

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Harrington, on January 10, 1989,
at 9:00 a.m.

ROLL CALL

Members Present: 17

Members Excused: 1

Members Absent: None

Staff Present: Dave Bohyer, Legislative Council

Announcements/Discussion: Everyone wishing to testify,
please sign the visitor's register.

HEARING ON HOUSE BILL 1

Presentation and Opening Statement by Sponsor: Rep. Jack Ramirez, District 87, stated that as a result of a motion on the floor, he is now the primary sponsor of HB 3, which has been introduced at the request of the Revenue Oversight Committee. It is a bill to enhance the powers of the Department of Revenue. This is an appropriate time to make this change since there is a change in administration. The Director of the Department of Revenue is present and is aware of the frustrations of the taxpayers when they are attempting to deal with government bureaucracy. They often turn to the Revenue Oversight Committee for assistance. The Administrative Code Committee is also a creature of statutes. It has certain powers that it exercises over all of the other administrative agencies. The primary purpose of this bill is to make the Revenue Oversight Committee powers run parallel to and be equal to the Administrative Code Committee powers but the Revenue Oversight Committee would only have those powers over matters concerning the Department of Revenue.

List of Testifying Proponents and What Group They Represent:

Ken Norveldt, Director of Department of Revenue, State
of Montana

John Elke, Attorney, Helena, Montana Dakota Utilities

James E. Mockler, Executive Director of Montana Coal

Industry

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Ken Norveldt indicated his support for the bill. It is his intent that the rule making activity of the Department of Revenue subscribe to the philosophy that rule making should stay as close to the intent of the legislature as possible. The rule making authority, after a tax bill has been signed by the governor, is a powerful authority. Tax laws can be distorted and even nullified by the way rules are written to implement the tax law. This bill, which makes the Revenue Oversight Committee much more of a partner in the rule making area of tax law, would be consistent with this philosophy. This bill would be good not only for present administrations which intend to follow closely legislative intent but also valuable for the taxpayers and legislators in all future endeavors regardless of their philosophy of rule making. However, this bill does make a junior partner of the Revenue Oversight Committee in the rule making activities and when rules turn out bad, the committee will have to share the responsibility for these decisions. Hopefully, the net outcome of this action will be rules more in line with the original intent of the Legislature. The only possible conflict that may arise would be that the meaning of legislative intent is the 150 people who pass the laws. If the Revenue Oversight Committee action does not reflect the intent of this entire body, there may be question as to whose intent is being administered. Still, the bill is a step forward and Mr. Norveldt hope the bill will pass.

John Elke supports the bill but suggests amending subsection N by deleting this in its entirety. This section allows the Revenue Code Committee to institute judiciary action, petition for judicial review of the sufficiency of the reasons for the department's finding of imminent peril to the public health, safety, or welfare, cited in support of an emergency or temporary rule proposed by the department under 2-4-303. Mr. Elke stated this is a bad provision because it raises the implication that the department can enact an emergency rule. Mr. Elke believes there should never be an occasion when the Department of Revenue should be allowed to enact rules on an emergency basis. He does not agree that the Department of Revenue has this power and feels this provision should be removed.

James E. Mockler stated that an area of frustration of the Montana Coal Industry has been the rules passed by the Department of Revenue. The coal industry has repeatedly in the past few years, filed suit to stop implementation of many of the rules. He stated that his industry would welcome the opportunity to come before a legislative committee to address these issues and hopefully resolve them without court action.

Questions From Committee Members: Rep. Patterson asked Rep. Ramirez, referring to page 3, line 21, regarding the full or partial text publication, whether or not it was best to receive partial or full text. Rep. Ramirez replied that it depended upon the circumstances whether or not the full or partial text should be requested. Eliminating one or the other would eliminate flexibility in the request that Revenue Oversight Committee could make of the Department of Revenue. There might be circumstances where the entire text is not necessary and it would be very expensive to supply the entire text to every requestor. Rep. Ramirez stated there was no reason to remove that flexibility.

Rep. Giacometto asked Rep. Ramirez what his feelings were on the amendment proposed by Mr. Elke on Subsection N. Rep. Ramirez replied that he understood the concern that there should not be an emergency rule making power if none exists. He cannot conceive of any circumstance where an emergency rule would be necessary. Does not feel this has been researched that carefully to be able to say there would never be any reason for the Department of Revenue to make an emergency regulation. He has no problem with removing this subsection but feels the bill does not really grant such powers but merely sets up the possibility of such an event. This action, if it ever occurred, would be reviewed here.

Rep. Raney asked Rep. Ramirez if he could give an example of the Revenue Oversight Committee having used its powers to override a rule of the Department of Revenue. Rep. Ramirez stated he could not give a specific example but cited the fact that many times over the years the committee has had differences with the DOR and has felt their hands were tied. The ROC is a bipartisan committee with a good cross section of party representation. Rep. Ramirez stated that they felt the DOR ignored their complaints. He feels the legislature and the taxpayers are not being well served in this respect.

Rep. Raney referred to the classic auto problem where legislative intent was not followed by rule making. Only classic autos that were really valuable should have been paying more taxes. Rep. Ramirez replied that this was a good example and this bill would provide more "teeth" for the committee to say we want this changed to comply with the intent.

Rep. Hoffman asked Rep. Ramirez if this gives the ROC review over existing rules as well as future rules. Rep. Ramirez stated that it does. Rep. Hoffman then referred back to Rep. Raney's statement on the classic auto problem asking if this bill would give the ROC the power to review and alter this rule. Rep. Ramirez replied it would but that this was not a housecleaning function. Usually this applies to the fact that after the session and the rules are being applied, difficulties arise. The ROC would have more authority as to rule changes to solve these problems. Rep. Hoffman then asked if this would affect the rule making process especially as to public notice and advertising of hearings for rules. Rep. Ramirez replied it could but doesn't necessarily have to in any respect. He gave the example of Subsection L which is a written objection to proposed rule. Certain procedures that apply to the ACC under existing law applies to the department's response to that objection. This is the procedure for an effective publication of the objection. The committee would object to the rule and the department would have to respond.

Rep. Patterson asked Rep. Ramirez about page 4, Subsection K, the authority of the DOR to deny a petition. Rep. Ramirez replied that the DOR does have this authority but there must be separation of powers. The department cannot be forced to do things. This simply gives the committee more power to require the department to respond but the DOR still has certain powers that cannot be taken from them.

Rep. Stang asked Rep. Ramirez if the ROC was unanimous on this. Chairman Harrington replied that he believed it is.

Closing by Sponsor: Rep. Ramirez presented information on the bill from the Legislative Council. (Copy attached, Exhibits 1 and 2). He stated this is a good bill to insure that the legislature is able to exercise its oversight power and the taxpayers are protected.

Motion: None

Discussion: None

Amendments and Votes: None

Recommendation and Vote: None made.

HEARING ON HOUSE BILL 10

Presentation and Opening Statement by Sponsor: Rep. Mike Kadas, District 55, stated the basically the bill ties the revenue close to the price of oil. If oil goes over \$20.00 per barrel, the tax would go to the education trust fund. Anything else would continue to go to the general fund as it does currently. One exception, new production goes to the counties. The two basic reasons for the bill are (1) to even out general revenues. Oil prices are very volatile. There is a need to avoid extensive losses in revenue due to the fluctuation of oil prices. It is important to keep away from dependency on high oil prices in the general fund and (2) after 1986 losses, there was not enough funds and amounts were taken from every possible source. Seventy million was taken out of the Education Trust Fund to balance the budget. Otherwise, the Legislature would have to raise taxes or cut programs far beyond viability. This money helped to provide a transition from the crises until now. 1986 was the worst budget crises in 20 years. Rep. Kadas stated that a cushion is needed to deal with this should it ever reoccur. There is a need to rebuild the Education Trust Fund since so much money was taken from this source. Rep. Kadas presented two proposed amendments. (Copy attached, Exhibits 3 and 4). Amendment 1 was suggested by the DOR and the Montana Petroleum Association and Amendment 2 was suggested by the Montana Association of Counties. Amendment 2, refers to page 1, Subsection A states any increase in the amount of money generated by the Oil Severance Tax over what was generated the previous year in any county, goes to the county. The next year, the amount goes to the state if it is not increased production. The amendment would allow the county to keep the revenue generated by increased production in oil. This amendment would clarify this problem.

List of Testifying Proponents and What Group They Represent:

Claudette Morton, Executive Secretary, Board of Public

Education

Eric Fever, Montana Education Association
Greg Grefher, Office of Public Instruction
Bruce Muir, Montana School Board Association
Jess Long, School Administrators Association of Montana

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Claudette Morton commended the sponsor of this bill since she feels he is looking ahead. She recognizes that this bill will not undo damage to the Education Trust Fund nor provide the funds critically needed for public education, but is a step forward. She encourages support of the bill although she is concerned about the "piggy bank" aspect of the Education Trust Fund.

Eric Fever basically supports the bill but is concerned regarding restoration of the Education Trust Fund. He understood the fund was forever inviolate for the use of education only but obviously this is not the case. Mr. Fever stated this was bad tax policy to create a trust that is not going to remain forever inviolate since it will avoid requiring the Legislature to see that ongoing expenses are met by ongoing revenue and not borrowed from other funds. Stating this is an Education Trust Fund creates a false sense of ownership among people in education.

Greg Grefher considered the bill one step in the effort toward resolving the underfunded school crises and putting some sense of stability into the funding for public schools and rebuilding the trust is one part of that.

Bruce Muir appreciated the effort to rebuild the Education Trust Fund but believes that if this was really a sincere effort, two-thirds of this money could be put directly into the public school fund rather than the trust fund. He encourages the committee to constitutionally establish a fund that generates money for public schools and is inviolate.

Jess Long supports and agrees with the passage of the bill.

Ken Norveldt, Director of Department of Revenue wished to make a clarifying statement. School spending would not be increased immediately whether or not money is put into the general fund of the education trust. Even if

a trust a not "raided" by explicit action, inflation still takes its toll of the monies. The fact that perhaps money put into trust is not the best possible way to insure funds for the future of public education should be considered.

Questions From Committee Members: Rep. Mark O'Keefe asked Rep. Kadas why the price of oil was quoted at \$20.00. Rep. Kadas replied it is a round number and above where the price is now. Rep. O'Keefe then asked Director Norveldt if the price will go to \$18.00. Director Norveldt replied that budgeting will be no higher than \$17.00 established by the governor's revenue committee.

Rep. Ellison asked Rep. Kadas about the ethics of stating this is an educational trust fund but money will be taken from it if necessary. He stated oil revenue is a poor way to support education because of its volatility. Establishing a blind trust would be a better answer. Rep. Kadas replied that this is a balancing act and sometimes we are forced to do these things in monetary crises. Without this money, the education foundation could not have been funded during the last monetary crisis. He still sees the Education Trust Fund as a cushion and not inviolate. This aspect is important to manage a budget from year to year. Rep. Ellison then stated that he still sees a problem with calling this the education trust. Rep. Kadas replied that the fund was created to have a different revenue source, not to have an inviolate fund. The interest from the trust can still be used in spite of inflation and this is not so highly impacted as the price of oil or coal.

Chairman Harrington asked Rep. Kadas if this fund was used for education at all or was it simply used to balance the entire state budget. Rep. Kadas replied that if this fund had not been available, some money would have been put in the foundation program but not as much as possible from the trust.

Rep. Gilbert asked Rep. Kadas if this was not just another attempt to take money out of the general fund and earmark it for education. Rep. Kadas replied that this was a spreading out of funds to provide a more stable revenue source fund and not to simply earmark funds for education. Rep. Gilbert then asked Rep. Kadas in regard to the general fund, if oil goes up above \$20 per barrel, this bill passes and the portion above comes out, what is the timber or hard rock industry goes down, causing a great deficit. This could cause tax raises for the citizens. All natural

resources are very volatile. Rep. Kadas replied that oil is a big source of revenue for the general fund. It is wiser to have a wide variety of revenue sources rather than a few sources from very volatile areas. The main point of the bill is to establish this. This can be put somewhere else rather than the education fund such as the oil severance tax trust fund but Rep. Kadas feels this would have a better chance of being raided than the education trust fund. Rep. Gilbert then stated he thought that as the economy grew, education spent more and more and when there was a monetary crisis, they had difficulty adjusting. Rep. Kadas replied this was true to a certain extent. This can be anticipated as prices go up but this is one aspect of the purpose of the bill to put some restraints on dependency on high revenue.

Rep. Patterson asked Rep. Kadas if oil goes up to \$24 a barrel, did he think future legislatures would look at this amount of money and feel the education fund was getting enough money and put less into the foundation program. Rep. Kadas replied perhaps they might to reduce the general fund but not the total foundation program.

Closing by Sponsor: Rep. Kadas the emphasis of the bill was to increase the ability to manage revenue sources so there is more stability.

DISPOSITION OF HOUSE BILL 10

Motion: None

Discussion: None

Amendments and Votes: None

Recommendation and Vote: None

HEARING ON HOUSE BILL 34

Presentation and Opening Statement by Sponsor: Rep. Dan Harrington, District 68, having turned the chair over to Vice Chairman Bob Beam, stated the bill gives the right to local assessors to send out the tax bills or its agents or the state if the local assessor wishes. Property tax bills should come out of the county and not the state. Local people are more knowledgeable in these matters, not the state.

List of Testifying Proponents and What Group They Represent:

Marvin Barber, Montana Assessor's Association

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Marvin Barber spoke in favor of the bill. (Exhibit 5).

Ken Morrison, Department of Revenue, presented technical comment only. The Legislative Financial Analyst recommended to the Appropriations Committee that they consider funding the department to develop a property tax assessment system and if this bill passes, there may be a conflict with HB 34. This should be considered. (Exhibit 6). He also submitted a proposed amendment regarding page 2, lines 22 and 23, stating the language here was not clear. (Exhibit 7).

Questions From Committee Members: Rep. Good asked Mr.

Morrison to explain exactly how the property tax system works. Mr. Morrison replied that information is kept on a computer in Helena on appraisals by county. This information is extracted and sent on to the county to send out the tax bills. There are ten or eleven counties that do not have automation so they are assisted by the department with this information. Rep. Good would still like further clarification on how all of this works. Mr. Morrison replied that appraisers in each county have the responsibility of appraising the property in five year cycles and then sending this information to the assessors. The assessor then sends out a notice to the taxpayer informing them of the appraised value. The value for all the tax properties for the county is then put into a tax base and the commissioner determines the tax levy to meet their budget based upon the tax evaluations on real and personal property. This determination for each piece of property is sent to the taxpayer.

Rep. Patterson asked Mr. Barber about the postage costs currently paid by the state. Would this be a burden for the counties. Mr. Barber replied that the postage funding would still be borne by the state. He further stated that if there are several parcels of land owned by one individual taxpayer, this is better handled on the local level since the assessors are more familiar with the land and the people involved.

Rep. Raney asked Rep. Harrington if this was a problem of substance or perception since it seems all that is wanted is a local postmark. Rep. Harrington replied that the assessors feel this should come from the counties rather than the state because the assessments take place in the county. Mr. Barber, upon Rep. Harrington's request, responded that the main reason is to assure that it is the right property and that it coincides with the new value. If there are any discrepancies, the assessor is aware prior to the tax notice going to the taxpayer. It is a matter of ethical courtesy and accuracy. Rep. Raney asked Mr. Barber if the assessment notices that currently go directly to the taxpayer will be checked again by the assessor for accuracy. He stated he thought this would increase the cost of service for the assessment. He suggested it would be better to send the assessor a copy of all the tax notices. Mr. Barber replied that this could be done but if there is an error, the assessor can correct it before it gets to the taxpayer. Assessors review the assessments anyway so it is no extra burden. Primarily an accuracy factor.

Rep. Beam asked Mr. Morrison about his second technical comment, Section 1, line 18, if the substitution of "or" for "through" could address the problem. Mr. Morrison replied that page 2, line 5 through 7 has confusing language. There is the implication that the person putting the information together is also mailing out the notice rather than relying on the automation in Helena.

Rep. Hoffman asked Rep. Harrington about the statement "it shall be the responsibility of the department or its agent." The Department of Revenue is one entity, the agent is another. It should clearly state who takes the responsibility. On Rep. Harrington's request, Mr. Barber replied that it was a clouded area. He was not sure he could give an accurate answer. However, the assessor is an agent of the DOR. In the writing of this bill, the agent is the assessor.

Rep. Gilbert asked Mr. Barber what is the status of the assessor. If the assessor's office is abolished and combined with the Treasurer's office which has been done in some counties, what happens. Mr. Barber replied that the county commissioners have the authority to consolidate offices. The DOR then hires an employee to assume the assessor's responsibility.

Closing by Sponsor: Rep. Harrington stated he thought everyone was reading too much into the bill. It is

simply a bill to allow the county assessors the right to mail out assessments or they can allow the state to do so if they wish.

DISPOSITION OF HOUSE BILL 34

Motion: None

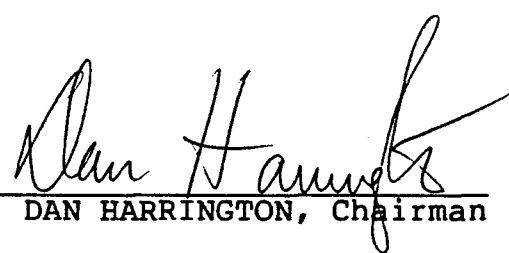
Discussion: None

Amendments and Votes: None

Recommendation and Vote: None

ADJOURNMENT

Adjournment At: 10:25 a.m.



REP. DAN HARRINGTON, Chairman

DH/lj

0815.min

DAILY ROLL CALL

TAXATION

COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date January 10, 1989

NAME	PRESENT	ABSENT	EXCUSED
Harrington, Dan, Chairman			
Ream, Bob, Vice Chairman	✓		
Cohen, Ben	✓		
Driscoll, Jerry	✓		
Elliott, Jim	✓		
Koehnke, Francis	✓		
O'Keefe, Mark	✓		
Raney, Bob	✓		
Schye, Ted			✓
Stang, Barry	✓		
Ellison, Orval	✓		
Giacometto, Leo	✓		
Gilbert, Bob	✓		
Good, Susan	✓		
Hanson, Marian	✓		
Hoffman, Robert	✓		
Patterson, John	✓		
Rehberg, Dennis	✓		

EXHIBIT 1
DATE 11/10/89
HB 1
Rep. J. Ramirez

REVENUE OVERSIGHT COMMITTEE'S REVIEW FUNCTIONS
AND POWERS OVER DEPARTMENT OF REVENUE RULES

Prepared for the Revenue Oversight Committee

By James H. Lear
Staff Attorney

Montana Legislative Council

April 1988

This legal memo was prepared at the request of the Revenue Oversight Committee (ROC) to assist the committee in determining whether to request legislation to amend ROC's review functions and powers over Department of Revenue (DOR) rules to correspond with those granted the Administrative Code Committee (ACC) over other agency rules.

This legal memo incorporates by reference the legal memo prepared by John MacMaster in October 1986 entitled, "Administrative Code Committee Powers", which enumerates 17 specific powers. Since ROC powers are parallel to ACC powers, to the extent that the law presently allows, this legal memo serves to identify which powers are not now granted to the Revenue Oversight Committee. Accordingly, the following paragraphs correspond to the

EXHIBIT 1
DATE 1/10/89
HB 1
Rep. J. Ramsey

paragraphs in the attached memo. Additionally, a bill draft is attached that would grant ACC powers to ROC regarding DOR rules.

(1) This power is not granted to ROC by the same terminology. However, as a practical matter, this power is probably granted to ROC in wordier passages in section 5-18-107, MCA, that mimic provisions in the Montana Administrative Procedures Act (MAPA).

(2) Presently ROC is not empowered to review procedural aspects of DOR rules. ACC performs that function. In reality, the ROC staff attorney performs the procedural review function as well as the substantive review.

(3) ROC can require DOR to hold a hearing (5-18-107).

(4) ROC can submit testimony at a DOR hearing (5-18-107).

(5) ROC cannot require DOR to publish full or partial text of material incorporated into a rule by reference.

(6) ROC cannot obtain DOR's rulemaking records.

(7) ROC cannot require DOR to prepare an economic impact statement.

(8) ROC can petition DOR to adopt, amend, or repeal a rule (5-18-107), since there appears to be no difference between "petitioning" and "recommending".

(9) ROC can make written recommendations to DOR for adoption, amendment, or repeal of a rule.

(10) ROC does not have the power to make and publish written objections to DOR rules in the Montana Administrative Register

EXHIBIT 1
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HB 1
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and the Administrative Rules of Montana.

(11) ROC can poll the legislature (5-18-109).

(12) ROC has the inherent power to recommend to the legislature that DOR's rulemaking authority be amended or repealed in a given area.

(13) ROC does not have specific authority to petition DOR for a declaratory ruling on the applicability of a rule, including judicial review of that ruling at ROC's request. However, that power may be inherent under 5-18-107(3), MCA.

(14) ROC has no specific authority to seek judicial review of an emergency DOR rule.

(15) ROC has no specific authority to institute, intervene in, or otherwise participate in proceedings involving DOR under MAPA in state and federal courts.

(16) ROC has no specific authority to require DOR to provide copies of documents filed in a proceeding involving interpretation of MAPA or an agency rule.

(17) ROC cannot require DOR to review its rules biennially.

EXHIBIT 2
DATE 1/10/89
NB 1
Rep. Ramsey

ADMINISTRATIVE CODE
COMMITTEE'S POWERS

Prepared for the Administrative
Code Committee

By John MacMaster
Staff Attorney

Montana Legislative Council
October 1986

This legal memo was prepared at the request of Representative Gary Spaeth, Chairman of the Administrative Code Committee. It sets forth the various powers of the Committee under the Montana Administrative Procedure Act (MAPA). The Committee may:

(1) Review the incidence and conduct of administrative proceedings under MAPA; 2-4-402 (3)(e), MCA.

(2) Review all proposed rules, though Department of Revenue proposals may only be reviewed for procedural compliance with MAPA; 2-4-402 (1) and (2), MCA.

(3) Require an agency proposing a rule to hold a hearing on the rule; 2-4-402 (3)(c), MCA.

(4) Submit oral and written testimony at an agency's rulemaking hearing; 2-4-402 (3)(b), MCA.

✓ (5) Require an agency to publish the full or partial text of rule material adopted and incorporated by reference to the material; 2-4-307 (4), MCA.

✓ (6) Obtain an agency's rulemaking records for the purpose of reviewing compliance with 2-4-305, MCA; 2-4-402 (3) (a), MCA.

✓ (7) Require an agency to prepare an economic impact statement regarding a rule proposal. As an alternative, the Committee may by contract prepare its own statement. Notice of the statement and of where a copy can be obtained is published in the Montana Administrative Register; 2-4-405, MCA.

✓ (8) Petition an agency for the adoption, amendment, or repeal of a rule; 2-4-315, MCA.

✓ (9) Make a written recommendation to an agency for the adoption, amendment, or repeal of a rule; 2-4-402 (3) (b), MCA.

✓ (10) Make a written objection to an agency regarding a proposed or adopted rule. The agency must respond in writing. If the Committee does not then withdraw or substantially modify its objection the Committee may require publication of the objection next to the rule in both the Montana Administrative Register and the Administrative Rules of Montana; 2-4-406, MCA.

✓ (11) Poll the Legislature to determine whether a proposed rule is consistent with the Legislature's intent; 2-4-403, MCA. See also 2-4-404, MCA.

✓ (12) Make a recommendation to the Legislature regarding an agency's grant of rulemaking authority. For example, the Committee could recommend that the statute granting rulemaking authority be amended or repealed; 2-4-314, MCA.

✓ (13) Petition an agency for a declaratory ruling on the applicability of an agency rule. The ruling is subject to judicial review, including review at the Committee's request; 2-4-501, MCA.

✓ (14) Seek judicial review of an emergency rule; 2-4-303, MCA.

✓ (15) Institute, intervene in, or otherwise participate in proceedings involving MAPA (including an action to change or repeal a rule) in the state and federal courts and administrative agencies; 2-4-402 (3) (d), MCA.

✓ (16) Require an agency to give the Committee copies of documents filed in a proceeding involving the interpretation of MAPA or an agency rule; 2-4-410, MCA.

✓ (17) Require an agency to review its rules biennially to determine if rules should be adopted, amended, or repealed; 2-4-314 (1), MCA. That section requires each agency to do this. The Committee can use various powers set forth in this legal memo, paragraph (16) for example, to force an agency to carry out the review.

In addition to the above powers under MAPA, the Committee may remind an agency that the Legislature

holds the power of the purse and may not look favorably upon an agency in the next regular session if the agency exceeds its rulemaking authority or plays fast and loose with either that authority or the legislative intent behind a statute. The Committee may also, under its inherent powers as a legislative committee, draft and introduce legislation relating to MAPA; an agency's grant of rulemaking authority; adoption, amendment, or repeal of a rule; or other matters relating to rulemaking.

MACC-6302/JM/JM1

EXHIBIT 3
DATE 1/10/89
HB 10

Proposed Amendment for HB 10 as Introduced

Rep. M. Kados

1) Page 2, line 23.

Following: "the"

Insert: "average statewide reported"

EXHIBIT 4
DATE 1/10/89
HB. 10
Rep. M. Kadas

Amendments to House Bill No. 10
First Reading Copy

Requested by Rep. Mike Kadas
For the Committee on Taxation

Prepared by Dave Bohyer
January 10, 1989

1. Page 2, line 2.
Following: "(2)(a)"
Insert: "or to the education trust fund under subsection (4)"

2. Page 2, line 23.
Following: "barrel."
Strike: "The"
Insert: "If the"

3. Page 2, line 24.
Following: "determined"
Insert: "is not due to increased production as described in
subsection (2)(a), it"

4. Page 2, line 25.
Following: "90-6-202."
Insert: "If the amount is due to increased production as
described in subsection (2)(a), it must be allocated to the
general fund of the county to be distributed as provided in
subsection (3)."

1/10/89
EXHIBIT 5

DATE 1/10/89

HB 34
Rep. Dan Harrington

Mr. Chairman and members of committee:

I am Marvin Barber representing the Montana Assessors Association
testifying for this House Bill 34 for the following reasons:

When a review, and change of value is preformed on a taxpayers
property, the appraiser forwards the changes to the D.O.R. in
Helena. Thus the old value is removed on said property and the
new value is entered. The D.O.R. then mails the notice of change
to the taxpayer. The Assessor, would prefer that the said notice
was mailed from the Assessors office at the county level. Often
times there has been a change of mailing address, or ownership etc.
from the time the appraisal was made and the notice was mailed.
By returning the notice of change to the local Assessor, these
problems can be handled.

Thank you
Marvin Barber

Rep. Alan Harrington

Since the new computer system is currently planned for implementation only in the appraisal offices, the assessment staff will need continued access to the county computers to perform their jobs. The department maintains that county computer support payment reductions in the last few years has resulted in operational problems. For example, only five of the 42 automated counties allow access to county computer data for appraisal staff. Gallatin County has strongly resisted the division's current efforts to install wiring for the new appraisal computer system. Finally, reduced funding has made daily interaction between the division and local government officials strained.

The legislature may want to consider Issue 3, Assessment System, as an alternative to funding the increased county computer support request.

Option A: Approve an additional \$95,000 annually for county computer support payments. This increase would make annual total county computer support payments \$175,000.

Option B: Do not approve the additional funding.

ISSUE 3: ASSESSMENT SYSTEM

The 1987 legislature authorized the department to automate the county appraisal offices. As noted in the introductory section of the division's budget analysis, the department has acquired resources to automate administrative and appraisal functions (real property) in the 55 appraisal offices across Montana.

The county assessment staff (agents and state employees) currently use computers that are owned and controlled by the county. The division pays an annual support payment to the counties for access to the county systems. In addition, in most of the counties the division must pay private software vendors to make software changes which reflect legislative changes. This expense is in addition to the county computer support payments. The current level budget includes \$80,000 annually for county computer support payments and \$20,000 in fiscal 1990 for private software vendors to make changes following the legislative session.

When the department issued its Request For Proposal, it sought proposals for automating personal property valuation and for assessment functions performed by assessors, deputy assessors, and assessment staff. The successful bidder noted it had software developed for the personal property valuation and assessment functions which it could customize for Montana requirements. The software cost would be \$225,000. The department estimates the additional hardware necessary would total \$535,000.

Table 6 illustrates the estimated annual fiscal impact of implementing the assessment system in county assessor offices. The cost assumes: 1) the hardware and software would be purchased in fiscal 1990; 2) the system development and staff training would occur in fiscal 1990; 3) the system would be implemented in fiscal year 1991; 4) the old system and new system would operate in parallel for one year to ensure the integrity of the system; 5) county computer support payments would continue through fiscal 1991; and 6) two additional computer support personnel would be necessary beginning in fiscal 1991. On-going personal services savings in county assessor offices, approximately \$325,000 annually, would be possible beginning in fiscal 1992.

The 1991 biennium cost would be \$992,500 (\$860,000 in fiscal 1990 and \$132,500 in fiscal 1991). Annual savings would be \$272,500 beginning in fiscal 1992. The upfront expenditure would be recovered via annual personnel savings over four years.

Table 6
Estimated Long-Range Fiscal Impact of Implementing Assessment System
Fiscal Years 1990 through 1995

	<u>Fiscal</u> <u>1990</u>	<u>Fiscal</u> <u>1991</u>	<u>Fiscal</u> <u>1992</u>	<u>Fiscal</u> <u>1993</u>	<u>Fiscal</u> <u>1994</u>	<u>Fiscal</u> <u>1995</u>
Software Costs	\$225,000	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Add'l Hardware Costs	535,000	-0-	-0-	-0-	-0-	-0-
Add'l Support Personnel	-0-	52,500	52,500	52,500	52,500	52,500
Annual County Computer Payments	80,000	80,000	-0-	-0-	-0-	-0-
Private Vendor Software Changes	20,000	-0-	-0-	-0-	-0-	-0-
Staff Reductions	-0-	-0-	(325,000)	(325,000)	(325,000)	(325,000)
 Total Annual Cost/ (Savings)	 \$860,000	 \$132,500	 \$(272,500)	 \$(272,500)	 \$(272,500)	 \$(272,500)
 Cumulative Cost/ (Savings)	 \$860,000 *****	 \$992,500 *****	 \$ 720,000 *****	 \$ 447,500 *****	 \$ 175,000 *****	 \$ (97,500) *****

Implementation of this system would enable electronic transfer of information from the appraisal office to the assessor's office and from the assessor's office to Helena. Currently this information transfer is done manually. Implementation of the system would also enable much faster personal property valuation than is currently available in most counties. Finally, implementation of the system would enable the division to respond quickly, uniformly, and economically to tax class and rate changes approved by the legislature. The current practice of paying private software vendors to make changes is time-consuming and expensive.

Option A: Authorize the department to purchase the assessment system for implementation in the county offices. The overall biennial cost is \$992,500 which would be funded from general fund.

Option B: Accept Option A and direct the division to include personnel savings of at least \$325,000 annually in its 1993 biennium budget request.

Option C: Make no changes.

EXHIBIT 7
DATE 1/10/89
HB 34
Rep. Alan Harrington

AMENDMENTS TO HB34

Section 1, Subsection (3)

1. Page 2, line 22
Strike: "based on"
2. Page 2, line 23
Strike: "the hearing record,"

VISITORS' REGISTER

TAXATION

COMMITTEE

BILL NO. 1DATE January 10, 1989SPONSOR Harrington

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
<i>John Mockler</i>	<i>Helena</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Dennis Burr</i>	<i>Clancy</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Margaret Davis</i>	<i>Helena (PLMINT)</i>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Dorothy Morris</i>	<i>MA Co</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

TAXATION

COMMITTEE

BILL NO. 10DATE January 10, 1989SPONSOR M. Kadas

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
<i>Eri Deane</i>	<i>MEA</i>	<i>—</i>	
<i>Charlotte Morton</i>	<i>Board of Public Ed.</i>	<i>✓</i>	
<i>Jack Noble</i>	<i>UNIVERSITY SYSTEM</i>	<i>✓</i>	
<i>Christine Devery</i>	<i>Helena (LWVMT)</i>		
<i>Borden Morris</i>	<i>MAG.</i>		
<i>Jesse W. Long</i>	<i>SA/M</i>	<i>✓</i>	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Y

COMMITTEE

DATE January 10, 1989

SPONSOR D. Harrington

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.