

MINUTES

MONTANA SENATE 53rd LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Mike Halligan, on February 19, 1993,
at 8:00 a.m.

ROLL CALL

Members Present:

Sen. Mike Halligan, Chair (D)
Sen. Dorothy Eck, Vice Chair (D)
Sen. Bob Brown (R)
Sen. Steve Doherty (D)
Sen. Delwyn Gage (R)
Sen. Lorents Grosfield (R)
Sen. John Harp (R)
Sen. Spook Stang (D)
Sen. Tom Towe (D)
Sen. Fred Van Valkenburg (D)
Sen. Bill Yellowtail (D)

Members Excused: None.

Members Absent: None.

Staff Present: Jeff Martin, Legislative Council
Bonnie Stark, Committee Secretary

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

Committee Business Summary:

Hearing: SB 257, SB 376
Executive Action: None.

HEARING ON SB 257

Opening Statement by Sponsor:

Senator John Harp, representing Senate District 4, presented SB 257, which is a bill to increase the gasoline license tax and the tax on diesel fuel and volatile liquids by 4 cents beginning on July 1, 1993, and by an additional 3 cents beginning on July 1, 1994. These amounts would generate approximately \$18.7 million in FY '94 and approximately \$35.5 million in FY '95. This would put approximately \$50 million additional revenue into the state highway program. Senator Harp said an aggressive highway improvement program was proposed in the 1983 legislative

session, and establishing the Reconstruction Trust Fund (RTF), which was to last 10 years. This program has worked well for the state, and in order to continue to address the infrastructure, additional dollars will need to be put into the highway earmarked account. Senator Harp said the state has expended \$20 million more out of the earmarked account than has been put into the account over the past few years. Senator Harp said all of the revenue created by this bill will go directly into highways.

Senator Weeding, a co-sponsor of SB 257, urged the passage of this bill, saying this amount of revenue is exactly what is required for this much-needed program.

Informational Testimony:

Marv Dye, Department of Transportation, said the Administration's position is that a 10 cent increase may ultimately be necessary as the means to resolve a crisis in the highway budget. However, passage of SB 257 will keep the highway trust solvent with an adequate cash flow through FY '98, provided there is no diversion to fund the motor vehicle division, the coal tax stays in, and there are no other adjustments in the revenues or expenditures. Mr. Dye said that, while there is a 4-cent increase proposed for the first year of the biennium, this is only a 2.6 cent increase over what is currently in effect, because a 7% surtax will terminate in July, 1993.

Tom Barnard, Administrator of Highway Division, Department of Transportation (DOT), pointed out the needs in the state highway system. Mr. Barnard displayed a map, Exhibit No. 1 to these minutes, showing the planned Federal Aid program highway projects the DOT hopes to construct. There are approximately 12,000 miles of highway under the Federal aid system. These highways are designed to last 20 years, and would cost approximately \$800,000 a mile, or \$480 million a year, to keep the Federal aid system up to full standard. Since this is cost prohibitive, highways are being built to last 60 years, and at the end of every 20-year period, they are resurfaced. Each mile costs \$800,000 to start, \$150,000 at the end of 20 years, another \$150,000 at the end of 40 years; this times 12,000 miles, divided by 60 years, equals \$220 million a year that is necessary to get 60 years' life from a highway.

Mr. Barnard said there are many miles of highway that were built in the 1930s and 1940s, that are narrow, crooked, have inadequate sight distance, and are structurally inadequate. Most are reconstruction and over-laying, widening projects with some minor improvement projects, on the interstate, primary, secondary, and urban system. The contract cost of this work is approximately \$260 million, which does not include right-of-way access. A second map presented, Exhibit No. 2 to these minutes, shows the tentative Reconstruction Trust program proposed for the FY '94-'95 biennium, which totals approximately \$40 million. This reconstruction work is basically thin overlays with a

sealing cover and striping. Of this, approximately \$30 million is proposed to go into the Save Our Secondary (SOS) projects.

Mr. Barnard said Federal aid will not cover what is needed in the state of Montana. Several highways across the state, in particular, many frontage roads, are not eligible for Federal aid. Also, there are strings attached to Federal aid which often increase the cost of a project. The DOT can do a thin overlay with state-funded money for approximately \$70,000 per mile; when Federal aid is involved, approximately \$150,000 per mile is necessary. When using Federal aid, fewer miles are completed.

Mr. Barnard said there are 4,755 miles in the state's secondary road system, with 3,000 miles having some type of asphalt surface treatment. It would take approximately \$22.5 million to preserve the secondary roads present today; however, there is only approximately \$15 million per year available for the total secondary system. The DOT is trying to preserve the existing system which needs \$10.5 million per year. This isn't allowing any funding for improvements.

The DOT has learned that Montana may receive \$50 million in Federal aid funding. Initially the state would receive \$30 million if it can obligate the amount within 60 days. Mr. Barnard said Montana has the projects ready for when the money is received.

Mr. Barnard said that without the fuel tax proposed by SB 257, all of the work shown on Exhibit No. 2 would have to be deleted.

Bill Salisbury, Department of Transportation, presented Exhibits No. 3 and No. 6 to these minutes, and briefly explained the three scenarios shown on Exhibit No. 3. The first scenario is the current level program, with no tax increases. The second scenario shows the 4-cent and 3-cent increases, includes the long-range building program action, and increase to the Fish, Wildlife and Parks program. The third scenario shows the effect of a 4-cent and 3-cent tax increase, increase to the Fish, Wildlife and Parks, and shows a temporary diversion of funds to the Department of Justice Motor Vehicle Division for the '94-'95 biennium.

Proponents' Testimony:

Vern Petersen, Fergus County Commissioner, represented Fergus County and the Montana Association of Counties (MACO) as Chairman of the Transportation Committee, in support of SB 257. Mr. Petersen stressed the importance of the "Save Our Secondary Program" (SOS). At their fall board meeting, MACO's board voted unanimously to support this program because the County Commissioners recognize the desperate needs of the secondary system. Mr. Peterson said Montana must utilize the Federal dollars available for the needs of state roads and bridges.

Floyd LaBrandt, a resident of the Bigfork/Kalispell area, said he was concerned about Highway 35, which was reconstructed in 1948 and to his knowledge has not had any reconstruction since. During the time since the highway was built, the traffic has increased more than 1,000-fold. He is concerned for the public's safety, and asked support of SB 257.

Jim Duncan, Administrator of Zoo Montana in Billings, spoke in support of SB 257, for the purpose of insuring that important highway projects, such as the Shiloh Road Interchange between Billings and Laurel, receive required matching funds for construction. This interchange is one of many needed improvements to Montana's road system, according to Mr. Duncan.

Sharon Stratton, Flathead County Commission Chair, spoke in support of SB 257, saying the SOS program is a viable and essential maintenance program needed to keep Montana's Federally-aided secondary roads in good repair. Ms. Stratton said Flathead County has approximately 62 miles of secondary roads, and with funding limitations imposed by I-105, it is impossible for her county to maintain county and secondary roads. Ms. Stratton believes that if the SOS program does not continue, the highways will deteriorate beyond a repairable state.

Carl Schweitzer, represented the Montana Contractor's Association (MCA), whose members work on roads and bridges across the State. Mr. Schweitzer presented Exhibits No. 4 and No. 7, to these minutes. Mr. Schweitzer said the SOS funding is essential to continue the highway construction jobs in Montana, and that SB 257 will protect and enhance Montana roads and bridges, create economic stimuli in all areas of the state, and reduce auto operating upkeep and expenses caused by bad roads.

Dennis Burr, representing the Montana Taxpayers Association (MTA), spoke in support of SB 257 as it is introduced. Mr. Burr said the MTA would not support a higher rate than proposed in SB 257, and they would not support diverting motor fuel taxes to other general government uses.

Steve Turkiewicz, Montana Highway Users' Federation (MHUF), spoke in support of SB 257. Mr. Turkiewicz said the MHUF supports the reconstruction and the continued maintenance of the highway system, saying we all are extremely dependent upon highways.

Jim Tutwiler, Montana Chamber of Commerce (MCC), said the MCC supports SB 257, and the economic impact it will cause in Montana is essential. Mr. Tutwiler believes the Free Trade Agreement with Canada will greatly increase Montana highway use, and he would like to see the North-South highway carrying capacity increased.

Glenna Wortman-Obie, Public Relations and Safety Manager of AAA Montana, said AAA Montana is in support of SB 257. She

administers a fuel gauge survey every two weeks, which shows Montanans are interested in safe, efficient highways. Montana ranks 9th in the nation in highway fatalities; the ranking figure goes higher per vehicle miles traveled on secondary roads. Ms. Wortman-Obie said AAA Montana is convinced the 7-cent fuel tax increase is needed; however, they are not prepared to support a higher gas tax increase and will not support any diversions from the highway fund.

Opponents' Testimony:

Ben Havdahl, representing Montana Motor Carriers Association (MMCA), presented written testimony, Exhibit No. 5 to these minutes, in opposition to SB 257. Mr. Havdahl said MMCA is not opposed to the 4-cent per gallon diesel fuel tax increase, but opposes the subsequent 3-cent per gallon increase. MMCA also opposes any diversion of fuel taxes and GVW fees for non-highway construction use. Exhibit No. 5 explains further the issues in SB 257 which MMCA does, and does not, support.

Evelyn Kearns, represented the Montana Good Sam Organization, RV Owners. Ms. Kearns said her group is not totally in opposition of SB 257 because they appreciate the fact that the United States has the best highway system it has ever had. They question whether this is the right time for imposing additional gas taxes, and ask that if the 4-cent tax is imposed, that the 3-cent subsequent tax not be imposed.

Questions From Committee Members and Responses:

Senator Towe asked Bill Salisbury, DOT, for clarification of Exhibit No. 3. Mr. Salisbury said these charts show only the state matching funds, not Federal funds. He said with the 4-cent and 3-cent increase, and with \$125,000 Fish, Wildlife and Parks money, DOT would still not have enough to meet an additional \$50 million in Federal funding. The Intermodal Surface Transportation Efficiency Act (ISTEA) was fully funded through 1996.

Senator Gage questioned Tom Barnard on the current status regarding projects on Indian Reservations. Mr. Barnard said there is a Browning East & West program that is nearly ready to go to contract. The project is held up because of Tribal regulations which say they have a bidding preference that is contrary to Federal regulations. Until that is resolved, the contract will probably not go to bid.

Senator Brown asked if the \$50 million Federal funds are contingent upon passage of SB 257. Mr. Barnard said that without a fuel tax increase, none of the work shown on Exhibit No. 2 could be done, nor would there be enough money to match the Federal funds.

Senator Eck commented it would be helpful if the DOT gave an indication of how much gas tax and how much coal tax monies go toward matching designated projects that will have Federal money.

Senator Van Valkenburg asked if AAA Montana has determined what average fuel costs per year per vehicle are in Montana. Glenna Wortman-Obie said AAA Montana has information breaking statistics into categories of how many miles are traveled and what kind of car is driven, but the information is not Montana-specific.

Senator Doherty asked Carl Schweitzer what the opinion of the Montana Contractor's Association would be if budget cuts were made that would mean Montana would lose federally-matched funds. Mr. Schweitzer said he would have to ask the Association.

Closing by Sponsor:

Senator Harp responded to Senator Doherty's question to Mr. Schweitzer by saying the federally-matched programs which might be cut need to have advocates for those programs; he thinks each program stands on its own merits. Relating to SB 257, the DOT needs additional revenue in the account to take care of the current Federal highway program. Montana needs to decide if it wants to go into an aggressive program on the secondary systems, which will basically benefit local governments. Senator Harp said this highway program has been a very successful program, and SB 257 will allow the program to continue.

HEARING ON SB 376

Opening Statement by Sponsor:

Senator Dorothy Eck, representing Senate District 40, presented SB 376, which is an additional increase of one cent gasoline tax and special fuels tax which will go to cities and counties for funding roads. The Federal monies under the Intermodal Surface Transportation Efficiency Act (ISTEA) program allow the cities and counties to use the money for various purposes, but the one-cent gas tax must be used for the construction and maintenance of roads and streets. There are 70,000 miles of city streets and county roads in Montana. In reference to matching funded programs, Senator Eck said the families who would benefit from a lot of the other matched programs are concerned about roads and they are concerned about jobs. Senator Eck said SB 376 would be a way of providing services needed in Montana, and that almost all of the contractors who build those roads and streets are smaller, in-state contractors, who hire local people.

Proponents' Testimony:

Richard Nisbet, Director of Public Works, City of Helena, presented his written testimony, Exhibit No. 8 to these minutes. Mr. Nisbet said the Helena City Commission wants to go on record in favor of SB 376. Mr. Nisbet said there are no matching Federal or state funds available to cities and towns for street construction and maintenance; these street projects must be funded with taxpayer dollars or gas tax.

Vernon Petersen, Fergus County Commissioner and Chairman of MACO's transportation committee, spoke in support of SB 376. Fergus County has approximately 2,000 miles of county roads. The gas tax they are presently receiving is not available to purchase equipment; it is used only for purchasing bridge timbers, culverts, road oil, etc. Mr. Petersen believes SB 376 is a worthy cause and urges its passage.

Alec Hansen, Montana League of Cities and Towns, presented a letter of support of SB 376 from the City of Missoula, a copy of which is attached to these minutes as Exhibit No. 9. Mr. Hansen said money needs to be invested in the 70,000 miles of city streets and county roads and the local governments cannot keep up with the maintenance on them. Mr. Hansen said there has been a 42% rate of inflation since the last increase in gas tax to cities and counties in 1983. The one-cent increase will not recover all the money lost in inflation, but it is a step in the right direction towards meeting the needs. The money will be used for maintenance, construction, and employment.

Sharon Stratton, Flathead County Commission Chair said there are 2400 miles of county roads in Flathead County, 62 of which are secondary roads. There are strenuous loads on the pavement because of traffic from logging trucks, and other large trucks. Flathead County cannot continue to operate under the 15 mills in their road department, where they are forced to stay because of impositions of I-105. Ms. Stratton urged support of SB 376.

Opponents' Testimony:

Ben Havdahl, representing the Montana Motor Carriers Association (MMCA), said the MMCA's opposition to SB 376 is only as it applies to the increase in diesel fuel tax.

Glenna Wortman-Obie, Public Relations and Safety Manager of AAA Montana, said AAA Montana is opposed to SB 376 because their members indicated, in a recent poll, that gasoline and diesel fuel taxes should be used specifically for the state highway fund, with no diversions.

Informational Testimony:

None.

Questions From Committee Members and Responses:

Senator Gage commented that the 1-cent raise in taxes would create additional revenue of \$5.5 million, but the distribution formula listed in SB 376 shows over \$15 million, and questioned where the additional revenue was coming from. Senator Eck said there is \$14 million existing in the fund. The revenue raised by SB 376 will be added to this, and the amount of \$18.7 million will be allocated to counties and incorporated cities and towns, as stated in SB 376.

In response to questions by Senator Towe, Senator Eck said the statutory appropriations being eliminated in SB 376 will be restored when the bill is passed through the House.

Senator Towe asked if SB 376 is passed without the 1-cent increase, where would the funds come from for the additional \$4.7 million increase in allocations being requested. Bill Salisbury said the 4-cent/3-cent increases, under SB 257, will not fully fund the amount necessary to match the funds from ISTEPA, and the amount of revenue raised by the 1-cent tax would help match the federal aid. If SB 376 is not passed, the DOT will have to reduce the amount of the allocations.

Senator Van Valkenburg asked Bill Salisbury if the DOT intends to spend \$40 million a year for Reconstruction Trust Fund projects if the 4-cent/3-cent tax increases are approved. Mr. Salisbury said yes, but the amount is \$20 million annually, and \$40 million for the biennium. Senator Van Valkenburg asked if the DOT spent \$15 million per year in RTF, and put \$5 million into the local governments, could the DOT still fully fund ISTEPA. Mr. Salisbury said that is correct.

Senator Harp asked Alec Hansen what the cities would get in revenue from SB 376. Mr. Hansen said the cities currently get \$7,623,000, or approximately 55%.

Senator Towe questioned Ben Havdahl about large trucks operating on city streets and county roads which would be affected by this bill. Mr. Havdahl said there is some use, but 95% of the truck traffic that flows in and out of Montana uses the interstate and primary systems in the state.

Senator Towe asked Ms. Wortman-Obie if their members feel a responsibility for paying something towards the city streets and county roads. Ms. Wortman-Obie said the AAA Montana members do pay in a number of ways, and the AAA Montana's opposition to SB 376 is somewhat conflicted, and it is based solely on a desire to maintain a purity of the highway funding system and keep gas tax increases at a minimum.

Senator Brown asked about local option gas taxes. Alec Hansen said there is a local option gas tax in some areas, but that law does not work very well, mostly because of confusion in

collection of the tax. Senator Van Valkenburg said Missoula County recently adopted a requirement that gas in a certain area be oxygenated, which raised the price of the gas. People now drive to gas stations just beyond the designated area and avoid the stations within the designated area. Senator Van Valkenburg said that is one reason the local option tax doesn't work.

Senator Halligan asked Senator Harp if he recognized the inequity of local governments being kept at the 1983 tax-freeze level, and there is no way for them to provide services and new demands. Senator Harp said if SB 257 is passed, the SOS program will get \$15 million per year, which is \$75 million over five years, and they will be well taken care of. As far as cities are concerned, he feels an additional 1-cent tax would be too much.

Senator Towe asked how much the state receives in Federal dollars. Bill Salisbury said for FY '93, the state will receive \$136 million in ISTEA funds, plus discretionary amounts, public land money, and some demonstration projects, for a total of \$155 million.


Senator Towe commented that, using state monies only, a little over 91% goes for everything but the city streets and county roads, and 9.2% goes to city streets and county roads. Very little money is going from our gasoline tax into the city streets and county roads, and Senator Towe suggested that is definitely out of proportion, considering that many people living within the larger cities in the state primarily travel only on city streets.

Closing by Sponsor:

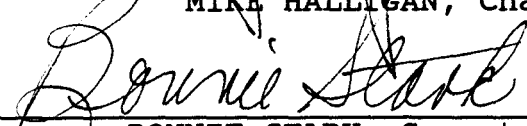
Senator Eck said allocating gas tax money to city streets and county roads is not considered a diversion; it is an appropriate use of gas tax money. Senator Eck said the legislature needs to look at the various problems of cities and towns in trying to match ISTEA monies available.

ADJOURNMENT

Adjournment: The meeting was adjourned at 9:45 a.m.



MIKE HALLIGAN, Chair



BONNIE STARK, Secretary

ROLL CALL

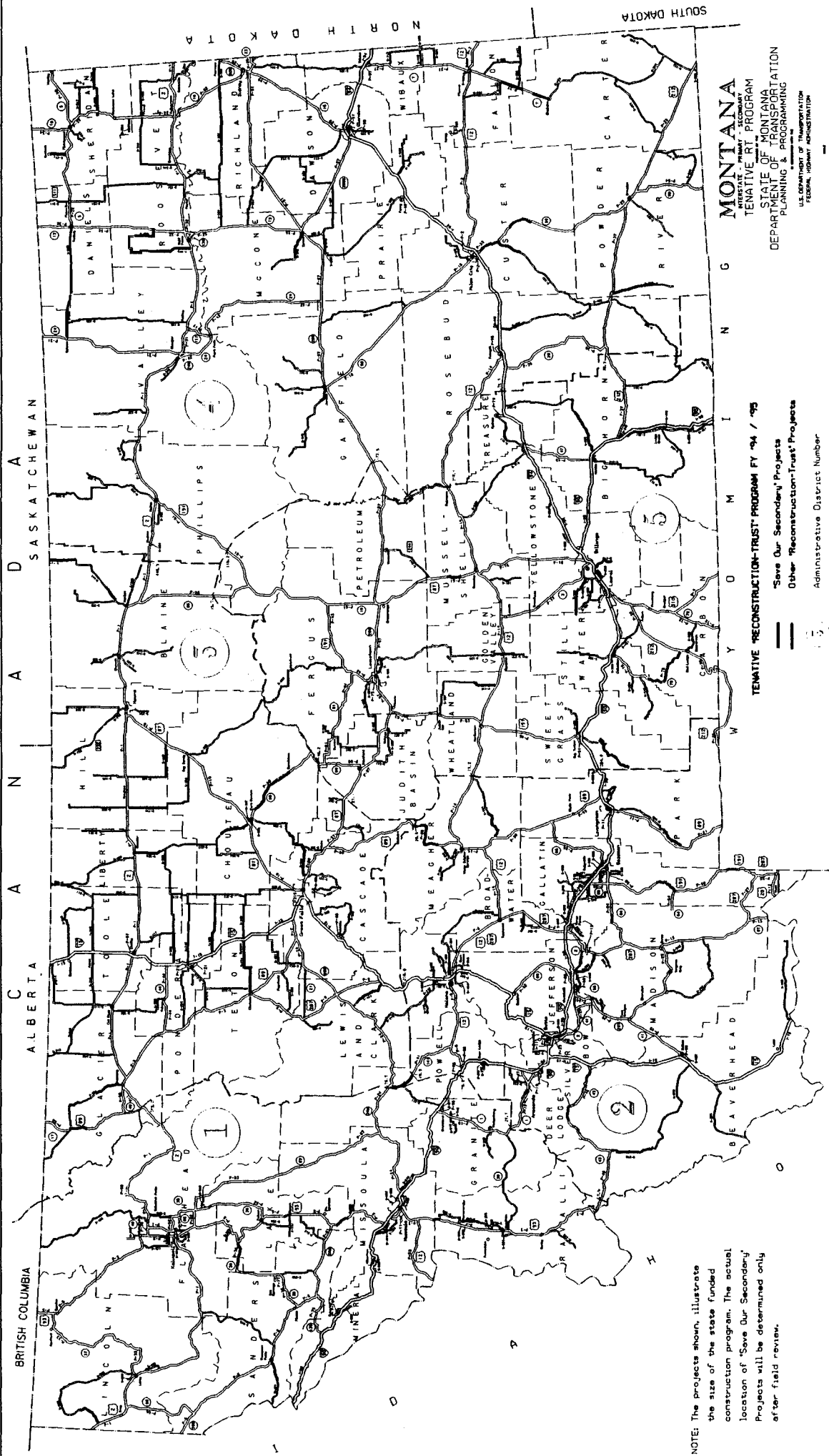
SENATE COMMITTEE TAXATION

DATE 2-19-93

NAME	PRESENT	ABSENT	EXCUSED
Sen. Halligan, Chair	✓		
Sen. Eck, Vice Chair	✓		
Sen. Brown	✓		
Sen. Doherty	✓		
Sen. Gage	✓		
Sen. Grosfield	✓		
Sen. Harp	✓		
Sen. Stang	✓		
Sen. Towe	✓		
Sen. Van Valkenburg	✓		
Sen. Yellowtail	✓		

FC8

Attach to each day's minutes



NOTE: The projects shown, illustrate the size of the state funded construction program. The actual location of 'Save Our Secondary' Projects will be determined only after field review.

TENTATIVE RECONSTRUCTION-TRUST PROGRAM FY '94 / '95

- "Save Our Secondary" Projects
- Other "Reconstruction-Trust" Projects
- Administrative District Number
- Administrative District Boundary

MONTANA
 INTERSTATE - PRIMARY - SECONDARY
 TENTATIVE RT PROGRAM
 STATE OF MONTANA
 DEPARTMENT OF TRANSPORTATION
 PLANNING & PROGRAMMING
 U.S. DEPARTMENT OF TRANSPORTATION
 FEDERAL HIGHWAY ADMINISTRATION

SENATE TAXATION

EXHIBIT NO. 2
 DATE 2-19-93
 BILL NO. SB257

DRAFT
COPY

Current Level-

SENATE TAXATION

EXHIBIT NO. 3

DATE 2-19-93

BILL NO. SB 257

MONTANA DEPARTMENT OF TRANSPORTATION
COMBINED WORKING CASH FLOW - HWY SPECIAL REVENUE FUNDS
(Earmarked, Reconstruction Trust & Bond)
Report Date: 19-Feb-93

	FY '91	FY '92	FY '93	FY '94	FY '95	FY '96	FY '97	FY '98
BEGINNING WORKING CASH BALANCE	\$129,627,154	\$90,051,932	\$72,794,299	\$56,822,868	\$18,349,043	(\$18,085,797)	(\$57,215,036)	(\$94,955,093)
REVENUE								
G.V.W.	25,177,590	26,663,152	27,812,792	27,033,668	26,839,500	26,839,500	26,839,500	26,839,500
Gas Tax	81,146,066	84,868,347	88,935,581	82,762,764	82,831,346	82,831,346	82,831,346	82,831,346
Diesel Tax	22,797,863	25,151,713	27,315,504	25,997,851	26,475,823	26,475,823	26,475,823	26,475,823
Accounts Receivable	3,784,789	1,566,629	1,275,585	1,275,585	1,275,585	1,275,585	1,275,585	1,275,585
Coal Tax	6,054,941	5,212,093	935,034	4,937,872	4,941,370	4,941,370	4,941,370	4,941,370
Bond Interest Earnings	725,549	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Stores	12,950,817	11,969,515	14,901,886	23,237,286	23,485,325	23,955,032	24,434,132	24,922,815
OTHER:								
Dept. of Justice	33,363	40,880	0	0	0	0	0	0
Indian Reservation Distribution	0	(35,842)	(1,022,724)	(2,600,000)	(2,600,000)	(2,600,000)	(2,600,000)	(2,600,000)
Prior Year Revenue Adj.	(144,359)	(189,880)	0	0	0	0	0	0
TOTAL REVENUE	\$152,526,619	\$155,246,607	\$160,153,658	\$162,645,026	\$163,248,949	\$163,718,656	\$164,197,756	\$164,686,439
AVAILABLE WORKING CASH	\$282,153,773	\$245,298,539	\$232,947,957	\$219,467,894	\$181,597,992	\$145,632,858	\$106,982,720	\$69,731,346
EXPENDITURES								
G.V.W.	3,485,987	3,715,305	4,180,860	4,192,970	4,222,024	4,305,649	4,390,947	4,477,951
General Operations	6,256,817	7,883,349	7,197,895	7,441,787	7,824,428	8,004,396	8,187,963	8,375,201
Construction	33,334,624	35,314,286	26,499,426	30,579,354	29,522,112	10,282,718	10,457,280	10,635,328
* Construction To-Be-Let	0	0	0	0	0	18,999,118	18,482,194	19,124,335
Maintenance	45,863,441	46,606,959	50,846,140	49,262,385	49,306,224	50,282,689	51,278,682	52,294,596
Preconstruction	6,737,771	8,183,403	6,668,886	7,490,228	7,431,613	7,508,426	7,576,616	7,645,427
Headquarters Building	528,899	493,530	615,250	620,000	623,250	630,000	0	0
A.&E.	573,450	334,226	2,182,956	2,000,000	2,000,000	2,000,000	0	1,000,000
Local Government	14,146,250	14,132,602	14,075,000	14,075,000	14,075,000	14,075,000	14,075,000	14,075,000
Bond Principal & Interest	9,741,178	9,398,360	17,861,083	17,860,983	17,860,733	17,861,253	17,857,918	17,860,730
Reconstruction Trust	48,379,609	16,412,519	16,800,301	19,313,285	20,382,500	250,000	250,000	250,000
* Reconstruction Trust To-Be-Let	0	0	0	0	0	20,048,493	20,097,507	20,101,054
Motor Fuels	713,293	10,000	N/A	N/A	N/A	N/A	N/A	N/A
Department of Justice	10,987,488	12,030,200	12,154,178	12,946,902	12,890,687	13,148,501	13,411,471	13,679,700
Stores	13,288,393	14,227,850	14,901,886	23,237,286	23,485,325	23,955,032	24,434,132	24,922,815
Bond - State Share Const.	N/A	38,186	84,000	84,000	84,000	84,000	84,000	84,000
Dept. of Fish, Wildlife & Parks	29,735	0	0	0	0	0	0	0
ADDITIONAL PROGRAMS:								
Fuel Tank Monitoring Program	N/A	1,054,887	1,109,800	500,000	500,000	250,000	250,000	250,000
1987 Bond Arbitrage Rebate	N/A	2,121,000	N/A	N/A	N/A	N/A	N/A	N/A
Rail & Transit	N/A	N/A	206,322	395,630	395,804	403,720	411,794	420,030
Maintenance Modifications	N/A	N/A	N/A	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Approved Modifications	N/A	70,996	741,106	1,119,041	1,080,089	758,900	692,309	692,309
Entity Adjustment	(126,718)	34,938	0	0	0	0	0	0
Prior Year Expenditure Adj.	(1,838,376)	441,644	0	0	0	0	0	0
TOTAL EXPENDITURES	\$192,101,841	\$172,504,240	\$176,125,089	\$201,118,851	\$199,683,789	\$202,847,894	\$201,937,813	\$205,888,476
ENDING WORKING CASH BALANCE	\$90,051,932	\$72,794,299	\$56,822,868	\$18,349,043	(\$18,085,797)	(\$57,215,036)	(\$94,955,093)	(\$136,157,130)

* "To-Be-Let" figures include Construction Engineering.

ASSUMPTIONS:

- 1) \$155 million (approx.) Federal-Aid Program - FY '96 thru FY '98
 - 2) \$20 million (approx.) RTF Program - FY '94 through '98.
 - 3) 2% inflation on Personal Services and Operating Expenditures - FY '96 through '98.
 - 4) FY '92 and FY '93 Contractor Payment levels were obtained from Project Cost Scheduling (dated 10/23/92)
- NOTE: Total anticipated FY '92 & FY '93 Contractor Payments (from the P.C.S dated 10/23/92) will under-run the 1993 Biennium Contractor Payment Budget by approximately \$41,411,945
- | | FY '92 | FY '93 |
|---------------------------|-------------|-------------|
| | ----- | ----- |
| Legislative Appropriation | 154,010,760 | 159,674,056 |
| P.C.S. (dated 10/23/92) | 128,536,467 | 143,736,404 |
| | ----- | ----- |
| | 25,474,293 | 15,937,652 |
| | ===== | ===== |
- 5) Coal Tax funds for FY '93 diverted by special session Jan 1992
Coal tax for 4th qtr FY '92 received Jan. FY '93
 - 6) Indian Reservation Distributions for FY '94 - '98 set at \$2,600,000.
 - 7) Dept of Fish, Wildlife & Parks Expenditures statutorily set at \$84,000
 - 8) Maintenance Modifications set at \$10,000,000 for FY '94 thru '98
 - 9) General Operation Mod. \$200,000 for FY '94 - FY '98
 - 10) City Park Rest Area Mod. \$200,000 for FY '92 & FY '93 ; \$500,000 for FY '94 - FY '98 included in construction
 - 11) Motor Carrier Services Mod. \$14,000 for FY ' 94
 - 12) HPR-PL Modification \$541,106 FY'93; \$905,041 FY '94; \$880,089 FY '95; \$558,900 FY '96
\$492,309 FY '97; \$492,309 FY '98 for state share
 - 13) Alcohol Incentive increase of \$1,500,000 per year for new facility to begin in FY '95
This increase in alcohol incentive will decrease gas tax revenue by \$1,500,000
 - 14) R.O.C. Gas & Diesel Gallonage Used to derive Revenues FY '93 - FY '95
 - 15) FY '92 Revenues do not include accruals(GWV \$982,831 ; Gas \$8,289,680 ; Diesel \$1,984,966)

DRAFT
COPY

EXHIBIT 3
DATE 2-19-93
L SB-257

40.03 less 3 Divided Tax Increase July 1, 94
Increase F.W.P. \$1.25 M FY '94 - '98

MONTANA DEPARTMENT OF TRANSPORTATION
COMBINED WORKING CASH FLOW - HWY SPECIAL REVENUE FUNDS
(Earmarked, Reconstruction Trust & Bond)
Report Date: 18-Feb-93

	FY '91	FY '92	FY '93	FY '94	FY '95	FY '96	FY '97	FY '98
BEGINNING WORKING CASH BALANCE	\$129,627,154	\$90,051,932	\$72,794,299	\$56,822,868	\$37,265,710	\$36,705,870	\$34,826,631	\$34,336,571
REVENUE								
G.V.W.	25,177,590	26,663,152	27,812,792	27,033,668	26,839,500	26,839,500	26,839,500	26,839,500
Gas Tax	81,146,066	84,868,347	88,935,581	98,162,764	111,181,346	112,231,346	112,231,346	112,231,346
Diesel Tax	22,797,863	25,151,713	27,315,504	30,764,518	35,250,823	35,575,823	35,575,823	35,575,823
Accounts Receivable	3,784,789	1,566,629	1,275,585	1,275,585	1,275,585	1,275,585	1,275,585	1,275,585
Coal Tax	6,054,941	5,212,093	935,034	4,937,872	4,941,370	4,941,370	4,941,370	4,941,370
Bond Interest Earnings	725,549	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Stores	12,950,817	11,969,515	14,901,886	23,237,286	23,485,325	23,955,032	24,434,132	24,922,811
OTHER:								
Dept. of Justice	33,363	40,880	0	0	0	0	0	0
Indian Reservation Distribution	0	(35,842)	(1,022,724)	(2,600,000)	(2,600,000)	(2,600,000)	(2,600,000)	(2,600,000)
Prior Year Revenue Adj.	(144,359)	(189,880)	0	0	0	0	0	0
TOTAL REVENUE	\$152,526,619	\$155,246,607	\$160,153,658	\$182,811,693	\$200,373,949	\$202,218,656	\$202,697,756	\$203,186,431
AVAILABLE WORKING CASH	\$282,153,773	\$245,298,539	\$232,947,957	\$239,634,561	\$237,639,659	\$238,924,525	\$237,524,387	\$237,523,011
EXPENDITURES								
G.V.W.	3,485,987	3,715,305	4,180,860	4,192,970	4,222,024	4,305,649	4,390,947	4,477,951
General Operations	6,256,817	7,883,349	7,197,895	7,441,787	7,824,428	8,004,396	8,187,963	8,375,201
Construction To-Be-Let	33,334,624	35,314,286	26,499,426	30,579,354	29,522,112	10,282,718	10,457,280	10,635,321
Maintenance	0	0	0	0	0	18,999,118	18,482,194	19,124,331
Preconstruction	45,863,441	46,606,959	50,846,140	49,262,385	49,306,224	50,282,689	51,278,682	52,294,591
Headquarters Building	6,737,771	8,183,403	6,668,886	7,490,228	7,431,613	7,508,426	7,576,616	7,645,421
A.&E.	528,899	493,530	615,250	620,000	623,250	630,000	630,000	630,000
Local Government	573,450	334,226	2,182,956	2,000,000	0	2,000,000	0	1,000,000
Bond Principal & Interest	14,146,250	14,132,602	14,075,000	14,075,000	14,075,000	14,075,000	14,075,000	14,075,000
Reconstruction Trust	9,741,178	9,398,360	17,861,083	17,860,983	17,860,733	17,861,253	17,857,918	17,860,731
* Reconstruction Trust To-Be-Let	48,379,609	16,412,519	16,800,301	19,313,285	20,382,500	250,000	250,000	250,000
Motor Fuels	0	0	0	0	0	20,048,493	20,097,507	20,101,051
Department of Justice	713,293	10,000	N/A	N/A	N/A	N/A	N/A	N/A
Stores	10,987,488	12,030,200	12,154,178	12,946,902	12,890,687	13,148,501	13,411,471	13,679,701
Bond - State Share Const.	13,288,593	14,227,850	14,901,886	23,237,286	23,485,325	23,955,032	24,434,132	24,922,811
Dept. of Fish, Wildlife & Parks	N/A	0	0	0	0	0	0	0
ADDITIONAL PROGRAMS:	29,735	38,186	84,000	1,334,000	1,334,000	1,334,000	1,334,000	1,334,000
Fuel Tank Monitoring Program	N/A	1,054,887	1,109,800	500,000	500,000	250,000	250,000	250,000
1987 Bond Arbitrage Rebate	N/A	2,121,000	N/A	N/A	N/A	N/A	N/A	N/A
Rail & Transit	N/A	N/A	206,322	395,630	395,804	403,720	411,794	420,031
Maintenance Modifications	N/A	N/A	N/A	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Approved Modifications	N/A	70,996	741,106	1,119,041	1,080,089	758,900	692,309	692,309
Entity Adjustment	(126,718)	34,938	0	0	0	0	0	0
Prior Year Expenditure Adj.	(1,838,376)	441,644	0	0	0	0	0	0
TOTAL EXPENDITURES	\$192,101,841	\$172,504,240	\$176,125,089	\$202,368,851	\$200,933,789	\$204,097,894	\$203,187,813	\$207,138,471
ENDING WORKING CASH BALANCE	\$90,051,932	\$72,794,299	\$56,822,868	\$37,265,710	\$36,705,870	\$34,826,631	\$34,336,574	\$30,384,537

* "To-Be-Let" figures include Construction Engineering.

ASSUMPTIONS:

- 1) \$155 million (approx.) Federal-Aid Program - FY '96 thru FY '98
 - 2) \$20 million (approx.) RTF Program - FY '94 through '98.
 - 3) 2% Inflation on Personal Services and Operating Expenditures - FY '96 through '98.
 - 4) FY '92 and FY '93 Contractor Payment Levels were obtained from Project Cost Scheduling (dated 10/23/92)
- NOTE: Total anticipated FY '92 & FY '93 Contractor Payments (from the P.C.S. dated 10/23/92) will undererrn the 1993 Biennium Contractor Payment Budget by approximately \$41,411,945
- | | FY '92 | FY '93 |
|---------------------------|-------------|-------------|
| Legislative Appropriation | 154,010,760 | 159,674,056 |
| P.C.S. (dated 10/23/92) | 128,536,467 | 143,736,404 |
| | 25,474,293 | 15,937,652 |
| | ===== | ===== |
- 5) Coal Tax funds for FY '93 diverted by special session Jan 1992
Coal tax for 4th qtr FY '92 received Jan. FY '93
 - 6) Indian Reservation Distributions for FY '94 - '98 set at \$2,600,000.
 - 7) Dept of Fish, Wildlife & Parks Expenditures statutorily set at \$84,000
 - 8) Maintenance Modifications set at \$10,000,000 for FY '94 thru '98
 - 9) General Operation Mod. \$200,000 for FY '94 - FY '98
 - 10) City Park Rest Area Mod. \$200,000 for FY '92 & FY '93 ; \$500,000 for FY '94 - FY '98 included in construction
 - 11) Motor Carrier Services Mod. \$14,000 for FY ' 94
 - 12) HPR-PL Modification \$541,106 FY'93; \$905,041 FY '94; \$880,089 FY '95; \$558,900 FY '96
\$492,309 FY '97; \$492,309 FY '98 for state share
 - 13) Alcohol Incentive Increase of \$1,500,000 per year for new facility to begin in FY '95
This increase in alcohol incentive will decrease gas tax revenue by \$1,500,000
 - 14) R.O.C. Gas & Diesel Gallonage Used to derive Revenues FY '93 - FY '95
\$0.04 Gas & Diesel Tax increase effective July 1, 1993
\$0.03 Gas & Diesel Tax increase effective July 1, 1994
\$0.01 Gas Tax increase = \$4,200,000 ; \$0.01 Diesel Tax increase = \$1,300,000
 - 15) FY '92 Revenues do not include accruals(GW \$982,831 ; Gas \$8,289,680 ; Diesel \$1,984,966)
 - 16) Increase F.W. & P. - Park Roads- \$1,250,000 per fiscal year; FY '94- '98

**DRAFT
COPY**

*\$0.03 Gas; Diesel Tax Increase Subj. 1, 94
Increase F.W.P.P. - +1.25 M. FY '94 - '98
Increase Ductile FY '94 - '95*

MONTANA DEPARTMENT OF TRANSPORTATION
COMBINED WORKING CASH FLOW - HWY SPECIAL REVENUE FUNDS
(Earmarked, Reconstruction Trust & Bond)
Report Date: 18-Feb-93

	FY '91	FY '92	FY '93	FY '94	FY '95	FY '96	FY '97	FY '98
BEGINNING WORKING CASH BALANCE	\$129,627,154	\$90,051,932	\$72,794,299	\$56,822,868	\$30,236,304	\$22,667,365	\$20,788,126	\$20,298,069
REVENUE								
G.V.V.	25,177,590	26,663,152	27,812,792	27,033,668	26,839,500	26,839,500	26,839,500	26,839,500
Gas Tax	81,146,066	84,868,347	88,935,581	98,162,764	111,181,346	112,231,346	112,231,346	112,231,346
Diesel Tax	22,797,863	25,151,713	27,315,504	30,764,518	35,250,823	35,575,823	35,575,823	35,575,823
Accounts Receivable	3,786,789	1,566,629	1,275,585	1,275,585	1,275,585	1,275,585	1,275,585	1,275,585
Coal Tax	6,054,941	5,212,093	935,034	4,937,872	4,941,370	4,941,370	4,941,370	4,941,370
Bond Interest Earnings	725,549	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Stores	12,950,817	11,969,515	14,901,886	23,237,286	23,485,325	23,955,032	24,434,132	24,922,815
OTHER:								
Dept. of Justice	33,363	40,880	0	0	0	0	0	0
Indian Reservation Distribution	0	(35,842)	(1,022,724)	(2,600,000)	(2,600,000)	(2,600,000)	(2,600,000)	(2,600,000)
Prior Year Revenue Adj.	(144,359)	(189,880)	0	0	0	0	0	0
TOTAL REVENUE	\$152,526,619	\$155,246,607	\$160,153,658	\$182,811,693	\$200,373,949	\$202,218,656	\$202,697,756	\$203,186,439
AVAILABLE WORKING CASH	\$282,153,773	\$245,298,539	\$232,947,957	\$239,634,561	\$230,610,253	\$224,886,020	\$223,485,882	\$223,484,508
EXPENDITURES								
G.V.V.	3,485,987	3,715,305	4,180,860	4,192,970	4,222,024	4,305,649	4,390,947	4,477,951
General Operations	6,256,817	7,883,349	7,197,895	7,441,787	7,824,428	8,004,396	8,187,963	8,375,201
Construction	33,336,624	35,314,286	26,499,426	30,579,354	29,322,112	10,282,718	10,457,280	10,635,328
* Construction To-Be-Let	0	0	0	0	0	18,999,118	18,482,194	19,124,335
Maintenance	45,863,441	46,606,959	50,846,140	49,262,385	49,306,224	50,282,689	51,278,682	52,294,596
Preconstruction	6,737,771	8,183,403	6,668,886	7,490,228	7,431,613	7,508,426	7,576,616	7,645,427
Headquarters Building	528,899	493,530	615,250	620,000	623,250	630,000	0	0
A.R.E.	575,450	334,226	2,182,956	2,000,000	0	2,000,000	0	1,000,000
Local Government	14,146,250	14,132,602	14,075,000	14,075,000	14,075,000	14,075,000	14,075,000	14,075,000
Bond Principal & Interest	9,741,178	9,398,360	17,861,083	17,860,983	17,860,733	17,861,253	17,857,918	17,860,730
Reconstruction Trust	48,379,609	16,412,519	16,800,301	19,313,285	20,382,500	250,000	250,000	250,000
* Reconstruction Trust To-Be-Let	0	0	0	0	0	20,048,493	20,097,507	20,101,054
Motor Fuels	713,293	10,000	N/A	N/A	N/A	N/A	N/A	N/A
Department of Justice	10,987,488	12,030,200	12,154,178	19,976,308	19,899,786	13,148,501	13,411,471	13,679,700
Stores	13,288,393	14,227,850	14,901,886	23,237,286	23,485,325	23,955,032	24,434,132	24,922,815
Bond - State Share Const.	N/A	38,186	84,000	1,334,000	1,334,000	1,334,000	1,334,000	1,334,000
Dept. of Fish, Wildlife & Parks	29,735	0	0	0	0	0	0	0
ADDITIONAL PROGRAMS:								
Fuel Tank Monitoring Program	N/A	1,054,887	1,109,800	500,000	500,000	250,000	250,000	250,000
1987 Bond Arbitrage Rebate	N/A	2,121,000	N/A	N/A	N/A	N/A	N/A	N/A
Rail & Transit	N/A	N/A	206,322	395,630	395,804	403,720	411,794	420,030
Maintenance Modifications	N/A	N/A	N/A	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Approved Modifications	N/A	70,996	741,106	1,119,041	1,080,089	758,900	692,309	692,309
Entirety Adjustment	(126,718)	34,938	0	0	0	0	0	0
Prior Year Expenditure Adj.	(1,838,376)	441,644	0	0	0	0	0	0
TOTAL EXPENDITURES	\$192,101,841	\$172,504,240	\$176,125,089	\$209,398,257	\$207,942,888	\$204,097,894	\$203,187,813	\$207,138,476
ENDING WORKING CASH BALANCE	\$90,051,932	\$72,794,299	\$56,822,868	\$30,236,304	\$22,667,365	\$20,788,126	\$20,298,069	\$16,346,032

* "To-Be-Let" figures include Construction Engineering.

PAGES 3
 DATE 2-19-93
 SB-257

ASSUMPTIONS:

- 1) \$155 million (approx.) Federal-Aid Program - FY '96 thru FY '98
 - 2) \$20 million (approx.) RTF Program - FY '94 through '98.
 - 3) 2% Inflation on Personal Services and Operating Expenditures - FY '96 through '98.
 - 4) FY '92 and FY '93 Contractor Payment Levels were obtained from Project Cost Scheduling (dated 10/23/92)
- NOTE: Total anticipated FY '92 & FY '93 Contractor Payments (from the P.C.S dated 10/23/92) will undererrun the 1993 Biennium Contractor Payment Budget by approximately \$41,411,945
- | | FY '92 | FY '93 |
|---------------------------|-------------|-------------|
| Legislative Appropriation | 154,010,760 | 159,674,056 |
| P.C.S. (dated 10/23/92) | 128,536,467 | 143,736,404 |
| | 25,474,293 | 15,937,652 |
| | ===== | ===== |
- 5) Coal Tax funds for FY '93 diverted by special session Jan 1992
Coal tax for 4th qtr FY '92 received Jan. FY '93
 - 6) Indian Reservation Distributions for FY '94 - '98 set at \$2,600,000.
 - 7) Dept of Fish, Wildlife & Parks Expenditures statutorily set at \$84,000
 - 8) Maintenance Modifications set at \$10,000,000 for FY '94 thru '98
 - 9) General Operation Mod. \$200,000 for FY '94 - FY '98
 - 10) City Park Rest Area Mod. \$200,000 for FY '92 & FY '93 ; \$500,000 for FY '94 - FY '98 included in construction
 - 11) Motor Carrier Services Mod. \$14,000 for FY '94
 - 12) HPR-PL Modification \$541,106 FY'93; \$905,041 FY '94; \$880,089 FY '95; \$558,900 FY '96
\$492,309 FY '97; \$492,309 FY '98 for state share
 - 13) Alcohol Incentive increase of \$1,500,000 per year for new facility to begin in FY '95
This increase in alcohol incentive will decrease gas tax revenue by \$1,500,000
 - 14) R.O.C. Gas & Diesel Gallonage Used to derive Revenues FY '93 - FY '95
\$0.04 Gas & Diesel Tax increase effective July 1, 1993
\$0.03 Gas & Diesel Tax increase effective July 1, 1994
\$0.01 Gas Tax increase = \$4,200,000 ; \$0.01 Diesel Tax increase = \$1,300,000
 - 15) FY '92 Revenues do not include accruals(GW \$982,831 ; Gas \$8,289,680 ; Diesel \$1,984,966)
 - 16) Increase F.V.& P.- Park Roads- \$1,250,000 per fiscal year; FY '94- '98
 - 17) Increase Justice - Fund Motor Vehicle Div. - FY '94 \$7,091,906 ; FY '95 \$7,075,665

Good Morning, Mr. Chairman and members of the committee

My name is Carl Schweitzer and I am^h here representing the Montana Contractors' Association.

The Montana Contractors' Association represents over 80 contractors and approximately 180 associates statewide who employ thousands of Montanians. Several of our members construct Montana's roads and bridges.

The department and the other proponents have demonstrated the need to invest in Montana's roads and bridges. As Sen Baucus stated when he visited the legislature "We run the risk of losing billions of dollars in infrastructure investments if we fail to invest in these facilities now".

What I want to focus your attention on is the economic and job significance of Montana's highway construction program. There are several significant economic components to the Montana highway program.

A. JOBS: According to the U.S. Department of Commerce for each \$1.0 million expended on construction 37.9 new jobs are created. For example, a \$20 million new construction project would create 758 Montana jobs in construction, suppliers, and service industries. Assuming that Montana has a ³⁰~~\$200~~ million highway construction program (state and federal) there are ^{11,370}~~7,580~~ jobs related to the Montana highway construction program.

37.9
3
11 37

If the rumors from Washington and Sen Baucus's staff are true -- the additional \$30 million of federal funds (FHWA HAS CONFIRMED THAT MONTANA WILL RECEIVE \$28.6 MILLION OF FEDERAL FUNDS) with the state match of \$4 million could add 1,289 jobs to Montana's economy. And we are talking about good paying jobs. According to the Montana Department of Labor the average hourly construction salary in Montana was \$15.68 in Oct 1992. These are jobs which give Montanians more than an adequate income and provide a sense of accomplishment.

Assuming that some of the jobs created would go to individuals who previously were receiving an unemployment check or were on general assistance or other welfare program, would cause a reduction in social services expenses.

People who were users of government service become contributors to the system

According to the SRS -- GA payments average \$210.41/month and approximately 2/3 of the recipients are male. With approximately 50% of the males in the 21 to 55 age. By creating good paying construction jobs the men and women on GA can become independent and ~~taxpayers~~. *of the social service programs*

B. MONEY IN LOCAL COMMUNITIES: Also according to the National AGC for each \$1 of construction in Montana \$1.9131 in economic activity in both industries and services is generated. For example, a \$20 million construction project would result in \$38.3 million increase in the state economy. Because the highway program is in every corner of the state this economic stimulus is felt statewide -- providing economic opportunities to an areas restaurants, hotels, shoe stores, malls schools, etc.

C. AVERAGE CITIZEN The highway program also puts \$\$ in every Montana pocket. ~~Again~~ according to TRIP (Road Information Program) a Montanian can expect to pay \$126 per year in additional auto expenses because they drive over rough road. Additional costs for front end alignments, tires, gasoline, and general car depreciation. If the average Montanian drove 20,000 miles per year and

EXHIBIT 4
DATE 2-19-93
SB-257

got 25 miles to the gallon, the increased in gas costs would only be \$20/ year (assuming a 2.6 cent increases in the FY94). For FY94 some Montanians could be saving up to \$100 because they are driving on improved roads and bridges.

In summary, the SB 257 will provide jobs for Montanians, protect and enhance Montana roads and bridges, create economic stimulus in all areas of Montana, and reduce Montanians auto operating expenses. Please act favorably on SB 257. THANK YOU.

SENATE TAXATION

EXHIBIT NO.

5

DATE

2-19-93

BILL NO.

SB 257

Statement Of Montana Motor Carriers Association
To The Senate Committee On Taxation
On SB 257 - Motor Fuel Tax Increase

Mr. Chairman and members of the Committee. For the record, my name is Ben Havdahl representing the Montana Motor Carriers Association. MMCA has some 450 motor carrier members who will be impacted by the enactment of a four cent and three cent increase in fuel taxes in SB 257.

MMCA is not opposed to the four cent per gallon diesel fuel tax increase as proposed in SB 257 but we do oppose the subsequent three cent per gallon increase on diesel under the bill. Although its easy to express these amounts in "pennies," the bill will increase highway user taxes by \$35 million per year.

Montana Motor Carriers Association's policy is to support the needed funding for the necessary construction and maintenance of the the major primary system and the Interstate system.

At the same time MMCA strongly opposes the diversion of fuel taxes and GVW fees for non- highway construction use. MMCA also is opposed, under the Reconstruction Trust Fund, to the use of increased diesel fuel taxes, assessed on truckers to rebuild the major primary highway routes, now to be proposed for use on county secondary, farm to market roads.

The higway funding position of the motor carrier industry is to support the maximizing of available federal aid moneys, including the full funds available under ISTEA. We support an effective maintenance program. We support the funding the Reconstruction Trust Fund at the current level of \$20 million for fiscal years 1994 and 1995.

We feel funding of the RTF beyond that time, needs to be reassessed by the 1995 Legislature, particularly as it applies to major fuel tax increases beyond 1995 to be used for county secondary and farm to market roads.

We have reviewed the Executive Budget for the DOT as analyzed by the Legislative Fiscal Analyst as well as the DOT report to the 1993 Legislature.

We agree that a proposed motor fuel tax increase appears to be necessary to sustain the current level of highway funding and to match new federal funds under ISTEA.

MMCA would not be adverse to a diesel fuel tax increase of 4 cents per gallon for highway construction and maintenance for fiscal years 94 and 95.

MMCA would strongly oppose the proposal in the executive budget for diversion of highway taxes to fund the Motor Vehicle Division in the Department of Justice. This is a switch from the general fund and would cost highway construction \$7.1 million per year. We also oppose the funding of the state park roads at a cost of \$1.25 million per year.

Therefore, as we see it, for the 1995 biennium, the proposed increase in the State's motor fuel tax on gasoline and diesel fuel to be considered by the Legislature, should be \$0.04 cents per gallon, the initial amount proposed in SB 257.

The \$20 million annual funding for the RTF, including \$15 million per year to rebuild secondary roads, represents a major change in policy and in our opinion, should be carefully reviewed by the Legislature for funding beyond the 1995 biennium. MMCA's concern is, can we afford the increased taxes proposed for this program?

When the RTF was established in 1983, it was designed to provide 100% state highway user taxes and coal tax revenue to fund the rebuilding of the primary system in the State. These are routes, in addition to the Interstate, that are extensively traveled by all motorists including the trucking industry. MMCA supported the funding program.

It would appear to us that the new National Highway System, to be implemented in Montana, consisting of the Interstate and some 1,700 miles of major primaries, can be adequately funded by ISTEA on a matching basis.

As a result it appears that the RTF, as originally established, would be relieved of much of its 100% State funding burden for rebuilding major primary routes in the State.

The MT DOT and counties' proposal for a "new" RTF program, at a level of \$15 million per year, will be expensive for highway users costing over the next five years, an estimated \$75,000,000. The SOS funding at \$15 million per year, is equivalent to a \$0.03 tax on both gasoline and diesel fuel.

Over-the-road, for hire truckers, do not use farm-to-market roads and yet under the SOS plan, truckers will be required to pay over \$18 million into the program. MMCA opposes a diesel fuel tax increase for the expenditure for this program.

If additional fuel taxes are needed and if this Legislature approves the RTF, consideration should be given to raising gasoline taxes only for that program.

Increasing only gasoline taxes is one recommendation of the Montana Highway Cost Responsibility Study by MSU. This was one suggestion made to achieve more equity among users and would be consistent with the findings of that study.

The study concluded that "basic vehicles", auto and pick-up, are underpaying with a ratio of .96, intermediate and heavy vehicles are overpaying with ratios of 1.11 and 1.07 respectively. The basic vehicle primarily consumes gasoline.

Also a differential can be justified by the fact that the current federal diesel fuel tax is 20¢ per gallon, six cents higher per gallon higher than gasoline taxed at 14¢ per gallon.

Although, MMCA is not adverse to a 4 cent per gallon diesel fuel tax increase, we are mindful of the negative economic impact it will have on all motor carriers operating in Montana.

A one cent increase in diesel fuel translates to a \$200 annual cost to a Montana motor carrier operating a typical five axle combination. A four cent increase costs \$800 or more per year.

The position of MMCA is further based on the negative economic impact the motor carrier industry is suffering and presumably will continue to suffer as a result of escalating workers compensation costs.

The Legislature also enacted, last year, a one year 7% surtax on fuel and GVW fees.

It would also appear that this Legislature will enact a three quarter cent diesel fuel tax for fuel tank clean up insurance. Its a laudable program, but will add some \$900,000 per year to the bottom line costs of truckers.

MMCA is aware of the economic benefits to the construction industry in the State from the highway funding. It creates many jobs, however we would hope that these jobs are not being created by a Legislative policy decision favoring the construction industry jobs at the expense of jobs in the trucking industry.

Our Association recently completed a comprehensive study of 286 regulated intrastate motor carriers from reports filed with the Public Service Commission for 1991.

The compilation reflects total revenue and total expenses incurred for the year and the compilation's bottom line reflected an operating ratio for the 286 carriers of 98.31% or a net profit of 1.69%.

When increased workers compensation premium costs and the 7% fuel tax and GVW fee surtax passed in 1992 is added into the costs for these carriers, the bottom line operating ratio increases to 99.68% or a net profit of 0.32%.

The picture is the same for all commodity motor carriers including cement, fertilizer, general commodities, household goods, livestock, lumber, oil field products, special commodities and petroleum.

If the economic picture is bleak for regulated intrastate motor carriers, it can easily be concluded that the same or an even worse situation exists for all other unregulated motor carriers operating in Montana.

State workers compensation premiums continue to skyrocket. On Jan. 1. The new book rate for truckmen, 7219 reached \$26.26 for each \$100 of wages. That rate has been increased 100% since 1990 when it was \$13.03 per \$100 of wages.

House Bill 604, if adopted, will mandate three 25% rate increases in workers compensation premiums in July of this year, and in January and July of next year. Truckers will be paying \$51.29 per \$100 of wages. That's more than 50%.

At that level, few trucking companies can remain in business in Montana. I would point out that work comp rates in Wyoming are 9% and diesel fuel taxes there are 9¢ per gallon.

That state continues to make their bids to attract Montana truckers. I know that Montana truckers want to stay in Montana, but at the rate things are going for many of them, they may not have a choice.

(Addendum)

ADDENDUM TO MMCA STATEMENT ON SB 257

For the information of the committee, I have included in an addendum to this statement some information on how the current and proposed state and federal taxes affect a typical trucker's five axle semi combination.

Estimated yearly taxes paid by a typical 80,000 pound five axle tractor semi trailer combination with the tractor valued at \$80,000 and semi trailer valued at \$25,000 and with estimated fuel consumption of 5 miles per gallon of fuel traveling 100,000 miles in the State is as follows:

<u>Tax Description</u>	<u>Tax Cost</u>	
MT GVW Tax	\$ 991.00	
MT Diesel Fuel (.20)	4,000.00	
MT 7% Surtax	350.00	
MT Property	<u>800.00</u>	
Total State Annual-----		\$6,141.00
Proposed SB 257	<u>\$ 1,400.00</u> (24% increase)	
Total with SB 257-----		\$7,541.00
Fed Truck Tax	\$ 550.00	
Fed Misc Excise	1,414.00	
Fed Diesel Tax(.20)	<u>4,000.00</u>	
Total Fed Annual-----		\$ 5,964.00
Total w SB 257-----		\$13,505.00
(Cost \$.135 per mi.)		
Proposed Fed. Energy Tax (^{.075} \$.15 per gallon fuel)-----		\$1,500.00
Total State and Proposed Fed.-----		\$15,505.00
(Cost \$.155 per mi.)		

FINANCING
THE
MONTANA STATE HIGHWAY SYSTEM

EXHIBIT #6
DATE 2-19-93
SB-257
Senate Taxation

Prepared by

Jerry Stephens
Department of Civil and Agricultural Engineering
Montana State University
Bozeman, Montana

Prepared for
STATE OF MONTANA
DEPARTMENT OF HIGHWAYS
RESEARCH PROGRAM
in cooperation with the
U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL HIGHWAY ADMINISTRATION

December 1992

The original is stored at the Historical Society at 225 North Roberts Street,
Helena, MT 59620-1201. The phone number is 444-2694.



U.S. Department of
Transportation

News:

SENATE TAXATION

EXHIBIT NO. 7

DATE 2-19-93

BILL NO. SB 257

Office of the Assistant Secretary for Public Affairs
Washington, D.C. 20590

EMBARGOED FOR RELEASE UNTIL 9 P.M.
Wednesday, February 17, 1993

DOT 15-93

Contact: Jennifer Watson

Tel.: (202) 366-4570

Contact: Bill Moeley

Tel.: (202) 366-5571

PEÑA OUTLINES PLAN FOR ECONOMIC STIMULUS THROUGH TRANSPORTATION IMPROVEMENTS

Secretary of Transportation Federico Peña today outlined a plan for an additional and immediate \$4.16 billion in transportation infrastructure improvements as part of President Clinton's commitment to stimulate the economy in the short term while investing in the nation's future.

The transportation proposals, representing 25 percent of new investment spending in the president's government-wide economic program, will support an estimated 70,000 jobs in fiscal years 1993 and 1994, Peña said.

Peña also outlined proposed transportation investments for fiscal years 1994 through 1997, which will support an estimated 186,910 jobs.

"Transportation is a fundamental part of the president's bold, comprehensive plan for creating jobs, raising incomes, reducing the deficit and investing in our nation's future," Peña said. "This program provides a balanced approach between getting the economy going right away and taking long-term steps to keep the economy strong for years to come."

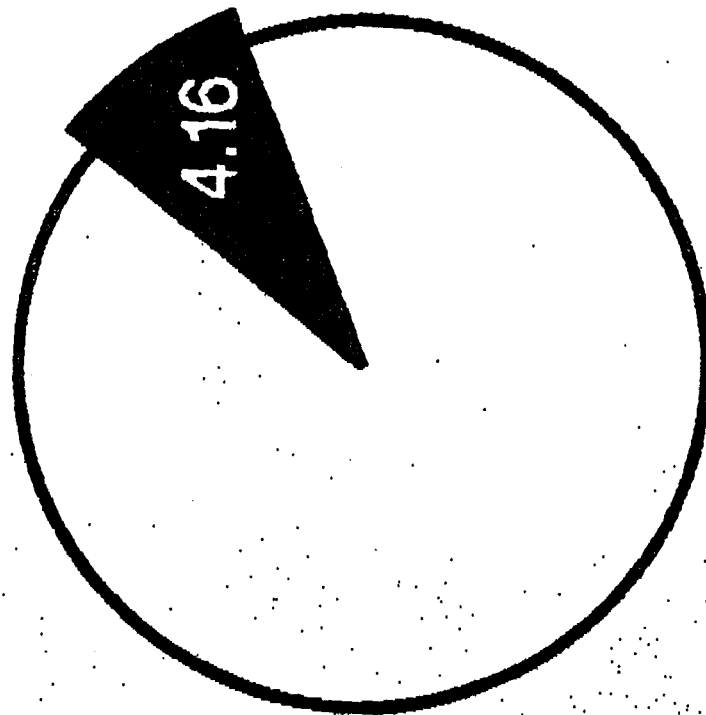
Peña said that the department will fulfill its commitment to reduce government spending by cutting civilian employment by 2,800 positions by fiscal 1995 and administrative expenses by 14 percent by fiscal 1997.

The secretary said the administration will propose that Congress make available additional aid for improvements in highways, mass transit, airports and Amtrak. He said the plan will provide funding for projects that are ready to be undertaken now. For this reason, the increased funding will be available only through September, when the current fiscal year ends. As a further incentive to encourage state and local governments to use these funds quickly, the department will redistribute unused highway and transit funds during the summer to those who can put them to work immediately.

EMBARGOED UNTIL 9 p.m., Feb. 17, 1993

ECONOMIC STIMULUS PACKAGE

Transportation Investment: \$4.16 billion



\$30 Billion

President's Total Stimulus Package

HIGHWAYS	2.9	billion
TRANSIT	750	million
AIRPORTS	250	million
AMTRAK	188	million

70,000 +

**JOBS SUPPORTED
(FY 1993-94)**

EMBARGOED UNTIL 9 p.m., Feb. 17, 1993

U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL HIGHWAY ADMINISTRATIONHFS-31
02/17/93

CURRENT FY 1993 OBLIGATION LIMITATION INCREASED BY \$2,976,250,000

STATE	CURRENT FORMULA LIMITATION PLUS DISCRETIONARY	INCREASED LIMITATION	REVISED INCREASED TOTAL LIMITATION
ALABAMA	224,069,313	47,154,401	271,223,714
ALASKA	176,042,420	37,008,028	213,050,448
ARIZONA	179,309,277	37,729,331	217,038,608
ARKANSAS	141,107,908	29,646,981	170,754,889
CALIFORNIA	1,237,599,457	260,488,228	1,498,087,685
COLORADO	190,775,723	40,163,072	230,938,795
CONNECTICUT	297,526,421	62,598,956	360,125,377
DELAWARE	57,893,755	12,169,455	70,063,210
DIST. OF COL.	78,687,211	16,539,253	95,226,464
FLORIDA	480,490,621	101,154,774	581,645,395
GEORGIA	375,045,182	78,939,851	453,985,033
HAWAII	221,640,626	47,006,788	268,647,414
IDaho	94,116,384	19,785,929	113,902,313
ILLINOIS	523,452,461	110,123,140	633,575,601
INDIANA	279,959,053	58,987,068	338,946,121
IOWA	175,611,931	36,909,206	212,521,137
KANSAS	160,254,387	33,681,425	193,935,812
KENTUCKY	200,445,160	42,202,599	242,647,759
LOUISIANA	213,999,477	45,023,338	259,022,815
MAINE	70,920,919	14,909,794	85,830,713
MARYLAND	213,613,659	44,948,654	258,562,313
MASSACHUSETTS	879,166,033	184,783,747	1,063,949,780
MICHIGAN	358,067,293	75,412,901	433,480,194
MINNESOTA	277,312,374	58,569,006	335,881,380
MISSISSIPPI	153,798,812	32,349,818	186,148,630
MISSOURI	227,888,784	47,884,724	275,773,508
MONTANA	136,200,280	28,625,771	164,826,051
NEBRASKA	127,860,805	25,869,732	153,730,537
NEVADA	86,820,669	18,248,767	105,069,436
NEW HAMPSHIRE	67,951,261	14,283,066	82,234,327
NEW JERSEY	410,597,479	86,328,262	496,925,741
NEW MEXICO	148,380,594	31,185,495	179,566,089
NEW YORK	777,798,754	163,571,009	941,369,763
NORTH CAROLINA	324,853,893	68,351,291	393,205,184
NORTH DAKOTA	87,258,701	18,340,574	105,599,275
OHIO	471,655,989	99,330,013	570,986,002
OKLAHOMA	181,953,697	38,277,754	220,231,451
OREGON	168,543,880	35,436,156	203,980,036
PENNSYLVANIA	580,483,136	122,116,499	702,599,635
RHODE ISLAND	88,759,644	18,656,000	107,415,644
SOUTH CAROLINA	194,057,933	40,898,583	234,956,516
SOUTH DAKOTA	93,666,275	19,687,141	113,353,416
TENNESSEE	274,684,451	57,805,103	332,489,554
TEXAS	861,611,004	181,322,202	1,042,933,206
UTAH	105,253,997	22,124,005	127,378,002
VERMONT	62,091,624	13,051,649	75,143,273
VIRGINIA	264,384,320	55,654,807	320,039,127
WASHINGTON	272,800,209	57,402,395	330,202,604
WEST VIRGINIA	132,962,603	27,947,671	160,910,274
WISCONSIN	245,124,059	51,573,063	296,697,122
WYOMING	94,250,356	19,809,887	114,060,243
PUERTO RICO	67,612,742	14,216,413	81,829,155
SUBTOTAL	13,880,026,936	2,920,803,685	16,800,830,621
ADMINISTRATION	423,092,000	0	423,092,000
FEDERAL LANDS	438,000,000	0	438,000,000
104(a) SETASIDE	283,795,732	0	283,795,732
RESERVED FOR DISCR.	301,835,332	55,446,315	357,281,647
TOTAL	15,326,750,000	2,976,250,000	18,303,000,000

EXHIBIT 7
DATE 2-19-93
SB-257

P.Y. 1993 OBLIGATION LIMITATION IS DISTRIBUTED BASED ON APPOINTMENTS/
ALLOCATIONS IN ACCORDANCE WITH PUBLIC LAW 102-388. THE FUNDS ARE EQUALLY
DISTRIBUTED BETWEEN THE APPOINTMENTS/ALLOCATIONS UNDER P.L. 102-388.
LIMITATION FOR DISCRETIONARY FUNDS SUCH AS INTERSTATE DISCRETIONARY, BRIDGE
DISCRETIONARY ARE DISTRIBUTED BASED ON FUNDS ALLOCATED TO THE STATES.

Commissioners

Kay McKenna, Mayor
Margaret Crennen
Tom Huddleston
Colleen McCarthy
Mike Murray



City of Helena

SENATE BILL #376

TESTIMONY

City-County
Administration Building
316 North Park
Helena, MT 59623

Phone: 406/447-8000

SENATE TAXATION

EXHIBIT NO. 8

DATE 2-19-93

BILL NO. SB 376

William J. Verwolf
City Manager

MR. CHAIRMAN AND MEMBERS OF THE SENATE TAXATION COMMITTEE. MY NAME IS RICHARD A. NISBET, DIRECTOR OF PUBIC WORKS WITH THE CITY OF HELENA, MONTANA. I AM REPRESENTING THE HELENA CITY COMMISSION.

THE CITY OF HELENA WOULD LIKE TO GO ON RECORD IN FAVOR OF SENATE BILL #376.

THIS LEGISLATION WOULD INCREASE OUR AVAILABLE GAS TAX FUNDS BY APPROXIMATELY \$140,700 A YEAR. CURRENTLY, WE RECEIVE ABOUT \$426,300

THE CITY OF HELENA TRADITIONALLY USES ABOUT 28 PERCENT OF ITS GAS TAX FOR ANNUAL CHIP SEAL PROJECTS, TWO PERCENT GOES TO MISCELLANEOUS MAINTENANCE PROJECTS AND THE 70 PERCENT BALANCE TRADITIONALLY IS USED FOR STREET RECONSTRUCTION. THIS INCREASE WOULD BE WELL USED AS THERE ARE MANY MORE PROJECTS ON OUR PRIORITY LIST THAN FUNDS ALLOW.

WE URGE YOUR SUPPORT OF SENATE BILL #376.

THANK YOU.



FINANCE/CITY CLERK OFFICE

435 RYMAN ST. • MISSOULA, MT 59802-4297 • (406) 523-4700
FAX (406) 728-6690

FINANCE AND DEBT MANAGEMENT
BUDGET AND ANALYSIS
ACCOUNTING
CITY CLERK
UTILITY BILLING
RISK MANAGEMENT
GRANT ADMINISTRATION

February 19, 1993

SENATE TAXATION

EXHIBIT NO. 9

DATE 2-19-93

BILL NO. SB 376

The Honorable Dorothy Eck
Montana State Senate
Capitol Station
Helena, MT 59620

Members of Senate Taxation Committee
Montana State Senate
Capitol Station
Helena, MT 59620

Dear Senator Eck and Members of Senate Taxation Committee:

This letter is written in support of SB376, sponsored by Senator Eck, which would provide cities, towns, and counties with the first increase of their state gasoline tax allocation since 1983. Alec Hansen of the Montana League of Cities and Towns will be able to describe the erosion of the purchasing power of this allocation since 1983, but it is also important to realize that, with the new federal ISTEA highway funds, new local matching funds must be generated for cities, towns, and counties to receive part of the funds.

Under the ISTEA program, the so called "enhancement funds" currently require a 13% local matching contribution. The City of Missoula stands to receive approximately \$238,000 per year if it can provide the new matching funds. The "enhancement" funds can be used for a wide variety of transportation related projects which will improve cities and help spur the local economy. The "enhancement" funds are among the most flexible federal highway funds that we have ever had a chance to receive. While I have no doubt that Missoula will raise the necessary matching funds, other cities and towns may have trouble raising their 13% match and then the funds will revert back to the state or federal government for reallocation.

Another important aspect to remember about the local government allocation of the state gas tax is that it has to go directly into street and road projects, not equipment. These types of projects are an important engine for local economic development and growth. The linkage of transportation improvements to the economy is one of the most direct public-private benefits that exists.

The City of Missoula encourages you to provide local governments with an increase in their direct allocation via SB376 or in any state gas tax increase bill that you send forward. Our allocation has degenerated over the past decade because of inflation and a restoration of the local funding level would help spur Montana's economy.

Sincerely,

Chuck Stearns
Finance Officer/City Clerk

DATE 2-19-93

SENATE COMMITTEE ON Taxation

BILLS BEING HEARD TODAY: SB 257 + 376

Name	Representing	Bill No.	Check One	
			Support	Oppose
Floyd L. BRINT	(ME)	257	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Vernon Petersen	MACO	257	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Carl Schweitzer	MLA	257	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Tom Barnard	MDT	257	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sharon L. Stratton	Ft. Collins County Commission	257	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Ben Gordon	MT Motor Carrier	376	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Steve Turkiewicz	MT Highway Users Fed Mt. Auto Dealers Ass	376 257	<input checked="" type="checkbox"/>	<input type="checkbox"/>
JAMES Twissel	MT Chamber	257	<input checked="" type="checkbox"/>	<input type="checkbox"/>
MARV DYE	MDOT	257	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Richard Nisbet	City of Helena	376	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Bill Salisbury	MDT	257	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gordon Morris	MAA	257 376	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Lee Thompson	MT Special Waste Contractors		<input type="checkbox"/>	<input checked="" type="checkbox"/>
Carolyn Kearns	Montana Good Samaritans	257	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Janet A. Hallan	MT Petroleum	257	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Glenn Hartman - Chie	MT Montana	257	<input checked="" type="checkbox"/>	<input type="checkbox"/>

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

DATE _____

SENATE COMMITTEE ON _____

BILLS BEING HEARD TODAY: _____

Name	Representing	Bill No.	Check One	
			Support	Oppose
Dennis Burr	MT Terquay	SB 257	✓	
Jim DUNCAN	Zen MONTANA	SB 257	✓	
John W. Hagg	AFSCME	SB 257	✓	
PAUL SLITER	MONTANA PETROLEUM MARKETERS ASSN	SB 376		X

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY