

MINUTES OF THE MEETING
BUSINESS & INDUSTRY COMMITTEE
MONTANA STATE SENATE

March 31, 1987

The forty-third meeting of the Business and Industry Committee was called to order at 10:02 a.m. by Chairman Allen C. Kolstad on Tuesday, March 31, 1987 in Room 410 of the Capitol.

ROLL CALL: All members were present with Sens. Hager and Walker being excused.

CONSIDERATION OF HOUSE BILL NO. 863: Rep. Norm Wallin, House District 78, Bozeman, chief sponsor, said the bill first provides for state licensing of keno machines. Second, it reduces the state license fee to \$100 per machine from the present amount of \$1500. Third, it imposes a net income tax of 15% on all poker and keno gaming machines.

The bill reduces the maximum local license fee that may be assessed to \$100 per machine from \$1,000. The bill also provides detailed specifications keno machines must meet in order to be licensed, but does not require machines owned or operated in the state before June 30, 1987 to meet these specifications.

The net income tax on a machine is divided as follows: one-third goes to the state general fund and two-thirds is statutorily appropriated to the locality where the machine is located. If the machine is in a city or town the revenues goes to the city or town; otherwise it goes to the county government. The effective date is June 30, 1987. Rep. Wallin distributed written testimony and proposed amendments to the bill. (EXHIBIT 1)

PROPONENTS: John Poston, Montana Coin Machine Operators Association, gave his explanation of how the business works. He passed out EXHIBIT 2 to the committee for their perusal. The effect on the industry, by this bill, would be that they would go from a licensing fee to a gross proceeds license tax; it is not a net tax at all. He said right now there are 2,978 machines in the state and 87% were owned by people that belong to his association. The other 13% were owned by the taverns themselves. As a general rule this gross proceeds is split 50-50 between the coin operator and the location so in working with the figures you have to do something that no other business has to deal with; that is, work from the gross instead of the net. He said they felt the bill was fair in its original form. The poker machines have been added and he said they did not know what that would do because of the nature of the law. They have no idea how many, how they are operated or where they are operated. He said they had worked with MACo and the League of Cities and Towns to come up with what they felt was fair. He urged passage of the bill in its present form. He asked for the opportunity to study the proposed amendments before they are adopted and expressed his concern about a couple of the amendments. (EXHIBIT 2)

Alec Hansen, Montana League of Cities and Towns, said the poker machine bill has been very good for cities and towns and that the proposed change would increase the revenue that would go to the municipal governments in the state. He said currently, cities receive \$950 out of the state license fee and there is the potential of adding another \$1,000 on top of that which would be a possible \$1950 per machine. However, he stated, few of the cities have taken full advantage of the existing law and the average local fee is about \$300 so at the present time they are collecting an average of about \$1250 per machine. He also said he didn't know what was going to happen with the keno machines but felt there was a real potential there. They calculated that under this bill there would be \$3 to \$3.5 million generated for additional revenue for cities and towns and this revenue is desperately needed. He urged the committee to concur in the bill. He also mentioned the other bills that have been introduced that would or could have an effect on this bill. He suggested that the legislature come back in two years and take a look at the keno and poker machine issue and perhaps revise the laws at that time.

Ron Preston, Finance Officer for the City of Missoula, submitted written testimony to the committee, that being letters from himself (EXHIBIT 3) and Larry Anderson, Administrative Assistant Office of the Mayor (EXHIBIT 4), which he read to the committee.

Jim VanArsdale, Mayor, City of Billings, stood in support of HB 863 and said this would bring in additional revenue which is sorely needed. He said they have lost over \$1 million in federal revenue sharing and other revenue along the way has also been lost.

Bob Durkee, Montana Tavern Association, said they were in full support of HB 863 as it came out of the House. He said they would resist any attempts to increase the flat fee figures. He said the poker machines have been the salvation of many of the smaller taverns in Montana and some are living off the revenue of the gambling machines. Any drastic increase would put these businesses in jeopardy. He urged the committee to support HB 863 as it came from the House.

OPPONENTS: There were no opponents to HB 863.

DISCUSSION OF HOUSE BILL NO. 863: Chairman Kolstad called for questions from the committee.

Sen. Thayer said he understood Mr. Preston had said 15% of the net rather than the gross. Mr. Preston replied that it would depend on what you would consider that revenue. The total take of the machine would be gross; if you subtract what it pays out you could call it gross or net - the gross total income less the payout - they call it the net take or the machine's actual take.

Chairman Kolstad asked Mr. Durkee how many poker machines were in Montana. Mr. Durkee replied there were 2978.

Sen. Williams asked Mr. Poston what kind of an increase in machines they would anticipate. Mr. Poston said his guess would be up to as many as 500 but not more than that.

Chairman Kolstad questioned Mr. Durkee about the cost of the machines. He responded they were around \$3500-4500.

Sen. Weeding asked about the \$1650 - where that comes from. Mr. Poston said that is from the Department of Revenue. Mr. Gary Bennett of the Coin Machine Operators Association said that figure was correct - it is the average statewide figure generated by the Department of Revenue. He also said the metering would be the same as they were before; in fact, this imposes that same kind of audit trail and metering system on the keno machines. It is very secure and readily accessible to people in the Department to enforce the law. There is no problem with the newer machines; they operate under this specification. The older machines vary and the metering system is not consistent. Under this law, within two years, they would all have to be consistent and comply.

In answer to a question by Sen. Thayer, Mr. Poston said they have to presume there are no winners to start with. They could play forever and every time they lose they are using an on-average figure so there is never a winner. But, if someone wins the \$100 what would happen - he said that is "voodoo" economics, at best.

Sen. Weeding stated that the Department of Revenue said that the poker machines are 100% take because very seldom does anyone take their cash - they just keep playing until it is gone. Mr. Poston said the Department has a mandate from the legislature to examine the source codes.

Chairman Kolstad asked Mr. Poston if it was possible for a layman to change the payout on these machines or how is that accomplished? Mr. Poston said they were set at the factory and the Department checks them to make sure that the chips that control this are sealed in. Chairman Kolstad asked if they are pre-set for every state or does every state have the 80% regulatory payout. Mr. Poston said they were probably set for each individual state.

In answer to a question from Sen. Williams Mr. Hansen said any money from machines inside the incorporated city limits goes to the city; outside the city limits it goes to the county. There is no sharing and no complicated distribution between the two. He said it is very simple and works very well. He said the counties do very well even though the majority of the machines are in the cities.

Sen. Meyer asked if there was language in the bill stating that these machines could be put in restaurants and places other than bars and taverns. Mr. Wallin referred to the amendment that stated anybody with a gaming license and at this time there is no restriction on the number of machines. However, there is a bill introduced which would impose a limit on the machines.

There being no further questions from the committee, Rep. Wallin closed his presentation stating that they were not taking anything away from the tavern operators; they just want to share their take - a 15% share. His closing statement is attached as part of EXHIBIT 1.

Chairman Kolstad asked Rep. Wallin to comment briefly on the proposed amendments. Rep. Wallin replied that one amendment had to do with the \$100 which the states keeps. Rep. Wallin said he agreed with that amendment. He also explained that the rest of the amendments had to do with gaming licenses which are different from the tavern licenses - with the tavern license they can put in video poker and with the gaming license they can put in keno. One license does not cover both. He did not support the suggested amendment from Missoula.

The hearing was closed on HB 863.

CONSIDERATION OF HOUSE JOINT RESOLUTION NO. 42: Rep. Vincent, House District 80, Bozeman, sponsor, said the Resolution requests an interim study be made of the effectiveness of the Business Improvement District Act, including the extent of use of the Act and degree of success. The Act was passed by the 1985 legislature for the purposes stated in the whereas portion of the resolution. The resolution also calls for a study of the effectiveness of tax incentives for small businesses.

PROPOSERS: There were none.

OPPOSERS: There were none.

DISCUSSION OF HOUSE JOINT RESOLUTION NO. 42: Chairman Kolstad questioned Rep. Vincent if he thought this could be the tool that could help "Build Montana" become more successful. Rep. Vincent replied that he surely would hope so. Sen. Williams will carry it.

Sen. Williams asked if there were any other resolutions with which this could be incorporated into another study. Rep. Vincent said he did not believe so and thought this was the only one like this at this time.

DISPOSITION OF HOUSE JOINT RESOLUTION NO. 42: Sen. Williams MOVED HJR 42 BE CONCURRED IN, seconded by Sen. McLane. The MOTION CARRIED with Sen. Thayer voting "no".

RECONSIDERATION OF HOUSE BILL NO. 372: Chairman Kolstad asked that the members refer to HB 372 as Kathy Irigoin was present for informational purposes and to answer questions. He pointed out that this was a bill that had been heard previously and they had a hold request on it from the auditor's office. He asked Ms. Irigoin to give her explanation to the committee.

Ms. Irigoin said this bill increases the fees that are paid by insurance companies. She explained the reason for the "hold" was because the Fiscal Note for this bill indicated that the bill would generate approximately \$117,000 a year and the House Appropriations Committee had appropriated that money to purchase three FTE's contingent on passage of this bill. They asked that the committee hold this bill until they determined what happened in the appropriations process. The increase in fees was supported by the industry if the auditor's office does in fact receive the money to get the three FTE's for their office.

(EXHIBIT 5)

DISPOSITION OF HOUSE BILL NO. 372: Sen. Weeding MOVED HB 372 BE CONCURRED IN, seconded by Sen. McLane. The MOTION PASSED with Sen. Boylan voting "no". Sen. McLane will carry the bill in the Senate.

RECONSIDERATION OF HOUSE BILL NO. 863: Chairman Kolstad stated that they would have to do more work on HB 863 and assumed that Ms. McCue will get together with the interested parties to develop something that the committee could discuss and will handle this matter at a later date.

RECONSIDERATION OF HOUSE BILL NO. 586: Chairman Kolstad informed the committee that Roger Tippy was present to discuss briefly what happened to the wine bill and the other bills pertaining to this subject. A MOTION TO RECONSIDER HB 586 PASSED UNANIMOUSLY.

Mr. Tippy stated to the committee that there were amendments proposed by the Liquor Division and himself and briefly went through a letter written to the Chairman and committee members. (EXHIBIT 6) The amendments would make the bill a revenue bill without altering its original purpose. The Department of Revenue had informed Rep. Gould there would still be state liquor stores marketing table wine even if HB 623 becomes law. They felt that HB 586 would still be a good policy to allow the State to phase out of the line of business table wine which had not been very lucrative.

DISCUSSION OF HOUSE BILL NO. 586: Sen. Williams said he was a little concerned about the beverage people. He asked Mr. Tippy what it was going to do on 32¢ per liter. Mr. Tippy said the wholesalers, at the present time, pay about 27¢ per liter to the State on all the wine they sell in the bars and grocery stores.

The 32¢ would be an additional tax only on the small amounts of wine they would sell in new agency stores. Sen. Williams asked if this would just cover the wine that they would distribute to the new agency stores. Mr. Jack Devine, former Senator, said there are no agency stores in the county of Cascade now. The revenue impact would be fairly insignificant.

Sen. Williams asked if they should have a Fiscal Note with the bill, to which Mr. Tippy deferred to Mr. Blewett of the Department of Revenue. Mr. Tippy believed it was revenue neutral. Mr. Blewett said the bill was indeed revenue neutral so the Fiscal Note does not change.

Sen. Thayer asked Mr. Blewett if it was their intent to get out of the wine business entirely. Mr. Blewett said they were not objecting to the wine wholesalers' conversion of the system to an eventual removal of the State from the wine distribution entirely to the extent they stay with state stores to some degree; the state would still have a wine distribution as it would only be in the new agencies they would be getting out of it - they would still carry wine in a state-run agency store and also would carry it as long as the existing agent remains as the agent.

Sen. Williams asked what the effect would be if the bill was killed. Mr. Tippy said the state would have to continue to import about 5% of all the wine that comes into the state and have these agents continue it in the stores. They only make about 2 1/2% of their profit from wine and they have to tie up about 20% of their shelf space for it. It would be forcing them to continue a policy that was chosen by the 1979 legislature for reasons which were related to the protection of the job base in the state liquor stores at that time. That no longer applies.

Ms. McCue asked Mr. Tippy to explain the workings - the people who are agents now, their price is going to be computed in a different fashion from the agents in the future - she asked if one would end up paying more and would there be an inequity here? Mr. Tippy replied that the liquor division puts out a price list which they send to all their agents and all their state-employee run stores. They would also send out their price list for wine to their state-run stores and their old agencies that want to continue ordering wine from the state warehouse. The others would not have to sell at one fixed price; they could operate like the grocery stores and put a price on the bottle. That would vary from store to store.

Sen. Williams asked if there would be a 32¢ addition from one store to the next. Mr. Tippy answered affirmatively.

Mona Jamison, representing the wine distributors, said they did not want to turn it into a real revenue measure. She did say, however, she had not talked to the people she represents.

Sen. Thayer said he assumed if the bill is really revenue neutral

the bill is dead because it missed the transmittal deadline. Mr. Tippy said, according to the Joint Rules, the definition of a revenue bill is "one which increases or decreases tax collections"; not profits in the proprietary funds, etc. By shifting profits to taxes he believed the Rules Committee would be free to say it is a bill that increases tax collections and thought it would comply with the rule.

Discussion followed about whether or not the committee had to post a hearing on the bill which Chairman Kolstad had discussed with Mr. Tippy but they assumed that they would not have to. However, he felt that was optional. It was brought up if there is to be testimony on the bill a hearing would have to be posted. Ms. McCue said she had worked on the amendments with Mr. Tippy and had no further questions on the bill. Mrs. Jamison also said her questions had been answered today.

DISPOSITION OF HOUSE BILL NO. 586: Sen. Boylan MOVED ADOPTION OF THE AMENDMENTS, seconded by Sen. Thayer. The MOTION PASSED UNANIMOUSLY.

Sen. Williams MOVED HB 586 BE CONCURRED IN AS AMENDED, seconded by Sen. McLane. The MOTION PASSED UNANIMOUSLY. Sen. Williams will carry the bill.

Chairman Kolstad stated that concluded the business before the committee except for HB 863 which will be taken up at a later date.

The meeting was adjourned at 11:25 a.m.



SEN. ALLEN C. KOLSTAD, CHAIRMAN

Business & Industry

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 3/31/87

NAME	PRESENT	ABSENT	EXCUSED
ALLEN C. KOLSTAD, CHAIRMAN	✓		
TED NEUMAN, VICE CHAIRMAN	✓		
PAUL BOYLAN	✓		
TOM HAGER			✓
HARRY H. McLANE	✓		
DARRYL MEYER	✓		
GENE THAYER	✓		
MIKE WALKER			✓
CECIL WEEDING	✓		
BOB WILLIAMS	✓		

Each day attach to minutes.

DATE 3/31/87
Business & Industry _____

VISITORS' REGISTER

[illegible]

(Please leave prepared statement with 3

HB 863

PAGE 1.

HB 863 IS A BILL UNDER WHICH UNITS OF GOVERNMENT WOULD RECEIVE A SHARE OF THE NET INCOME FROM THE PLAY OF VIDEO POKER MACHINES AND KENO MACHINES.

IN 1985, THE LEGISLATURE LEGALIZED THE PLAY OF VIDEO POKER FOR GAMBLING PURPOSES, KENO HAS BEEN LEGAL FOR A MUCH LONGER PERIOD OF TIME. VIDEO POKER IS LICENSED BY THE STATE OF MONTANA WHEREAS KENO MACHINES ARE BEING LICENSED ONLY BY THE LOCAL GOVERNMENT WHERE THEY ARE LOCATED.

THE STATE OF MONTANA PRESENTLY CHARGES AND COLLECTS A LICENSE FEE OF \$1500 PER MACHINE FOR VIDEO POKER. \$1000 OF THIS AMOUNT GOES TO THE LOCAL GOVERNMENT WHERE THE MACHINE IS LOCATED. \$500 OF THE LICENSE IS RETAINED BY THE STATE. BEFORE THE DISTRIBUTION OF THE FEE, THE STATE OF MONTANA RETAINS 5% FOR ADMINISTRATION COSTS. SO, IN ACTUALITY, THE SPLIT HAS BEEN MADE ON THE BASIS OF \$1425 PER MACHINE. LOCAL GOVERNMENTS CAN ALSO CHARGE A LOCAL LICENSE FEE OF UP TO \$1000 THEY RECEIVE FROM THE STATE FEE.

AS AMENDED, THIS BILL IS QUITE DIFFERENT. IT REDUCES THE STATE LICENSE FEE OF \$1500 DOWN TO \$100, WHICH IT RETAINS FOR ADMINISTERING THE POLICING OF THE MACHINES. BECAUSE MANY PLACES DO NOT CHARGE LOCAL LICENSE FEES, THIS BILL SETS AS A MAXIMUM \$200 ANY LOCAL GOVERNMENT CAN CHARGE PER MACHINE. IF WE ARE GOING TO HAVE GAMBLING IN MONTANA, I THINK THE LOWER FEE WILL ENCOURAGE MANY TAVERNS WITH LITTLE PATRONAGE TO INSTALL THE MACHINES.

THIS BILL NOW PROVIDES THAT 10% OF THE NET FROM EACH MACHINE WOULD GO TO THE LOCAL GOVERNMENT WHERE THE MACHINE IS LOCATED AND 5% WOULD GO TO THE STATE GENERAL FUND. IN THE HOUSE, THE TAVERN OWNERS AGREED TO THIS ARRANGEMENT. WE FELT THAT THIS WAS FAIRER THAN THE HIGH LICENSE FEE BECAUSE THE SPLIT NOW IS GEARED TO THE PROFITABILITY OF THE MACHINES.

THE FISCAL STATEMENT GIVES NO DATA ON KENO MACHINES BECAUSE THE STATE HAS NOT BEEN INVOLVED IN THE LICENSING OF KENO. HB 863 PROVIDES FOR A \$100 LICENSE FEE ON KENO. IT PROVIDES FOR THE SAME SPLIT ON THE NET PROCEEDS OF THE MACHINES -- 10% TO LOCAL GOVERNMENT AND 5% TO THE ^{General Fund} ~~UNIVERSITY SYSTEM~~. THE \$100 LICENSE FEE WOULD BE RETAINED BY THE STATE FOR ENFORCING THIS ACT. THE DEPT. OF COMMERCE, BECAUSE OF LEGISLATION WE PASSED EARLIER THIS SESSION, WILL BE THE ENFORCER AND HAVE TOLD US IT WILL COST \$100 PER MACHINE.

WHEN THE VIDEO POKER MACHINE BILL WAS PASSED, WE ESTABLISHED VERY FEW RULES. THE LAW PROHIBITS ANYONE UNDER THE AGE OF 18 FROM A PLAY. ONLY LICENSED TAVERNS COULD HAVE THE MACHINES. NO OTHER ESTABLISHMENTS ARE PERMITTED. THE TAVERNS HAVE BECOME THE SOLE BENEFICIARIES. IT IS ENTIRELY DIFFERENT IN NEVADA WHERE SERVICE STATIONS, SMALL MOELS, GROCERY STORES, ETS., AS WELL AS CASINOS HAVE SLOT MACHINES. OUR PRESENT LAW AUTHORIZES THE TAVERNS TO RETAIN UP TO 20% OF THE MONEY PLAYED IN THE MACHINES WITH A CUSTOMER PAYBACK OF 80%. THAT TOO, IS GENEROUS AS COMPARED TO NEW JERSEY WHERE CASINO TYPE OPERATIONS ARE LEGAL. IN NEW JERSEY, THE MACHINES MUST PAY BACK TO THE CUSTOMER AN AVERAGE OF AT LEAST 83%.

SENATE BUSINESS & INDUST.

EXHIBIT NO. 1

DATE 3-31-87

BILL NO. H.B. 863

IN DOING SOME CALCULATING WITH MONTANA'S LAW, LOOK AT WHAT HAPPENS ON JUST 3 PLAYS ON A VIDEO POKER MACHINE. YOU PLAY \$1 AND, ON AVERAGE, YOU GET BACK 80¢. USING THAT 80¢ ON THE SECOND PLAY, YOU LOST ANOTHER 16¢ SO YOUR DOLLAR INVESTMENT HAS SHRUNK TO 64¢. ON THE THIRD PLAY, USING THE REMAINING 64¢, THE 20% TAKE LOSES YOU ANOTHER 13¢ SO IN JUST 3 PLAYS YOU ARE DOWN TO 51 CENTS. THAT'S THE WAY THE MACHINE OPERATES ON AVERAGE.

I INVITE YOU TO LOOK AT THE FISCAL STATEMENT, WHICH WAS PREPARED BEFORE THE BILL WAS AMENDED DOWN FROM A 25% SHARE GOING TO GOVERNMENT TO THE PRESENT 15% SHARE. FOR THE THREE QUARTERS OF 1988 REMAINING AFTER THE EFFECTIVE DATE OF THE BILL, AND THE FULL YEAR OF 1989, THERE IS PROJECTED A TOTAL OF \$84,100,500 THE MACHINES GET AFTER THEIR PAYOUTS.

ADOPTING THIS BILL WOULD GIVE THE LOCAL GOVERNMENTS \$8,410,952 AND THE STATE GENERAL FUND \$4,205,026 FOR THE BIENNIUM. THE TAVERN OWNERS 85% SHARE WOULD LEAVE THEM \$71,585,432.

I REALIZE I HAVE TAKEN QUITE A LOT OF TIME ON THIS BILL. IT IS AN IMPORTANT BILL. IT CAN REALLY HELP LOCAL GOVERNMENTS. I HOPE THE GENERAL FUND SHARE CAN GO TO THE UNIVERSITY SYSTEM, AS THIS BILL INTENDED TO DO. BY ADDING IN THE UNKNOWN INCOME FROM KENO MACHINES, THIS CAN REALLY HELP THESE CRITICAL AREAS. THERE ARE LOTS OF BUCKS LEFT FOR THE TAVERN OWNERS AS THEY WOULD KEEP \$71,585,432 IN THE 7 QUARTERS THIS IS CALCULATED FOR IN THE COMING BIENNIUM.

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 1
DATE 3-31-87
BILL NO. H.B. 863

CLOSE ON HB 863

MR. CHAIRMAN AND COMMITTEE MEMBERS. THANK YOU FOR A GOOD HEARING ON THIS BILL.

I WANT TO TELL THE COMMITTEE WHY I THINK THAT THE STATE OF MONTANA HAS A RIGHT TO TAKE THE KIND OF ACTION PROPOSED IN HB 863. GAMBLING IS A BUSINESS THAT HAS A DIRECT AND INDIRECT EFFECT ON LOTS OF PEOPLE.

THERE IS NO DOUBT IN MY MIND THAT THE COSTS OF PUBLIC WELFARE WHICH HAVE ESCALATED IN MONTANA, IS IN PART DUE TO GAMBLING. WITHOUT THE SPECIFIC ACTION AUTHORIZING VIDEO POKER MACHINES THE LEGISLATURE TOOK IN 1985, TAVERN OWNERS WOULD NOT HAVE THEM NOW. THE MORE THAN \$80,000,000 THEY ARE ALREADY GENERATING DID NOT EXIST FOR THEM JUST TWO YEAR'S AGO SO WE ARE NOT TAKING ANYTHING FROM TAVERN OWNERS THEY HAD BEFORE THEN. WE ENTRUSTED VIDEO POKER TO THE TAVERNS, AND TO THEM ALONE, THEREBY CREATING A MONOPOLY. IT IS ONLY PROPER THAN STATE AND LOCAL GOVERNMENTS SHOULD RECEIVE A PIECE OF THAT CAKE.

AGAIN, LOOK AT THE FISCAL STATEMENT. THEY HAVE BEEN PAYING ONLY \$1500 LICENSE FEE FOR A MACHINE THAT PRODUCES \$16,500 PER MACHINE PER YEAR. I HOPE YOU WILL AGREE TO THE PASSAGE OF THIS BILL WHICH WENT THROUGH THE HOUSE IN ITS PRESENT FORM WITH OVER 90 VOTES.

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 1

DATE 3-31-87

BILL NO. H.B. 863

Amendments to HB 863

1. Page 2, line 8.
Following: "means"
Insert: ": (a) with respect to the licensure of keno machines,"
2. Page 2, line 10.
Following: 23-5-421
Insert: "; and (b) with respect to the licensure of video draw poker machines, an establishment that is licensed to sell alcoholic beverages for consumption on the premises"
3. Page 2, following line 13.
Insert: "or keno machines"
4. Page 3, line 15.
Following: "poker"
Insert: ", bingo or keno"
5. Page 5, line 20 through line 2 on page 6.
Following: "23-5-615." on line 20
Strike: remainder of line 20 through "towns." of line 2 on page 6
6. Page 6, lines 4 through 7.
Following: "prorated." on line 4
Strike: remainder of line 4 through end of line 7
7. Page 15, line 17.
Strike: subsection (ff) in its entirety
Renummer: subsequent subsections

3000 machines times 16,500 per machine = 49,500,000

3000 machines times 15% of 16,500 per machine = 7,425,000

	Present Law	HB #863	Kenq
State	3000 at \$550 1.65	2,775,000	1,236,000
Local Government	3000 at \$950 2,450,000	5,275,000	2,172,000 *

* We estimate 3000 machines at an average or \$6,240 per year times 15%



FINANCE OFFICE

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BUDGET AND ANALYSIS
ACCOUNTING
CITY CLERK
UTILITY BILLING
RISK MANAGEMENT

March 30, 1987

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 3

DATE 3-31-87

BILL NO. HB 863

The Honorable George McCallum
Montana State Senate
Montana State Capitol
Helena MT 59620

RE: REVISIONS TO THE VIDEO POKER MACHINE CONTROL LAW, HB 863

Dear Mr. Chairman:

I am writing this letter in support of revising the video poker machine law from the existing fee system to a system which would impose a minimum fee plus a percentage tax based on net machine income.

The City Council of Missoula has spent a good deal of time listening to the concerns of vending machine distributors and tavern owners and attempting to set video gambling machine fees at an equitable level. The fee system currently in place is too restrictive. Presently the City of Missoula's only option is to impose fees which are too high on some machines and too low on others. The City believes that a license fee should be imposed to establish a minimum fee, and then tax the revenue producing capability of each individual machine.

This method provides a more equitable tax in that the greatest burden is carried by those machines which are most able to pay while allowing lower volume machines to be installed without an exorbitant front end fee which currently is the case with the existing fee system.

If the City of Missoula raised the flat fee under the current system to the level which would adequately tax the average machine in Missoula, many machines would no longer be economically viable to the distributors. A fee plus a percentage tax as proposed in HB 863 would allow the necessary economics on new installations while providing the government a fair share from the established machines.

If the fees were structured to provide a \$250 annual license fee for the State of Montana and a like \$250 license fee for the local government plus a 15% tax on the net income from each machine an equitable result can be obtained. The 15% tax should be split distributing 25% to the State of Montana and 75% to the local government where the impact occurs. This structure would approximate the current split of total revenues between the City of Missoula and the State of Montana while increasing the total revenues of both the city and the state by approximately 42-45 percent.

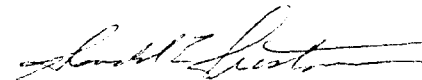
The Honorable George McCallum

Page 2

Additionally, the structure for fees and percentages of distribution currently proposed in HB 863 will cause a disproportionate share of the future revenues to go to the state causing local government to receive less than one third of the new revenue generated.

The City of Missoula urges your support to amend the video poker machine control law to include the above noted changes. This change in the law can be accomplished without harming the video machine industry or imposing an unfair burden on the vendors and tavern owners. This legislation will also provide the revenues to local government consistent with the intent of current legislation.

Sincerely,



Ronald E. Preston
Finance Officer

cc: Senate Taxation Committee
Alec Hanson, League of Cities and Towns
Senator William Farrell
Senator Mike Halligan
Senator Bill Norman
Senator Fred Van Valkenburg



OFFICE OF THE MAYOR

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March 30, 1987

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 4

DATE 3-31-87

BILL NO. HB-863

Honorable George McCallum
Chairman Senate Taxation Committee
State Senate
Capitol
Helena, Montana 59620

Re: Net Income Fees on Video and Keno Machines (HB863)

Dear Senator McCallum:

The City of Missoula is reviewing the proposed legislation to modify the current license fees on video keno and poker machines, which presently provide an income source for local governments.

The existing fee structure in the City of Missoula currently sets the annual license fee for video poker machines at \$325.00 per machine. The annual City license fee for video keno machines is \$350.00 per machine. This is in addition to the City's portion of the State annual license fee.

The modifications proposed in H.B.863 will reduce the annual license fee to \$100.00 per machine for both video poker and keno machines. This modification will address the concerns expressed by local poker machine vendors and tavern owners that current licensing fees are too high. In addition, the proposed legislation will provide the City with approximately two thirds of the proposed net income fee of fifteen percent on each machine. Analysis of this financial impact on the City of Missoula indicates that the revenue generated by H.B.863 will increase slightly the revenue generated under the existing statutes.

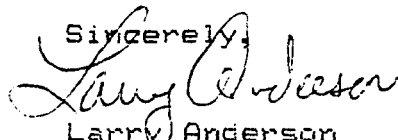
Missoula officials are concerned about the impact of H.B.796 on the expected revenues proposed in H.B.863. H.B.796 will limit the hours of play currently allowed for video poker machines. Analysis of poker machine tapes in Missoula indicate that one of the peak periods of play on some video poker machines occurs during the hours of 2-3 AM in establishments which are currently open twenty four hours a day. It seems inconsistent to revise the existing law to reduce fixed license fees and tax net income from these machines and then enact legislation which will reduce the hours of play on these machines, which will in effect reduce net income and hence revenues from net income fees.

The Honorable George McCallum
Page 2

The City of Missoula would like to propose amending H.B. 863 to increase the flat fee from \$100.00 to \$250.00 per machine on video poker and video keno machines to offset the anticipated loss of income incurred by the passage of H.B. 796. The exact extent of the loss of income is unknown at this time.

The City of Missoula urges the Senate taxation committee to amend H.B. 863 as we are proposing.

Sincerely,



Larry Anderson
Administrative Assistant

cc Members of Senate Taxation Committee
Senator Mike Halligan
Senator William E. Farrell
Senator Bill Norman
Senator Fred Van Valkenburg
Alec Hansen, League of Cities and Towns

MODIFIED BUDGET REQUESTS VS HOUSE BILL 372
SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 5

DATE 3-31-87

Modifieds Funded From Net Proceeds H.B. 372 BILL NO. HB 372

Current H.B. 372 Net Proceeds = \$ 117,497/year

	<u>FY88</u>	<u>FY89</u>
(1) Actuary	\$59,756	\$58,416
(1) Field Investigator	39,222	38,028
(1) Admin. Aide-Examinations	<u>17,149</u>	<u>15,998</u>
	<u>\$116,127</u>	<u>\$112,442</u>

1988-89 MODIFIED BUDGET REQUESTS

STATE AUDITOR'S OFFICE
INSURANCE DEPARTMENT

Examiners Office - Actuary 1.00 FTE

The actuary reviews the adequacy of insurer's loss reserves. Evaluates the adequacy and/or appropriateness of premium rate filing, and assists in the examination of insurers located in the state. State special.

Cost: \$59,756 FY88 \$58,416 FY89

Policyholders Service - Field Investigative Officers 2.00 FTE

Field investigative officers perform filed investigations, audits and examinations to ensure compliance with Montana Insurance Codes. State special.

Cost: \$78,444 FY88 \$76,056 FY89

Legal Unit - Lawyer 0.5 FTE

The department requests the addition of a staff attorney to research legal questions referred to the Legal Unit and to prepare and prosecute insurance violation cases at the administrative hearing and District Court. State special.

Cost: \$15,342 FY88 \$14,724 FY89

Examiners Office - Compliance Specialist II 1.00 FTE

The compliance specialist directly assists the chief examiner in the financial oversight of insurers operating in Montana. State special.

Cost: \$32,450 FY88 \$31,219 FY89

Examiners Office - Administrative Aide 1.00 FTE

An individual is needed to assist the chief examiner and compliance specialist with typing, filing, answering telephones, reviewing and distributing mail. State special.

Cost: \$17,149 FY88 \$15,998 FY89

Licensing Division - Administrative Aide 1.00 FTE

The additional FTE would enable the Licensing Division to handle all licensing for the Insurance Department. State special.

Cost: \$17,149 FY88 \$15,998 FY89

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 5
DATE 3-31-87
BILL NO. H.B. 372

Policyholders Service - Compliance Specialist II 0.5 FTE

The compliance specialist responds to informational inquiries, investigates and resolves complaints. State special.

Cost: \$11,411 FY88 \$11,370 FY89

Additional disk storage for WANG VS 65 computer would be provided with the purchase of a 288 megabyte removable disk drive and back up disks. State special.

Cost: \$16,250 FY88 \$1,250 FY89

Office automation needs include a high speed line printer for data processing output from WANG VS 65 computer and a high speed laser printer for high volume letter quality output. State special:.

Cost: \$25,400 FY88 \$2,900 FY89

TOTAL MODIFIEDS:

Cost: \$273,351 FY88 \$227,931 FY89

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 5

DATE 3-31-87

BILL NO. H.R. 277



Post Office Box 124 • Helena, Montana 59624 • Telephone (406) 442-4451

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 6

DATE 3/31/87

BILL NO. HB 586

March 31, 1987

Senator Allen Kolstad, Chairman
Senate Business & Industry Committee
Montana Legislature

Re: House Bill 586 by Gould

Dear Mr. Chairman and Committee Members:

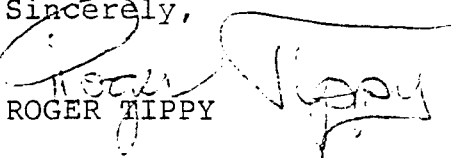
There are amendments to HB 586 which clearly make the bill a revenue bill without altering its original purpose. We would ask the committee to adopt those amendments and then give the bill another favorable report.

The reason this bill is still viable even if Rep. Harrington's HB 623 becomes law is that 623 does not completely stop the process of converting state liquor stores to agency stores. 623 slows this process; without the bill the Department of Revenue would have converted about 40 state liquor stores by the end of the next biennium while under HB 623 the Department has advised Rep. Gould that they may convert between 12 and 20 stores. Rep. Gould and the wine wholesalers would still like HB 586 to become law to phase out the state's table wine marketing through these 12 to 20 stores and whatever new agencies come along later.

The amendments' primary thrust is to convert the state's share of a new agent's wine revenues from a percentage of gross sales to an additional wine tax. Instead of receiving about 15% of the gross on wine sales, the state would receive 32 cents a liter. This would rephrase the bill as one which would increase tax collections, thus allowing the Senate to transmit the amendments back to the House up to the 83rd legislative day.

The amendments have been worked out by Mr. Blewett from the Liquor Division and me. The other proponent, Ms. Jamison for the Wine Institute, has not had an opportunity to check with her principal. In any event, Rep. Gould can ask for a conference if the amendment is not satisfactory to all parties, and has indicated his willingness to do this if necessary.

Sincerely,


ROGER TIPPY

cc: Rep. R. Budd Gould
Mona Jamison
Gary Blewett
Committee Members

STANDING COMMITTEE REPORT

MARCH 31, 1937

MR. PRESIDENT

We, your committee on BUSINESS AND INDUSTRY

having had under consideration HOUSE JOINT RESOLUTION No. 42

THIRD reading copy (BLUE)
color

VINCENT J WILLIAMS)

INTERIM STUDY OF ECONOMIC DEVELOPMENT TAX INCENTIVES

Respectfully report as follows: That HOUSE JOINT RESOLUTION No. 42

BE CONCURRED IN

~~XXXXXX~~
~~66-PA83~~

~~66-61-PA83~~

SENATOR ALLEN C. KOLSTAD, Chairman.

STANDING COMMITTEE REPORT

.....MARCH 31,..... 19.37....

MR. PRESIDENT

We, your committee on.....**BUSINESS AND INDUSTRY**.....

having had under consideration.....**HOUSE BILL**..... No. **372**.....

THIRD reading copy (**BLUE**)
color

HILLER (McLANE)

INCREASE FEES COLLECTED BY INSURANCE COMMISSIONER

Respectfully report as follows: That.....**HOUSE BILL**..... No.....**372**.....

BE CONCURRED IN

~~XXXXXX~~

~~XXXXXXXXXX~~

.....**SENATOR ALLEN C. KOLSTAD,** Chairman.....

STANDING COMMITTEE REPORT

MARCH 31, 1987

MR. PRESIDENT

We, your committee on BUSINESS AND INDUSTRY

having had under consideration HOUSE BILL No. 586

THIRD reading copy (BLUE)
color

COULD (WILLIAMS)

MODIFY MARKETING ARRANGEMENTS FOR TABLE WINE

Respectfully report as follows: That HOUSE BILL No. 586

be amended as follows:

1. Statement of intent, lines 14 through 20.
Following: "doing." on line 14
Strike: remainder of line 14 through line 20
2. Title, following line 5.
Insert: "TO PROVIDE A TAX ON TABLE WINE SOLD BY A
DISTRIBUTOR TO CERTAIN COMMISSION AGENTS;"
3. Page 1, lines 11 and 12.
Following: "wine"
Strike: "sold by the store"
Insert: "-- tax on certain table wine"
4. Page 1, line 13.
Following: "sold"
Insert: "either"
Following: "department"
Insert: ", "

(CONTINUED)

SENATOR ALLEN C. KOLSTAD, Chairman.

MARCH 31, 1987

5. Page 1, line 14.
Following: "store"
Insert: ", or by a commission agent, who was appointed before April 30, 1987, including subsequent renewals of such appointment, and who elects to order table wine from the department,"
6. Page 1, lines 19 through 21.
Following: "1987, is"
Strike: remainder of line 19 through "department" on line 21
Insert: "as determined by the agent"
(3) In addition to the tax on wine assessed under 16-1-411, there is a tax of 32 cents a liter on table wine sold by a table wine distributor to an agent as described in subsection (2). This additional tax must be paid to the department by the distributor in the same manner as the tax under 16-1-411 is paid."
7. Page 2, line 1.
Following: "1987,"
Insert: "including subsequent renewals of such appointments,"

Amendments, HB 586
7090f/C:JEANNE\WP:jj

AND AS AMENDED,

BE CONCURRED IN

SENATOR ALLEN C. KOLSTAD, CHAIRMAN