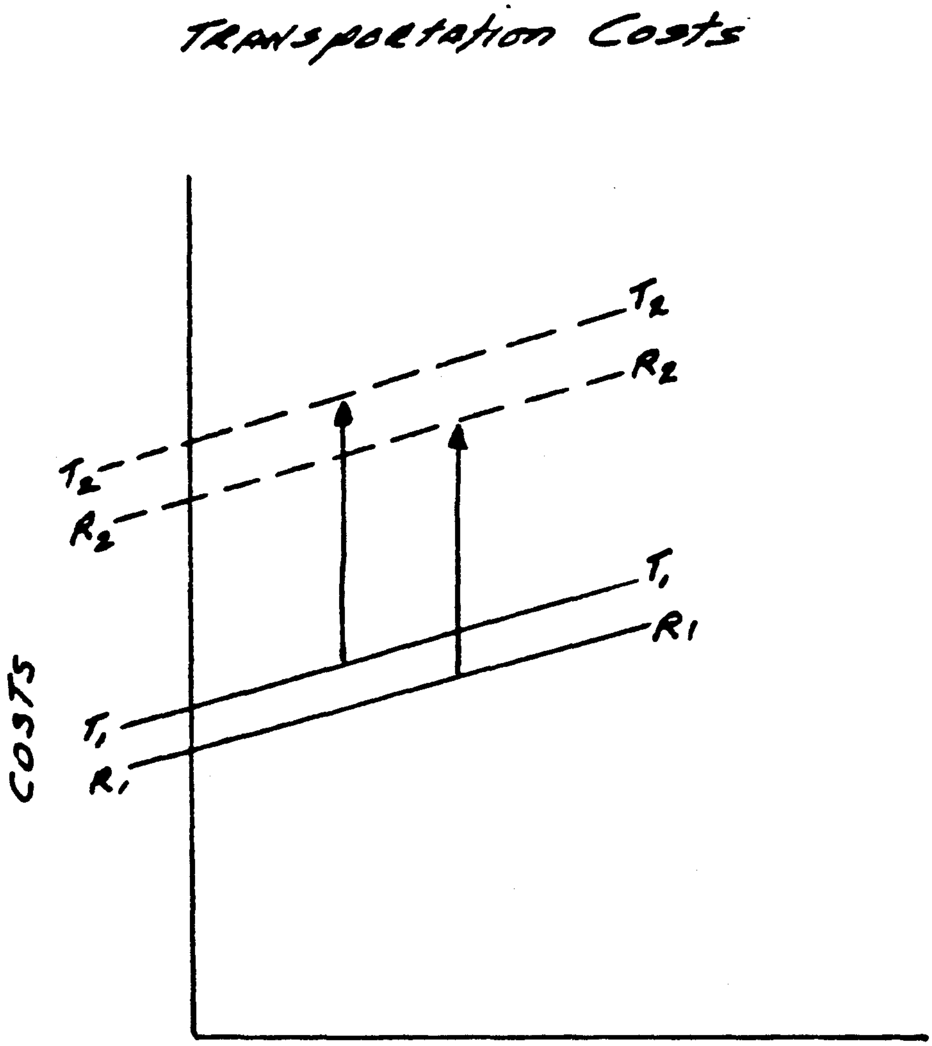


EXHIBIT #5
DATE 1-22-87
HB 136

January 21, 1987

MMCA STATEMENT ON HB136

Mr. Chairman and members of the committee .... I'm Ben Havdahl, Executive Vice President of the Montana Motor Carriers Association ...... We would like to go on record opposing the diesel fuel tax increase by 3 cents per gallon in HB136 ...... I emphasize only the diesel fuel tax increase and my comments are not being directed in opposition to the gasoline tax proposed in HB136 or on any other basis.......

MMCA has some 325 carrier members and 125 supplier members. All of whom are employers and the carriers range in size from a one-truck operation to medium size companies operating fleets of trucks up to 400 plus in numbers. 95% of our Montana based trucking companies operate in interstate commerce under ICC authority in several states, some in all 48 states ....

I would also like this committee and members of the Legislature to understand that the opposing position by MMCA to a diesel fuel tax increase is not an opposing position to supporting an adequately funded "reconstruction trust fund" to rebuild some 2,000 miles of the primary highway system in Montana. MMCA has and continues to support an affordable highway program in Montana. We supported a diesel fuel tax increase in 1983 to fund the then created "reconstruction trust fund". The tax was increased from 11 to 17 cents per gallon with half of that increase diverted from the RTF to cities and counties notwithstanding that almost all the over-the-road truck mileage is on the interstate and the primary system in Montana. If that diversion had not happened we are convinced the RTF would not be suffering today.

MMCA expressed its opposition the increase in diesel fuel tax by 3 cents per gallon as proposed in SB14, during the June 1986 session due to the difficult economic situation facing the trucking industry. The diesel tax increase was amended out of SB14. Our position has not changed nor has the economic situation of the industry improved. If anything it has gotten worse.

MMCA testified before the Senate Taxation Committee last week on SB44 to reclassify trucks and trailers from 16% to 11% representing a savings in personal property taxes to over the road truckers of approximately $1.3 million. We said then that we expressed opposition to a diesel fuel tax increase before the Select Special Legislative Committee on Highway Funding, not because we are not supportive of a soundly financed highway program, but because we cannot afford any additional taxes be they diesel fuel, workers' compensation, truck property taxes, or any others. SB44 represented some tax relief and we would welcome that.

Let me try to review for you just exactly why and what the situation is for truckers in Montana.

Since 1983 state diesel fuel taxes have increased 55%; federal taxes increased 275%; the federal use tax on heavy trucks increased 162%; excise taxes on equipment 32% and excise taxes on tires 45% Total state and federal diesel fuel taxes are 32 cents per gallon and total gasoline taxes are 24 cents per gallon. Diesel fuel taxes are 6 cents per gallon higher than gasoline at this present time.

One large Montana truck combination pays more annual state and federal road taxes than do 47.5 passenger cars ....

The impact of total increased state and federal highway taxes on a typical five axle semi is major: An 80,000 pound five axle tractor semitrailer combination paid approximately $5,429 in Montana taxes, an increase of 36% over taxes prior to July, 1983, and with all the federal tax increases, paid an additional $4,151 for a total of $9,580 per year based on 70,000 miles of operation. Montana over-the-road trucks run closer to 100,000 miles and that would add another $1,920 in federal and state fuel taxes for a total $11,500 per year per truck.

There are those who would question whether or not trucks are paying their fair share of highway user taxes ...... however according to the Fiscal Analyst report to the June Special Session some $19.2 million was collected in diesel fuel taxes in 1985 plus $24.2 million in GVW fees or 42% of the highway user taxes . When federal user taxes are added to that total the percentage soars closer to 60%.

Currently, the total state and federal taxes on a five-axle semi equates to a cost of 14 cents per mile and approximately $.08 per bushel when transporting grain from Montana to the West Coast. Any additional tax increase will reflect in even higher transportation costs to the Montana farmer.

Montana Workers' Compensation premiums for truckmen increased 50% two years ago and were increased an additional 25% ...... effective January 1, 1987.

Prior to the rate increase, a truck driver earning $30,000 a year, costs $3,558 a year for workers' compensation in Montana, but only $389 in North Dakota, $3,120 in Idaho, $1,872 in Utah and $1,500 in Wyoming for example. The latest increase in Montana adds an additional $882 per year for a total of $4,440. Its interesting to note that the increase is more than twice the North Dakota rate.

We polled our membership response to the Montana Workers' Compensation increase on January 1, 1987, out of 55 responses operating 2,379 trucks, or 29 or 52% indicated plans to move out of Montana or move their drivers. Those 29 account for 1,338 trucks or 56%. Equating that to jobs, and assuming are driver per truck, thats over 1300 jobs potentially lost in Montana and represents a prospective impact of a $39 million payroll loss to the state's workers' compensation fund.

First let me cite some other economic facts ....

Montana trucking industry liability insurance rates have been and are increasing dramatically, ranging from 100% to 400% on up to 1000% because of government required liability limits for carriers of $750,000, $1 million for non-bulk hazardous materials, and trucks carrying bulk hazardous materials $5,000,000 ...... many carriers can't buy liability insurance at any cost. That situation has not improved dramatically since June 1986.

Cargo insurance rates have increased from 50% to as high as 370% ..... these rates are not manual rates, or not published in a book, but are based on certain criteria of the company ...... the most important is the carrier's perceived financial health ... in other words, the poorer a company's financial status, the higher the rate.

On the national scene as you may recall, there is still a federal fuel tax increase pending before the Congress. Right now, according to American Trucking Association over 30% of the industry in interstate commerce is operating at a loss. This equates to almost 10,000 of the 33,000 carriers with ICC operating authority, which is only one part of trucking. These 10,000 companies employ approximately 140,000 people whose immediate jobs are in jeopardy if a contemplated federal fuel tax increase were to be passed. With a 5 cent per gallon increase, the number of ICC authorized carriers operating at a loss would become 35%. With a ten cent per gallon increase, the carriers operating at a loss would be 41%. And with a 25 cent per gallon increase, the majority of ICC authorized carriers would be operating at a loss with some 219,000 jobs in jeopardy.

In Montana the economic situation has not improved. The Montana Department of Commerce recently completed a Montana Truck User Fee study at the request of the Montana Grain Growers Association. The purpose of the study was to determine at what level truck user fees became counter-productive to the intents of producing revenue for highway construction and maintenance. The economics for grain truck hauling concluded the following:

Truck Annual Profit Margin (excluding user fees with 10% backhaul rate)

a. With a 7 axle grain truck hauling to Butte the motor carrier has a $347.00 profit margin however when current user fees are subtracted the net result is a loss of -$12,691.00.

b. On a 5 axle truck hauling grain to Butte the profit margin was already at a loss of -$13,347.00. When current user fees are added in the loss increases to -$24,159.00.

c. With a 7 axle grain truck hauling to Lewiston, Idaho the situation becomes worse. The operator already has a loss of -$26,603.00 with normal costs. When current level user fee costs are added the deficit increases to -$39,641.00.

d. This same movement to Lewiston, Idaho for a 5 axle grain truck excluding user fee costs amounts to -$33,567.00. Adding current level user fees causes the deficit to climb to -$44,289.00.

As a result of the study by Montana Grain Growers adopted the following resolution:

1. TRUCK TRANSPORTATION
   A. MGGA opposes any taxing plans on a state or federal level which would hinder trucks as a viable grain transportation alternative.
   B. MGGA believes that further increases in truck user fees would be counterproductive based on the report, to the state economy and urges the legislature to consider carefully the effects of any such increases on prices received for bulk commodities produced in the state.

The study also included a general commodity carrier with a 83.3% backhaul and a lumber hauler with a 50% backhaul and concluded that in both cases, with an ideal backhaul situation, that the operations are only modestly profitable.

A copy of the study's summary is enclosed and the completed detailed study is available.

It is the opinion of the Motor Carriers Association that due to the depressed situation within the trucking industry, that any further user fee increases will be counterproductive and MMCA stands firm in its opposition to any such increases.

Finally, we would like to include with our statement a copy of a recent letter to motor carrier "friends" and I emphasize "friends" from Wyoming's Governor Ed Herschler where in he urges truckers to do business in Wyoming citing diesel fuel taxes, among others, as the lowest in the neighborhood at 8 cents per gallon.

He says Wyoming doesn't have any punitive laws which make it difficult and frustrating to operate efficiently ....

In addition to extolling all the low taxes in Wyoming, he adds, that our facilities are equal to any you'll find and you'll put dollars back in your profit column at the same time ...... some of our members are taking Governor Herschler very very seriously.

Thank you.

STATE OF WYOMING
OFFICE OF THE GOVERNOR
CHEYENNE 82002

ED HERSCHLER
GOVERNOR

Dear Motor Carrier Friends:

You know Wyoming as a land of long distances and wide spaces with mountain shadows always on the horizon. I am sure you see it on your operations' map as the bridge you travel to deliver your freight.

As a businessman, I know that you are continually seeking ways to make sure your bottom line remains in the black. Wyoming business people can help you. You already know that our highways are among the best in the nation. You should also be aware that Wyoming maintains a business and tax climate that is "highway-user friendly." Our tax structure is among the lowest in the nation, especially for motor carriers. At 8¢ per gallon, our diesel fuel tax is at least 5¢ per gallon less than any of our neighboring states and the differential is significantly higher in most cases. While we now have our tax payable at the pump, the actual rate itself has not increased in many, many years. With a low total price at our fuel stops in Wyoming, you'll find it makes good management sense to "fuel around" in Wyoming. Recent changes in Wyoming's laws have made it easier for motor carriers to do business here. Refund procedures on a monthly basis are available when you purchase fuel in Wyoming and use it elsewhere. Your reports are now due on a quarterly basis instead of monthly. You'll also find that Wyoming has no punitive laws which make it difficult and frustrating to operate efficiently.

All other services you may need are available in Wyoming at more competitive prices. Our sales tax is among the lowest in the region.

Wyoming invites you to take a good look at doing business here. Our facilities are equal to any you'll find and you'll put dollars back in your profit column at the same time. Buying in Wyoming will help you meet that goal.

Yours sincerely,

Ed Herschler

Montana Motor Carriers Association Inc.

B G HAVDAHL EXECUTIVE VICE PRESIDENT
501 NORTH SANDERS
P O BOX 1714 HELENA MONTANA 59624
TELEPHONE AREA CODE 406 442-6600

January 5, 1987

TO : MMCA Executive Committee

FROM: B. G. HAVDAHL, Executive Vice President

RE : Responses to Workers' Compensation Rate Increase Survey

The MMCA membership was polled on December 8, 1986, asking for reaction to the 25% Workers' Compensation rate increase for truckmen from $11.86 to $14.80 per $100 of wages.

The following is a recap of the poll and an estimation of power units involved by the respective carriers:

1) Number of carriers responding........................55

2) Total estimated power units involved...............2379

3) Number of carriers indicating plans to move out of Montana or move drivers under the employ of an out-of-state corporation...............29 (52%)

   A) Number of power units involved (3)............1338 (56%)

4) Number of carriers indicating no plans to move......24 (43%)

   A) Number of power units involved (4).............347 (14%)

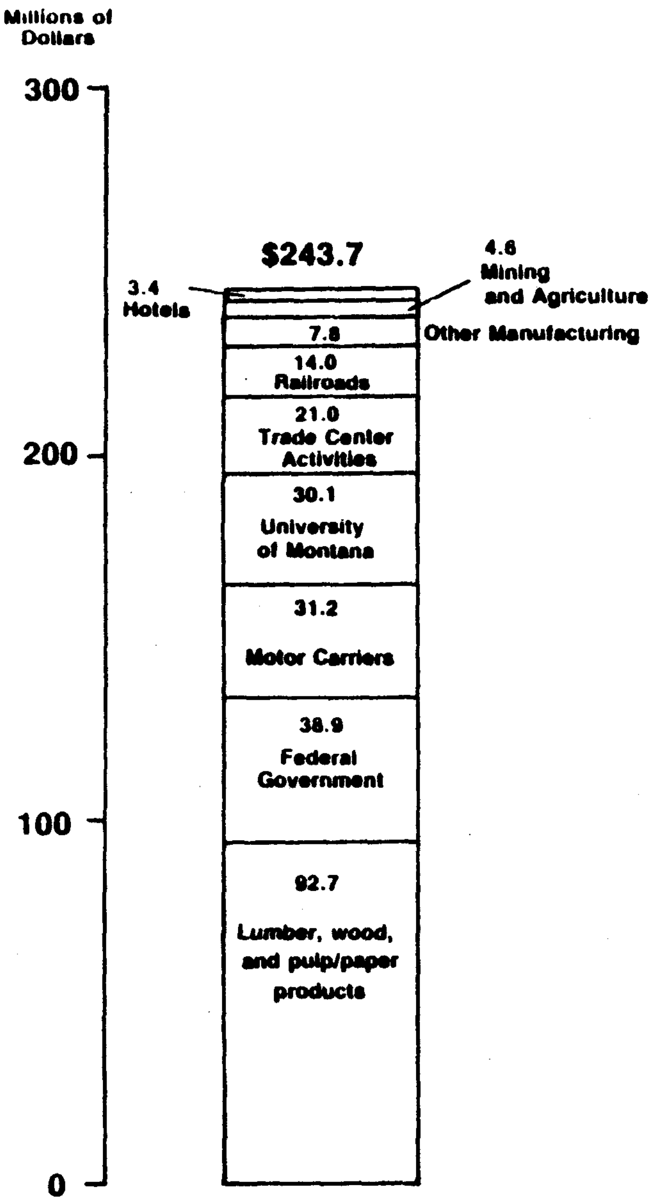
5) One carrier with 325 power units does not pay or require independent contractors to be insured and another carrier with 369 power units implied the possible consideration of moving for a total of 694 power units.

6) Number of suppliers responding........................6

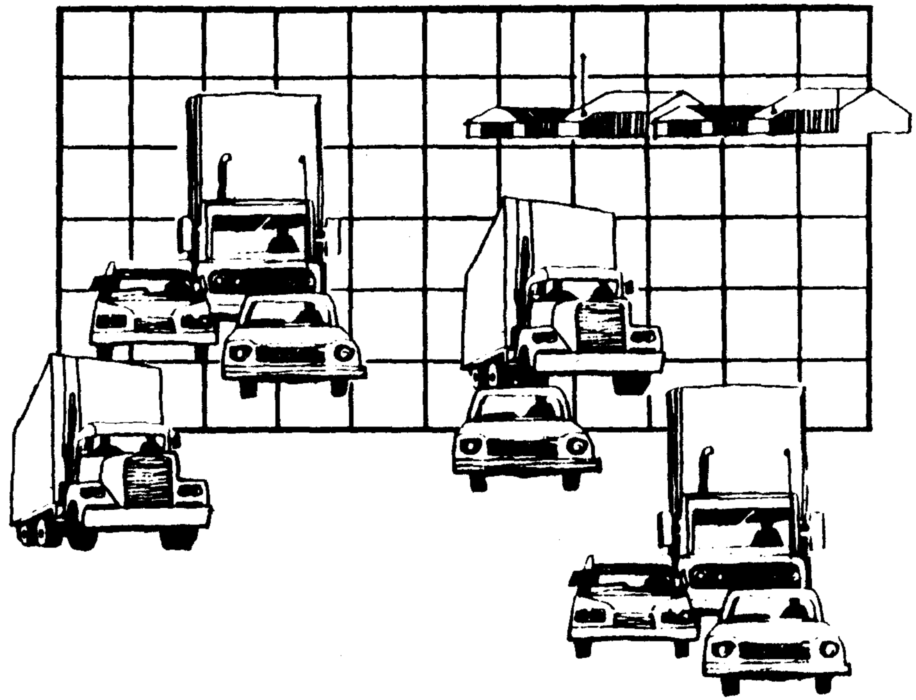
7) Number of suppliers indicating their plans to relocate outside of Montana........................3

BGH:ap

Labor Income in Basic Industries Missoula County 1984

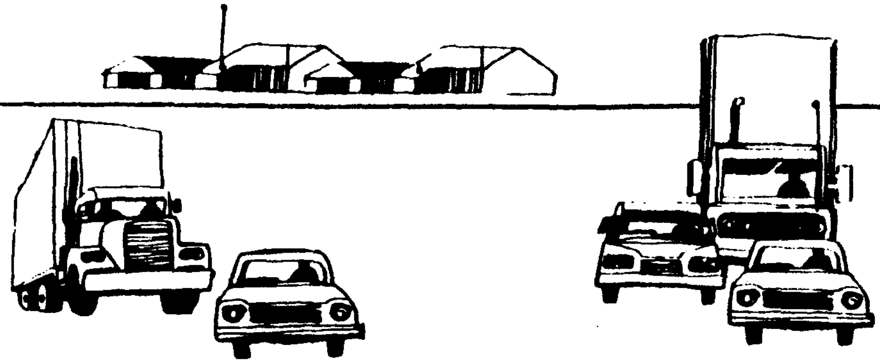


Sources: U.S. Department of Commerce, Bureau of Economic Analysis; Montana Department of Labor and Industry; and University of Montana, Bureau of Business and Economic Research.



Industry Update: Missoula County Motor Carriers

Presented to the
Montana Motor Carriers Association
September 18, 1985
by the
Bureau of Business and
Economic Research
University of Montana



Highlights of a recent study funded by the Missoula Chapter of the Montana Motor Carriers Association indicate that in 1984:

- Motor carriers were the third largest basic industry in Missoula County, tied with the University of Montana.
- About 1,500 people — including wage and salary employees plus the self-employed — worked in the industry.
- Labor income (that includes wages and salaries, fringe benefits, and the income of self-employed drivers with permanent Missoula County addresses) amounted to over $31 million.
- Total revenue for Missoula County motor carrier offices and operations came to almost $146 million.

Employment, Labor Income, and Revenue
Missoula County Motor Carriers
1984

Employment[a]	
Drivers	1,122
Others	375
Total	1,497
Labor Income[b]	
Drivers	$ 22,700,000
Others	8,400,000
Total	31,100,000
Labor income per worker	
Drivers	$ 20,232
Others	22,400
All workers	20,775
Total Revenue[c]	$145,800,000

Source: Bureau of Business and Economic Research, Missoula Trucking and Warehousing Data Collection Study, unpublished data, Missoula, Montana, University of Montana, 1985.

[a]Persons with permanent residence in Missoula County.
[b]Includes wages and salaries, fringe benefits, and self-employment income of persons with permanent residence in Missoula County.
[c]Revenues for Missoula County offices/operations only.

SB 136
-22

EXHIBIT # 10
DATE 1-22-87
HB 136

Funding proposals in the Region:

State	Present Tax Gas	Present Tax Diesel	Proposals and Comments	Effect of Proposal Gas	Effect of Proposal 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 18 (second year)	17 20
Montana	17	17	$15 million in revenues - equates to 3¢ per gallon on gas and diesel.	20	20

DJU:2:ml:29/al

Rich. Thur - July 3, 1986
(LFA) office - Judy Rippingale. 136

EXHIBIT #7
DATE 1-22-86

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

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

OBPP and LFA Cooperative Fiscal Status
July 2, 1986
(Thousands)

	1987 Biennium
Beginning Balance 7/1/85	$ 27,545
Prior Year Adjustments	4,455
Revenue - HJR1	685,762
Funds Available	$717,762
Disbursements	
Appropriations	$786,406
Supplementals	
Other	9,269
Public Schools	24,189
Block Grant - Public Schools	1,234
Block Grant - Other	6,696
Reversions	(12,200)
Total Disbursements	$815,594
Projected Deficit 6/30/87	$(97,832)

There is a projected deficit of $98 million as shown in Table 1. The legislative action shown in Table 2 eliminates the deficit and leaves a $830,000 ending fund balance.

Table 2
Legislative Action - Special Session III - (Thousands)

1.	Across-the-Board Cuts		$11,588
2.	Other Appropriations and Senate Action		6,028
3.	SRS Benefit Changes and Funding Match		3,239
4.	Liquor System Reductions		1,100
5.	Highway Patrol Fund Switch		3,083
6.	Postpone new Program Startups		675
7.	Delay New Water Development Projects		947
8.	Eliminate General Fund Support for Parks		412
9.	Coal Tax Lobby Reduction		55
10.	Close Detention Center at Mountain View		56
11.	Delay Capitol Renovation		4,949
12.	Cap Park Acquisition Trust for 3 Years		1,683
13.	Delay Alternative Energy Loans and Grants		1,350
14.	Utilize DOLI Penalty and Interest Money		384
15.	Establish Deputy County Attorney Account		520
16.	Legislative Council Code Account		500
17.	Social Security Interest Earnings		2,000
18.	Appropriate Coal Board Funds		1,680
19.	Increased Interest Due to Balance Budget		4,655
20.	Remove the Limits on TRANS		458
21.	Cut Legislators Pay		116
22.	SB 10 - Early Payment of Foundation Payments		(389)
23.	HB 33 - Limit G.A. Benefits		1,144
24.	HB 36 - Sell Youth Treatment Center		3,875
25.	HB 45 - P.S.C. Regulated Utility Tax		1,637
26.	HB 31 - Pay Plan Freeze		8,100
27.	SB 9 - School Foundation 1% Increase		8,422
28.	SB 13 - Redirect Education Trust Coal Tax		6,732
29.	SB 14 - Gas Tax		
	Move Federal Mineral Leasing		7,305
	Move Coal Tax ($5,937)		-0-
	Credit Interest to G.F.		6,251
30.	HB 14 - Pro-Rate Local Government Block Grant		
	A. Other		6,696
	B. Public Schools		1,011
31.	SB 17 - Monthly Withholding - Revenue		
	A. Revenue -	$8,900	
	B. Block Grant appropriation -	6,500	2,400
	Total		$ 98,662
Deficit - Table 1			(97,832)
	Ending Fund Balance		$ 830

EXHIBIT

DATE 1-22-87

HB 136

~~Thurs~~ Tues Oct. 14, 1986

Paul G. Pistoria

1. Revenue loss due to special session 3.
The dept. says they must delay $250 million of highway projects due to lack of funding. Dennis Unsworth says the delays were necessary due to actions of special session 3.

Fact: The Special session 3 actions resulted in a $2.2 million decrease in the combined highway gas tax account and the reconstruction trust fund that the dept would have had if the legislature didn't meet.

How does a $2.2 million a year funding decrease result in $250 million of delayed projects?

2. The projects delayed are portrayed in the paper as $250. Yet the information presented on delayed projects added to $90 million.
Why were the delayed project lists not showing the $250 million of projects they say are delayed so people can see the projects?

Paul G. Pistoria

3 When the dept. complains about the legislatures actions of transferring money from the highway account to other funds and the highway patrol funding shift, have they forgotten These were proposed by the Governor. The legislature bought the governor's highway program proposal except for not increasing the taxes as much -- 3 cents less gas tax and 3¢ less diesel tax. However, to help the highway dept retain reasonable funding levels, the legislature also did not remove the coal tax funds being used for highways. The Governor had proposed removing these funds.

Paul L. Pistoria

STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/444-2986

EXHIBIT #7
DATE 1-22-87
HB 136

JUDY RIPPINGALE
LEGISLATIVE FISCAL ANALYST

October 7, 1986 Rec'd - Wed - Oct. 8, 1986

Representative Paul Pistoria
2421 Central Avenue
Great Falls, MT 59401

Dear Representative Pistoria:

This letter is in response to your request concerning the impact on the Department of Highways resulting from actions taken by the 49th Legislature during Special Session III.

The loss of funding resulting from the legislature's action in Special Session III is shown in Table 1. This table compares fiscal 1987 as it would have been before Special Session III to the budget after the cutbacks in Special Session III. This table includes only the Highway State Special Revenue Fund and Reconstruction Trust Fund.

The difference column in Table 1 shows the impact of the actions taken by the legislature in Special Session III to be a $2.2 million net loss to the funds for fiscal 1987.

Table 1
Department of Highways - Funding Changes Resulting From
Legislative Actions Taken During Special Session III
Combined Highway State Special Revenue and
Reconstruction Trust Fund Accounts

Revenues	Prior to S.S. III Fiscal 1987	After S.S. III Fiscal 1987	Difference
Gasoline Tax	$ 59,566,023	$ 66,666,839	$ 7,100,816
Diesel Tax	18,576,576	18,576,576	-0-
Minerals Tax	7,577,783	-0-	(7,577,783)
Coal Severance	6,102,751	6,102,751	-0-
GVW Revenues	24,688,840	24,688,840	-0-
Interest Income	3,449,933	-0-	(3,449,933)
Stores	13,309,443	13,309,443	-0-
Total Revenues	$133,271,349	$129,344,449	$(3,926,900)
Expenditures			
Highway Traffic Safety	$ 73,946	$ 67,156	$ 6,790
Highway Patrol	6,662,869	9,292,422	(2,629,553)
Dept. of Revenue	812,942	753,879	59,063
Dept. of Commerce	75,000	71,250	3,750
Dept. of Highways Pass Through to Local Gov'ts	14,282,778	14,282,778	-0-
Long Range Building	969,821	969,821	-0-
Operations	73,455,464	69,125,331	4,330,133
Contractor Payments	35,576,692	35,576,692	-0-
Debt Service	15,975,094	15,975,094	-0-
Total Expenditures	$147,884,606	$146,114,423	$ 1,770,183
Total Funding Change			$(2,156,717)

The second area of the analysis is the road construction projects. Attachment 1 shows those projects that were delayed by the commission at the meeting held on September 17, 1986 and Attachment 2 is a copy of the road projects that have been approved by the Highway Commission. The delayed projects total approximately $89.8 million and are included in a modified budget request submitted by the department.

Table 2 shows the contractor payments as recorded in SBAS for fiscal years 1983 through 1986 and as projected for fiscal years 1987 through 1989 using the department's projections. The contractor payments peaked in fiscal 1986 at $167.7 million.

Table 2
Department of Highways - Contractor Payments
Fiscal Years 1983 through 1989

Fiscal Year	Contractor Payment
1983	$ 87,532,368
1984	112,293,540
1985	145,862,789
1986	167,709,914
Projected	
1987	154,330,114
1988	113,368,522*
1989	122,839,980*

*Includes modified budget requests of $14,582,403 in fiscal 1988 and $30,949,801 in fiscal 1989.

The third impact area attributed to the budget reductions is employee layoffs. Table 3 shows the positions which are to be kept vacant or were laid off due to the 5 percent reduction and the decrease in the pay plan funds. Information for this table was taken from the schedules provided by the department in their 1989 biennium budget request.

Table 3
Department of Highways FTE Reductions Due to Budget Cuts

Program	Vacant Positions Frozen	Layoffs	Total FTE Reduction
General Operations	1.75	1.60	3.35
GVW	3.11	2.00	5.11
Construction Program	29.50	0.00	29.50
Maintenance Program	12.50	8.00	20.50
Preconstruction Program	9.75	1.00	10.75
Equipment Program	.50	2.00	2.50
Total	57.11	14.60	71.71

LAYOFFS

	FTE
Position Layoffs per Letter to Hunter	37.35
Schedule Provided with Budget	14.60
	51.95
Difference in Layoff Figures	22.75
	74.6

The layoffs in the schedules provided with the budget (Table 3) did not agree with the layoffs shown in the department's letter to Dave Hunter which addressed impacts of the budget cuts. This letter reported 37.35 positions had been laid off or a difference of 22.75 FTE when compared to the information the department provided with the budget.

An analysis of the 22.75 FTE difference showed that 17 of them were still on the payroll as of August 29, 1986. In questioning a department official about the 22.75 FTE I was told they were construction employees who would be laid off after the construction slows down during the winter months.

Please contact me if you have any questions or if you would like to go over any of the information with me.

Sincerely,

Jim Haubein

Jim Haubein
Principal Fiscal Analyst

JH1:kj:rp
Attachments

37.35
22.75

#7
1-22-87
HB 136

State highway construction program needs full funding

If Montanans want better highways, they're going to have to pay a higher fuel tax.

There are no other options for restoring the $15 million in yearly revenue that was cut from the Montana Department of Highways' construction program last year by the Legislature. This was the biggest single cut as the state coped with an overall deficit of more than $100 million in 1986. The loss to the highway department would have been even greater had not the Legislature approved a slight increase in gasoline taxes.

It may seem unfair to motorists that the Legislature is considering another fuel tax increase less than a year later. But it's necessary — and we feel it's a manageable burden for drivers.

The proposal, under a bill introduced by Rep. Jerry Driscoll, D-Billings, is to raise gasoline and diesel taxes by 3 cents per gallon, bringing the total state tax for fuel to 20 cents per gallon.

That's in line with most of the other states in the region. Under consideration in other states are measures that would raise the state gas tax to 25 cents in Washington, 20 in Idaho, 19 in Utah and 17 in North Dakota. All of those states, incidentally, have a general sales tax that helps provide highway revenue — while Montana does not.

Truckers and some farm groups are opposed to a diesel tax increase. That's understandable; they are the heaviest users. But diesel taxes were not increased in Montana last year.

Until last year's cutback, the state had been moving along fairly well with its reconstruction trust fund, a 10-year program designed to improve about 2,500 miles of highways by 1993.

The major thrust of that program has been to rebuild Montana's primary system — the arterials such as Highway 2 along the Hi-Line, Highways 87 and 89 through central Montana and Highway 93 in western Montana — that suffered through decades of neglect while the Interstate system was being completed.

In the first three years of full funding, the program improved about 600 miles of primary highways. Some examples of projects that resulted in better highways can be seen on U.S. 87 south of Havre and U.S. 89 near Belt, on Montana 200 north of Bowman's Corner and on U.S. 2 near West Glacier and Cut Bank.

That program must be restored. There are roughly 2,000 miles of highways in Montana yet to be rebuilt.

By our rough calculations, the average Montana motorist will pay an extra $20 annually in gas taxes if the increase is approved by the Legislature. We think most drivers can manage it, particularly since it will result in better — and safer — highways.

And it's a far better investment than seeing our gasoline dollars being funneled to a global oil cartel or being used to finance a war between Iraq and Iran.

EXHIBIT #7
DATE 1-22-87
HB 136

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.

Thursday, September 18, 1986 Tribune Great Falls, Montana

EXHIBIT #7
DATE 1-22-86
HB 136

Commission delays work on state highway projects

By CHARLES S. JOHNSON
Tribune Capitol Bureau

HELENA — Lack of highway funding forced the state Highway Commission Wednesday to delay $250 million in highway construction and rebuilding projects covering nearly 1,000 miles.

A number of projects that had been scheduled from 1987 through 1989 were delayed until 1990 and beyond.

In addition, some projects that were on the books for 1990 and beyond have been delayed for several years. Some have been delayed indefinitely beyond 1993.

The delays were necessary because of the action taken by the special legislative session in June, according to Dennis Unsworth, the agency's public information officer.

The Legislature refused to support Gov. Ted Schwinden's request to raise the tax on gasoline by 5 cents per gallon and on diesel fuel by 3 cents a gallon.

Instead, the Legislature approved an increase of 2 cents a gallon on gasoline and no boost in diesel fuel taxes.

Lawmakers also voted to transfer certain funds out of the highway construction program and into the general fund and to fully fund the Highway Patrol with highway funds. The department previously paid half of the patrol's $6 million budget, while the rest came from the general fund.

The legislative action forced the department to all but shut down the main program for building primary highways. This program, known as the Reconstruction Trust Fund, was established by the 1983 Legislature to spend $40 million a year over a 10-year period to fix Montana's primary highways.

Without the Reconstruction Trust Fund program, the department is now forced to rely only on federal highway funds for reconstructing the state's primary roads, according to Unsworth.

The Highway Commission also voted to eliminate the department's pavement preservation program, designed to seal existing roads, because of the funding shortage.

In addition, it decided to delay work on any new interchanges for a year and to put the money instead into the primary highway system, Unsworth said.

See ROADS, 2-A

Roads — From 1-A

Following is a list of projects, by highway district, that had been scheduled to be started from 1987 to 1989 but which have been delayed. Some of the projects are reconstruction, some are overlays and others involve widening existing roads.

District 1: Avon-Elliston, 12 miles, $9 million; Bonner northeast, 4 miles, $5 million; Plains urban, 0.7 miles, $500,000; Troy-Libby, eastern section, 6.9 miles, $11.8 million; Troy-Libby, western section, 9.1 miles, $12.7 million; Darby south, 7.2 miles, $3.8 million; Seeley Lake-Lake Inez, 8.4 miles, $1.2; Marion west, 9.8 miles, $1.7 million; Blue Bay north and south, 12.7 miles, $900,000; Avon north, 5.4 miles, $1.3 million; Whitefish intersection, $100,000; Flint Creek Hill, $100,000; Bigfork east, 8.5 miles, $1.2 million.

District 2: Townsend east, 5.7 miles, $800,000; White Sulphur Springs east, 13.3 miles, $1.8 million; northeast of Wisdom, 9.4 miles, $1.9 million; Emigrant rest area, $100,000;

District 3: Helena west, 5.1 miles, $3.8 million; Gildford east, 24.4 miles, $3.1 million; Galata east and west, 8.1 miles, $1 million; Armington Junction rest area, $200,000.

District 4: Nashua west, 8.2 miles, $1.2 million; Lindsay southeast, 10.3 miles, $1 million; Glasgow east, 4.4 miles, $900,000; Scobey north, 14.1 miles, $1.5 million; Flowing Wells north, 19.7 miles, $3.5 million;

District 5: Busby west, 9.9 miles, $8 million; Lewistown Main Street, 2.3 miles, $500,000; Lewistown, First Avenue, 0.3 miles, $100,000; Busby-Lame Deer, 11.5 miles, $1.7 million; Roundup north, 7.1 miles, $100,000; Acton northwest, 11.5 miles, $.6 miles; Grassrange north and south, 11.3 miles, $1.6 million; Belfry south, 10.4 miles, $1.6 miles; Bridger rest area, $100,000.

The remainder of the delays affect projects scheduled for 1990 and beyond. No Cascade County projects

Pistoria accuses Wicks of misleading public on delays

By CHARLES S. JOHNSON
Tribune Capitol Bureau

HELENA — Rep. Paul Pistoria, D-Great Falls, has accused state Highway Director Gary Wicks of misleading the public by saying that legislative actions forced the department to delay a number of highway building projects.

Citing the lack of highway funding, the state Highway Commission last month delayed $250 million in highway construction projects and rebuilding projects covering nearly 1,000 miles.

A number of projects that had been scheduled from 1987 through 1989 were delayed until 1990 and beyond. In addition, some projects that were on the books for 1990 and beyond have been delayed for several years.

Wicks and other Highway Department officials have said the delays were necessary because of actions by the special legislative session in June and early July.

The legislative action forced the department to all but shut down the main program for building primary highways, department officials have said. This program, known as the Reconstruction Trust Fund, was established by the 1983 Legislature to spend $40 million a year for 10 years to fix primary highways.

Pistoria, however, disputes department officials' claims that the legislative action resulted in the project delays.

He quoted figures from the Legislative Fiscal Analyst's Office that showed that actions by the special session resulted in only a combined $2.2 million decrease in the combined highway gas tax account and the Reconstruction Trust Fund.

"By God, he (Wicks) can't blame me and the Legislature when it was only $2.2 million," Pistoria said. "The Legislature didn't hurt the highway program."

Pistoria is a frequent critic of Wicks and opposed his confirmation as highway director in 1981 and 1985.

Wicks disagrees with Pistoria and the LFA's assessment.

"Why the LFA insists in suggesting the Legislature didn't hurt the highway program I simply can't understand," Wicks said. "It's not true."

The highway director said he is not condemning the legislators for their actions but added that the net result was "we couldn't do the things needed to keep the program going."

The Legislature refused to go along with Gov. Ted Schwinden's request to raise the tax on gasoline by 5 cents a gallon and on diesel fuel by 3 cents a gallon. Instead, it raised the gas tax by 2 cents a gallon and refused to boost diesel fuel taxes.

The gas tax increase wasn't enough to cover the amount of money that lawmakers voted to transfer out of the highway construction program and to fully fund the Highway Patrol with highway funds. The department previously paid half of the patrol's $6 million budget, while the rest came from the general fund.

Wicks disagrees with the LFA's $2.2 million figure and says the department puts the loss at around $10 million.

But that's just part of the story, Wicks said. He said the LFA in effect examines the department's financial situation as of June 1987, the end of the two-year budget period, but won't look beyond that point.

"In highway funding, you have to look out two or three years ahead of time due to contractor payments," he said.

Wicks said the department asked the special session for the fuel tax increases, to expand the bonding up to what was authorized for the Reconstruction Trust Fund program and to restructure the program's debt to reduce debt service costs.

All that the governor's proposal to raise gas taxes did was keep the department even by replacing the money that was to be transferred, he said.

Because the program received less money than anticipated from the special session, it made it difficult to restructure the debt and to issue new bonds, Wicks said.

"We were worse off," he said. "The bond people interpreted it as the Legislature telling us to cut back on highways."

Technically, he said, the department could have bonded, but the revenue available to cover the program was less.

"With that very important element taken away from us, what we had to face is the program numbers without bonding in front of us," he said. "If we continued the Reconstruction Trust Fund, we would have been in a substantial deficit situation by 1989."

If the highway program hadn't been scaled back, Wicks estimated that it would face a $75 million deficit by 1989. Even the LFA, in a report after the special session, projected a $54 million deficit, he said.

"We had to cut just about every RTF project between now and 1989 to allow us to end with a positive balance in 1989," Wicks said.

And that assumes that the program will continue to receive coal tax funds, which Wicks termed "a fairly weak assumption," given the state's bleak revenue picture. He expects attempts to transfer the coal tax money to the state's general fund.

The RTF program is still authorized to continue but "it's just a shell program" now without the money, Wicks said.

Although the RTF is a very important program, Wicks said the department had no choice but to cut that project because the other alternatives were unacceptable.

He said the agency couldn't reduce the money available to maintain, sand and snowplow roads. Similarly, it made no sense to cut the state money used to meet the matching requirements to obtain federal highway funds, he said. And the state couldn't trim the money used to pay the cost of debt service because it is obligated to pay this amount.

Wicks said he is in the process of talking with Schwinden about what the department may propose in the 1987 Legislature, although the governor has made no decision yet.

#7
1-22-87
136

MONTANA
FARM BUREAU
FEDERATION

P.O. Box 6400
~~502 South 8th~~
Bozeman, Montana 59715
Phone (406) 587-3153

EXHIBIT
DATE 1-22-87
HB 136

TESTIMONY BY: Lorna Frank
BILL # H.B. 136 DATE 1/22/87
SUPPORT XXX OPPOSE

Mr. Chairman, members of the committee, for the record my name is Lorna Frank, representing Montana Farm Bureau.

Farm Bureau must oppose HB-136.

With farmers and ranchers going out of business every day, the economy still on the down ward trend, things have not improved since the June Special session. Farmers and ranchers cannot afford an additional increase on top of the load they already carry.

~~It was mentioned that~~ farmers and ranchers get the agriculture tax exemption or refund ~~and they do~~, but only on that portion actually used on the farm.* What about the wives and other family members who work off the farm to bring in additional money to keep the family and the farm going. An increase in the price of gas, is an increase they can ill afford.

Therefore Farm Bureau is opposed to HB 136 and urges this committee to recommend a do not pass.

* farmers & ranchers ~~are~~ cannot pass this increase on to someone else, this is a decrease in their operating money.

SIGNED: Lorna Frank

NAME: [illegible] DATE: [illegible]

ADDRESS: [illegible]

PHONE: 755-31[illegible]

REPRESENTING WHOM? [illegible]

APPEARING ON WHICH PROPOSAL: [illegible] 176

DO YOU: SUPPORT? ______ AMEND? ______ OPPOSE? ✓

COMMENTS:

Escalating [illegible] costs: work comp, liability,

[illegible]

[illegible]

KKC / MLA [illegible] / [illegible] /

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

$15 million?

[illegible] HB 255

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

We Support HB 255

VISITORS' REGISTER

House Taxation COMMITTEE

BILL NO. HB136 DATE Jan 22, 1989

SPONSOR Driscoll

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Bryan Enderle	Missoula Chamber of Commerce		✓
Sue Weingartner	MT Solid Waste Contractors		
Lloyd Lockrem	Mont. Contractors	✓	
Meredith Reiten	" "	✓	
Alan Hobbs	Great Falls	✓	
Hugh Frame	Missoula	✓	
Sylvia Frame	Msla	✓	
[illegible]	MT Logging Assn		✓
[illegible]	Mt. [illegible]		
Ben Havdahl	MT Motor Carriers		✓
S. Keith Anderson	MT Taxpayer Assoc	✓	
Marvin Barber	Mt. assessors assoc	✓	
Jerry Perkins	Koerst Storage - MT Trans Assoc	✓	
Gary Johnson	MT Auto Assoc	✓	
Lorna Frank	Mt. Farm Bureau		✓
Jo Brunner	Grange - Cattlemen [illegible]		✓
Joe Weggenman	Helena Chamber of Comm	✓	
Bill Ewer	Helena Chamber of Com	✓	
Don Judge	MT STATE AFL-CIO	✓	
Stuart Doggett	MT Chamber of Commerce	✓	
Dean Mansfield	Mt. Auto Dealers Assoc.	✓	
Bill Salisbury	Mont Dept of Highway	✓	
Gary Wicks			
Illert Hellebust	Mont Highway Commission	✓	
Steve Visocan			
A. Adams-Hill	Western Petroleum		✓

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

CS-33

VISITORS' REGISTER

House Taxation COMMITTEE

BILL NO. HB 255 DATE Jan. 22, 1987

SPONSOR Gilbert

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Ben Havdal	Mt Motor Carriers	X	
[illegible]	LWV		X
Russ Brown	N.P.R. Council		X
Keith Olson	MT [illegible] Assn	✓	
Tom Breen	Billings Montana [illegible]	✓	
[illegible]			
Betty Breen	Billings Mont. Contractors	✓	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.