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

January 23, 1987

The meeting of the Taxation Committee was called to order by Chairman Ramirez, on January 23, 1987, at 9 a.m. in Room 312B of the State Capitol.

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

CONSIDERATION OF HOUSE BILL NO. 152: Rep. Francis Bardanouve, House District #16, sponsor of HB's 152 and 155, said both bills continue programs presently in place. He explained that HB 152 was introduced at the request of the Department of Fish, Wildlife, and Parks (DFWP), to continue non-assessment of park lands. Rep. Bardanouve said that, in the past, park lands were supported by general fund dollars, but those dollars were taken during the past special session to balance the state budget. He advised that the bill will not reduce or increase revenue to local governments, and said he supports a small amendment to page 2, line 11 of HB 152.

PROPONENTS OF HOUSE BILL NO. 152: Jim Flynn, Director DFWP, read from a prepared statement in support of the bill (Exhibit #1), and provided copies of proposed amendments to the bill (Exhibit #2). He said the amendment would retain "hatchery purposes" and strike "hatchery".

Janet Ellis, Montana Audubon Foundation, read from a prepared statement in support of the bill (Exhibit #3).

OPPONENTS OF HOUSE BILL NO. 152: There were no opponents of the bill.

QUESTIONS ON HOUSE BILL NO. 152: Rep. Sands asked Jim Flynn if DFWP owns land in some counties, on which it pays taxes. Mr. Flynn replied taxes are paid on a wildlife refuge near Anaconda, and that 78 sites, such as Spring Meadow Lake and Yellow Bay, fit into this category.

Rep. Sands asked if the prison makes payments in lieu of taxes on the prison ranch. Rep. Bardanouve replied that he believed the prison did so.

Rep. Patterson asked Mr. Flynn how much DFWP contributes to the counties. Mr. Flynn replied county contributions are about \$110,000 annually.

Rep. Patterson asked if the payments are made semi-annually or annually. Mr. Flynn replied the payments are made on an TAXATION COMMITTEE January 23, 1987 Page 2

annual basis. He said he assumed DFWP knows how much the tax is, but in reality the Department is notified by assessment.

Rep. Asay asked if stricken language on page 2, line 12 of the bill indicates dollars which would have gone to DFWP from the general fund. Mr. Flynn replied the Department used to get a general fund appropriation, which was substituted by coal tax dollars.

CLOSING: Rep. Bardanouve made no closing remarks, but thanked the Committee for the opportunity to hear HB 152.

CONSIDERATION OF HOUSE BILL NO. 155: Rep. Francis Bardanouve, House District 16, sponsor of HB 155, said the bill would continue the existing program, and if not passed, a reduction in taxation would result. He said the bill would continue the present assessment on motor vehicles, which fund district courts and local government. Rep. Bardanouve said the bill would produce a little more than \$5 million annually (fiscal note), and advised that Newell Anderson, Local Government Assistance Division, Department of Commerce, administers the program. Rep. Bardanouve continued, reading from a prepared statement (Exhibit #4).

PROPONENTS OF HOUSE BILL NO. 155: Alec Hansen, Montana League of Cities and Towns, told the Committee HB 155 was originally proposed in 1981, with a one time appropriation of \$6.5 million, to absolve the state of further legal obligation. He said the bill is necessary for block grant programs to cities, counties, and schools.

OPPONENTS OF HOUSE BILL NO. 155: Jim Manion, Montana Automobile Association, stated he opposed the bill as fees don't have anything to do with vehicle licensure or ownership. He asked the Committee to terminate the program as originally scheduled.

QUESTIONS ON HOUSE BILL NO. 155: Rep. Gilbert asked if the bill impacted local governments who don't receive these funds. Rep. Bardanouve said he could not argue with the point, adding the program was a judgment of the legislature.

Rep. Gilbert asked how district court fees were distributed last year, adding that, according to Gordon Morris (MACO), district courts should be fully funded by these fees. Rep. Bardanouve replied he was unsure how the fund is distributed to district courts. TAXATION COMMITTEE January 23, 1987 Page 3

Rep. Gilbert asked for records of district court disbursements. Newell Anderson provided copies of that Information (Exhibit #5).

Rep. Hanson advised that last special session, Sen. Smith proposed a flat fee for motor vehicle licensure. She said the bill would authorize a fee of 2.5% of the wholesale appreciated value and would deal with Rep. Gilbert's question on distribution of funds, and if the bill doesn't pass, the state will be \$25 million in the red instead of \$20 million.

Rep. Ream asked if court costs always relate to what happens in a county. Mr. Anderson replied these funds are only for crime-related costs.

Rep. Hoffman asked on what basis distributions are made. Mr. Anderson replied only those costs outlined by statute are reimbursed. He said an automatic prorata pays only 80% at the beginning of a fiscal year, to make certain there will be enough funds at the end of the year to meet the remaining 20% of costs.

Rep. Asay asked if there is adequate funding. Mr. Anderson replied that in FY86, more than \$700,000 was returned to the general fund.

Rep. Gilbert asked if funds for the program were earmarked. Mr. Anderson replied they are not.

Rep. Gilbert asked if the Division anticipates a reduction in fees. Mr. Anderson replied that the Governor's budget proposes funding of \$2.5 million for each of FY's 88-89.

Rep. Gilbert asked how much fees brought in. Mr. Anderson replied fees amount to \$2.45 million.

Rep. Harp asked if a sharp county attorney could submit all expenses for court cases during the first quarter of a given year. Mr. Anderson replied the prorata system can be changed at any time of the year, based upon necessity.

Rep. Ramirez asked if all counties would receive the same percentage of prorated funds by the end of a given year, regardless of county costs. Mr. Anderson replied that would be so.

Rep. Hanson asked why there was no mill amount listed for Butte-Silver Bow. Mr. Anderson explained that Butte-Silver Bow has no dedicated mill levy for district courts. TAXATION COMMITTEE January 23, 1987 Page 4

CLOSING ON HOUSE BILL NO. 155: Rep. Bardanouve stated his concern that HB 155 needs revision of its overall enabling legislation, if the Committee is not satisfied with the bill as introduced. He said Sen. Smith's bill would increase the amount prorated, and that if it passes, HB 155 would be unnecessary.

Rep. Bardanouve said he sponsored pro-rata for local governments last session and the House added \$6.5 million to that bill. He added that he declined to vote for the bill, as amended, as it would not keep the general fund balanced.

DISPOSITION OF HOUSE BILL NO. 152: Rep. Williams made a motion to give the bill a DO PASS recommendation and also made a motion to strike "hatcheries" and insert "hatchery purposes". The motion CARRIED unanimously.

DISCUSSION OF OTHER BUSINESS: Chairman Ramirez advised the Committee that three infrastructure bills would be heard during the coming week, that the three accommodations tax bills would be put in Property/Sales Tax Subcommittee, and that Rep. Patterson's HB 96, would also be heard next week.

Chairman Ramirez further advised that the coal severance tax bills would be heard on Wednesday, January 28, and local option tax bills, on Friday, January 20.

ADJOURNMENT: There being no further business before the Committee, the meeting was adjourned at 10:08 a.m.

Chairman

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DAILY ROLL CALL

HOUSE TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date <u>bn. 23, 1987</u>

NAME	PRESENT	ABSENT	EXCUSED
REP. RAMIREZ	~		
REP. ASAY	~		
REP. ELLISON			
REP. GILBERT			
REP. HANSON			
REP. HARP	~		
REP. HARRINGTON			
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STANDING COMMITTEE REPORT

		JANUARY 23 19	87
Mr. Speaker: We, the committee on	HOUSE	гахатіон	
report HOUSE BILL NO.	152		
	ncurred in t concurred	in Statement of intent at	tached
		Representative Jack Remirer Chair	nan
Be amended as follows:			
1. Page 2, line 19 Following: "farms Insert: "for"	or"		
2. Page 2, line 11 Following: "purpos Strike: " <u>hatcheris</u> Insert: "hatchery		₿ 	

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EXHIBIT

HB 152 January 23, 1987

Testimony presented by Jim Flynn, Dept. of Fish, Wildlife & Parks

The primary intent of this bill deals with the stricken language on Page 2, lines 11 and 12, which states "administered with money from the General Fund."

Prior to the Special Session of last year, the department had been the recipient of General Funds for the administration of the state parks system. When all General Fund money was removed from the department during the Special Session, the tax exempt status as provided on Page 2, lines 11 and 12, was lost.

We are requesting that the General Fund use requirement be stricken as shown in this bill and that specific reference to the state parks system be added. That specific reference is on Page 2, line 12, and states "described in 23-1-102."

I would point out that 23-1-102 references state parks, state recreation areas, state monuments and state historic sites.

These sites have never been taxed, and up until July 1, 1986 they have always enjoyed tax exempt status because of their General Fund use. As a result, you will note the fiscal note has no impacts, since we have no perspective upon which to base an increase or decrease to any reasonable degree.

In addition to this primary intent, the bill updates some of the current lenguage in the law to more accurately reflect the procedures which are now in place for department payment of in-lieu-of taxes. The department does pay in-lieu-of taxes for fishing access sites, wildlife management areas and other properties it controls.

There is one change we would request that developed in the bill drafting stage. On Page 2, line 11, the words "hatchery purposes" were stricken and the word "hatcheries" inserted. We do maintain and operate hatcheries, but we also maintain spawning stations which are for hatchery purposes although not technically hatcheries. We request that the original language of "hatchery purposes" be retained and strike the new word "hatcheries." This would maintain the status quo.

With that correction, we would urge your support of this bill.

15.5 EXHIBIT DATE HB

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<u>Montana</u> Audubon Legislative Fund

Mr. Chairman and Members of the Commitee,

My name is Janet Ellis and I am here today representing the Montana Audubon Legislative Fund. The Audubon Fund is composed of members of the National Audubon Society, which includes 2500 members in nine chapters located throughout the state.

The Audubon Fund supports HB 152. This bill maintains the status quo: continuing the tax exempt status of our state parks and continuing the current tax billing process for fishing access sites and other property maintained by the Department of Fish, Wildlife & Parks. State Parks are currently not on the tax rolls of local governments and in light of the budget cuts these parks have been faced with, it would be a grave mistake to change that status.

Thank you.

January 23, 1987

EXHERA # 4 DATE 1-23-87 HB.

JANUARY 23, 1987

TESTIMONY BY NEWELL ANDERSON, ADMINISTRATOR LOCAL GOVERNMENT ASSISTANCE DIVISION OF THE DEPARTMENT OF COMMERCE

TO THE HOUSE TAXATION COMMITTEE

AS A PROPONENT FOR HB 155

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, FOR THE RECORD MY NAME IS NEWELL ANDERSON AND I AM THE ADMINISTRATOR OF THE LOCAL GOVERNMENT ASSISTANCE DIVISION OF THE MONTANA DEPARTMENT OF COMMERCE.

HOUSE BILL 155, SPONSORED BY REPRESENTATIVE BARDANOUVE, IS A BILL REQUESTED BY THE DEPARTMENT OF COMMERCE AND IS INTENDED TO ACCOMPLISH THE VERY STRAIGHT FORWARD FUNCTIONS THAT HAVE BEEN DISCUSSED BY THE SPONSOR. IF THIS BILL IS PASSED, IT WILL CONTINUE THE DEDICATED DISTRICT COURT & BLOCK GRANT LICENSING FEES ON AUTOMOBILES AND LIGHT TRUCKS PRECISELY AS THEY ARE TODAY. IF THIS BILL DOES NOT PASS, THE LOCAL GOVERNMENT BLOCK GRANT PROGRAM'S REVENUE WILL BE REDUCED BY \$2.432 MILLION IN FY '88 AND \$2.474 MILLION IN FY '89 AND THE REVENUE SOURCE SUPPORTING THE STATE'S DISTRICT COURT REIMBURSEMENT PROGRAM WILL BE ELIMINATED COMPLETELY. (EQUALING \$2.873 MILLION IN FY '88 AND \$2.923 MILLION IN FY '89)

CONDITION AND FACTS ABOUT THESE PROGRAMS:

THE DISTRICT COURT CRIMINAL REIMBURSEMENT PROGRAM

THIS PROGRAM, ENACTED BY THE 1985 LEGISLATURE, EXPANDED THE STATE'S FISCAL ASSUMPTION OF CERTAIN DISTRICT COURT EXPENSES ASSOCIATED WITH CRIMINAL PROCEEDINGS. THE GENERAL DEFINITION OF ELIGIBLE REIMBURSEMENT EXPENSES INCLUDE: A PORTION OF THE SALARIES OF COURT REPORTERS, TRANSCRIPTS OF CRIMINAL TRIAL PROCEEDINGS, WITNESS AND JURY FEES, INDIGENT DEFENSE EXPENSES, AND PSYCHIATRIC EXAMINATIONS. REIMBURSEMENTS ARE MADE TO COUNTY GOVERNMENTS ONLY AND TOTAL PROGRAM EXPENSES ARE LIMITED TO FUNDS APPROPRIATED BY THE LEGISLATURE.

IN FY '86 THIS PROGRAM WAS ADMINISTERED AT A COST OF LESS THAN 2% OF THE TOTAL REVENUES APPROPRIATED - INCLUDING AUDITS. [APPROPRIATED \$3.170 MILLION / ADMIN. & AUDIT = \$55,000 / \$2.297 MILLION DISTRIBUTED / \$727,106 REVERTED TO THE GENERAL FUND AT YEAR END]

THE EXECUTIVE HAS RECOMMENDED A 1989 BIENNIUM BUDGET FOR THIS PROGRAM OF \$2.5 MILLION EACH YEAR.

Testimony by Newell Andeson HB 155 January 23, 1987

THE LOCAL GOVERNMENT BLOCK GRANT PROGRAM

THIS PROGRAM, ENACTED BY THE 1981 LEGISLATURE, REPLACED THE AD VALOREM TAXING SYSTEM ON MOTOR VEHICLES WITH A FEE SYSTEM. THE BLOCK GRANT PROGRAM WAS FUNDED IN FY '86 BY REVENUES FROM 1/3RD OF THE OIL SEVERANCE TAX PROCEEDS, \$1.5 MILLION IN GENERAL FUNDS, AND THE SPECIAL FEE ON VEHICLE LICENSING. THE VOLATILITY OF OIL PRICES AND THEIR EFFECT ON OIL SEVERANCE TAX RECEIPTS, CAUSED THE PROGRAM TO BE UNDER FUNDED IN FY'86 AND REQUIRED A LOAN FROM THE GENERAL FUND TO ACCOMMODATE A FULL DISTRIBUTION TO LOCAL GOVERNMENTS. THIS FISCAL CONDITION CAUSED THE ENACTMENT, BY THE JUNE 1986 SPECIAL SESSION, OF THE STATES AUTHORITY TO PRORATE BLOCK GRANT FUNDS - AS REVENUES ARE AVAILABLE.

THIS PROGRAM HAS NO ADMINISTRATIVE AND OPERATING BUDGET ASSOCIATED WITH IT. IN FISCAL 1986, \$16,812,690 WERE DISTRIBUTED TO LOCAL GOVERNMENTS. IT IS ANTICIPATED THAT IN MARCH OF 1987 SOME \$13,990,041 WILL BE DISTRIBUTED. THIS ESTIMATED DISTRIBUTION EQUALS APPROXIMATELY 82% OF FULL FUNDING.

THE EXECUTIVE HAS RECOMMENDED THAT THE 1989 BIENNIUM REVENUES FOR THIS PROGRAM BE GENERATED BY THE CONTINUED INCLUSION OF 1/3RD OF THE OIL SEVERANCE TAX PROCEEDS AND THE CONTINUATION OF THE VEHICLE LICENSING FEES THAT HB 155 ACCOMPLISHES. THE EXECUTIVE HAS RECOMMENDED TO NOT CONTINUE THE GENERAL FUNDS IN THIS PROGRAM'S REVENUES - ONLY AS A FUNCTION OF THE SCARCITY OF SUCH FUNDS AND NOT AS A RESULT OF A LACK OF COMMITMENT TO THE PROGRAM. THE NET RESULT OF THESE RECOMMENDATIONS ESTIMATES THAT THE EXECUTIVE'S PROPOSAL WOULD FUND, ON A PRORATED BASIS, THE PROJECTED CLAIMS AT A 51% LEVEL IN FY '88 AND A 53% LEVEL IN FY '89. (FY '88 CLAIMS PROJECTED AT \$17.359 MILLION - ANTICIPATED REVENUE = \$8.836 MILLION / FY '89 CLAIMS PROJECTED AT \$17.717 MILLION -ANTICIPATED REVENUE = \$9.414 MILLION.)

CONCLUSION

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, ON BEHALF OF THE DEPARTMENT OF COMMERCE, THE AGENCY THAT ADMINISTERS BOTH OF THESE LOCAL GOVERNMENT ASSISTANCE PROGRAMS, I URGE YOUR **POSITIVE** CONSIDERATION OF HB 155. THANK YOU FOR THE OPPORTUNITY TO TESTIFY ON THIS BILL.

I AM AVAILABLE TO ANSWER ANY QUESTIONS THAT YOU MAY HAVE ON THIS BILL OR THESE PROGRAMS.

VISITORS' REGISTER

House Taxation COMMITTEE BILL NO. <u>HB 152</u> DATE Jan. 23, 1987 SPONSOR <u>Bardanouve</u>

SUPPORT NAME (please print) REPRESENTING OPPOSE MT. ١ met A. Ellis ۲. Auduban

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

House Taxation COMMITTEE

BILL NO. <u>HB 155</u> DATE Jan. 23, 198-SPONSOR <u>Bardanouve</u>

SUPPORT REPRESENTING OPPOSE NAME (please print) AmeelL MOREN CMMOICO .

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