

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

February 18, 1987

The meeting of the Taxation Committee was called to order by Chairman Ramirez on February 18, 1987, at 8 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. 547: Rep. Janet Moore, House District #65, sponsor of HB 547, told the Committee she is looking at sources of revenue and that the bill would represent the first luxury tax to generate an estimated \$13 million to fund higher education. Rep. Moore explained she would vote to tax luxuries before essentials and said she believes a soda pop tax is fair in view of the 17 cent gas tax, scheduled to increase to 20 cents this year.

PROPONENTS OF HOUSE BILL NO. 547: Carroll Krause, Commissioner of Higher Education, advised the Committee that the education budget has already been reduced by \$10 million and is facing additional cuts of \$11 million. He stated his support of the bill for this reason.

Rita Sheehy, an alumna of the University of Montana, said she came with experience in the value of Montana's educational institutions. She advised that U of M has more Rhodes Scholars than any larger educational institution in the U.S. and that she doesn't see how Montana can be "built" without such institutions. Ms. Sheehy stated she knows the pop tax hurts, but believes people in Montana are willing to do what is necessary to fund education. Ms. Sheehy added that she feels HB 547 is a very innovative bill.

Jamie Zinc, Associated Students, Montana State University, said young people are Montana's future and that supporting higher education means a commitment.

Rep. Duane Compton, House District #17, told the Committee he would like to amend the bill to provide half of pop tax proceeds to teachers' retirement, as a measure of direct tax relief. He commented that Rep. Moore has agreed to support the amendment.

Greg Anderson, Chairman, Associated Students, and President of Associated Students of Eastern Montana College, read from a prepared statement in support of the bill.

Bill Merwin, President, Northern Montana College, said a strong university system is attractive to industry and vital to a flourishing state. He stated the bill would repair the damage from \$13 million in education cuts.

Matthew Thiel, Associated Students, University of Montana, read from a prepared statement in support of the bill, and said of nearly 25,000 students in the university system, most are eager to support such a revenue measure. He explained that U of M faces a \$3 million cut to meet the Governor's budget, and needs \$11 million to meet current costs. Mr. Thiel told the Committee that a recent survey indicated 61% of voters agree funding should remain at current levels and 14% prefer that educational funding be increased (Exhibit #2).

Kelly Holmes, Montana College Coalition, said the tax is a fair one, and read from a prepared statement in support of the bill.

Terry Minnow, Montana Federation of Teachers and Federal Employees, asked the Committee to give the bill favorable consideration for Montana's higher education.

OPPONENTS OF HOUSE BILL NO. 547: John Delano, lobbyist, said he used to be in the soft drink business, and has worked hard for the university system, but objects to taxing one business to fund education. He explained that assumption #6 in the fiscal note should be 15 and not 50 soft drink bottlers, and said consumption of 50 gallons per year per capita is an unreasonable estimate, when the national average is 26 gallons.

Carl Lehrkind, Bozeman Coca-Cola Bottling Co., read from prepared text and provided an article from the Livingston Enterprise (Exhibits #4 and #5). He told the Committee that 25 soft drink distributors in the state, in 13 communities, employ nearly 300 persons with a \$12 million annual payroll.

John Olson, Blue Rock Products, Inc., Sidney, read from a prepared statement in opposition to the bill (Exhibit #6).

Stan Duensing, Parrot Confectionary, Helena, said no other product in the U.S. is subject to such a high tax. He said the tax would cause sales of soft drinks to go down.

Sandy Holland, Broadwater Market, read from a prepared statement in opposition to the bill (Exhibit #7).

Tom Hines, Montana Association of Theatre Owners, Inc., said TOI is suffering hard times, and does support higher education, but has not been able to raise its prices for several years. He stated he opposed this bill because it is

detrimental to business, and said TOI has already laid off 8 employees in the Kalispell area.

Monty Wagner, TOI, said the corporation employs about 1,000 young people, some of whom are attending colleges in the state. He explained TOI uses coupons to encourage the sale of soft drinks now.

Kay Foster, Billings Chamber of Commerce, said she recognizes the value of the university system, but opposes singling out certain industries for taxation, as it is discriminatory.

Lowell Bartel, McDonald's Corporation, said soda pop is the social drink for the youth of Montana. He said a 5 cent tax on soda pop versus a 1.5 cent tax on beer and a 1 cent tax on wine is unfair, and asked the Committee to defeat the bill.

Dan Klusemann, TOI, said home entertainment videos are already costing TOI, and that he opposes the bill.

Mike Purcell, Golden West Enterprises, told the Committee he operates vending machines for cigarettes, soft drinks, and candy, and said he feels those industries would be doubly taxed. He commented that cigarette machines are a "dead horse" and will eventually close down.

George Allen, Montana Retail Association, said he opposed this form of taxation.

Tom Maddox, Montana Association of Candy and Tobacco Distributors, read from a prepared statement in opposition to the bill.

Don Ingles, Montana Chamber of Commerce, said he is opposed to a select sales tax of any kind.

TECHNICAL COMMENTS ON HOUSE BILL NO. 547: Ken Morrison, Income Tax Division Administrator, DOR, said he would be proposing amendments to the bill.

QUESTIONS ON HOUSE BILL NO. 547: Rep. Sands asked if the \$1.92 tax per gallon were a 50% tax. Rep. Moore replied it is the intent of the bill to tax soda pop at 1/4 of 1% per ounce, whether in cans, bottles, or on tap.

Rep. Williams asked if the industry were willing to pay a 4% sales tax. Carl Lehrkind replied that he was willing to do so.

Rep. Ellison asked Carl Lehrkind to clarify Rep. Sands question. Mr. Lehrkind replied that if post-mixed, syrup would be taxed at about \$4.00 per gallon.

Rep. Ellison asked if all carbonated beverages sold in Montana were produced in the state. Mr. Lehrkind replied that Safeway imports its beverages.

Rep. Gilbert asked how the state would tax products shipped into Montana. John Olson replied it couldn't.

Rep. Gilbert asked if the tax would not then discriminate against Montana producers. Mr. Olson replied it would.

Rep. Patterson asked how many states have a similar select sales tax. John Delano replied he didn't know, and said every state has considered this proposal and has rejected the idea.

Chairman Ramirez asked if anyone in the university system believes it is unfair to tax one particular industry to fund higher education. Greg Anderson, Eastern Montana College, stated he supported the bill because it earmarks funds for the university system, although the tax may be unfair.

Rep. Koehnke asked Mike Purcell if he would increase prices from 5-10 cents for pop distributed from machines. Mr. Purcell replied that if distributors raise prices, they will price themselves out of the business.

Chairman Ramirez asked Rep. Moore if she thought the soda pop tax should be submitted to a vote of the people, since a sales tax would probably be submitted to such a vote. Rep. Moore replied she did not, because the soda pop tax is a luxury tax.

CLOSING ON HOUSE BILL NO. 547: Rep. Moore said the state has select sales taxes now on alcohol, cigarettes, and gasoline. She stated she knows the concept is new and frightening, but she doesn't believe the bill would put beverage distributors out of business.

CONSIDERATION OF HOUSE BILL NO. 572: Rep. Helen O'Connell, House District #40, sponsor of HB 572, said the bill would limit certain fractional allocations of gas tax proceeds to the first 17 cents of the tax. She explained it would cap highway user fees at the 17 cent level in an effort to restore the RTF program. Rep. O'Connell advised that allocations would not be automatic and would be controlled by the Legislature. She read from a prepared statement in support of the bill (Exhibit #9).

PROPOSERS OF HOUSE BILL NO. 572: Bill Olson, Montana Contractors Association, said he supported parameters for no diversion of the 3 cent gas tax which was designated specifically for construction.

OPPONENTS OF HOUSE BILL NO. 572: Mons Teigen, Montana Farm Bureau, Women Involved and Farm Economics, and Montana Stockgrowers, read from a prepared statement in opposition to the bill. He explained his point of view would be different if the bill had a sunset provision.

Ken Hoovestall, Montana Snowmobile Association, said 4 years of study on the use of gas for snowmobilers show the present system of allocating gas tax funds is not a diversion of highway funds. He said HB 572 is contrary to the definition of use and authority in the Montana Code.

Jim Flynn, Director, Department of Fish, Wildlife and Parks, read from a prepared statement in opposition to the bill (Exhibit #10).

Terry Carmody, Montana Farmers Union, Montana Cattle Feeders Association, Montana Grain Growers Association, said the bill, if passed, would be a select sales tax, and urged the Committee to kill the bill.

Bob Bushnell, President, Montana Snowmobilers Association, read from a prepared statement in opposition to the bill (Exhibit #11).

Bob Didrickson, Lincoln, told the Committee he represented more than 100 snowmobiling families in opposition to the bill.

TECHNICAL COMMENTS ON HOUSE BILL NO. 572: Bill Gosnell, Executive Staff Assistant, DOH, said he would answer questions, but had no points to make.

QUESTIONS FROM THE COMMITTEE ON HOUSE BILL NO. 572: Rep. Harp asked Bill Gosnell if House Appropriations had issued \$400,000 for communities for the Highway Patrol, and if the Senate had a bill for \$300,000 to allow for shrinkage. Mr. Gosnell replied that amount would be less than \$400,000 with the House and Senate bills that are pending.

Rep. Ellison asked if agricultural users were entitled to a refund of 60% of that 17%. Mr. Gosnell replied that would be correct.

Rep. Asay asked if deductions from the anticipated increase were considered under existing law. Mr. Gosnell replied that is correct.

Rep. Gilbert asked how much of the total is aviation fuels tax. Norris Nichols, DOH, replied aviation fuel is 1 cent per gallon.

Rep. Gilbert asked if the Aeronautics Division would be deprived of income by what is proposed to be given to DOH. There was no response.

CLOSING ON HOUSE BILL NO. 572: Rep. O'Connell advised the Committee she would be willing to amend the bill to sunset the legislation on June 30, 1989.

CONSIDERATION OF HOUSE BILL NO. 688: Rep. Dave Brown, House District #72, sponsor of HB 688, said the bill would encourage gas and oil development and leasing in Montana, and would provide a two year holiday from state royalties beginning July 1, 1987. He explained the bill would sunset in 4 years.

PROPOSERS OF HOUSE BILL NO. 688: John Tonnsen, Montana Petroleum Association, said the number of state acres under lease has fallen from 3.7 million acres to 2 million or less, at an average loss of 600,000 annually. He stated the bill would provide incentive to lease and drill on state lands at an advantage to both the state and private industry, in a broad spectrum across Montana. Mr. Tonnsen explained that the state has the authority and the responsibility to manage state lands in trust.

William Ballard, President, Montana Oil Association, read from a prepared statement in support of the bill, and said approximately one in ten wells is producing right now (Exhibit #12).

Pete Madison, Oil Division of Entec, a Division of Montana Power Company, said incentives work. He told the Committee Entec drilled 56 wells in 1986, 29 in the U.S. and 26 in Canada. He said only three of those wells were drilled in Montana, and that he would like to drill more wells in the state. Mr. Madison advised that in 1986, Alberta passed a five year royalty holiday on new production, resulting in such success that it was difficult to get a drilling rig in Alberta.

Don Lee, Shelby attorney and President, Montana Oil and Gas Association, stated he provides third party services to the oil and gas industry. He explained that the Sweetgrass area on the hi-line was hit particularly hard, when Phillips Petroleum left Cut Bank, taking 52 jobs and \$28,000 in taxes with it. Mr. Lee said Montana needs to give a good message to the industry to come back.

Stephen Granzow, Meadowlark Search, read from prepared testimony in support of the bill (Exhibit #13).

Connie Clarke, Vice Chair, Montana Forward Coalition, read a statement from the Coalition's study proposing a two year moratorium on royalties.

Janelle Fallan, Executive Director, Montana Petroleum Association, explained Exhibit #14, provided by John Tonnsen. She said a sharper decline in drilling and leasing would occur if changes are not made.

Jerome Anderson, Shell Oil Company, Billings, stated his support of the bill.

OPPONENTS OF HOUSE BILL NO. 688: Dennis Hemmer, Department of State Lands, read from a prepared statement in opposition to the bill (Exhibit #15), and said he would propose to amend page 2, line 20 of the bill to put an option on royalty amounts. He stated State Lands would continue to work as partners with oil and gas lessors.

George Ochensky, Montana Environmental Information Center, said he shared the concerns voiced by State Lands and would support the proposed amendment by withdrawing his opposition if it were approved. He said Montana comes out near the median in an Environmental Quality Council study of oil and gas in the Rocky Mountain region. He added that the industry is hurt because of world market prices.

QUESTIONS ON HOUSE BILL NO. 688: Rep. Williams asked why the royalty holiday could not be extended to private land, as well.

Rep. Schye stated the bill is selective tax relief, and asked Rep. Brown if he agreed there would be problems with landowners. Rep. Brown replied he would find a waiver to objections, if it gets down to bottom line numbers.

Rep. Ellison asked if the legislation would present a constitutional problem. Don Lee replied he was uncertain, that it would be up to the Supreme Court. John Tonnsen replied there is no specific statute against the subject, and said a 1981 land law review publication addresses this situation. He explained the publication was written during a boom time, and would be even more applicable in difficult times. Jerome Anderson advised that a Montana Supreme Court decision in 1967 settled royalties and bonus issues, holding the existing method used by the State Lands Board constitutional and allowing the Legislature to set standards for a fair market value and methodology process.

Rep. Williams stated a fiscal note is needed for the bill. Rep. Brown replied the fiscal note would show a loss of about \$340,000 annually.

Rep. Williams asked if leasing of private land were down as much as leasing of state lands. John Tonnsen replied leasing of private land is also down.

Rep. Harp asked what a loss of \$300,000 annually would represent. Dennis Hemmer replied it would mean striking one well per year on state lands.

Rep. Sands asked what effect the bill would have on private royalties. Mt. Tonnsen replied it would cause operators to utilize all lands.

Rep. Harp asked what the industry net per barrel is after all deductions. He said operating costs of \$2 per barrel seem low, and asked at what point one would see productive activity without incentives. John Tonnsen said the present net is below \$10 per barrel, when all deductions and expenses are taken out, and added that Montana will be a good place to make oil and gas investments if the bill passes.

CLOSING ON HOUSE BILL NO. 688: Rep. Brown said a new approach would provide an opportunity to spur development as, along with coal, oil and gas are some of the top producers of revenue in Montana. He advised the Committee that Wyoming raised its royalty from one-eighth to one-sixth and leased less state land, while 75% of federal land was leased. Rep. Brown said 62% of state leases offered in Wyoming were not sold and 54% received a minimum bid offer of \$1, and that it appears there is room for an incentive to work. He added that the Committee will need to look at fiscal note assumptions.

CONSIDERATION OF HOUSE BILLS NO. 617 AND 701: Rep. John Vincent, House District #80, sponsor of HB's 617 and 701, said both bills are co-sponsored by Rep. Harp, and would expand and improve qualification for income tax credit for taxes paid. He explained that HB 617 is a clean bill, and on page 1, changes from property valuation from \$35,000 to \$85,000. Rep. Vincent added that the fiscal note makes this adjustment.

Rep. Vincent said HB 701 phases out social security and railroad retirement, as well as veterans disability as income as eligibility standards for HB 617. He stated DOR believes there may be a better way to accomplish the purpose of HB 701 and would be testifying on the issue. Rep. Vincent explained that a lot of exclusions came into effect for the elderly in the past few years, and the bill would simply reverse the trend.

PROPOSERS OF HOUSE BILLS NO. 617 AND 701: There were no proponents of HB's 617 and 701.

OPPONENTS OF HOUSE BILLS NO. 617 AND 701: Ruth Lewis, Bozeman, Secretary to the Agriculture Production Association, stated she opposed the bill as many retired persons have up to three sources of retirement income.

TECHNICAL COMMENTS ON HOUSE BILLS NO. 617 AND 701: Greg Groepper, Property Assessment Division Administrator, DOR, said the concept of forming the same definition for income tax and property tax is a good idea, but would create administrative problems. He commented it would be easier to provide an exemption for income instead of accounting for each kind of income.

QUESTIONS ON HOUSE BILLS NO. 617 AND 701: Rep. Gilbert asked Rep. Vincent if he would consider striking "taxable interest rate" in HB 701, and inserting "interest rate of 3.8%". Rep. Vincent replied he would leave the matter to the technical expertise of the Committee.

Rep. Gilbert asked Rep. Vincent if he were not ignoring those who contribute most. Rep. Vincent replied he was trying to use income tax credit for property tax relief, because it is an existing program, and the bill is necessary if similar legislation does not pass.

Rep. Gilbert asked if senior citizens would receive a double deduction if both bills pass. Rep. Vincent replied they would.

CLOSING ON HOUSE BILLS NO. 617 AND 701: Rep. Vincent told the Committee he would go along with DOR amendments and trust the Committee's judgment on the bill. He commented that there may be a better alternative, but he introduced the bill as a vehicle to work with.

DISPOSITION OF HOUSE BILL NO. 572: Rep. Asay made a motion that HB 572 DO NOT PASS.

Rep. Ellison stated he could see no rationale for the bill. Rep. Harp advised that the rationale is that if it were not for the gas tax increase, the bill would not be before the Committee. He said the author's intent is that each time the gas tax increases, attempts are made to erode funds.

Rep. Schye stated he had problems with the bill.

The motion made by Rep. Asay CARRIED, 15-1. Rep. Harp voted no.

DISPOSITION OF HOUSE BILL NO. 539: Greg Petesch, Director of Legal Services, Legislative Council, advised that the proposed amendment would remove all but new language in the bill, requiring notice to new persons. He said it removes the repealer for 15-18-403, MCA, so the bill would only require published notice of application.

Rep. Raney commented it seems the bill would then be more like it was in the 1985 session.

Rep. Williams commented that the same point was brought up when the bill was heard.

Chairman Ramirez advised that, if the bill is amended, the only thing left is subsection (3), which includes the name and address of all persons included in subsection (1).

Rep. Raney said he was concerned the bill may cost \$200,000, and would not serve any practical purpose if amended.

Rep. Hoffman made a motion that HB 539 DO PASS and made a second motion that the proposed amendments be approved. The motion to amend CARRIED unanimously.

Rep. Hoffman made a motion that HB 539 DO PASS AS AMENDED. The motion CARRIED, with all members voting aye except Reps. Raney, Williams, Asay, Ramirez, and Koehnke.

DISPOSITION OF HOUSE BILL NO. 547: Rep. Gilbert made a motion that HB 537 DO NOT PASS.

Rep. Schye requested that the Committee be consistent on selective tax breaks.

The motion made by Rep. Gilbert CARRIED unanimously.

DISCUSSION OF OTHER COMMITTEE BUSINESS: Chairman Ramirez advised that HB 726 would be rescheduled to February 20, 1987.

Greg Petesch advised that HB 688 has serious constitutional problems, which he would address on Thursday, February 19.

ADJOURNMENT: There being no further business before the Committee, the meeting was adjourned at 11:25 a.m.


Representative Jack Ramirez,
Chairman

DAILY ROLL CALL

HOUSE TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date

2-18-87

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	✓		

STANDING COMMITTEE REPORT

FEBRUARY 18

19 37

Mr. Speaker: We, the committee on HOUSE TAXATION

report HOUSE BILL NO. 539

☒ do pass
☐ do not pass

☐ be concurred in
☐ be not concurred in

☒ as amended
☐ statement of intent attached

Representative Jack Ramirez, Chairman

Be amended as follows:

1. Title, lines 7 through 11
Following: ";" on line 7
Strike: remainder of line 7 through line 11 in its entirety
Insert: "AND"
2. Page 1, lines 12 and 13
Following: "MCA" on line 12
Strike: remainder of lines 12 through "MCA" on line 13
3. Page 4, lines 8 through 17
Strike: lines 8 through 17 in their entirety



FIRST

reading copy (WHITE)
color

STANDING COMMITTEE REPORT

FEBRUARY 18

19 87

Mr. Speaker: We, the committee on HOUSE TAXATION

report HOUSE BILL NO. 547

☐ do pass
☒ do not pass

☐ be concurred in
☐ be not concurred in


☐ as amended
☐ statement of intent attached

Representative Jack Ramirez, Chairman

STATEMENT OF INTENT

A statement of intent is required for this bill because in section 7 the department of revenue is granted authority to adopt rules to implement the provisions of sections 1 through 6. It is the intent of the legislature that rules adopted by the department provide for:

- (1) designation of beverages as "soft drinks" under the definition in section 1;
- (2) procedures for speedy collection of revenue due to the state, including payment times;
- (3) the necessary audits of a bottler's records of sales, tax collections, and tax payments; and
- (4) enforcement of all provisions of the act.


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STANDING COMMITTEE REPORT

FEBRUARY 18

19 **37**

Mr. Speaker: We, the committee on **HOUSE TAXATION**

report **HOUSE BILL NO. 572**

☐ do pass

☒ do not pass

☐ be concurred in

☐ be not concurred in

☐ as amended

☐ statement of intent attached

Representative Jack Ramirez, Chairman


FIRST

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ROLL CALL VOTE

HOUSE TAXATION

COMMITTEE

DATE 2-18 BILL NO. HB 547

NAME	ABSTAIN	AYE	NAY
RAMIREZ, REP. JACK		✓	
ASAY, REP. TOM		✓	
ELLISON, REP. ORVAL		✓	
GILBERT, REP. BOB		✓	
HANSON, REP. MARION		✓	
HARP, REP. JOHN		✓	
HARRINGTON, REP. DAN		✓	
HOFFMAN, REP. ROBERT		✓	
KENNAN, REP. NANCY		✓	
KOEHNKE, REP. FRANCIS		✓	
PATTERSON, REP. JOHN		✓	
RANEY, REP. BOB		✓	
REAM, REP. BOB	✓		
SANDS, REP. JACK		✓	
SCHYE, REP. TED		✓	
WILLIAMS, REP. MEL		✓	
TALLY	1	15	0

Joann Banschbach
Secretary

Rep. Jack Ramirez
Chairman

Motion:

HB 547
Gilbert - DNP



The Big Sky Country

MONTANA HOUSE OF REPRESENTATIVES

REPRESENTATIVE JOHN VINCENT
MINORITY LEADER

February 18, 1987

MEMORANDUM

TO: JACK RAMIREZ, CHAIRMAN
TAXATION COMMITTEE

FROM: JOHN VINCENT, MINORITY LEADER

John

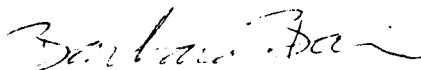
Representative Bob Ream has been called away because of an emergency and will be unable to attend Executive Session in Taxation for the remainder of this week. Representative Keenan has my permission to pair him on any votes you take in Committee during Executive Action, if you so agree. Your cooperation is appreciated in this important matter.

February 17, 1987

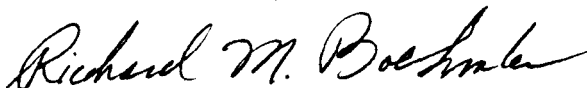
Dear Committee Member:

We the undersigned support adequate funding for the University System. We realize adequate funding must be associated with some sort of revenue increase. We support increased revenue generation earmarked for Higher Education.

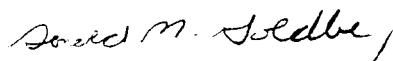
Sincerely,



Barbara A. Bain, Ph.D.



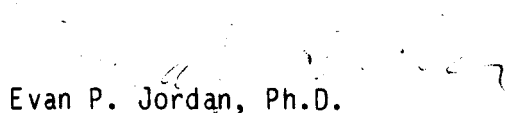
Richard M. Boehmler, Ph.D.



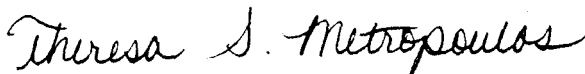
Donald M. Goldberg, Ph.D.



Sally J. Johnson, M.A.



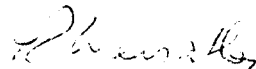
Evan P. Jordan, Ph.D.



Theresa S. Metropoulos, M.C.S.D.



Beverly R. Reynolds, M.S.



Randy Weirather, Ph.D.



Michael K. Wynne, M.A.

2/18/87

February 17, 1987

Dear Committee Member:

We the undersigned support adequate funding for the University System. We realize adequate funding must be associated with some sort of revenue increase. We support increased revenue generation earmarked for Higher Education.

Kristi Kristoffersen

HSTRI KRISTOFFERSEN

Jana Christoff

Jana Christoff

Angela Fenna

Harold Pedersen

Harold Pedersen

Sheila Smith

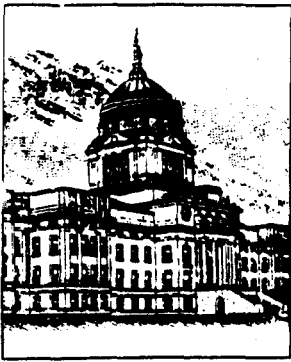
Mrs.

Patricia B. Fennell

Patricia B. Fennell

Eve Bakula

Rachel Wray



ASUM
Student Legislative Action

University Center 105
University of Montana
Missoula, Montana 59812
(406) 243-2451

HB 547
2-18-87



HOUSE TAXATION COMMITTEE FEB. 18, 1987--MATT THIEL, ASUM LOBBYIST

THE NEED FOR HB 547--A POP TAX TO SUPPORT HIGHER EDUCATION

After a decade of declining support for the State's University System...

The University of Montana needs to make an additional 3 million in cuts just to meet the Governor's budget.

The University System as a whole needs 11 million just to stay at its current operating level.

THE '87 APPROPRIATIONS PROCESS IS STUCK IN A "ZERO SUM GAME"...

the 50th Legislature will need to raise new revenue if it wants to maintain the University System at the already reduced level, and HB 547 is one of the few options this committee will see.

Even with new revenue the University System will not see increases in budgets, the goal is to maintain and prevent further declines in the face of declining state revenues and the need for property tax reform.

PUBLIC SUPPORT FOR TAXES TO FUND HIGHER EDUCATION

Montana Poll, Dec. 86--most state residents oppose cutting the University System.

61% said funding should remain at current levels, and 14% favored increased funding.

AFSE Nat. Poll, Jan. 87--69% Americans want more government support for higher education.

Bell Commission Report, Nov. 86--"Public officials who propose budget reductions in education at a time when the republic is handicapped by the burden of an undereducated populace are unthinkingly abetting an act of national suicide."

THE FINAL POINT IS:

This committee must take the leadership role in making decisions that will break the political stalemate that has prevented any solutions to the State's revenue problems thus far, and raise the money it will take to meet the public's calls for quality higher education.

1/5/87 c-1

Poll: Montanans oppose college cuts

By RICHARD ECKE
Tribune Staff Writer
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Most state residents oppose cutting the state university system or closing any of its colleges, according to a December Montana Poll.

But those polled also agreed with legislators that Western Montana College at Dillon is the prime target for closure, if one of the state's small colleges must be eliminated.

The Montana Poll questioned 492 adults Montanans between Dec. 8 and 22. The quarterly poll is co-sponsored by the Great Falls Tribune and the University of Montana's Bureau of Business and Economic Research.

According to the poll, most Mon-

tanans opposed closing colleges outright or cutting spending. Some 61 percent of Montanans said university system funding should remain at current levels, while only 15 percent favored cuts, the poll said. Some 14 percent favored giving more money to higher education.

The system has two universities, at Missoula and Bozeman; colleges at Dillon, Havre and Billings; and Montana Tech at Butte. There are also two-year community colleges at Kalispell, Glendive and Miles City.

ON THE OTHER hand, the idea of converting the state's four-year colleges to two-year community colleges was widely accepted, the poll said. And Montanans are willing to consider consolidating programs and administration to ease the money crunch, the poll revealed.

Higher education appeared to gain more support from persons questioned in the Montana poll than legislators surveyed in a recent Tribune questionnaire.

In the Montana Poll, for instance, 81 percent of those polled opposed closing any of the university system's six units, while just one-third said yes. In contrast, the Tribune's legislative survey showed 52 percent of lawmakers — 39 out of 59 legislators — supported closing a unit of the university system. About two-thirds of the 118 legislators replied.

Many Montanans, particularly rural people and Democrats, expressed concern about easy access to Montana's colleges and universities if

BAL HARBOUR, Fla. (AP) — A majority of voters believe the government should take a more active role in job training, education and other social programs, according to a poll released Monday by the nation's largest union of public employees.

The poll, commissioned by the 1.1-million-member American Federation of State, County and Municipal Employees, showed that while 51 percent of those surveyed still approve of President Reagan's performance in office, 53 percent believe his defense increase should be cut back in order to maintain social programs.

Of the \$35 nationwide respondents polled by telephone between Jan. 6 and Jan. 12, 59 percent said the government should be doing "much more" and another 20 percent said "somewhat more" to clean up hazardous wastes and other environmental problems.

Only 38 percent said more

should be done to maintain the nation's military defense buildup.

On other various tasks performed by the government, 60 percent said more should be done on building bridges and highways, 78 percent favored doing more for the mentally ill and handicapped, 75 percent advocated more job training programs and 69 percent wanted more government support for higher education.

However, 53 percent also said more needs to be done to reduce the size of government.

When given a list of various interest groups and asked which ones the government pays too much attention to, 63 percent said major corporations, 73 percent responded the wealthy and 38 percent answered labor unions.

Asked who gets too little attention from the government, 66 percent said small businesses, 59 percent answered the middle class and 75 percent said poor people.

Voters favor social programs

More spending on higher education urged

The Independent Record, Helena, Mont., Monday, November 10, 1986—7A

WASHINGTON (AP) — A national commission headed by former Secretary of Education Terrell H. Bell says the United States is risking "national suicide" unless it sharply increases spending on its schools and colleges.

The academic and civic leaders, in a report commissioned by a state college group, rebuked President Reagan and others who have sought to cut aid for college students.

The report, released Sunday, called for a domestic Marshall Plan to nearly double the number of college-educated adults by the turn of the century.

"Public officials who propose budget reductions in education at a time when the republic is handicapped by the burden of an undereducated populace are unwittinglyabeting an act of national suicide," the Bell commission said.

"Their priorities are wrong."

The 99-page report, "To Secure the Blessings of Liberty," was prepared for the American Association of State Colleges and Universities, which is holding its annual meeting in Phoenix. Bell was addressing the group today on the recommendations.

The 22-member panel included Arkan-

sas Gov. Bill Clinton and former Mississipp Gov. William Winter, as well as a half-dozen college presidents, the heads of both national teacher unions and the Chancellor of New York City's schools.

The association represents 372 four-year campuses that enroll 2.5 million students and award a third of all bachelor degrees.

It urged states to keep college tuitions as low as possible, in part to help recruit more minority students and stop the growth of "an American underclass." It also urged the state colleges to take the lead in producing the 1 million new

teachers needed by public schools.

The commission criticized states for curtailing spending on remedial programs. Remedial education will be needed "for the foreseeable future" in the state colleges, it said.

"Tragically for the American people, the federal student financial aid program today is on the chopping block in Washington," the report said, claiming that the real value of federal aid has fallen 25 percent since President Reagan took office in 1981.

Bell's slap at budget-cutters drew a sharp rejoinder from his successor, Sen-

ator of Education William J. Bennett. Bennett's chief of staff, William Kristol, called it "silly, overblown rhetoric." He said real spending on higher education has doubled in the last 20 years while enrollments soared. "It's not clear that quality has kept up with quantity," he said.

The Bell commission acknowledged widespread concern about college standards, and it urged all public campuses to have their faculties decide what minimum level of academic skills students should master by the end of their sophomore year.

Poll: Public will pay more to boost teacher wages

The Independent Record, Helena, Mont., Friday, July 4, 1986—8A

LOUISVILLE, Ky. (AP) — A majority of the public is willing to pay higher taxes to boost teacher salaries and improve teacher training, according to a Gallup poll released at Thursday's opening session of the National Education Association's annual convention.

Some 65 percent of those surveyed said they would favor and 25 percent would oppose raising teacher salaries. The poll also showed that 69 percent of the public would favor and 21 percent would oppose raising teacher training. The poll was taken between June 10 and 17.

The poll also found 94 percent of the public would favor and 6 percent would oppose raising teacher salaries. The poll also found that 69 percent of the public would favor and 21 percent would oppose raising teacher training.

Meanwhile, NEA President Mary Harwood Futrell, in her keynote address to more than 7,000 teacher delegates, urged her union to give qualified support to the idea of a national board of professional standards proposed in a report last May by the Carnegie Task Force on Education.

Her position has drawn fire as American Federation of Teachers President Albert Shanker. He has insisted that state certification be a national board after a year or part of

sen," she said. But she said states should retain the power to license teachers, and state boards should continue to operate.

Still, interviews with several teachers after Futrell's speech suggested that NEA members considered her position sufficiently bold, with several predicting sharp debate on the matter during the convention, which closes today.

teachers lack the prestige of other professions, such as law and medicine.



#4
2-18-87
547

MR. CHAIRMAN AND MEMBERS OF THE TAXATION COMMITTEE:

MY NAME IS CARL LEHRKIND AND I AM PRESIDENT OF THE BOZEMAN COCA-COLA BOTTLING COMPANY. MY COMPANY HAS FACILITIES IN BOZEMAN AND HELENA AND EMPLOYS MORE THAN 50 PEOPLE.

I AM HERE TODAY TO SPEAK IN OPPOSITION TO HOUSE BILL 547, WHICH WOULD IMPOSE AN UNFAIR AND PUNITIVE TAX ON THE PRODUCTS MY EMPLOYEES MANUFACTURE AND SELL.

FIRST, LET ME TELL YOU A LITTLE BIT ABOUT THE MONTANA SOFT DRINK INDUSTRY. THERE ARE 15 SOFT DRINK BOTTLERS IN MONTANA WITH 25 FACILITIES IN 13 COMMUNITIES. THIS LOCAL INDUSTRY EMPLOYS MORE THAN 600 MONTANANS WITH A PAYROLL OF NEARLY \$12 MILLION.

SOME PEOPLE ARE UNDER THE IMPRESSION THAT BECAUSE THERE IS NO SPECIAL EXCISE TAX ON SOFT DRINKS, SOFT DRINKS ARE NOT TAXED. NOTHING COULD BE FURTHER FROM THE TRUTH. SOFT DRINKS AND SOFT DRINK BOTTLERS ARE TAXED. MONTANA SOFT DRINK BOTTLERS SHOULDER A SIGNIFICANT PORTION OF THE TAX BURDEN IN THIS STATE. IN ADDITION TO A HALF-DOZEN OR SO FEDERAL TAXES, MONTANA SOFT DRINK BOTTLERS PAY STATE AND LOCAL PROPERTY TAXES, CORPORATE INCOME TAXES, FUEL TAXES, VARIOUS BUSINESS LICENSING FEES, WORKMAN'S COMPENSATION AND ON AND ON.

HOUSE BILL 547 WOULD SINGLE OUT LOCALLY-MANUFACTURED SOFT DRINKS FOR A PUNITIVE TAX, BUT WOULD NOT TAX ANY OF THESE OTHER BEVERAGE PRODUCTS YOU SEE DISPLAYED BEFORE YOU. THESE OTHER PRODUCTS COMPETE DIRECTLY WITH MONTANA-MADE SOFT DRINKS FOR THE CONSUMER'S REFRESHMENT DOLLAR, YET VIRTUALLY NONE ARE MANUFACTURED IN MONTANA. WHAT ECONOMIC SENSE DOES IT MAKE TO CRIPPLE A LOCAL

INDUSTRY WHILE GIVING A COMPETITIVE PRICE ADVANTAGE TO OUT OF STATE MANUFACTURERS?

SOFT DRINKS ARE NOT ALCOHOLIC BEVERAGES. THE STATE DOES NOT SPEND MONEY REGULATING THE SALE OF SOFT DRINKS. THE SALE OF ALCOHOL MUST BE REGULATED AND THE STATE MUST BEAR SIGNIFICANT COSTS BECAUSE OF ALCOHOL ABUSE PROBLEMS, YET H.B. 547 WOULD IMPOSE AN EXCISE TAX ON SOFT DRINKS MORE THAN TWICE AS HIGH AS THE STATE TAX ON BEER.

A SOFT DRINK TAX WOULD IMPOSE AN ADDITIONAL TAX BURDEN ON THOSE LEAST ABLE TO AFFORD--CHILDREN, LOWER INCOME GROUPS, THE ELDERLY AND WORKING PEOPLE.

WOULD H.B. 547 HURT THE MONTANA SOFT DRINK INDUSTRY AND ITS EMPLOYEES? YES, IT WOULD. IN FACT, IT WOULD HAVE A DEVASTATING EFFECT. SOFT DRINK SALES ARE PRICE SENSITIVE: WHEN THE PRICE INCREASES, BOTH SALES AND VOLUME DECREASE. SALES LOSSES INEVITABLY MEAN LAYOFFS AND UNEMPLOYMENT. IF THIS TAX IS ADOPTED, SOFT DRINK SALES WILL DECREASE SIGNIFICANTLY AND MONTANA SOFT DRINK EMPLOYEES WILL LOSE THEIR JOBS.

THIS BILL WOULD ALSO HAVE A NEGATIVE IMPACT ON MONTANA GROCERY STORES, CONVENIENCE STORES, FAST FOOD RESTAURANTS, MOVIE THEATERS AND THOUSANDS OF OTHER RETAIL ESTABLISHMENTS THAT SELL BOTTLED, CANNED OR FOUNTAIN SOFT DRINKS. A DECREASE IN SALES MEANS LOWER PROFITS FOR RETAILERS.

IN SUMMARY, H.B. 547 WOULD IMPOSE A DISCRIMINATORY TAX OF ENORMOUS AND DEVASTATING PROPORTIONS. THE \$1.92 PER GALLON TAX ON FOUNTAIN SYRUP REFLECTS AN EXCISE TAX OF NEARLY 50 PERCENT OF THE SELLING PRICE. SUCH AN OUTRAGEOUS TAX ON A CONSUMER FOOD PRODUCT VIOLATES ALL PRINCIPLES OF TAX EQUITY.

MR. CHAIRMAN, H.B. 547 WOULD DEVASTATE A MONTANA INDUSTRY. WE RESPECTFULLY URGE THE MEMBERS OF THE TAXATION COMMITTEE TO REJECT THIS UNFAIR TAX. MONTANA SOFT DRINK BOTTLERS SEEK NO SPECIAL EXEMPTION FOR A CARBONATION. BUT ASK THAT

Page Three

THE STATE MEET ITS ECONOMIC NEEDS THROUGH EQUITABLE, BROAD-BASED MEANS WHICH
TREAT ALL MONTANA MANUFACTURERS FAIRLY.

THANK YOU.

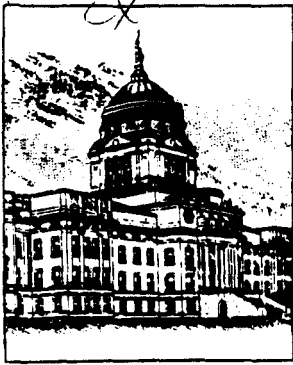
WITNESS STATEMENT

2-18-82
547

NAME Carl Lehtinen BILL NO. 547
ADDRESS 4840 Fowler, Helena, MT. DATE Feb 18, 1982
WHOM DO YOU REPRESENT? Comm. Code Betting B of Helena - Helena
SUPPORT _____ OPPOSE ✓ AMEND _____

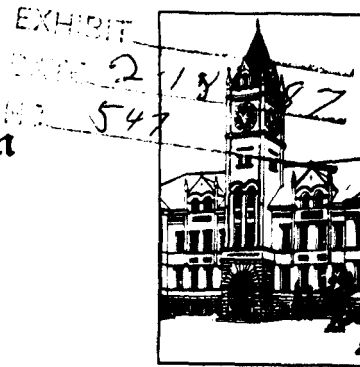
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:



ASHM
Student Legislative Action

University Center 105
University of Montana
Missoula, Montana 59812
(406) 243-2451



HOUSE TAXATION COMMITTEE FEB. 18, 1987--MATT THIEL, ASUM LOBBYIST

THE NEED FOR HB 547--A POP TAX TO SUPPORT HIGHER EDUCATION

After a decade of declining support for the State's University System...

The University of Montana needs to make an additional 3 million in cuts just to meet the Governor's budget.

The University System as a whole needs 11 million just to stay at its current operating level.

THE '87 APPROPRIATIONS PROCESS IS STUCK IN A "ZERO SUM GAME"...

the 50th Legislature will need to raise new revenue if it wants to maintain the University System at the already reduced level, and HB 547 is one of the few options this committee will see.

Even with new revenue the University System will not see increases in budgets, the goal is to maintain and prevent further declines in the face of declining state revenues and the need for property tax reform.

PUBLIC SUPPORT FOR TAXES TO FUND HIGHER EDUCATION

Montana Poll, Dec. 86--most state residents oppose cutting the University System.

61% said funding should remain at current levels, and 14% favored increased funding.

AFSE Nat. Poll, Jan. 87--69% Americans want more government support for higher education.

Bell Commission Report, Nov. 86--"Public officials who propose budget reductions in education at a time when the republic is handicapped by the burden of an undereducated populace are unthinkingly abetting an act of national suicide."

THE FINAL POINT IS:

This committee must take the leadership role in making decisions that will break the political stalemate that has prevented any solutions to the State's revenue problems thus far, and raise the money it will take to meet the public's calls for quality higher education.

Poll: Montanans oppose college cuts

By RICHARD ECKE
Tribune Staff Writer
Copyright 1967 Great Falls Tribune

Most state residents oppose cutting the state university system, a poll released today by the Montana State Board of Education shows.

But these poll results also agreed with legislators that Western Montana College at Dillon is the prime target for closure, if one of the state's small colleges must be eliminated.

The Montana Poll questioned 488 adult Montanans between Dec. 9 and 22. The quarterly poll is co-sponsored by the Great Falls Tribune and the University of Montana's Bureau of Business and Economic Research.

According to the poll, most Montanans opposed closing colleges out-right or cutting spending. Some 61 percent of Montanans said university system funding should remain at current levels, while only 18 percent favored cuts, the poll said. Some 14 percent favored giving more money to higher education.

The system has two universities, at Missoula and Bozeman; colleges at Dillon, Havre and Butte; and also two-year community colleges at Kalispell, Glendive and Miles City.

ON THE OTHER hand, the idea of converting the state's four-year colleges to two-year community colleges was widely accepted, the poll said. And Montanans are willing to consider consolidating programs and administration to save the money crunch, the poll revealed.

Higher education appeared to gain more support from persons questioned in the Montana poll than legislators surveyed in a recent Tribune questionnaire.

In the Montana Poll, for instance, 51 percent of those polled opposed closing any of the university system's six units, while just one-third said yes. In contrast, the Tribune's legislative survey showed 52 percent of lawmakers — 39 out of 67 legislators — supported closing a unit of the university system. About two-thirds of the 139 legislators replied.

Many Montanans, particularly rural people and Democrats, expressed concern about easy access to Montana's colleges and universities if Havre should be closed. The Mont-

ana Poll showed 21 percent of Montanans favored closing Northern, Montana Tech, if one school must be closed.

The Montana Poll showed more than outright closure.

CONSOLIDATING duplicate programs drew 65 percent approval, while making one of more colleges into branches of the universities drew 68 percent approval.

Montanans were likewise in favor of placing the state's vocational-technical centers under the state Board of Regents, rather than local school boards, as a cost-cutting measure. Some 42 percent approved of the switch, while 38 percent disapproved.

Meanwhile, 61 percent of those polled favored a proposal to establish minimum admission standards at the state's colleges and universities.

Money for higher education, as well as for public schools, is expected to be a big issue at the Legislature, which opens in Helena today.

Gov. Ted Schwindehn said last month his budget proposal calls for continued full funding of state universities over the next two years, but a university system officials warned they actually will be about \$13 million short, considering falling enrollment and a shrinking tax base statewide.

Some supporters of education favor a statewide sales tax to bolster higher education and the public schools.

as Gov. Bill Clinton and former Mississipp Gov. William Winter, as well as a half-dozen college presidents, the heads of both national teacher unions and the chancellor of New York City's schools.

The association represents 372 four-year campuses that enroll 2.5 million students and award a third of all bachelor degrees.

It urged states to keep college tuition as low as possible, in part to help recruit more minority students and stop the growth of "an American underclass." It also urged the state colleges to take the lead in producing the 1 million new

More spending on higher education urged

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Poll: Public will pay more to boost teacher wages

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Fifty-nine percent of those surveyed said they would favor more funds for public education

Voters favor social programs

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should be done to maintain the nation's military defense buildup.

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The Independent Record, Helena, Mont., Monday, November 10, 1966—7A

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The Independent Record, Helena, Mont., Friday, July 4, 1966—8A

teachers lack the prestige of other professions, such as law and medicine.

SIII. Interviews with several teachers after Futrell's speech suggested that NEA members considered her position sufficiently bold, with several predicting sharp debate on the matter during the convention, which ends Sunday.

Her position has drawn fire as too timid from her archrival, American Federation of Teachers President Albert Shanker. He has insisted that state certification boards are part of the reason

EX
2-18-87
B547
J. Sullivan

#5
2-18-87
547



livingston

enterprise

A Yellowstone Newspaper

John Sullivan, Editor and Publisher

Tom Shands, Managing Editor

4—LIVINGSTON ENTERPRISE, Friday, February 13, 1987

opinions

Soft-headed tax

We all know how touchy Montana lawmakers are about the sales tax issue, but efforts to run around it have reached the absurd.

The Montana House of Representatives next week will consider a bill to inflict a special sales tax on soft drinks. House Bill 547 would, if enacted, levy a tax of about three cents a can for your basic Coca-Cola, 7-Up or Pepsi, and four cents a bottle.

The bill makes no mention of any other commodity. It just hits soft drinks, and makes the tax payable at the distributor level. The distributor would, of course, pass the cost along to the retailer, and the retailer would pass it on to the consumer.

The bill's sponsor is Rep. Janet Moore, D-Condon. The bill should not be confused with earlier efforts to tax soft drinks to encourage recycling of cans and bottles or to clean up highway litter — the stated purpose of this bill is to provide revenue to fund higher education.

The soft drink distributors are hopping mad about being singled out for a special tax, and we can't say we blame them. We don't know all of Rep. Moore's logic on the issue, but understand a large part of her argument is that soft drinks are an optional

luxury for most folks, and could well stand to be taxed.

The fact is, the legislature can't get guts up enough to face the issue of a general sales tax, so they keep piddling around with special taxes on certain segments of the state economy. It would join a lot of other special taxes already in force — including the tax on cigarettes, gasoline and auto purchases.

Let's see .. the possibilities are endless. We could see a special sales tax on jewelers, and certainly one on flower shops. Movies would be a good possibility, as well as TV stores, sporting goods and stationery. If we were to follow Rep. Moore's approach, we could enjoy a separate sales tax on each of those, and several dozen others.

Or, we could just pass a general sales tax like 47 other states have done.

The soft-drink distributors, by the way, think the general sales tax would be a dandy idea, and they would happily allow it to be levied against their products along with all the rest. So do a lot of us.

The soft-drink tax doesn't deserve the legislature's time. Better they should spend it working on a general sales tax and be done with it.

WITNESS STATEMENT

#6
2-18-87
547

NAME John L. Olson BILL NO. 547
ADDRESS 530 5th St. S.E. Sidney, Montana DATE 2-18-87
WHOM DO YOU REPRESENT? Blue Rock Products Co. dba Pepsi-Cola Bottling Co.
SUPPORT _____ OPPOSE X AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

HOUSE BILL NO. 547 - White Copy
 Amendments

1. Page 1, line 5.
 Following: "EDUCATION"
 Insert: "AND TO REDUCE TEACHERS' RETIREMENT LEVIES"

2. Page 1, line 6.
 Strike: "AND"
 Following: "DATES"
 Insert: "; AND AMENDING SECTION 17-7-502, MCA"

3. Page 3, line 15.
 Following: "taxes."
 Insert: "(1)"

4. Page 3, line 19.
 Following: "shall"
 Strike: "deposit"
 Insert: "distribute"
 Following: "paid"
 Strike: "in"
 Insert: ":(a) 50% to"

5. Page 3, line 21.
 Following: "purposes of higher education"
 Strike: "."
 Insert: "; and
 (b) 50% to the superintendent of public instruction
 for distribution as equalization aid to the retirement fund
 required by 20-9-501. The net revenue is statutorily
 appropriated as provided in 17-7-502. The superintendent of
 public instruction shall establish the dollar amount per ANB
 by dividing the net revenue for the school year by the total
 state ANB in the prior school year. He shall then notify
 each county superintendent by the fourth Monday of July of
 the total retirement fund equalization aid available to the
 county, as calculated separately for elementary and high
 school districts using the prior year's ANB and prorated as
 specified in 20-9-501(6) for any joint school district.
 Each county superintendent shall use such amounts to reduce
 the total retirement fund levy requirement for elementary
 school districts and the total retirement fund levy
 requirement for high school districts. The superintendent
 of public instruction shall then distribute by state warrant
 the total amount of retirement fund equalization aid for
 each county by October 1 of the school fiscal year."

6. Page 3, line 24.
 Following: line 25
 Insert: "Section 7. Section 17-7-502, MCA, is amended to read:
 "17-7-502. Statutory appropriations -- definition --
 requisites for validity. (1) A statutory appropriation is an
 appropriation made by permanent law that authorizes spending

by a state agency without the need for a biennial legislative appropriation or budget amendment.

(2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both of the following provisions:

(a) The law containing the statutory authority must be listed in subsection (3).

(b) The law or portion of the law making a statutory appropriation must specifically state that a statutory appropriation is made as provided in this section.

(3) The following laws are the only laws containing statutory appropriations:

- (a) 2-9-202;
- (b) 2-17-105;
- (c) 2-18-812;
- (d) 10-3-203;
- (e) 10-3-312;
- (f) 10-3-314;
- (g) 10-4-301;
- (h) 13-37-304;
- (i) 15-31-702;
- (j) 15-36-112;
- (k) 15-70-101;
- (l) 16-1-404;
- (m) 16-1-410;
- (n) 16-1-411;
- (o) 17-3-212;
- (p) 17-5-404;
- (q) 17-5-424;
- (r) 17-5-804;
- (s) 19-8-504;
- (t) 19-9-702;
- (u) 19-9-1007;
- (v) 19-10-205;
- (w) 19-10-305;
- (x) 19-10-506;
- (y) 19-11-512;
- (z) 19-11-513;
- (aa) 19-11-606;
- (bb) 19-12-301;
- (cc) 19-13-604;
- (dd) 20-6-406;
- (ee) 20-8-111;
- (ff) 23-5-612;
- (gg) 37-51-501;
- (hh) 53-24-206;
- (ii) 75-1-1101;
- (jj) 75-7-305;
- (kk) 80-2-103;
- (ll) 80-2-228;
- (mm) 90-3-301;
- (nn) 90-3-302;
- (oo) 90-15-103; and

(pp) Sec. 13, HB 861, L. 1985; and
(qq) [section 6(1)(b)].

(4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing, paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory appropriation authority for such payments."

NEW SECTION. Section 8. Extension of authority. Any existing authority of the superintendent of public instruction to make rules on the subject of the provisions of [section 6(1)(b)] is extended to the provisions of [section 6(1)(b)]."

Renumber: subsequent sections

7. Page 4, line 2.
Following: "(1)"
Strike: "Section 7"
Insert: "Sections 8 and 9"

8. Page 4, line 4.
Following: "through"
Strike: "6"
Insert: "7"

7037k\c:\eleanor\wp:ee

- 2-18-87
HB 507
1. Title, line 6
Following: "PENALTIES;"
Insert: "PROVIDING FOR THE ADMINISTRATION AND COLLECTION OF THE TAX; GRANTING RULE MAKING AUTHORITY TO THE DEPARTMENT OF REVENUE; INCREASING THE APPROPRIATION TO THE DEPARTMENT OF REVENUE;"
 2. Page 2, line 24
Following: "consumption."
Insert: The bottler shall hold the tax in trust for the State of Montana. Every bottler shall be liable for the amounts herein required to be precollected, and for the purpose of collection by the department the bottler shall be considered the taxpayer. The tax shall be remitted by the bottler with a statement on a form prescribed by the department on or before the 30th day of the month. The books and records of such producer shall be subject to inspection by the department, its agents or employees during reasonable hours.
 3. Page 3, line 22
Following: "unsalable"
Strike: "refunds of the tax paid may be made as provide in 15-1-503." Insert: "And a refund is paid or credit given to the purchaser, the bottler shall report and take credit for the tax previously remitted on such refunded soft drink to the department in the next subsequent quarterly report."
 4. Page 3,
Following: line 23
Insert: "Section 7. Administration by Department (1) The provisions of 15-31-503 through 504 apply to any bottler who fails to report or pay the proper tax.
(2) If all or part of the tax is not remitted, the department may issue a warrant for distraint as provided in Title 15, chapter 1, part 7.
(3) The statute of limitations and refund provisions of 15-36-122 apply to this tax."
 5. Page 3, line 24
Following: "Section"
Strike: "7"
Insert: "8"
 6. Page 4, line 2
Following: "Section"
Strike: "8"
Insert: "10"

7. Page 4

Following: line 1

Insert: "Section 9. Appropriation. The following money is appropriated from the general fund to the department to administer this tax:

Fiscal year 1988 \$29,000.00

Fiscal year 1989 \$22,000.00

8. Page 4, line 4

Following: "effective"

Strike: "July"

Insert: "October"

WITNESS STATEMENT

218.87
572

NAME Mons Teigen House BILL NO. 572
ADDRESS Helfa DATE 2/18/87
WHOM DO YOU REPRESENT? Mt. Stockgrowers, Cattle Woman, Farm Bureau, WIFE
SUPPORT _____ OPPOSE X AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

The rationale for exempting a portion of the motor fuels tax paid by Montana farmers & ranchers is well justified. primarily on the basis that much of the fuel used in agriculture is not used on highways. This situation does not change when the tax is increased.

With all of the public concern about the plight of agriculture it seems inappropriate to now require agriculturists to pay the full amount on the increase

Attachment : Distribution of Highway Special Revenue Funds Fiscal 1986

Distribution prior to deposit in Highway Fund:

Department of Fish, Wildlife and Parks:

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

Department of Commerce:

Aeronautics	- 1/25 of 1%	=	25,852	(60-3-201, MCA)
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Gasohol		773,863	(15-70-201, MCA)
---------	--	---------	------------------

Gas Tax Refunds		3,221,389	(15-70-223, MCA)
-----------------	--	-----------	------------------

Shrinkage:

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

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

Net Revenues to Highway Fund

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

Distribution from the net:

Local Government pass-through	14,000,000	(15-70-101, MCA)
-------------------------------	------------	------------------

Highway Patrol (will increase to \$9,351,765 in fiscal 1987 due to 100% assumption)	6,913,827	(44-1-501, MCA)
---	-----------	-----------------

Local Government planning grant	75,000	(7-14-102, MCA)
---------------------------------	--------	-----------------

Department of Revenue - Motor Fuel Tax Division (collection costs)	787,852	
--	---------	--

Department of Commerce - local planning grant	<u>75,000</u>	(7-14-102, MCA)
---	---------------	-----------------

Total from net	\$21,851,679
----------------	--------------

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

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

1¢ on diesel yields \$1 million;

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

John O'Connell N.B.-572
If desired -
Amend it to ~~sunshine~~
sunset in 2 years
June 30, 1989

Passage of HB 136 at 20¢ per gallon.

If HB 572 passes as proposed, the estimated amounts that would remain in the highway fund for construction at the cap of 17¢ are:

	Fiscal 1988	Fiscal 1989
Snowmobiles	\$56,843	\$61,000
Motorboats	102,599	110,000
Aeronautics	4,562	4,890
Gas Rebates	<u>568,480</u>	<u>600,411</u>
	\$732,484	\$776,301

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB572, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act limiting certain fractional allocations of the gasoline tax proceeds to the first 17 cents of the tax; amending sections 15-70-223 and 60-3-201, MCA; and providing an effective date.

FISCAL IMPACT:

This proposal would have no effect on the proceeds of the first 17 cents of the gasoline tax since current law provides for a 17 cent tax on gasoline. However, if HB136 passes (3 cent gas tax increase), the Department of Highways receipts would be increased by an additional \$159,442 in FY88 and \$171,000 in FY89 due to this legislation. Fish, Wildlife and Parks snowmobile account receipts would be reduced by \$56,843 in FY88 and \$61,000 in FY89. Fish, Wildlife and Parks boat account receipts would be reduced by \$102,599 in FY88 and \$110,000 in FY89.

David L. Hunter DATE 2/4/87
DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning

Helen O'Connell DATE 2-5-87
HELEN O'CONNELL, PRIMARY SPONSOR

Fiscal Note for HB572, as introduced.

HB 572

Seating 4-1-40
8 p.m.
Room 312-B

JP

House BILL NO. 572
INTRODUCED BY *Walter C. Ramsey* *John H. Kennedy*
Alvin G. Jones *Harry Buckner Moore*
A BILL FOR AN ACT ENTITLED: "AN ACT LIMITING CERTAIN FRACTIONAL ALLOCATIONS OF THE GASOLINE TAX PROCEEDS TO THE FIRST 17 CENTS OF THE TAX; AMENDING SECTIONS 15-70-223 AND 60-3-201, MCA; AND PROVIDING AN EFFECTIVE DATE."

1 the proceeds of the first 17 cents of the tax shall be
2 deposited in a snowmobile account in the state special
3 revenue fund, and 1/25 of 1% of all money the proceeds of
4 the first 17 cents of the tax shall be deposited in the
5 aeronautics revenue fund of the department of commerce under
6 the provisions of 67-1-301. The remainder of the money shall
7 be used by the department of highways on the federal-aid
8 highways in this state selected and designated under Title
9 23, U.S.C., and on highways leading from each county seat in
10 the state to the federal highway system of federal-aid roads
11 where the county seat is not on the system and on the other
12 roads which have been or may be authorized by the laws of
13 Montana and for collection of the license taxes and the
14 enforcement of the Montana highway code under Article VIII,
15 section 6, of the constitution of this state.

(2) The department shall, in expending this money,
16 carry forward construction from year to year, using the
17 money expended through the matching up of federal-aid
18 allotments to Montana upon the federal highway system in the
19 various parts of the state in accordance with 60-3-204
20 through 60-3-206. Nothing in this title conflicts with Title
21 23, U.S.C., and the rules by which it is administered.

(3) The department may enter into cooperative
23 agreements with the national park service and the federal
24 highway administration for the purpose of maintaining
25

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 60-3-201, MCA, is amended to read:
"60-3-201. Distribution and use of proceeds of
gasoline dealers' license tax. (1) All money received in
payment of license taxes under the Distributor's Gasoline
License Tax Act, except those amounts paid out of the
department of revenue's suspense account for gasoline tax
refund, shall be used and expended as provided in this
section. So much of that money on hand at any time as may be
needed to pay highway bonds and interest thereon when due
and to accumulate and maintain a reserve therefor, as
provided in laws and in resolutions of the state board of
examiners authorizing such bonds, shall be deposited in the
highway bond account in the debt service fund established by
17-2-102. Subject to that provision, 9/10 of 1% of all money
the proceeds of the first 17 cents of the tax shall be
deposited in the state park account, 1/2 of 1% of all money

1 national park approach roads in Montana.

2 (4) Money credited to the state park account in the
3 state special revenue fund shall be used only for the
4 creation, improvement, and maintenance of state parks where
5 motorboating is allowed, except for the payment of refunds
6 under 15-70-221 through 15-70-226. The legislature finds
7 that of all the fuel sold in the state for consumption in
8 internal combustion engines, not less than 9/10 of 1% is
9 used for propelling boats on waterways of this state.

10 (5) Money credited to the snowmobile account may be
11 used only to develop and maintain facilities open to the
12 general public at no admission cost and to promote
13 snowmobile safety. For the 2 years following July 1, 1977,
14 15% of the amount deposited in the snowmobile account each
15 year shall be used to promote snowmobile safety. Thereafter,
16 10% of the amount deposited in the snowmobile account shall
17 be used to promote snowmobile safety. The legislature finds
18 that of all fuels sold in this state for consumption in
19 internal combustion engines, not less than 1/2 of 1% is used
20 for propelling snowmobiles on public lands of this state.

21 (6) Money credited to the aeronautics account of the
22 department of commerce shall be used only to develop,
23 improve, and maintain facilities open to the public at no
24 admission cost and to promote aviation safety. The
25 legislature finds that of all the fuel sold in this state

1 for consumption in internal combustion engines, not less
2 than 1/25 of 1% is used for propelling aircraft in this
3 state."

4 Section 2. Section 15-70-223, MCA, is amended to read:
5 "15-70-223. Estimate allowed for agricultural use. (1)
6 An applicant whose use qualifies as agricultural use may
7 apply for a refund of 60% of the applicable first 17 cents
8 of the tax on the gallons of gasoline as indicated by bulk
9 delivery invoices as an estimate of off-roadway use.

10 (2) If any invoice is either lost or destroyed, the
11 purchaser may support his claim for refund by submitting an
12 affidavit relating the circumstances of such loss or
13 destruction and by producing such other evidence as may be
14 required by the department of revenue.

15 (3) An applicant whose use does not qualify as
16 agricultural use may not estimate and must maintain records
17 as required by 15-70-222."

18 NEW SECTION. Section 3. Extension of authority. Any
19 existing authority of the department of revenue to make
20 rules on the subject of the provisions of this act is
21 extended to the provisions of this act.

22 NEW SECTION. Section 4. Effective date. This act is
23 effective July 1, 1987.

-End-

FACT SHEET

HB 572, Rep. Helen O'Connell

PURPOSE OF BILL: To put a statutory cap on the fractional allocations of gasoline tax revenues that automatically occur when fuel taxes are increased.

EFFECT OF PROPOSED BILL: This bill would cap the distribution of highway user fees at the present level of 17¢. Any future increases, such as recently passed in HB 136, would go to the highway program for construction. The intent of HB 136 is to restore the RTF program, not provide for public recreation and aviation.

This bill does not penalize or take anything away from present users of these funds. They will continue to receive what they presently receive.

The legislature can change the limits in the future if additional funds are necessary for these purposes. This bill would ensure that the increases are made by deliberate decisions of the legislature, not automatically as is now the case.

With this change, all uses of the highway funds would be controlled by the legislature, either by statutes that limit the amounts, or by specific appropriation.

CURRENT SITUATION: The four areas that automatically receive additional funds when gasoline taxes are increased are the snowmobile and motorboat programs in the Department of Fish, Wildlife and Parks, the Aeronautics program in Commerce, and gas tax refunds.

The amount of funds provided in these four areas have no relationship to the programs they fund, the use, or the level of tax.

At some time in the past, it was determined that certain percentages of fuel use were related to those areas, and these percentages were put into the statutes. Since then, several increases in the gasoline tax have occurred, and increased funds have been funneled to these areas without any demonstrated need.

BACKGROUND: Article VIII, Section 6, of the Montana Constitution and various other statutes establish the various uses of highway user fees -- motor fuel taxes -- and other statutes and appropriations establish the amounts of these funds for purposes other than the highway program.

For example --

..the Montana Highway Patrol and the Motor Fuel Tax Division amounts are established by the legislature via the appropriation process, and are based on program and budgetary review and analysis.

..The amounts provided local government roads and streets and local planning grants are established by statute, and can only be changed by legislative action.

..Shrinkage allowances on gasoline and diesel are statutorily capped, and can only be changed by legislative action.

..Production credits on alcohol production for gasohol are limited by statute, and will automatically expire in April, 1989 unless statutorily changed.

In all of the above examples, the legislature consciously limited the uses and amounts of highway funds for other than highway program purposes.

This bill would put all the uses of highway funds under the control of the legislature.

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB572, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act limiting certain fractional allocations of the gasoline tax proceeds to the first 17 cents of the tax; amending sections 15-70-223 and 60-3-201, MCA; and providing an effective date.

FISCAL IMPACT:

This proposal would have no affect on the proceeds of the first 17 cents of the gasoline tax since current law provides for a 17 cent tax on gasoline. However, if HB136 passes (3 cent gas tax increase), the Department of Highways receipts would be increased by an additional \$159,442 in FY88 and \$171,000 in FY89 due to this legislation. Fish, Wildlife and Parks snowmobile account receipts would be reduced by \$56,843 in FY88 and \$61,000 in FY89. Fish, Wildlife and Parks boat account receipts would be reduced by \$102,599 in FY88 and \$110,000 in FY89.

NOT FOR
DISTRIBUTION

David L. Hunter DATE 2/4/87

DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning

DATE

HELEN O'CONNELL, PRIMARY SPONSOR

Fiscal Note for HB572, as introduced.

X
8

572

#10
2-18-87
HB 572

HB 572
February 18, 1987

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

Mr. Chairman, the Department appears in opposition to HB 572 which would eliminate from future gas tax increases the 9/10's of 1% of the proceeds which are earmarked for the providing and management of motorboat recreation sites, and the 5/10's of 1% which is earmarked to develop and maintain snowmobile facilities and promote snowmobile safety.

The present distribution formula is based upon a user-pay concept. Fuel tax paid by highway users is used to improve highways, and fuel taxes paid for other purposes are likewise distributed. We believe this is a valid concept which should be applied regardless of the level of tax imposed.

Tax revenue distribution to the snowmobile and motorboat accounts is not arbitrary but is based upon a finding that at least 5/10's of 1% and 9/10's of 1%, respectively, of the fuels consumed go into these recreational off-road vehicles.

In recent years the legislature has required that the Parks Division funding rely increasingly on user fees. The 1986 special session removed all general fund support from Parks operations. Therefore, if users are going to be relied upon to pay all of the bill, which is the case in both the snowmobile and boating programs, it is only fair that at least all of the taxes they are paying be directed to providing the services they need.

For those reasons, the Department urges that the committee do not pass HB 572.

2-18-87
EX
HB 572

11
2-18-87
HB 572

MR CHAIRMAN, MEMBERS

OUR PORTION OF THE GAS TAX WHICH IS RETURNED TO US IS .5 OF 1% OF THE GAS TAX COLLECTED. IF THE GAS TAX IS INCREASED WE ARE ENTITLED TO MORE REFUND SINCE WE PAY MORE. OUR TOTAL PROGRAM WHICH IS ADMINISTERED THROUGH THE DEPT OF FISH, WILDLIFE AND PARKS, HAS SUFFERED DECREASES THE PAST FEW YEARS DO TO REDUCED AMOUNTS OF GAS PURCHASED. EACH GROOMING PROGRAM HAS BEEN CUT ACCORDINGLY, HOWEVER TO STOP ANY INCREASES WILL RAPIDLY HALT THE GROOMING PROGRAM, THROUGH COSTS OF EQUIPMENT AND OPERATION INCREASES. THIS WILL FURTHER DECREASE THE MILLIONS OF TOURISM DOLLARS SPENT IN MONTANA BY SNOWMOBILERS. WE MUST KEEP THIS PROGRAM FUNDED AT THE PRESENT RATE OF ALL GAS TAX MONIES.

THANK YOU

Bob Bushnell
BOB BUSHNELL
PRESIDENT
MT SNOWMOBILE ASSN
Box 4732
HELENA, MT 59604

BALCRON OIL COMPANY

BILLINGS, MONTANA 59104

W W BALLARD

W R CRONBLE

February 18, 1987

House Taxation Committee
Capitol Station
Helena, MT 59620

Activity at State lease sales reached an all time low in 1986, at least in the "modern era". The accompanying graph illustrates also what is happening to the oil production in the State as a result of lack of new well drilling to offset declining reserves and well abandonments for economic reasons.

A royalty holiday such as HB 688 proposes would make a State Oil and Gas Lease the most attractive of any category and would most certainly result in:

- (1) increased attendance at State Lease Sales;
- (2) increased bonus payments;
- (3) increased drilling on State leases which means increased jobs and ultimately, increased revenue to the State.

A Wildcat drilling venture historically has only a 10% chance of success; therefore, by receiving greater bonuses at the outset on leases that will ultimately be non-productive, lease income to the State will be more than offset any royalty loss that the one successful wildcat in 10 would have provided.

As an independent in Montana, I have to depend on my ability to sell Montana prospects to outside money sources. If HB 688 passes, independents, such as myself, will be able to counter the bias built-up over the years due to our taxation policies, and I have no doubt that we can make Montana a much more active exploration area than it has ever been in the past.

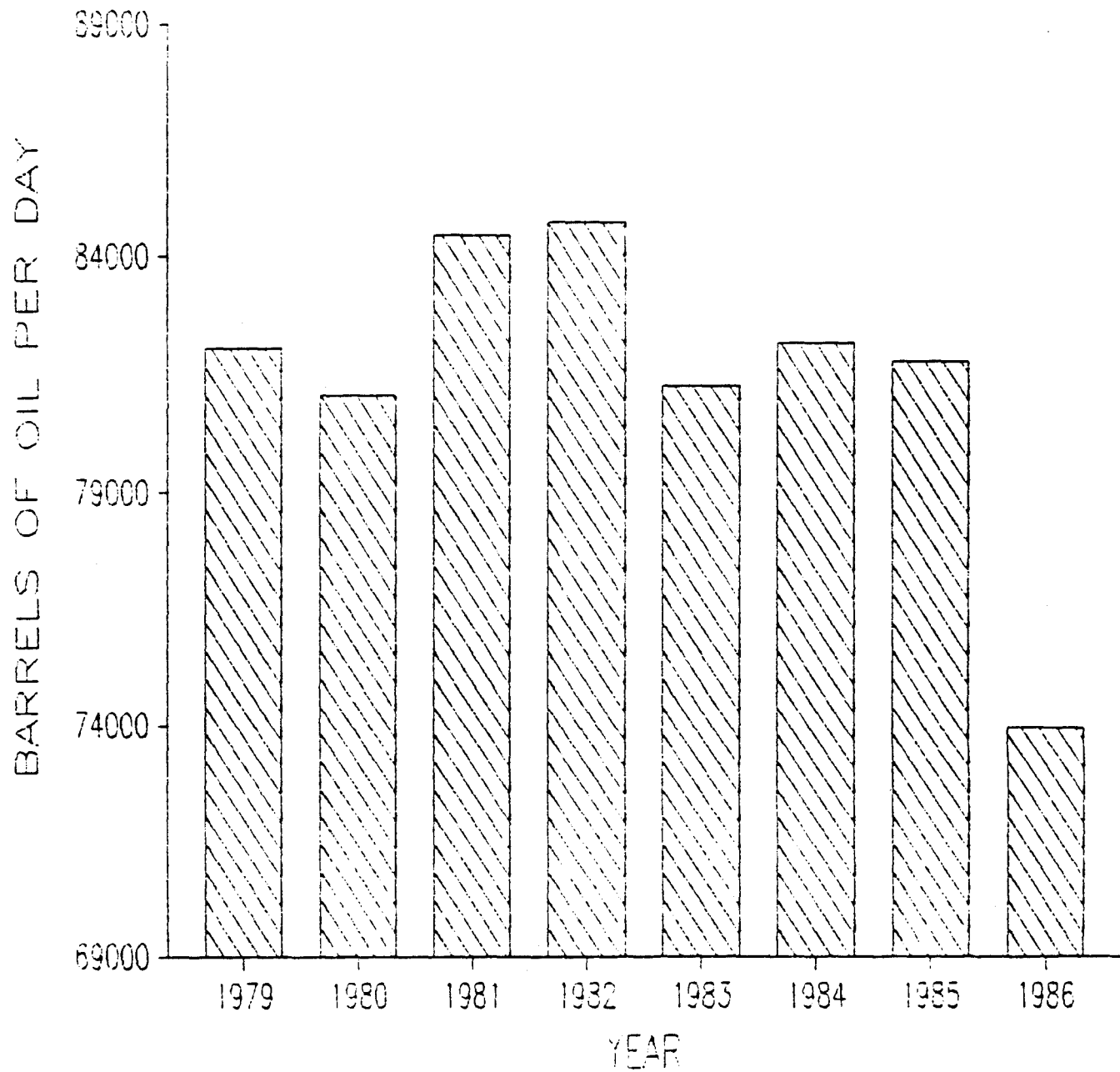
Please vote yes on HB 688 and help us become competitive with the rest of the producing States.

W. W. Ballard

WWB:1jm
Enclosure

STATE OF MONTANA

AVERAGE DAILY PRODUCTION BY YEAR



#13
2-18-87
688
February 18, 1987

STEPHEN R. GRANZOW

House of Representatives Taxation Committee

Mister Chairman and Members of the Committee

I am an independent landman, depending on the exploration in the State of Montana.

The attractiveness of Montana for oil and gas exploration is already low due to other factors and policies the State of Montana has.

Oil and Gas Companies are multi state companies. The cost of drilling is relatively the same through out the Rocky Mountain Area.

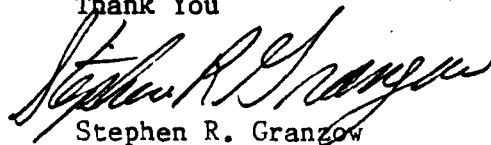
The costs of the extras (state policies) are then considered in determining where the next exploration and possible strike will be located.

House Bill No. 688 provides an incentive to the Oil and Gas Companies.

The 24 month royalty waiver relays a message that at least on State lease controlled lands the cost of drilling and exploration will be off set.

I urge you to pass House Bill No. 688. Creating one element that will bring exploration, drilling and Jobs to the State of Montana.

Thank You


Stephen R. Granzow

ROYALTY HOLIDAY ON STATE LANDS

EXHIBIT #14
DATE 2-18-87
HB 688

The bill

The legislation provides for a two-year holiday from the state royalty of 13% on oil and 12.5% on gas produced from state lands, on leases issued after June 1, 1987. The act sunsets July 1, 1991.

Economic Analysis

Certain assumptions can be made when FY85 and FY86 are compared, regarding the probable effect of incentive legislation promoting the leasing of state lands for oil and gas. There were 300,000 fewer state acres under lease in FY86 than in FY85 (3,161,019, as compared to 3,782,052). Further declines can be anticipated for FY87. If an incentive stimulates an increase in leasing approximately 250,000 acres per year, and the bonus payment is conservatively assumed at \$2 (the minimum is \$1.50), the state would realize increased bonus and rental income over three years of \$2,125,000.

Income to the state would improve further: (a) for all bonus payments over \$2 per acre, (b) all rental and delay drilling income after the three-year period referred to above, (c) the royalty for all years after the initial two-year holiday, (d) possible further income if more than 250,000 acres are leased.

Increased drilling would benefit the school trust fund, as royalty payments go to that fund. The current downturn in the industry has resulted in little interest in leasing or drilling any land, including state land. As the legislation is written, the operator must drill and achieve production within four years to receive the benefit. Only one or two of every ten wells drilled in Montana is successful.

A model oil well could be reasonably assumed to provide \$471,590 in royalty payments over its life. The two-year holiday would save the operator \$85,556, or less than one-fifth (17-18%) of the total royalty. Therefore, if successful drilling on state land is increased by 17-18% over what it would otherwise have been for the rest of the decade, the school trust fund will have come out even by giving up two years' royalty. The more wells that are successfully drilled, the greater the long-term benefits to the trust.

It may also be safely assumed that without some efforts at making Montana more attractive to industry investment, rentals, bonuses and interest in leasing state lands will continue to decline.

Prepared by: Montana Petroleum Association
Helena, MT 442-7582

Feb., 1987

EX
2-18
HB 688
Hammes

15
2/18/87
688

TESTIMONY FOR THE DEPARTMENT OF STATE LANDS
ON HOUSE BILL 688

(February 18, 1987, Room 312B, 8:00 a.m.)

The Department of State Lands opposes House Bill 688 as written that would provide for a waiver of oil and gas royalties on state trust lands because the bill is unconstitutional. The overall impact of this bill would result in a net loss to the permanent school and endowment trust funds which is in violation of the Enabling Act and the Constitution.

The State of Montana has the lowest oil and gas royalty percentages of all our neighboring producing states. The Board has always felt that the current royalty rate of 13% on oil and 12 1/2% on gas was a good incentive for drilling and exploration on trust lands. For several years in the early 1980's, Montana was under constant pressure by other states to increase our royalties; however, the Board did not feel justified in increasing our royalties because of a concern that the higher royalty would discourage leasing state land and result ultimately in less revenue.

The State of Montana leases are the cleanest leases issued by government with only those stipulations attached that are pertinent to environmental considerations under M.E.P.A. The title is clear and the royalties fair.

The long term effect of this bill creates a serious impact to revenue generation of the trust. This bill would not just provide a waiver of royalties from June 1, 1987 through July 1, 1991. It would subject oil and gas leases issued in June 1991 to a royalty holiday up through the year 2001 and beyond under certain circumstances. This long term effect may be substantial based on the price of oil. Our projected losses of 4 million dollars are based on a price of oil of \$16.00 per barrel. It would be wishful thinking to assume that oil prices would remain at this level to the year 2000. Also, the long term loss of interest income to the trust would be very significant due to the large proportion of oil produced in the holiday period relative to the total cumulative production occurring over the life of the well.

The Department proposes an amendment to the bill on page 2, line 20 through line 22. This amendment would continue to provide a royalty holiday; however, at such time as the royalty holiday has expired, a new royalty rate of not less than 16 2/3% on both oil and gas shall be established. The amendment also allows the producer the opportunity to decide whether he or she wishes to apply the holiday or to maintain the lease at 13% for oil and 12 1/2% for gas over the total life of the lease without a holiday. The successful bidders intent must be declared prior to approval of the lease by the Board in writing. Once established, it cannot be rescinded or changed and will remain in force for the entire term of the lease. The amendment also allows for a royalty break at the point of economic cutoff on the well from 16 2/3% to 12 1/2% upon demonstration to the Department that the cutoff has been reached. This flexibility in royalty rate will allow the Department to recover the loss of revenues

initiated by the royalty holiday. Without the royalty escalator, the Department would not have the opportunity to replace the permanent trust fund losses.

The amendment is beneficial to the producer as it allows for a royalty holiday during the typical "payout" period for the well. This would enable the producer to recover his capital quicker.

The Department recommends a "do not pass" on House Bill 688 in its present form based on its impact to permanent fund revenues. The constitutionality conflict can be mitigated by the amendment and the Department urges you to amend the bill as suggested.

Amendment to HB 688; Introduced Bill - White Copy

1. Page 2, lines 20 through line 22.

Strike: subsection (2) in its entirety.

Insert: (2) PRIOR TO THE TIME THE LEASE IS APPROVED BY THE BOARD THE SUCCESSFUL BIDDER OR APPLICANT SHALL INFORM THE DEPARTMENT IN WRITING WHETHER HE WISHES TO WAIVE ROYALTY FOR THE 24 MONTHS FROM THE FIRST DAY OF THE MONTH IN WHICH OIL OR GAS FROM A WELL IS PRODUCED FOR THE FIRST TIME, OR TO PAY THE ROYALTY RATE SET BY THE BOARD FOR THE DURATION OF THE LEASE. IN THE EVENT THE SUCCESSFUL BIDDER OR APPLICANT WISHES TO WAIVE THE ROYALTY FOR THE 24 MONTHS AS SET FORTH ABOVE, THEN SUCH SUCCESSFUL BIDDER OR APPLICANT SHALL PAY A RATE NOT LESS THAN 16 2/3% ON GAS AND NOT LESS THAN 16 2/3% ON THAT PORTION OF THE AVERAGE PRODUCTION OF OIL AS SET FORTH ABOVE, UNTIL SUCH A TIME AS THE DEPARTMENT DETERMINES THAT ECONOMIC-CUT-OFF OF THE WELL HAS BEEN REACHED. THE DEPARTMENT SHALL NOT MAKE A DETERMINATION THAT ECONOMIC-CUT-OFF HAS BEEN REACHED UNTIL AN APPLICATION FOR SUCH A DETERMINATION HAS BEEN MADE BY THE LESSOR ON A FORM APPROVED BY THE DEPARTMENT. IF THE DEPARTMENT DETERMINES THAT ECONOMIC-CUT-OFF HAS BEEN REACHED FOR A WELL THEN THE DEPARTMENT MAY REDUCE THE ROYALTY TO A RATE NOT LESS THAN 12½%. AS USED IN THIS SECTION "ECONOMIC-CUT-OFF" MEANS THAT POINT IN TIME, WHEN THE LESSOR'S GROSS MONTHLY INCOME FROM A WELL IS EQUAL TO OR LESS THAN THE MONTHLY OPERATING COST. THE DEPARTMENT MAY ADOPT RULES FOR THE IMPLEMENTATION OF THE SUBSECTION.

HB547

VISITORS' REGISTER

DATE 2-18-87
HB 547House Taxation

COMMITTEE

BILL NO. HB547DATE Feb 18, 1987SPONSOR Moore

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
RITA SHEEHY	U of M Alumni	X	
Thomas L. Higgins	Pepsi Helena		✓
George R.	Pepsi - Helena		✓
Joe Keller	Pepsi-Cola		✓
JAMES L. WHEELER	COCA-COLA KALISPELL		✓
Lee Harrington	Pepsi Cola Butte		✓
Kobebe T. Phillips	Pepsi-Cola		✓
JOHN L. OLSON	BLUE ROCK PRODS. Co. ^{OBA Pepsi-Cola} _{Butte Co. of Idaho}		✓
CARL WICKIATS	Bozeman Can-Cola Co.		✓
Bob Perry	Coca-Cola Missoula		✓
George E. Borman	Wheat ^{Green-Cola} _{Butte Co.}		✓
Russell Ryster	Pepsi-Cola Missoula MT		✓
Ruth Ryster	Pepsi-Cola Missoula MT		✓
Bruno Friia	ROYAL CROWN COA. MscA. MT.		✓
John Pellegrini	Pepsi Cola Anaconda		✓
Tim Feeley	Pepsi Cola Sidney MT		✓
Sam Yarker	Pepsi-Cola Great Falls		✓
John J. [unclear]	Pepsi Cola Helena		✓
[unclear]	Pepsi-Cola [unclear]		✓

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

Lance Chandler

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

2/18/87

House T

COMMITTEE

547

BILL NO.

HB 547

DATE

Feb 18 - 1987

SPONSOR

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Mike Hallen	Plentywood Chamber - Retail grocery		✓
Wayne Robinson	Pepsi of Helena		✓
is Robinson	Pepsi of Helena		✓
David Tamm	Pepsi Cola Great Falls		✓
Don Linder	Coca Cola		✓
Jerry Linder	" " - Helena		✓
Clayton Chung	Coca-Cola Helena		✓
Clayton Chung	Coca Cola Helena		✓
Clayton Chung	Coca Cola "		✓
Sandy Holland	Brundage Market		✓
Gamie Hargan	coca-cola HEN		✓
Harry N.	Coca cola HEN		✓
Steve Clark	Coca cola HEN		✓
Don Cole	Coca Cola HEN		✓
Don Cole	Coca Cola Bozeman		✓
Harry Gester	Brundage Market		✓
Don Angels	MT Chamber of Commerce		✓
Tom Hargan	Mont. Assoc. Theatre Owners		✓
CAROL KRAUSE	COMM OF H. ED		✓
Mary E. Durkee	Mont. Tavern Assn		✓
Bob Corcoran	Bozeman Area Chamber of Com		✓

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

John Delano

CS-43

Lanny Wagner

TII

MATT THIEL

JSCM - COMMENTS

HB 572

VISITORS' REGISTER

Feb 18, 1987
572

House Taxation

COMMITTEE

BILL NO. HB 572

DATE Feb 18, 1987

SPONSOR O'Connell

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Ken Harvest	MT. Snowmobile Assn		X
Doug Thel	Out Board Snow Goers	X	X
Wons Teigen	mt Steeplechase, Collier's Farm Bureau, WIFE		X
Kay Norenberg	WIFE		X
Donald J. Smith	Mountain Snowmobile		X
Bill Kline	MT. Steeplechase	X	
Ken Kline	Mountain Snowmobile		X
Bob Bushnell	MT Snowmobile Assn		X
Jim Gillespie	Lincoln Mt.		X
Bob Rydman	Endicott Sub-School		X
Harry King	Farmer		X
Larry Connors	MT. Farmers U		X

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

7-15-87

617

COMMITTEE

DATE Feb 18 1987

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

4B688

VISITORS' REGISTER

2-18-87

688

House Taxation

COMMITTEE

BILL NO. HB 688DATE Feb 18, 1987SPONSOR D. Brown

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Stephen R. Greenbaum	Meadowbrook Search	✓	
Don Lee	Montana Oil & Gas Assn	✓	
Doug Alchin	Montana Oil & Gas Assn	✓	
James Hamilton	Dept of State Lands		✓
JOSEPH ELITENSKI	MT. ENV. INF CNTR		✓
James Anderson	Shell Water E+P	✓	UNLESS AMEND AS PER D.S.
JOHN J. TOWNSEND	Mont Pet Assoc	✓	
Janelle Fallon	MT Petroleum Assn	X	
W. W. Ballard	Balcon oil	X	
RP Madison	Entech	X	
Joseph Tresson	Energy Services	X	
Ed Vander Poo	Ed Vander Poo Oil	X	
Connie Clarke	MT FORWARD COALITION	X	
Lynne Linn	Liberation Movement	X	
Gregory Hec	CEDEX	X	
Kelly Blake	Dept of State Lands		X
Bob Pauls	Coolidge Inc	X	
Leslie Carver	Donk Oil Inc	X	

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