MINUTES

MONTANA HOUSE OF REPRESENTATIVES
53rd LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB GILBERT**, on March 8, 1993, at 9:00 a.m.

ROLL CALL

Members Present:

Rep. Bob Gilbert, Chairman (R)
Rep. Mike Foster, Vice Chairman (R)
Rep. Dan Harrington, Minority Vice Chairman (D)
Rep. Shiell Anderson (R)
Rep. John Bohlinger (R)
Rep. Ed Dolezal (D)
Rep. Jerry Driscoll (D)
Rep. Jim Elliott (D)
Rep. Gary Feland (R)
Rep. Marian Hanson (R)
Rep. Hal Harper (D)
Rep. Chase Hibbard (R)
Rep. Vern Keller (R)
Rep. Ed McCaffree (D)
Rep. Bea McCarthy (D)
Rep. Tom Nelson (R)
Rep. Scott Orr (R)
Rep. Bob Raney (D)
Rep. Bob Ream (D)
Rep. Rolph Tunby (R)

Members Excused: None

Members Absent: None

Staff Present: Lee Heiman, Legislative Council
Jill Rohyans, Committee Secretary

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

Committee Business Summary:

Hearing: SB 399
SB 228
HB 651

Executive Action: None

HEARING ON SENATE BILL 399

Opening Statement by Sponsor:

SEN. DOROTHY ECK, SD 40, Bozeman, said SB 399 modifies current statute which allows local governments to impose up to one mill for economic development over and above the limits of I-105 which requires a vote of the people. SB 399 provides local governments with another option of assessing a one mill levy without a vote but only if the one mill remained under the I-105 cap. Economic development is critical to Montana, especially in rural areas. This bill would give local governments more flexibility in supporting economic development activities.

Proponents' Testimony:

Evan Barrett, Executive Director, Butte Economic Development Corporation, and economic development organizations in Great Falls, Anaconda, and Missoula, said the bill does not create a new levy. It continues the local government option of imposing a mill over the cap for five years with a vote, and allows them to impose one mill by resolution and hearing under the cap. The election process is difficult and often not expedient for local government needs. This bill gives local governments an easier way to impose the one mill and encourages economic growth which is the only way out of the financial troubles facing both local and state governments.

David Hemion, Vice President, Helena Chamber of Commerce, said economic development is more than bringing in new businesses. It includes working with existing businesses, training, expansion, outreach, management expertise, and other related business activities. He urged the Committee to give this option to local governments.

Opponents' Testimony: There were no opponents.

Questions From Committee Members and Responses:

REP. HIBBARD asked how much one mill raises in Lewis and Clark County.

Mr. Hemion replied it raises $65,000.

REP. HIBBARD asked if Lewis and Clark County has reached the I-105 cap.

Mr. Hemion said the county had reached the cap; however, the city still has some slack and could impose the one mill.

REP. FOSTER asked how long the one mill imposed by the local government would be effective.

SEN. ECK said it would have to be reviewed and renewed yearly at budget time.

__Closing by Sponsor__:

SEN. ECK closed by saying the bill gives additional flexibility to local governments. Most cities and counties cannot do anything without permission from the Legislature. Montana is looking forward to population growth and new small businesses will develop from those new residents. She urged the Committee to support economic development by passing the bill.

HEARING ON SENATE BILL 228

__Opening Statement by Sponsor__:

SEN. BARRY STANG, SD 26, St. Regis, said the bill imposes a .075 cent tax on diesel fuel to help fund the underground storage tank fund. Previous legislation added the diesel fuel tanks to those tanks covered by the fund, but with no additional funding to cover associated costs of clean-up of the extra tanks. He explained that when the fund reaches $8 million the tax drops off. It is currently funded by a .075 cent gasoline tax. Of the payments made in the last two years, 24% were on diesel fuel tank clean-up. Currently, there is no tax being collected because the fund is above the $2 million lower threshold for reimposition of the tax. If the account balance never drops below $2 million, the tax on diesel will not be imposed. Projections indicate the fund will drop below $1 million which will negate the EPA approval of the reinsurance program. If the EPA approval is dropped, it will be impossible for most gas stations to obtain insurance and stations will close all over the state.

__Proponents' Testimony__:

Jean Riley, Executive Director, Petroleum Tank Release Compensation Board, presented her testimony in support of the bill **EXHIBITS 1 AND 1A**

Ronna Alexander, Montana Petroleum Marketers Association, said her organization represents over 100 members who are responsible for a large share of the underground storage tanks in the state. She said it is important that the fund remain viable. This bill represents a fair approach to the problem as at least a quarter of the tanks covered by the fund are diesel tanks.

Fred Maker, Superintendent of Schools, Superior, said that even if it adds to cost of fuel, it is well worth it for the insurance the fund provides. His school district was drastically impacted by a fuel tank clean-up situation.

Bob Stephens, Montana Graingrowers Association, said his group does not oppose the tax on gas and on road diesel. They do oppose imposing the tax on heating oil fuel and off road diesel. Low income people are affected by the heating oil tax and there should not be any further tax burden imposed on school districts. He said the tax should be a full one cent because the price will increase by one cent anyway and the fund should get the full amount of the increase. He said he does not oppose the fund, but has questions about the way the tax is imposed. He felt bulk dealers and service stations should be paying more of the tax.

Opponents' Testimony: There were no opponents.

Questions From Committee Members and Responses:

REP. BOHLINGER asked why federal defense fuel centers are not included in the bill.

SEN. STANG said the dealer who sells to the federal defense fuel center is assessed the tax by the state. The federal government will not reimburse the tax so they are out the amount of tax.

REP. DRISCOLL said the gas is sold to the federal government on a bid basis. He wondered why the tax could not be included in the bid price.

SEN. STANG said that his information indicated that even a one cent difference in the bid price would result in Wyoming distributors getting the contract.

REP. REAM asked if aviation fuel tanks had much of an impact on the fund.

Ms. Riley replied that approximately 1.03% of the funds expended have been for aviation fuel tank problems. Both the Billings and Butte airports are now engaged in a clean-up program. The aviation fuel is included in fuels that are taxed for the fund.

Closing by Sponsor:

SEN. STANG said he was upset with the Graingrowers as they supported the bill in the past. Cooperatives have made claims on the fund and are patronized in great part by graingrowers and the agricultural community. The .075 cent tax level is sufficient and has no bearing on what the retailer is going to put up as a retail price. Over the road truckers will pay a great deal of the tax and they were not at the hearing objecting to the tax, he noted. He said the bill is the responsible thing to do and urged the Committee to support it.

HEARING ON HOUSE BILL 651

Opening Statement by Sponsor:

REP. DAVE WANZENRIED, HD 7, Kalispell, said the bill revises the way fees are established on trailers and trucks in Montana. It is one part of the plan to implement the International Registration Plan (IRP) and would help bring Montana into compliance with 48 other states in the way fees are assessed on trucks and trailers. Montana and California are the only two states who do not belong to a uniform plan. Results of a cost responsibility study regarding fees and highway usage concluded that wide trucks and cars do not pay their fair share of the highway use, while trucks over 26,000 pounds pay more than what their use represents. The bill implements the recommendations of the study which was done by Montana State University (MSU). One of the provisions is to raise the tax on gas and fuel by .075 cent. It also would eliminate the property tax on trailers and semi-trailers. It would assess a 45 mill property tax on trucks to replace the eliminated tax on the trailers. The .075 cent increase in gasoline would ensure revenue neutrality and hold local governments harmless. The bill brings Montana into compliance with the 1991 Intermodal Surface Transportation and Efficiency Act (ISTEA) which mandates that by 1996 all states must be in compliance with the IRP.

REP. WANZENRIED submitted proposed amendments to the Committee **EXHIBIT 2** which apply to mobile homes, mobile home owners, and mobile home dealers.

Proponents' Testimony:

David Galt, Administrator, Motor Carrier Services Division, Department of Transportation, presented his testimony in support of the bill. **EXHIBITS 3, 3a, and 3b**

Ben Havdahl, Montana Motor Carriers Association, presented his testimony in support of the bill. **EXHIBIT 4**

Susie Spurgem, Montana County Treasurers Association, said the GVW laws are complicated. The reduction to two classes will eliminate confusion and questionable decisions. Any simplification in the motor vehicle licensing laws is beneficial.

Dan Wirack, Merganthaler's Transfer and Storage, Helena, said Merganthaler's is based in five cities in the state doing business all over the state with approximately 140 pieces of equipment. His fleet is licensed both under declared gross weight and declared combination gross weight which are varying licensing methods for trailers and power units. It is necessary to do this because of the complicated tax schedule and complicated financial structure of the GVW tax system. He said there are many other reciprocities over and above the GVW system, such as Public Service Commission, fuel taxes, and other states. Any simplification in any area is most helpful.

Stuart Doggett, Montana Manufactured Housing and RV Association, said his organization supports the amendments **EXHIBIT 2** relating to mobile and manufactured homes.

Dean Roberts, Administrator, Motor Vehicle Division, Department of Justice, said they are in complete agreement with the licensing provisions of the bill.

Opponents' Testimony:

Bob Stephens, Montana Graingrowers Association, said they oppose the .075 cent tax, not the whole bill. There are six bills pending that would increase the fuel tax on trucks and other vehicles. All the bills would impact agriculture to a total of 10 cents a gallon. He said these bills along with pending federal legislation would put a very heavy burden on farmers and ranchers.

Lorna Frank, Montana Farm Bureau, said agriculture is being hit with many increases. She said farmers and ranchers have no way to pass on increases in fuel taxes. They are at the end of the line. She asked the Committee to put a stop to any further increases.

Questions From Committee Members and Responses:

REP. HARPER said the fiscal note indicates that vehicle licenses and permits are being lowered by $3.7 million and the gas tax is being raised by $3.1 million in 1995. He asked if cars are picking up the difference.

Mr. Galt said in order to address the inequities in the cost responsibility study cars will pick up some of the costs that were reduced in the GVW fees. GVW fees were reduced 25% which totals $3.7 million. The $3.1 million represents the .075 gas tax increase.

REP. HIBBARD asked if the off road diesel exemption has changed.

Mr. Galt said there has been no change in exemptions, just in the rates.

REP. ANDERSON asked for background information which would justify the increase in GVW fees for agriculture from 16% to 35% of commercial fees.

Jerry Stevens, MSU Civil Engineering Department, said they attempted to look at the road use characteristics of agricultural vehicles, compared on-road usage to that of full fee paying vehicles, and compared how many annual highway use miles agricultural vehicles logged compared to full fee paying vehicles. Based on those factors, a net factor was determined for a net reduction in fees. If an agricultural vehicle is on the road 50% of the time a full fee paying vehicle is on the road, the fee was set at 50%.

REP. RANEY said studies have shown damage factors to roadways increase significantly and exponentially as vehicles increase in weight above 20,000 pounds. He questioned how the fee use factor for a 60,000 pound truck and a small Toyota on the same road could be 1.07 to .96.

Mr. Stevens said federal government studies regarding damagability of various vehicles indicate a relative damage rating of 2.5 for a fully loaded 80,000 pound vehicle. A passenger car would have a damage factor of .007. In doing pavement design, the damage factors are added together. The truck did significantly more damage than the automobile. A significant portion of highway costs are not pavement and pavement damage related such as right of way, drainage, snow maintenance. Those costs may constitute close to 60% of the total costs. Highway construction costs from 1988-1991 paid by the state were close to $63 million with 26% of that amount being borne by heavy vehicles. Their costs related to damage to the pavement are estimated to be $16 million. The other costs such as drainage, right of way, etc., totaled only $4 million. Damage related costs then became a major component of what was assessed as the cost of providing the heavy vehicles with highway services. They are paying more for their use.

REP. RANEY asked who funded the study conducted by MSU.

Mr. Stevens replied the study was funded by the Department of Transportation using federal highway research money.

Closing by Sponsor:

REP. WANZENRIED said he realizes there are several gas tax increase bills being considered. He said this bill is different because it simplifies the system and brings Montana into compliance with 48 other states. If nothing is done, the inequities will continue and the state will be out of compliance which will impose an even heavier burden on the trucks operating in this state. He urged the Committee to pass the bill even if it contains a fuel tax increase. With the fuel tax increase, the bill is revenue neutral. Changing the amount will work a hardship on local governments across the state.

ADJOURNMENT

Adjournment: The meeting adjourned at 11:35 a.m.

Mike Foster (Vice-Chair)
BOB GILBERT, CHAIRMAN

Jill Rohyans
JILL ROHYANS, Secretary

BG/jdr

HOUSE OF REPRESENTATIVES

TAXATION COMMITTEE

ROLL CALL DATE 3/8/93

NAME	PRESENT	ABSENT	EXCUSED
REP. GILBERT, CHAIRMAN	✓		
REP. FOSTER	✓		
REP. HARRINGTON	✓		
REP. ANDERSON	✓		
REP. BOHLINGER	✓		
REP. DOLEZAL	✓		
REP. DRISCOLL	✓		
REP. ELLIOTT	✓		
REP. FELAND	✓		
REP. HANSON	✓		
REP. HARPER	✓		
REP. HIBBARD	✓		
REP. KELLER	✓		
REP. McCAFFREE	✓		
REP. McCARTHY	✓		
REP. NELSON	✓		
REP. ORR	✓		
REP. RANEY	✓		
REP. REAM	✓		
REP. TUNBY	✓		

Testimony SB 228

EXHIBIT 1
DATE 3/8/93
SB SB 228

Jean Riley, Executive Director
Petroleum Tank Release Compensation Board

The Petroleum Tank Release Compensation Board (Board) rises in support of SB 228. The Board administers the Petroleum Tank Release Cleanup Fund (Fund). This Fund is used to reimburse owners and operators of petroleum storage tanks for costs associated with corrective action and third party damages for bodily injury or property damage. The Board has projected the amount of reimbursement to owners/operators for FY 94 and FY 95. These projections are conservative and do not include any third party damage claims. The Board anticipates almost $3 million in reimbursements for FY 94 and over $3.7 million in FY 95. Revenue projections for FY 94 and FY 95 are over $3 million short of covering administrative expenses and claims for the biennium.

To date the Board has reimbursed over $4.5 million to owners and operators of petroleum storage tanks. The present fee has been assessed only on gasoline products. Since 1989 diesel and special fuels have never been assessed the fee. However, these tanks have received over 23% of the total reimbursement with no contribution to the Fund.

Since 1989 the Board has seen a significant increase in claims against the Fund. The average amount of claims received has grown from $11,997 per month in 1989 to $271,852 per month in 1992. In January of this year the Board received requests for $304,214. At this rate the revenues will not keep abreast of the expenditures. This will cause the Fund balance to continue to drop even after the gasoline fee is reinstated.

If the unobligated Fund balance drops below $1 million EPA may not consider the Fund as a viable mechanism of financial assurance for tank owners. This is one of the main reasons the Fund was initially created in 1989. Tank owners are required to have financial assurance by EPA. Without the Fund, tank owners would have to seek pollution liability insurance which is very expensive and may not be available to the typical tank owner.

The EPA approved the Fund as the Financial Assurance mechanism for these tank owners. The Fund was set up to collect the fee until the unobligated Fund balance reaches $8 million. The collection of the fee will stop until the balance is depleted to $4 million. The fee was discontinued in October of 1991. The current balance is 5.4 million and it is anticipated that the balance will drop below $4 million between April and June of this year.

The unobligated Fund balance does not take into account claims already received by the Board which have not yet been approved for payment. On January 31, 1993 these claims totaled over $2 million. If all claims received were paid today the Fund balance would be reduced to $3.4 million. It takes approximately 60 to 90 days to pay claims, therefore, the potential claim affect to the Fund balance could be even greater. At the current rate with no increase of revenue, the Fund balance is anticipated to drop below $1 million April 1995. The balance of the Fund could reach zero as early as December 1995.

The Board asks for your support on SB 228.

EXHIBIT 19
DATE 3/8/93
SB 226

MONTANA PETROLEUM TANK RELEASE COMPENSATION BOARD

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

EXHIBIT 2
DATE 3/8/93
HB 651

Amendments to House Bill No. 651
First Reading Copy (White)

March 8, 1993

1. Title, line 15.
Following: "CLASS;"
Insert: "REVISING TRANSIT PERMIT FEES;"

2. Title, line 19.
Following: "61-3-521,"
Insert: "61-4-301, 61-4-302,"

3. Page 7, line 22.
Following: "more."
Insert: "<u>(i) For purposes of this subsection the terms "trailer" and "semitrailer" mean a vehicle with or without motive power which is: designed and used only for carrying property; for being drawn by a motor vehicle; and, either constructed that no part of its weight rests upon the towing vehicle, or constructed that some part of its weight and that of its load rests upon or is carried by another vehicle.</u>"

4. Page 23, line 4.
Following: "Section 12."
Insert: "61-4-301. **Permit and transit plates for new vehicles being transported by driveaway or towaway methods.** (1) A person, firm, partnership, or corporation, regularly and lawfully engaged in the transportation of new vehicles over the highways of this state from manufacturing or assembly points to agents of manufacturers and dealers in this state or in other states, territories, or foreign countries or provinces by the driveaway or towaway methods, where the vehicles being driven, towed, or transported by the saddle-mount, towbar or full-mount methods, or a lawful combination of these methods, will be transported over the highways of the state but once, may annually apply to the department of justice for a permit to use the highways of this state and shall pay, upon filing the application, a fee of $100. Upon processing of the application, that department shall issue an annual permit to the applicant. <u>A person moving used mobile homes from a point outside the state to a point inside the state may also apply to the department for this permit.</u>

(2) The permitholder may also apply to the department of justice for a sufficient number of distinctive transit plates or devices showing the permit number for identification of the vehicles being transported by the permitholder, and the plates or devices may be used on a vehicle being driven, towed, or transported by and under the control of the permitholder. That department shall collect the additional

sum of $1 for each pair of transit plates or devices applied for and issued.

(3) The department of justice shall retain the permit and plate fees to defray costs of administering 61-4-301 through 61-4-308.

(4) The permit and transit plates or devices expire on December 31 of each year.

Section 13. Section 61-4-302 is amended to read:

61-4-302. One-trip fee in addition to permit and plate fees payable quarterly. In addition to the permit and plate fees, a permit holder shall pay to the department of justice a one-trip fee of $5 per driven vehicle. The fee shall be paid within 15 days after the end of the calendar quarter upon forms recommended or supplied by that department. A person moving new or used mobile homes is not subject to this one-trip fee.

5. Renumber subsequent sections.

EXHIBIT 3
DATE 3/8/93
HB 651

HB 651
~~SPONSORED BY: REP. WANZENREID~~
Testimony submitted by: David A. Galt, Administrator
Motor Carrier Services Division
Date: March 8, 1993

The Department appears before you today to urge your support for House Bill 651. MDT presents the bill to correct inequities in highway user fees. This inequity was determined in a Highway Cost Allocation Study preformed by Montana State University and mandated by House Bill 2, in the 1991 Legislature.

In the cost responsibility study we found that an inequity exists between highway users from what should be paid by each user and what is paid by each user. Highway users were divided into three groups, light vehicles (cars and trucks under 10,000 pounds), intermediate vehicles (trucks between 10,000 and 26,000), and heavy vehicles over 26,000 pounds. The cost study found that the following ratios exist for each user: light vehicles .96, intermediate vehicles 1.14, and heavy vehicles 1.07. Keep in mind that a ratio of 1.00 would indicate that revenues equal expenses.

The study also looked at each of the special classes we now have for GVW fees. currently we allow trucks carrying logs, livestock, poles and equipment a 75% fee. Concrete mixers only pay 55% and agricultural users pay 16%. No justification could be found for these special rates. For example agricultural rates should be 35% for vehicles under 26,000 pounds and 80% for vehicles over 26,000 pounds.

Handout

Another reason for the switch to one fee schedule and combining trucks and trailers is the International Registration Plan. The IRP structure. This plan we developed so that truckers could go to their base state licnesing agency and get authority for different states without having to contact each jurisdiction. Montana and 12 other states were allowed entry over the years with an exception that provided for fee collection on trailers, under the promise that we would work toward a power unit fee system. 20 years later we are still licensing the same way, only California and Montana still license trailers. Licensing trailers causes a burden on every state's licensing department and relations are starting to get strained. Last year there was talk about expelling Montana and California if we do not change our systems. While I think it is highly unlikely that we would be expelled, we could be faced with licensing all trailers through our office. If this happened the other states would just send us a list of their trailers and we would bill the carriers. I would need at least five more people to collect the same amount of revenue we get now.

A power unit fee system would eliminate many of the complicated facets of truck licensing in Montana and would make licensing easier for the truckers, the county treasurers and MCS.

House bill 651 corrects several problems involved with commercial vehicles registration and contains some housekeeping amendments. Dr. Jerry Stevens, the principle author of the Cost Study, is here today from MSU to answer any questions you may have. MDT urges your support on this bill. Thank you

EXHIBIT 39
DATE 3/8/93
HB 651

Class	Weight	Now	Proposed
100%	8,000	12.50	9.50
Commercial	26,000	128.00	90.00
	46,000	668.75	300.00
	80,000	987.50	750.00
	110,000	1,950.00	1,440.00
75%	26,000	93.75	90.00
Log	46,000	501.56	300.00
Livestock	80,000	782.81	750.00
55%	26,000	68.75	90.00
Cement	46,000	367.81	300.00
Mixers	56,000	539.70	400.00
	80,000	543.12	750.00
16%	8,000	6.00	6.00
Agricultural	26,000	20.00	31.50
	46,000	107.00	105.00
	80,000	158.00	262.50
	110,000	304.00	504.00

Montana Department of Transportation
2701 Prospect Avenue
PO Box 201001
Helena MT 59620-1001

EXHIBIT 36
DATE 3/8/93
HB 691

Memorandum

To: Members of the Taxation Committee
Montana House of Representatives

From: David A. Galt, Administrator
Motor Carrier Services Division

Date: February 23, 1993

Subject: House Bill 651

House Bill 651 is scheduled for hearing by your Committee on March 8, 1993. This proposed legislation will attempt to correct several problem areas in commercial vehicle registration. Additionally, HB 651 addresses several inequities that were addressed in the Cost Responsibility Study conducted by the Montana State University. I have put a packet together for each of you to help prepare you for the hearing on March 8, 1993. Each packet contains the following information:

Position paper on HB 651
Executive Summary-Cost Allocation Study
Executive Summary-Highway Financing Study
Letters from other States regarding trailer licensing

MCS has complete copies of both the Cost Allocation Study and the Highway Financing Study, if you would like further information. Additionally, I enclosed copies of two letters regarding what trailer licensing means in the International Registration Plan. We have received similar letters from 26 IRP jurisdictions, over 50% of the IRP membership.

I realize that each of you hardly have enough time to get your work done, but I would appreciate taking the time to review the enclosed material. If I can be of any further assistance, please do not hesitate to contact me at 444-6130 or 443-2261 (home).

DAG:D:MCS:84.mb

EXHIBIT 3b
DATE 3/8/93
HB 651

RESTRUCTURING GROSS WEIGHT FEE SCHEDULES

Background:

The Motor Carrier Services Division (MCS) is responsible for licensing interstate vehicles based in Montana through the International Registration Plan (IRP). Montana licenses all vehicles, including trucks and trailers, separately. GVW fees, ad valorem taxes, plate fees, registration fees and a variety of minor fees are individually accessed on both the truck and the trailer. The IRP is based on a power unit registration system and allows Montana based carriers to license, through MCS, for travel in a variety of states. Montana was granted an exception in 1974 and was allowed entry to the plan without converting to a power unit based registration system under the promise that we would work to eliminate trailers. In 1993 we still license exactly the same as we did in 1974.

The 1991 Intermodal Surface Transportation and Efficiency Act (ISTEA) mandates that all states belong to the IRP by 1996. If a state is not in the IRP by 1996, that state can not assessed non-resident vehicles taxes or fees to operate. California and Montana are the only two remaining states with power unit based fee system. Montana's trailer exception is causing extra work for every state in the IRP except California. Twenty-six (26) of the 42 IRP members have written urging compliance with the IRP plan.

Within the IRP several member states are talking of introducing a ballot to force us to amend our statutes. If Montana chooses to continue with the current truck/trailer based registration system, we could be expelled from the IRP; or, we could be required to bill all carriers for their trailers from account sheets provided by other states. Expulsion from the IRP would devastate the trucking industry in Montana, and is unlikely to happen. Account sheet billing is highly probable and due to the additional work step would require <u>at least four (4) additional FTEs</u>.

During the 1991 Legislative session, MDT was mandated to conduct a cost responsibility study to determine if highway users were being charged appropriately and submit a recommended fee structure to the 1993 Legislature. The study was completed by Montana State University in late December and contains the following findings:

1) An equity ratio of 1.00 indicates equity between what a user should pay and what is paid. Numbers in excess of 1.00 indicate overpayment and numbers less than 1.00 indicate underpayment. The study found that light vehicles (under 10,000 pounds) had a ratio of .96. Intermediate vehicles (10,001 to 26,000 pounds) had a ratio of 1.11. and heavy vehicles had a ratio of 1.07.

2) Montana is not collecting enough money to sustain our current program.

To collect the revenue needed to support the program and to address the equity disparity between users the following options were recommended:

A) Increase new car sales tax by 400%. This idea was not considered practical.

B) Increase the gasoline tax by 22.5%. MDT and the Legislature have found increases in fuel taxes difficult when there is a difference between gas and diesel fuel.

C) Increase both gas and diesel by 22.5% and reducing GVW fees by 40%.

D) Increase gas and diesel fuel taxes to 28.5 cents per gallon, eliminate new car sales tax, impose a $40.00 fee upon all vehicles, eliminate GVW fees on trucks under 48,000 pounds and create a new fee system for vehicles over 48,000 pounds.

The study also looked at the special fee classes we have in statute for various types of vehicles. These classes include 75% fees for logs, livestock and highway equipment; 55% fees for concrete mixers and fertilizer spreaders; 16% agricultural; $7.00 per seat bus fees and $.75 per foot house trailer fees. The study recommended eliminating most of the classes and increasing agricultural fees to 35%.

We also asked the university to look at combining truck and trailer fees into one fee system. By combining the truck and trailer fees some of the inequity between intermediate and heavy vehicles was addressed. Under our proposal vehicles in the 20,000 to 70,000 pound area will see reductions in fees that ranged from minor to significant.

MDT FEE PROPOSAL:

The Motor Carrier Services Division has spent a considerable amount of time working with various agencies preparing this proposed legislation. MDT considers this bill to be of significant importance and an integral piece of our total revenue package. Our bill will make the following changes:

1) Eliminate Property tax on trailers over 26,000 pounds.

2) Place an additional 45 mill levy on all trucks and truck/tractors over 26,000 pounds.

EXHIBIT #30
DATE 3-8-93
SB #B-651

NOTE: A power unit fee structure has been tried in the past. Property tax remains the "problem" in a power unit proposal. We estimate a loss of 1.6 million dollars to counties as a result of the trailer exemption. Because highway funds are constitutionally protected against diversion the mill levy seems the only method to keep this change revenue neutral to the counties.

3) Adds specific language to new car sales tax statutes to allow counties to retain 5% of the fees for cost of administration.

NOTE: Counties have always kept 5% of GVW fees and new car sales tax that they collect for cost of administration. Amendments over the years have made the retention for new car sales tax unclear. This amendment comes at the advice of the Legislative Auditor's Office.

4) Eliminated the 75% GVW fee class.

5) Eliminates the 55% fee class.

6) Places fertilizer spreader vehicles in the agriculture class.

7) Increases the agriculture class to 35% from 16%.

8) Eliminates the collection of trailer registration fees on trailers registered in other states. Makes no changes upon trailer registration fees for Montana based trailers.

9) Eliminates the $.75 cent per foot charge on commercial house trailers.

10) Eliminates the $7.00 per seat charge on buses and requires them to license by weight.

11) Leaves the old schedule III GVW fees in place but restricts their application only to triple trailers. When triple trailers were introduced to Montana in 1987 they were required to purchase the higher fees. The Montana Motor Carrier Association advised me that triple owners were satisfied with the fees they paid and requested that they be left at current levels.

12) Raises the weight from 8,000 to 14,000 pounds that requires certain vehicles to stop at weigh stations.

13) Sets a $.0075 per gallon increase (3/4 cent) on gas and diesel fuel to offset loss on GVW fees and bring equity ratios more in line.

We have attached some fee calculations to help visualize what this bill would actually do. The first attachment just shows the differences in GVW fees from what is paid now and what we are proposing. The second attachment is a work sheet that shows the differences in the actual amount of all fees paid for several fleets that are registered. The industry should notice about a 25% decrease in GVW fees, no change in registration fees, and increase in property taxes on the tractors; and, no property taxes on the trailers. The overall reduction should be about 25% of the total assessed.

The department looked at each of the proposals that MSU recommended to balance our entire fee system. The department chose recommendation number three. We are attempting to raise gasoline and special fuel taxes an equal amount and reduce the GVW fees. However, our cash flow studies of current revenue supports a conservative 25% reduction, rather than the 40% reduction suggested in the cost study. We believe that option four has merit. This option is very different from tax practices that have been in place for years and would like to research revenue implications of option four over the next biennium. Please remember that with the exception of the language changes in new car sales tax this bill comes before the legislature as a package. If one goes to the power unit fee system but leaves the current fee classes in place, the department could face severe revenue problems. Conversely, if the fee classes were eliminated without converting to the power unit system carriers in the 55% and 16% fee classes could be affected.

MDT Contact: David A. Galt, Administrator
Motor Carrier Services Division
Phone: 444-6130

DAG:Q:MCS:65.si

Attachments

EXHIBIT #3b
DATE 3-8-93
HB-651

Class	Weight	Now	Proposed
100%	8,000	12.50	9.50
Commercial	26,000	128.00	90.00
	46,000	668.75	300.00
	80,000	987.50	750.00
	110,000	1,950.00	1,440.00
75%	26,000	93.75	90.00
Log	46,000	501.56	300.00
Livestock	80,000	782.81	750.00
55%	26,000	68.75	90.00
Cement	46,000	367.81	300.00
Mixers	56,000	539.70	400.00
	80,000	543.12	750.00
16%	8,000	6.00	6.00
Agricultural	26,000	20.00	31.50
	46,000	107.00	105.00
	80,000	158.00	262.50
	110,000	304.00	504.00

[redacted] 1992 Actual Bill

TRACTORS	WEIGHT	UNIT #	AD VAL	PR REG	GVW	RR	TOTAL
85 KEN	54,000	14	$301.13	15.44	$689.08	$175.00	$1,130.65
81 PET	56,000	22	$180.68	15.44	$735.96	$175.00	$1,107.08
81 PET	56,000	31	$197.11	15.44	$735.96	$175.00	$1,123.51
89 FOR	10,000	82	$163.69	15.44	$13.16		$192.29
80 PET	56,000	83	$240.08	15.44	$735.96	$175.00	$1,166.48
85 PET	56,000	84	$280.09	15.44	$735.96	$175.00	$1,206.49
90 PET	56,000	87	$626.19	15.44	$735.96	$175.00	$1,552.59
90 PET	56,000	88	$626.19	15.44	$735.96	$175.00	$1,552.59
85 PET	56,000	85	$293.26	15.44	$735.96	$175.00	$1,219.66
81 KEN	58,000	56	$184.50	15.44	$782.84	$175.00	$1,157.78
81 KEN	58,000	57	$184.50	15.44	$782.84	$175.00	$1,157.78
		TOTALS	$3,277.42	$169.84	$7,419.64	$1,750.00	$12,616.90

TRAILERS	WEIGHT		AD VAL	PR REG	GVW		TOTAL
81 REL	60,000	ED92	$61.50	15.44	$829.72		$906.66
77 FRU	34,000	EDP117	$35.06	15.44	$239.08		$289.58
84 LUF	60,000	ED113	$90.34	15.44	$829.72		$935.50
83 LUE	60,000	ED114	$84.86	15.44	$829.72		$930.02
80 LUF	62,000	ED115	$54.75	15.44	$876.60		$946.79
78 CLE	60,000	ED123	$69.00	15.44	$829.72		$914.16
75 HYS	34,000	LB50	$28.88	15.44	$239.08		$283.40
65 CLE	60,000	121	$83.66	15.44	$829.72		$928.82
60 FAG	60,000	FB16	$3.12	15.44	$414.84		$433.40
72 FRU	60,000	FBP130	$3.75	15.44	$414.84		$434.03
71 FRU	64,000	AS196	$65.70	15.44	$461.76		$542.90
54 FRU	64,000	[illegible]68	$21.90	15.44	$461.76		$499.10
85 LUF	60,000	ED120	$72.75	15.44	$829.72		$917.91
83 LOB	40,000	EDP127	$71.28	15.44	$365.64		$452.36
83 LOB	40,000	EDP129	$71.28	15.44	$365.64		$452.36
		TOTALS	$817.83	$231.60	$8,817.56	$0.00	$9,866.99

	AD VAL	PR REG	GVW	RR	TOTAL
TOTAL MONTANA BILL	$4,095.25	$401.44	$16,237.20	$1,750.00	$22,483.89

EXHIBIT #3b
DATE 3-8-93
HB-651

[redacted] PROPOSED

TRACTORS	WEIGHT	UNIT #	AD VAL	PR REG	GVW	RR	TOTAL
85 KEN	118,000	14	$344.86	$15.44	$1,218.03	$175.00	$1,753.34
[illegible] PET	118,000	22	$206.92	$15.44	$1,218.03	$175.00	$1,615.39
91 PET	118,000	31	$225.73	$15.44	$1,218.03	$175.00	$1,634.20
89 FOR	10,000	82	$186.23	$15.44	$13.25		$214.92
80 PET	118,000	83	$273.13	$15.44	$1,218.03	$175.00	$1,681.60
85 PET	118,000	84	$318.65	$15.44	$1,218.03	$175.00	$1,727.13
90 PET	118,000	87	$710.14	$15.44	$1,218.03	$175.00	$2,118.62
90 PET	118,000	88	$710.14	$15.44	$1,218.03	$175.00	$2,118.62
85 PET	118,000	85	$332.57	$15.44	$1,218.03	$175.00	$1,741.05
81 KEN	118,000	56	$210.68	$15.44	$1,218.03	$175.00	$1,619.15
81 KEN	118,000	57	$210.68	$15.44	$1,218.03	$175.00	$1,619.15
		TOTALS	$3,729.74	$169.84	$12,193.57	$1,750.00	$17,843.16

TRAILERS	WEIGHT		AD VAL	PR REG	GVW		TOTAL
81 REL	60,000	ED92		$15.44			$15.44
77 FRU	34,000	EDP117		$15.44			$15.44
84 LUF	60,000	ED113		$15.44			$15.44
83 LUE	60,000	ED114		$15.44			$15.44
80 LUF	62,000	ED115		$15.44			$15.44
78 CLE	60,000	ED123		$15.44			$15.44
75 HYS	34,000	LB50		$15.44			$15.44
85 CLE	60,000	121		$15.44			$15.44
60 PAG	60,000	FB16		$15.44			$15.44
72 FRU	60,000	FBP130		$15.44			$15.44
71 FRU	64,000	AS196		$15.44			$15.44
54 FRU	64,000	[illegible]		$15.44			$15.44
85 LUF	60,000	[illegible]		$15.44			$15.44
83 LOB	40,000	EDP127		$15.44			$15.44
83 LOB	40,000	EDPI29		$15.44			$15.44
		TOTALS	$0.00	$231.60	$0.00	$0.00	$231.60
			AD VAL	PR REG	GVW	RR	TOTAL
TOTAL MONTANA BILL				$401.44	$12,193.57	$1,750.00	$18,074.76

* FEES DO NOT INCLUDE 7% SURCHARGE

EXHIBIT 3b
DATE 3/18/93
HB 651

100 Euclid, Park Fair Mall, PO Box 10382, Des Moines, IA 50306-0382
Phone (515)237-3250 FAX (515)237-3225

December 18, 1992

Mr. John Rothwell, Director
Department of Transportation
2701 Prospect Street
P.O. Box 4639
Helena, MT 59620

Dear Mr. Rothwell:

Trailer exemptions for California and Montana has been a source of discussion at every Motor Carrier meeting I have attended.

The consensus is that states administrators and carriers want to work with both California and Montana to eliminate their trailer exemptions.

When the states approved the exemption for both California and Montana trailer fee it was with the understanding that California and Montana administrators would work with their carriers to eliminate the exemption.

Trailer registration fees are not suppose to be a source of revenue under the IRP plan. In accordance with Section 204 "Apportional Vehicle", the IRP plan fees are suppose to be prorated on the combined gross weight of the power unit, trailer billing is allowed only by exemption.

States and carriers could benefit from permanent trailer plates and credentials. However, your exemption makes all states have to deal with billing their trailer fleets annually. Requiring states and carriers to continue needless work is not going to be tolerated as budgets become tighter.

It was discussed at our regional meeting, a group of carriers would contact California and work with state legislators, state administrators, and California's trucking industry to try and convince them of the need to drop their trailer exemption.

At the AAMVA Regional 3 meeting in Des Moines, States and carriers voted unanimously to draft a ballot to eliminate the trailer exemption. This ballot will be submitted at the motor carrier workshop in the Spring of 1993 for discussion. States and carriers are serious in desire for the elimination of the trailer exemption.

Also, a recent survey conducted by the NGA at the ISTEA working group request, indicated California's and Montana's trailer exemption should be eliminated.

Other states have worked to eliminate their exemptions for the well being of the plan and what makes sense for all states. I know Jim Gentner as the Vice Chair of both the the Motor Carrier Committee, and the Base State Working Group established under the ISTEA would be happy to work with you in getting support to drop your exemption.

If I can give you details I would be glad to discuss this issue further.

Sincerely,

Ruth Skluzacek, Director
Office of Motor Carrier Services
Motor Vehicle Division

RS/ah

cc: Jim Gentner

DRIVER AND VEHICLE SERVICES DIVISION
MOTOR VEHICLE OFFICE
TRANSPORTATION BUILDING
612-296-6911

EXHIBIT 3b
3/8/93
b 51

MASTER FILE COPY

STATE OF MINNESOTA
DEPARTMENT OF PUBLIC SAFETY
SAINT PAUL 55155

DEC 28 1992

December 18, 1992

John Rothwell, Director
Montana Department of Transportation
2701 Prospect Street
P.O. Box 4639
Helena, MT 59620

Dear Mr. Rothwell:

I am writing to confirm that the Montana trailer registration is a concern to Minnesota.

In 1986, Minnesota approved permanent license plates for trailers. This eliminated the annual registration for trailers and placed all of the fees on the power unit for the carrier's benefit and office efficiency. The plate is only for identification. If not for the two remaining trailer states Minnesota would not have any of the following problems, costs, or workload:

1. Additional computer processing time and cost; system has to calculate fees for all of the Minnesota trailers travelling into Montana.

2. Additional processing time and cost for the renewal. Carriers would not have to renew their trailers on the IRP application each year, and Minnesota prorate would not have to do the computer entry.

3. Increased storage space on computer; because of the trailers we do not have enough storage for 2 complete registration years.

4. We are storing information on two systems; all information could be stored on the Motor Vehicle mainframe and eliminated from the Prorate system.

5. Cost; we could eliminate the production of a great deal of trailer plates. Minnesota would not need to produce apportioned trailer plates and maintain separate inventories.

6. Additional cab card costs, mailing, enforcement.

7. Montana's system of split/combined is costly. For example: in time to deal with carrier confusion, rebills, training in office, violations due to our mistakes.

Even though there are two remaining trailer states in the IRP, the elimination of Montana as a trailer state would still benefit Minnesota. A large portion of the Minnesota fleet does not travel in California; so Montana is their only trailer state.

Thank you for your help in this matter.

Sincerely,

Marilyn Gaiovnik

Marilyn Gaiovnik
Prorate & Reciprocity Administrator

CC:
David A. Galt
Motor Carrier Services Division

Clark Martin - AAMVA

EXHIBIT 36
DATE 3/18/93
HB 651

EXECUTIVE SUMMARY

The objective of this project was to review motor vehicle related revenues and highway expenditures in the state of Montana and suggest revisions to the revenue system, as necessary, so that highway costs are paid by motor vehicle operators in proportion to their use of the highway system. The project was divided into two tasks:

1) the performance of a cost allocation study comparing highway revenues collected from specific users with the costs occasioned in providing them with highway service. The objective of this study was to determine if all users are equitably sharing highway costs.

2) the investigation of Montana road user tax policy, subsidies, and vehicle tax/fee/permit schedules. The objective of this investigation is to formulate recommendations, as appropriate, to improve the motor vehicle tax system and to address any inequities in the system identified in the cost allocation study.

Initial effort focused on the first task, that is, the completion of a basic cost allocation study, and this report documents the results of this effort. Work is still underway on the second task and will be documented in a separate report.

This cost allocation study specifically addressed the relative equity of the taxes and fees paid by various highway users to the state of Montana with respect to the expenditures by the state to provide these users with highway service. Highway revenue collected and spent by the federal government was not included in the study. The study considered equity between three broad categories of vehicles, namely, basic, intermediate, and heavy vehicles. Basic vehicles included automobiles, motorcycles, vans, pickups, and any other vehicle with a gross weight less than 10,000 pounds. Intermediate vehicles generally consisted of busses and single unit trucks with two axles and average operating weights less than 26,000 pounds. Heavy vehicles generally consisted of those vehicles with operating weights in excess of 26,000 pounds and included single unit trucks with three or more axles and all truck and trailer combinations. To assess the relative equity of the motor vehicle tax structure, state revenues and expenditures on the highway system over a 4 year period (1988 to 1991) were analyzed and allocated to these three classes of users. An average equity ratio, defined as the ratio of allocated revenue to allocated costs, was calculated for each user group.

Equity ratios less than one indicated under payment by that group for use of the system; correspondingly, equity ratios greater than one indicated over payment for use of the system.

Over the four year study period, it was determined that basic, intermediate, and heavy vehicles were responsible for 64, 10, and 26 percent of highway revenues, respectively. The primary highway revenue considered in the study consisted of (a) collections from gross weight fees, the new car sales tax, and fuel taxes, and (b) disbursements from the coal tax trust fund and the proceeds of bond sales and bond interest. Conceptually, allocation of the former type of revenue, which was directly derived from users, was straight forward. These revenues were allocated to the three classes of vehicles in the manner in which they were collected. The latter type of revenue, of a more general source, was allocated presuming the intent was to provide equal benefit and service to all users. Thus, these revenues were shared "equally" between users based on the relative vehicle miles travelled on the highway system by each class of vehicle.

Basic, intermediate, and heavy vehicles were found to be responsible for 66, 9, and 25 percent, respectively, of the state expenditures on the highway system over the study period. The major highway expenditures considered herein included the costs of the general operation of the Department of Transportation, operation of the Motor Carrier Services Division, highway construction, highway maintenance, bond principal and interest payments, and operation of the highway patrol. Several different methods were used to allocate these costs to the three vehicle classes, based on the specific activities associated with the expenditures involved. Generally, the costs of activities that were independent of the specific vehicle involved were allocated based on relative miles traveled by each class of vehicles. An example of such an activity/cost is the cost associated with signs and traffic signals. Costs that were influenced by the specific characteristics of the vehicles using the system were assigned, as possible, to each user class based on that characteristic of the vehicle. An example of such an item is the cost associated with winter sanding. The frequency that sanding must be repeated in the winter was judged to be related to the number of axle passages rather than the number of vehicle passages over a section of road. Thus, sanding costs were allocated to the vehicle classes based on the relative number of axle miles travelled by each class.

Construction and maintenance costs were a significant part of the total expenditures on the highway system (approximately 66 percent). Construction costs were analyzed using a basic facility approach. The cost of a highway to carry only basic vehicle traffic was uniformly shared across all users based on vehicle miles traveled. Additional costs to carry heavier traffic and vehicle loads were simply added to this cost and were allocated based on the relative physical demand placed on the

EXHIBIT #3b
DATE 3-8-93
SL HB-651

pavement by the vehicles in the various user classes (physical demand was quantified using the AASHTO ESAL concept). Pavement maintenance costs were split into costs occasioned due to weathering and aging related deterioration of the pavement and load related deterioration of the pavement. Weather and aging related costs were shared among users based on the relative miles travelled by each user class; costs associated with load related deterioration were allocated based on the physical demand placed on the pavement by the various vehicle classes. Allocation of both construction and maintenance costs was done individually for each study year and independently for interstate, primary, urban, and secondary highways.

The equity ratios determined from the allocation of state revenues and expenditures on the highway system were 0.96, 1.11, and 1.07, respectively, for basic, intermediate, and heavy vehicles. Thus, basic vehicles relatively under paid for their use of the highway system, while intermediate and heavy vehicles relatively over paid for their use of the system. These results are reasonable, based on the results of cost allocation studies conducted in other states. In evaluating these results, it is important to recognize that these ratios only indicate relative equity between user classes; they do not indicate if the absolute amount of revenue collected is sufficient to cover the absolute amount of expenditures. In the last two years of the study period (1990 and 1991), absolute expenditures on the highway system significantly exceeded revenues.

While these results were determined based on four years of historical data, it is believed they reflect revenue and expenditure patterns that will be valid over the next few years. Note that the Surface Transportation Act passed by the federal government in early 1992 will have an impact on the highway system. This impact is expected to be gradual.

Approaches to modifying the revenue structure to address the inequities in user payments found in this study were tentatively explored. A 400 percent increase in the new vehicle sales tax, for example, resulted in equity ratios between 0.98 and 1.01 for all vehicle classes. Alternatively, increasing the gasoline tax by 22.5 percent ($0.045 per gallon increase) resulted in equity ratios of approximately 0.98 for basic and heavy vehicles. The equity ratio for intermediate vehicles, however, increased from 1.11 to 1.14 in response to this action. Formal recommendations for changing the tax structure can not be formulated without completing a thorough review of the entire motor vehicle revenue structure.

ACKNOWLEDGEMENTS

An advisory committee was formed at the beginning of this investigation to review the study methodology and provide a broad perspective on various study issues. In addition to the authors of the study, committee members included Glenna Obie from AAA Montana, Ben Haavdahl from the Montana Motor Carriers Association, and David Galt from the Montana Department of Transportation. The participation of these individuals in the study process is gratefully acknowledged. The advice and encouragement provided by Keenan Bingham and Robert Garber at the Montana Department of Transportation is also gratefully acknowledged. Without exception, the response of the various divisions of the Montana Department of Transportation to requests for information to support the study were courteous, prompt, and professional.

Special thanks are extended to Russ Law, Chuck Bosch, and the other personnel at the Nevada Department of Transportation who graciously shared their time and expertise with us at the beginning of the study.

EXHIBIT 36
DATE 3/8/93
HB 651

EXECUTIVE SUMMARY

The objective of this study was to review the system used to finance Montana state highways and recommend changes in that system, as appropriate, so that (a) the cost of the system is shared equitably between users, (b) the revenue available is sufficient to cover expenditures on the system, (c) the system is efficient to administer for both users and the state, and (d) the system is consistent with current practices across the nation. Note that throughout the study, only state related revenue and expenditures on the highway system were considered. While state highway expenditure patterns and attendant revenue requirements are influenced by federal activities, the state has only minimal control over these activities. The study does not address possible new funds that will be required from the state to take full advantage of any increase in federal highway funds available on a cost sharing basis under the federal Intermodal Surface Transportation Efficiency Act of 1991.

The study began with a review of present revenue sources for the highway system. Eighty-seven percent of highway revenues are directly derived from users in the form of fuel taxes, gross weight fees, new vehicle sales taxes, and miscellaneous permit fees, fines, etc. Thirteen percent of highway revenue is derived from non-user specific sources and includes interest from the Coal Tax Trust Fund and interest on investments maintained by the Department of Transportation. These sources of revenue were found to be consistent in type and magnitude with those in other states, and generally consistent with the concept that the highway system should primarily be financed by its users.

A review of highway revenue and expenditures by user type indicated that, on a general level, users are equitably sharing the cost of the highway system. A recently completed cost allocation study reported equity ratios (ratio of the percent of total highway revenue collected from a user group to the percent of total expenditures involved in providing that group with highway service) of 0.96, 1.11, and 1.07 for the broad categories of basic, intermediate, and heavy vehicles. Thus, basic vehicles, which consisted of motorcycles, passenger cars, pickups, vans, and recreational vehicles were found to be nominally underpaying their cost responsibility for the highway system. Intermediate vehicles, which consisted of 2 axle single units weighing less than 26,000 pounds, and heavy vehicles, which consisted of 3 and 4+ axle single units and all combination units, were found to be nominally overpaying their cost responsibility for the highway system.

Further study of the equity situation revealed considerable disparities in the share of highway costs borne by different types of vehicles within the broad categories of basic, intermediate, and heavy vehicles. Note that these results are less certain than those obtained on a more general level due to the nature and number of assumptions required to perform the refined analysis. The greatest disparity in user equity occurred in the heavy vehicle category, with a maximum equity ratio of 3.46

for 7+ axle triple trailers and minimum equity ratio of 0.70 for the configuration of 5 axle truck, full trailer. A study was also conducted of the equity of the special gross weight fees available to particular types of vehicles or vehicles engaged in certain activities. Under the present gross weight fee system, pole trailers, lowboys, and livestock haulers; haulers of ready-mix concrete and fertilizer; and many farm vehicles pay 75, 55, and 16 percent, respectively, of the full gross weight fees. These special fees were generally found to be lower than can be justified, based on a comparison of highway use by special fee vehicles with use by equivalent full fee paying vehicles. Recommended changes in these special fee rates consist of:

PROPOSED SPECIAL GROSS WEIGHT FEES

Vehicle Type	Weight	Existing Fee, as a Percent of Full Fees	New Fee, as a Percent of Full Fees
Pole Trailers, Logging Vehicles	Less than or equal to 24,000 pounds	75	90*
	Greater than 24,000 pounds	75	90
Lowboys	Less than or equal to 24,000 pounds	75	100*
	Greater than 24,000 pounds	75	100
Livestock Haulers	Less than or equal to 24,000 pounds	75	70
	Greater than 24,000 pounds	75	100
Ready-Mix Concrete	Less than or equal to 24,000 pounds	55	95*
	Greater than 24,000 pounds	55	95
Fertilizer	Less than or equal to 24,000 pounds	55	35+
	Greater than 24,000 pounds	55	80+
Farm Vehicles	Less than or equal to 24,000 pounds	16	35
	Greater than 24,000 pounds	16	80

* - presently, few vehicles of this type operate at this weight

+ - no information was found on road use by fertilizer trucks, these fees were simply assigned equivalent to those of farm vehicles

Revenues from gross weight fees will increase an estimated 10 percent (approximately $1,400,000 annually), if these fee changes are implemented.

Busses also presently are offered special highway use fees. Busses are charged for their use of the highway system based on number of seats rather than gross weight. A brief analysis of this situation indicated that gross weight fees for busses would be similar in magnitude to the present seat based charges. As the cost of providing highway service is more directly related to gross weight than to number of seats, busses simply should pay normal gross weight fees; seat based charges should be eliminated.

While the cost of the highway system is equitably shared between users (at least at a general level), insufficient total revenue is being collected to meet expenditures. A definite trend in the fiscal situation was observed, with a budget surplus of $15,005,460 from revenue collected in 1988 steadily eroding to a budget deficit of $39,238,516 in 1991. As the present finance system is fairly equitable at a broad level, one approach to addressing this situation is to simply raise user fees within the present system. Possible tax increases were explored that both generated additional revenue and improved user equity. After reviewing the various revenue sources, three alternatives were considered to meet these objectives, namely, (a) increasing the new vehicle sales tax, (b) increasing the gasoline tax (but not the special fuel tax), and (c) increasing both the gasoline and special fuel taxes and decreasing gross weight fees. The effects of any changes in these taxes were evaluated using the historical framework of the cost allocation study.

Increasing the new vehicle sales tax by 400 percent or the gasoline fuel tax (but not the special fuel tax) by 22.5 percent would have generated $18,500,000 in additional average annual revenue, an amount sufficient to cover the average annual deficit, replace the revenue from interest earnings on the cash balance maintained by the Department of Transportation, and replace all other non-sustainable income. Effectively, annual revenue derived from sustainable sources would have covered (and nominally exceeded) annual expenditures. Increasing the new vehicle sales tax 400 percent resulted in equity ratios of 1.00, 1.02, and 0.98 for basic, intermediate, and heavy vehicles, respectively. Equity ratios of 0.99, 1.14, and 0.98 were obtained for basic, intermediate, and heavy vehicles when the gasoline tax was increased by 22.5 percent. If gasoline and special fuel taxes are increased the same amount, approximate equity could be maintained by eliminating gross weight fees from intermediate vehicles and reducing gross weight fees paid by heavy vehicles. Following such a scenario, for example, with a fuel tax increase of 22.5 percent and a 40 percent reduction in heavy vehicle gross weight fees, equity ratios of 0.99, 1.07, and 1.00 were obtained for basic, intermediate, and heavy vehicles, respectively. In all cases, equity between vehicle configurations within the broad vehicle categories was generally unaffected by the changes described above.

While both the equity and revenue situations can be improved by simply increasing tax rates within the existing finance structure, an additional objective of this study was to investigate alternate methods of collecting user fees (particularly gross weight fees) that are more equitable, efficient and compatible with practices in other states than the present system of user fees. One recommendation consistent with all these objectives is the implementation of a power unit based gross weight fee system. Under such a system, fees are assessed using a single schedule based on gross vehicle weight, independent of whether the vehicle is a single unit or a combination. This system will replace the present system in which power units and trailers may be assessed separate fees using different schedules. Power unit based fee assessment is a reasonable approach to meeting highway cost responsibility, in that a trailer can only operate on the highway in conjunction with a power unit. Under the present fee system, an operator with multiple trailers for each power unit may pay full weight fees on trailers that are idle much of the time. The majority of states use a power unit based fee schedule.

The proposed power unit based fee schedule, presented below, is designed to generate fees for each vehicle configuration similar to those charged under the existing system. Thus, the impact of the fee system change on the user should be minimized. Gross weight revenue will decrease an estimated 8 percent (approximately $1,118,186) under the new schedule compared to the existing schedule. This decrease in revenue results primarily from a decrease in the fees charged 3 axle single units. Note that Montana's participation in the International Registration Plan, a program designed to simplify the payment and collection of motor vehicle fees from interstate carriers, may be contingent on the adoption of a power unit based fee system.

Over the next several years, consideration should be given to more fundamental revisions of the highway finance system than discussed thus far. A revised finance system that utilizes only revenue directly derived from users (considered to be the most secure, sustainable form of revenue) was developed herein. User fees in the revised system consist of an annual registration fee for passenger cars ($40), fuel taxes ($0.282 per gallon) for all vehicles, and gross weight fees for vehicles with weights in excess of 48,000 pounds. Careful consideration should be given to possible administrative costs, changes in gross receipts, user dissatisfaction, user evasion, etc., before implementing any or all of this finance system.

EXHIBIT #3b
DATE 3-8-93
HB-651

PROPOSED POWER UNIT BASED GROSS WEIGHT FEE SCHEDULE

Weight	Fee
Up to 6,000 lbs	$ 7.50
6,001 through 8,000	12.50
8,001 through 10,000	17.50
10,001 through 12,000	20.00
12,001 through 14,000	22.50
14,001 through 16,000	27.50
16,001 through 18,000	42.00
18,001 through 20,000	56.50
20,001 through 22,000	62.50
22,001 through 24,000	90.00
24,001 through 26,000	117.50
26,001 through 28,000	145.00
28,001 through 30,000	172.50
30,001 through 32,000	200.00
32,001 through 34,000	227.50
34,001 through 36,000	255.00
36,001 through 38,000	282.50
38,001 through 40,000	310.00
40,001 through 42,000	337.50
42,001 through 44,000	365.00
44,001 through 46,000	392.50
46,001 through 48,000	420.00
48,001 through 50,000	447.50
50,001 through 52,000	475.25
52,001 through 54,000	503.00
54,001 through 56,000	530.75
56,001 through 58,000	558.50
58,001 through 60,000	586.25
60,001 through 62,000	614.00
62,001 through 64,000	641.75
64,001 through 66,000	669.50
66,001 through 68,000	697.25
68,001 through 70,000	725.00
70,001 through 72,000	755.00
72,001 through 74,000	809.75
74,001 through 76,000	871.25
76,001 through 78,000	932.75
78,001 through 80,000	994.25
Per ton or part ton in excess of 80,000 lbs	994.25 + 61.50 per ton

EXHIBIT 4
DATE 3/8/93
HB 651

March 8, 1993
House Bill 651
House Taxation Committee
Statement by Montana Motor Carriers Association

Mr. Chairman. Members of the Committee. For the record my name is Ben Havdahl and I am representing the Montana Motor Carriers Association. MMCA would like to go on record in support of HB 651.

MMCA has carefully reviewed the fairly numerous and varied provisions of House Bill 651 appearing to be a complicated looking piece of legislation that has come together quite well to do the what has to be done in an effective and well thought out manner. We would like to express appreciation to the DOT for their effort in communicating with the industry throughout the formulation of this bill.

To assist our members in their understanding of what the bill does, we prepared a detailed analysis of the bill's provisions with a brief explanation of what they do and why. I have taken the liberty of attaching a copy of that explanation to this statement for the benefit of the committee members.

Representative Wanzenried and Dave Galt of the DOT have laid out the provisions and the bill's effect and purpose to the committee very well. MMCA does not have a great deal to add to the explanation.

We want to confirm the fact that MMCA fully supports the impact on and the importance of Montana continuing its participation in the International Registration Plan. Upwards of 95% or more of the MMCA motor carrier members operate extensively in interstate commerce running equipment in most of the 48 states and Canadian Provinces. Some in all 48 states. The importance of the International Registration Plan to Montana based motor carriers cannot be over stressed. We are in support of necessary changes in the statute to allow complete compliance with the requirements of the IRP compact terms regarding power unit registration of vehicles.

It is a little difficult to stand before this committee and acquiesce support for any kind of tax increase on the trucking industry. MMCA's support of this bill is given with thought in mind regarding the increase in motor fuel taxes by three quarters of one cent per gallon to make the bill equitable and revenue neutral.

MMCA testified extensively before the Senate Taxation Committee on SB257, the bill to increase fuel taxes 4¢ per gallon in 1993 and 3¢ per gallon in 1994. We will be willing to hold in abeyance our extensive testimony on the impact on trucking industry of fuel tax increases of that magnitude when and if the bill is heard by this committee following its consideration by the Senate.

I would like to confirm the position of MMCA regarding Section 15 on page 33 of HB 651. The old schedule III referred to by Dave Galt remains in the statute under the bill as it now reads. This schedule was enacted years ago to accommodate carriers based out of Montana with a large numbers of trailers.

The schedule provides for a tractor and the equivalent of three trailers but applies the GVW fee to only the tractor. When triple trailer operations were authorized to be permitted in 1987, the law required registration under this schedule in addition to increased permit fees. These carriers have informed MMCA that they have no problem leaving the schedule as is for the continued operation of triple trailer combinations in and through the State.

MMCA appreciates the opportunity to comment and express our position on this legislation and urges that this committee report the bill favorably. Thank you.

Major Provisions - Summarized of HB 651
The Bill includes some of the recommendations for modifying Gross Vehicle Weight fees the highway financing of Montana's highway system as a result of the Legislative mandated Montana Highway Cost Responsibility Study. The study was conducted by the MSU under a contract with the MT DOT.

HB 651's major features and provisions are as follows:

(1) Restructures GVW fee, combines separate tractor and trailer fees into one schedule in accordance with recommendations made by the Highway Cost Responsibility Study;

(2) Eliminates the property tax on trailers/semi trailers, 26,000# or more;

(3) Eliminates or reduces discounted GVW fees now allowed for vehicles transporting livestock, logs, poles, low boy trailers, ready mix and farm vehicles;

(4) Assesses a 45 mill property tax on the tractor and/or truck to replace lost revenue from eliminating trailer property tax;

(5) Distributes property tax revenue to counties;

(6) Increases the motor fuel tax on gasoline and diesel by three quarters of one cent to make up the revenue loss to the highway fund;

(7) Assesses GVW fees on buses based on gross weight instead of by number of seats; and

(8) Places fertilizer spreaders in the agriculture fee class.

Repealed Provisions
HB 651 repeals section 61-10-202 of law that establishes a separate title, Title II, for GVW fees that apply to trailers and semi trailers other than house trailers.

HB 651 repeals the sections of the law that grants discounts in the GVW fees to certain classes of vehicles: 61-10-204, fees of 75% for lowboys, livestock, log and pole trailers; 61-10-205, fees of 55% for ready mix trucks; 61-10-207, fee of $7 per seat (not first seven rows) for buses; and 61-10-208, fee for house trailers at .75 per foot.

HB 651 also repeals 61-10-210 providing for a three unit combination fee in lieu of gross weight fees. It is not clear how statute was applied and why.

EXHIBIT #4
DATE 3-8-93
HB-651

Section by Section Description of HB 651

Section 1 amends the personal property tax section 15-6-138 to provide that trailers and semi trailers are exempt from the personal property tax now assessed at 9% as per Section 15-6-201 (1) (v). Section 15-6-201 is the personal property tax exemption statute.

Section 2 amends 15-6-201, which establishes the exempt categories from personal property tax and specifically, in sub paragraph (1) (v), provides that all trailers and semi trailers with a licensed gross weight of 26,000 pounds or more are to be exempt from personal property taxes.

Section 3 amends 15-70-204 raising the tax on gasoline (not aviation gasoline) from 20 cents per gallon to 20 and 3/4 cents per gallon. This is to provide $3 million the lost revenue to the highway fund, estimated at $4 million per year because the bill discounts, by 25%, the new single, tractor only GVW fees, as per recommendation of the Highway Cost Responsibility Study.

Section 4 is a house keeping provision dealing with the temporary fuel permit to non resident agriculture harvesting equipment and amends 15-70-311 to insert language, "motor carrier services division" replacing "gross vehicle weight patrol crew" and has no substantive effect on the bill.

Section 5 amends 15-70-321 raises the tax on special fuel (diesel) from 20 cents per gallon to 20 and 3/4 cents per gallon to provide an additional $1 million per year to the highway fund to replace lost revenue by discounting GVW fees by 25%.

Section 6 amends 15-71-102 house keeping provision dealing with temporary trip permits and inserting term "motor carrier services division personnel" in place of "gross vehicle weight patrol crew" and has no substantive effect.

Section 7 amends 61-1-134, the definition section defining what is and what is not a commercial vehicle. Amends what is not a commercial vehicle to be a vehicle that pays 35% GVW fee, currently 16% GVW fee, under 61-10-206. This amendment establishes that a farm vehicle is still exempt as a commercial vehicle notwithstanding that the GVW fee is changed from a rate of 16% of commercial GVW fee to 35% of the GVW fee.

Section 8 amends 61-3-321, dealing with registration fees of publicly owned vehicles and the amendment excepts trailers and semi trailers over 6,000 pounds from the $10 fee and the additional fee of $5.25 if registered in other jurisdictions and registered under the IRP. This amendment is a housekeeping amendment and has no substantive effect on the bill.

Section 9 NEW SECTION - levies a 45 mill property tax on trucks and truck tractors over 26,000 pounds in addition to all over levies, the average statewide mill levy used under the IRP or the county mill levy.

The 45 mills is to offset the decrease in the amount of property tax caused by the exemption of trailers and semi trailers under 15-6-201 (1) (v). The amendment requires the distribution of the funds in relative proportion to all involved levels of local government.

Section 10 is a housekeeping section dealing with the assessment of the new vehicle sales tax and amending the section 61-3-502 to provide for a 5% collection fee by the counties for collecting the tax. Has no substantive effect on the bill.

Section 11 is a housekeeping amendment to section 61-3-521, amending out the special fee in lieu of property taxes for travel trailers that qualify under 61-10-208 which section is repealed under this bill. Has no substantive effect on the bill.

Section 12 is a housekeeping amendment to 61-10-124, the section dealing with special permits and merely makes a grammatical language change removing "no" individual cargo unit may...... etc. to "an" individual cargo unit "may" not... Has no substantive effect on the bill.

Section 13 is an housekeeping amendment to 61-10-141 dealing with weighing vehicles at scales. It changes minimum weight from 8,000 # to 14,000#; changes "shalls" to "musts"; and adds a statement, "The department may require vehicles over 10,000 pounds to be inspected and weighed by portable scale crews." It also substitutes "motor carrier services" for "gross vehicle weight". Amendments have no substantive effect on the bill.

Section 14 is the heart of the bill. It amends 61-10-201 the section setting out the revised schedule for truck and/or tractor only GVW fees. It, in effect, combines the current schedule for trailers and semi trailers in 61-10-202 and trucks and truck tractors in 61-10-201 into one schedule. 61-10-202, the trailer GVW section, is repealed by the bill. The amended section also assesses the single fee on buses.

Section 15 amends 61-10-203 which sets out an alternative GVW schedule in the law, Schedule III, for tractor/trailer combinations that are registered in an other state. This amendment changes the number, Schedule "III" to Schedule "II" since the original Schedule II, applying GVW fees to trailers only, is being repealed by this bill.

The original Schedule III now in 61-10-203, has been in the law for many years and has been used by large national carriers with large fleets of trailers based outside of the state who have registered those trailers in an other jurisdiction under the International Registration Plan. Montana still gets paid a fee for trailers operated in the State because the fees in Schedule III are based on combining the amount of the fee a single tractor and two and one half trailers. The fees are assessed only on the tractor.

EXHIBIT #4
DATE 3-8-93
HB-651

Also under section 61-10-124 (6) (e), the special permit section, GVW fees for triple trailers are required to be assessed under 61-10-203 and this requirement is not changed by the bill. Carriers operating triple trailer combinations have indicated no interest in changing the present schedule for GVW fees on triple trailers.

Section 16 amends section 61-10-206 which sets out "special fees" for certain farm vehicles to be a fee equal to 16% of the currently assessed fees in Schedules I on truck tractors and in Schedule II on trailers. The bill amends the amount of the percentage from the 16% amount to 35%. This amount is in accordance with the recommendations of the Montana Highway Cost Responsibility Study ordered by the 1991 Legislature.

This section is further amended by including fertilizer spreader trucks and spreaders trailers in the same special fee category as other farm vehicles to be assessed at 35% under this bill provided they are used exclusively to transport and apply fertilizers to fields

Section 17 amends section 61-10-209, now authorizing monthly or quarterly payments of the GVW fees for vehicles exceeding 24,000#, to exclude trailers, pole trailers, and semi trailers and to include buses. This amendment is necessary because of the repeal of GVW fees on trailers and the change in assessing GVW fees on buses from number of seats to gross weight.

Section 18 amends 61-12-201 appoints employees as peace officers and the amendment changes the name of the division from gross vehicle weight to motor carrier services. Amendment has no substantive effect on the bill.

Section 19 amends 61-12-206, offenses for which arrest is authorized, amends the current sections (1) (h) which says sections 61-10-201 through 61-10-215, by adding specific additional sections including:

61-10-203, alternative gross weight fees on triples and other IRP registered equipment;

61-10-206, special fees on certain farm vehicles;

61-10-209, monthly payment or quarterly payment of fees and penalty; and

61-10-211 through sections 61-10-215.

Section 20, New Section, repealer clause.

Section 21, New Section, codification instructions.

Section 22, New Section, effective date, January 1, 1994.

HOUSE OF REPRESENTATIVES
VISITOR REGISTER

TAXATION COMMITTEE BILL NO. SB 399

DATE 3/8 SPONSOR(S) ECK

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Evan Barrett	Butte Local Development	✓	
David Hemion	Helena Area Chamber of Commerce	✓	
Alec Hansen	Mt League of Cities + Towns	✓	
Gordon Morris	Montana ~~Assn of~~ Counties	✓	

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HOUSE OF REPRESENTATIVES
VISITOR REGISTER

_______________ COMMITTEE BILL NO. _______________

DATE _______________ SPONSOR(S) _______________

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Dave Galt	MDT HB651	X	
[illegible]	MT CoTreas Assoc HB651	X	
Ted [illegible]			X
[illegible]	Self HB651		X
David Hemion	Helena Chamber of Commerce SB 399	✓	
[illegible] Kiley	Petroleum Tank Release Comp. Board SB228	✓	
Ronna Alexander	MT Petroleum Marketers SB228	X	
Dan Wirak	[illegible] T&S Co HB651 UL.	X	
Jerry Stephens	MSU HB 651	X	
Ben Havdahl	MT Motor Carriers HB651	✓	
Fred Maker	Superior School Dist	—	
Stuart Doggett	MT Manufactured Housing [illegible] JRV Assoc. HB 651	amendments supported	
Bob ~~Stephens~~	Mt. [illegible] Assn 228		X

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