

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON PROPERTY TAX

Call to Order: By **CHAIRMAN COHEN**, on March 8, 1991, at 8:04 AM

ROLL CALL

Members Present:

Rep. Dan Harrington, Chairman (D)
Rep. Ben Cohen, Vice-Chairman (D)
Rep. Ed Dolezal (D)
Rep. Orval Ellison (R)
Rep. Ed McCaffree (D)
Rep. Mark O'Keefe (D)
Rep. Fred Thomas (R)

Members Excused:

Rep. Russell Fagg (R)
Rep. Ted Schye (D)
Rep. Dave Wanzenried (D)

Staff Present: Lee Heiman, Legislative Council
Julia Tonkovich, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

DISCUSSION ON HB 312

John Patrick, Budget Office, discussed options for HB 312's funding source. A user fee is a good idea; however, the exact amount of funding pre-judgment interest would raise annually cannot be accurately predicted. If the size of awards a court gives determines the amount of funding that court receives, this may be seen as a conflict of interest. Usually, pre- or post-judgment interest is compensation for the plaintiff; perhaps it would not be fair to take interest that rightfully belongs to the plaintiff and use it to fund the courts.

REP. O'KEEFE said the problem with using a pre-judgment interest fee is the instability of the source. There is no standard way to collect the information; therefore, using pre-judgment interest is unfeasible.

REP. COHEN asked whether the committee could give the courts a

mechanism to keep track of pre- and post-judgment interest. **REP. HOFFMAN** said the process would be difficult, as many cases are confidential. There isn't room in HB 312 for policy decisions.

REP. DOLEZAL asked for a definition of pre-judgment interest. **REP. HOFFMAN** gave a theoretical example. If a person is injured today, s/he will not have a trial scheduled until next year. At the trial, the award for the injury is set at \$10,000. The plaintiff is given retroactive interest on that award which begins accruing at the time of the injury, as the injury occurred a year before the plaintiff could collect any compensation.

REP. O'KEEFE said this was not a stable enough source of funding to fit the needs of HB 312. There are two other options for funding; motor vehicle license plate increase, and an additional property tax. The license plate fee would be the broadest tax base available.

REP. HOFFMAN said that 2 of 3 lawsuits in state district courts involve motor vehicles. This option also provides a degree of equalization; high-population counties have both a high number of vehicles and a high number of lawsuits filed in district courts. Rural counties won't benefit from this bill. If they can raise enough money via mills for their court system, they will still pay the license fee; it will go to those counties who still need court funds. However, the property owners in rural counties won't be the only ones hit by this fee, as is often the case. The Montana Association of Counties (MACO) calculated the amount of money that could be raised by a \$2.50 - \$3.50 license plate fee; we will have at least a \$3 fee. The Department of Justice provided a list of all vehicles registered in Montana, including trailers and motorcycles, which should be included in the licensing fee. This would allow us to raise the \$2.4 - \$2.5 million the court system needs without making the fee exorbitant.

REP. O'KEEFE said this fee is the most feasible source of court funding. A property tax wouldn't pass committee, much less the full House of Representatives.

REP. THOMAS asked what fund source this fee replaces. **REP. HOFFMAN** said the fee makes up a shortfall which is currently taking money from deficit funding, or is generated by additional mills ordered by the district courts or sale of bonds. Excess funds, if any, will go into the same reimbursement fund that excess funds from criminal cases do. Criminal costs and youth court costs are reimbursed first; counties must levy mills to cover civil costs. Only after these mills have been levied will money from the reimbursement fund go to civil court costs.

REP. FAGG asked whether any of the money generated by this fee will go into the General Fund. **REP. HOFFMAN** replied all funds will go back to the counties, into a specific fund for court costs.

REP. DOLEZAL asked why there is a reluctance to charge the fee to trailers as well as automobiles and motorcycles. REP. THOMAS said in nearly all cases, trailer owners own automobiles as well.

Gordon Morris, MACO, said the bill includes all vehicles required by law to be registered. Native Americans' vehicles will also be included, as they are required to pay registration fees.

REP. O'KEEFE said the fee is politically provocative. REP. COHEN said he would like to see the bill discussed on the House floor in as bipartisan a manner as possible.

Mr. Morse asked the committee to consider providing a July 1993 sunset on the bill, to give other agencies time and incentive to consider an alternative source of court funding. Increasing the 2% motor vehicle tax to 2.02% would also generate funds, although it would be a narrower tax base. The tax picture may change substantially between now and 1993. There may be a viable alternative in two years, and a sunset provision would send a message to county agencies to look for that alternative. The school funding issue will drive this issue. Motor vehicles were not exempted from the 40-mill equalization budget, and consequentially, the schools are getting a disproportionate amount of the counties' motor vehicle funds. If the legislature can establish alternate funding for schools, schools can be taken off the 2% motor vehicle fee schedule, which will leave more money for local governments and probably for district courts as well.


REP. THOMAS said the sunset provision will make the bill easier to sell to the legislature, if not to the public. REP. DOLEZAL disagreed.

REP. COHEN said this was the only major funding bill the committee has seen thus far, and he didn't want it to be killed by partisan politics. REP. THOMAS said the bill will probably not become a partisan issue; court services must be paid for one way or another, and this fee provides a broad-based solution to the problem. REP. FAGG agreed.

REP. O'KEEFE said the amendments would be ready by Tuesday, March 12.

ADJOURNMENT

Adjournment: 8:43 AM


BEN COHEN, Chair
JULIA TONKOVICH, Secretary

HOUSE OF REPRESENTATIVES
PROPERTY TAX SUBCOMMITTEE

ROLL CALL

DATE

3/08/91

NAME	PRESENT	ABSENT	EXCUSED
REP. BEN COHEN, VICE-CHAIR	X		
REP. ED DOLEZAL	X		
REP. ORVAL ELLISON	X		
REP. RUSSELL FAGG			X
REP. DAVID HOFFMAN	X		
REP. ED MCCAFFREE	X		
REP. MARK O'KEEFE	X		
REP. TED SCHYE			X
REP. FRED THOMAS	X		
REP. DAVE WANZENRIED			X
REP. DAN HARRINGTON, CHAIRMAN			