

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 54th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN CHASE HIBBARD**, on April 5, 1995, at 8:00 a.m.

ROLL CALL

Members Present:

Rep. Chase Hibbard, Chairman (R)
Rep. Marian W. Hanson, Vice Chairman (Majority) (R)
Rep. Robert R. "Bob" Ream, Vice Chairman (Minority) (D)
Rep. Peggy Arnott (R)
Rep. John C. Bohlinger (R)
Rep. Jim Elliott (D)
Rep. Daniel C. Fuchs (R)
Rep. Hal Harper (D)
Rep. Rick Jore (R)
Rep. Judy Murdock (R)
Rep. Thomas E. Nelson (R)
Rep. Scott J. Orr (R)
Rep. Bob Raney (D)
Rep. John "Sam" Rose (R)
Rep. William M. "Bill" Ryan (D)
Rep. Roger Somerville (R)
Rep. Robert R. Story, Jr. (R)
Rep. Emily Swanson (D)
Rep. Jack Wells (R)
Rep. Kenneth Wennemar (D)

Members Excused: None.

Members Absent: None.

Staff Present: Lee Heiman, Legislative Council
Donna Grace, Committee Secretary

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

Committee Business Summary:

Hearing: SB 274
Executive Action: SB 274 - Discussion Only
SB 260 - Tabled
SB 409 - Concurred In as Amended
SB 412 - Concurred In
SB 414 - Tabled
SB 419 - Tabled
SB 424 - Concurred In

{Tape: 1; Side: A; Comments: The opening statement and testimony of first proponents was recorded over due to the tape being incorrectly reinserted.}

HEARING ON SB 274

Opening Statement by Sponsor:

SEN. GERRY DEVLIN, Senate District 2, Terry, said that SB 274 would submit to the voters of Montana an amendment to Article VIII, Section 3, of the Montana Constitution which would limit the increase in property taxes to 2%. The amendment would appear on the ballot at the general election to be held in November 1996. He said his concern was to "head off" efforts to circulate petitions to put initiatives on the ballot.

Proponents' Testimony:

Dennis Burr, Montana Taxpayers Association, agreed with Senator Devlin that it would be a good thing to get something on the ballot. He said the bill had not done too well in the Senate and needed some work. He said the Senate had added the acquired value to the bill and, if that were taken out, it might be more palatable to some people. He said he also thought the percentage limit could be raised and he asked the Committee to consider that. He cautioned that there will be other measures on the ballot if this bill is not passed.

David Owen, Montana Chamber of Commerce, encouraged the Committee to get something on the ballot. He referred to a Montana Chamber of Commerce Legislative Bulletin showing the growth in total state spending. EXHIBIT 1. He said it is time to debate, "How much is enough."

John Shontz, Montana Association of Realtors, said there was a long history of initiatives in Montana. He said the Realtors would support the bill but do not like the acquired value feature which the Senate added to the bill. He predicted that there would be petitions to get initiatives on the ballot and he suggested that the Legislature should prepare to fund publicity opposing those initiatives.

{Tape: 1; Side: A; Comments: Testimony from this point on appears on the tape.}

Jennifer Hill, Montana Stockgrowers Association, rose in support of the bill.

Opponents' Testimony:

Don Waldron, Montana Rural Education Association, said he could not disagree with what had been said; however, he opposes the bill because the local governments have nowhere else to go for income. It takes increases of 3% for them to remain where they are. He agreed that the voters might come up with things that

they wouldn't like but he urged the Committee not to pass the bill because local governments would suffer.

Don Judge, AFL-CIO, said he could sympathize with the taxpayers who are upset but, nevertheless, governments have a responsibility to provide services to the people of Montana. He said they are getting "a pretty good bang for the buck." He suggested that instead of talking about the need to bring down taxes and government spending, the Legislature should be talking about the appropriateness of government services. He called attention to a technical error. What it asks people to vote on is not what the actual language of the resolution says.

Dean Harmon, Roosevelt County Commissioner, stated that the bill was unnecessary because the elected officials at the state and local level conservatively and responsibly manage tax revenues in accordance with the services expected by the citizens. He asked the Committee to give it a do not pass recommendation.

Gordon Kamper, Sheridan County Commissioner, said he recognized that there was a problem but the bill wouldn't fix it. He asked the Committee to oppose the bill.

Luverne Nieskins, Daniels County Commissioner, spoke in opposition to the bill. He said the county commissioners are the ones who have to face the public and answer to them. He said that if the Legislature restricts what the county governments can do, they will have to face the public.

Alec Hanson, League of Cities and Towns, said the cities and towns are not against limits but they do need reasonable limits that will take into account inflation and other fixed costs over which they have no control. He said he would much rather the Legislature, after much deliberation and careful consideration, put something on the ballot than have it just "pop up" without any consideration. There is no way of knowing what the rate of inflation will be in five or ten years and 2% is only about half the rate of inflation at the present time.

{Tape: 1; Side: B.}

Gordon Morris, Director, Montana Association of Counties, commented that the Taxation Committee had made a responsible effort toward overall tax reform during this session. He said there was a need for comprehensive tax reform and there was no need for this resolution to go on the ballot in 1996. The proposal would be impossible to administer. He said his biggest concern was the 2% limitation on taxes and how 2% could be divided up between the local government entities. He said the dialog that is necessary will be accomplished through HB 590 and not through SB 274.

Larry Fasbender, Cascade County Coalition, said it was clear that the bill, as drafted, would not work. He said he was also

concerned that people would propose this sort of a measure, knowing that it wouldn't work. If it does pass, there would be a chaotic situation in the State of Montana in trying to make it work. He said a mandate had been placed on the state by the Supreme Court when it determined that funding of education was unconstitutional. If this is passed, the Legislature will be throwing out what was done to create equity in the schools in Montana. You cannot have equity if there is a mandate on one hand for schools to come up to the 80% level and property taxes must be raised to do that, and on the other hand limit growth to 2%. He said taxes are not being increased inordinately and he pointed out that schools are spending \$125 per pupil less than they were in 1984.

Eric Feaver, Montana Education Association and the Montana Federation of Teachers, rose in opposition to SB 274 and said he was pleased to see that both the opponents and proponents were opposed to the bill in its present form. He urged the Committee to vote no.

James Kembel, City of Billings, opposed the bill.

Bill Verwolf, City Manager, Helena, testified in opposition to the bill. He said the bill appears to be fairly simple and easily accepted proposition but it would be difficult to implement. He agreed that it would be difficult to determine how the 2% would be divided up.

Questions From Committee Members and Responses:

REP. HARPER said that every one of the proponents expressed their reasons for supporting the bill as an effort to "head off" other petitions. He asked the sponsor what made him think the people could put something worse on the ballot than what was contained in the bill. **SEN. DEVLIN** said they have put worse things, such as I-27 or CI-66 and 67, on the ballot in the past and they have come close to passing. His challenge was that he was presenting a vehicle and perhaps the Committee could come up with something better.

REP. HARPER said he had tried to argue that it would have been a good idea to put Rep. Elliott's tax bill on the ballot. The Committee convinced themselves that it wasn't necessarily true. Sen. Harp's bill would also strengthen I-105. His question was why the Legislature does not try to put some sort of workable tax reform proposal on the ballot. **SEN. DEVLIN** replied that there was a question on the ballot during the last election and it was turned down. **REP. HARPER** said a certain segment of the economic sector thought that was unworkable. He asked why it was so difficult for the Legislature to come up with a tax reform proposal that would work. **SEN. DEVLIN** said that in his opinion it was because there was usually a tax increase involved and, as such, people tend to "vote their hip pocket."

REP. ELLIOTT expressed his support of the idea of limiting tax increases before the amendments were put on the bill. He asked if the increase would affect only individuals or if it would include corporations. **SEN. DEVLIN** said it would include everyone. Without objection, **Mick Robinson, Director, DOR**, said the Department's interpretation was that it would include each individual piece of property, no matter what class. **REP. ELLIOTT** asked if any fiscal projections had been made. **Mr. Robinson** replied that the DOR had not done any specific calculations regarding SB 274. **REP. ELLIOTT** said he thought it was irresponsible to put forth a bill without any estimates of the impact.

REP. BOHLINGER said he found the Montana Chamber study interesting. He asked if any information was available that would compare the data with neighboring states. **Mr. Owen** said there wasn't and the study represented a starting point which they hoped to expand upon over time.

REP. HARPER referred to a comment that had been made relative to California's Proposition 13 that "when limits are put on, it shifts the burden to fees." He asked if that was what would happen if the 2% limit was enacted. **Mr. Shontz** said he had heard taxes referred to as a bean bag, "you punch a hole in one place and the beans bubble out somewhere else." He said he thought that was exactly what would happen. A fundamental question is whether services are being provided in a cost-effective manner. He said it was necessary to look at efficiency as well as capping the dollars. He said there had been a great deal of discussion in recent years about the efficiency of the use of tax dollars at the state level. For whatever reasons, cities are spending less, counties are spending a little more, and school districts are spending a lot more.

REP. STORY said he was bothered by the 2% cap and how it would be divided. **Mr. Hansen** said that was a concern because local jurisdictions set their budgets at different times and if there is a 2% cap on all property tax collected, there would be nothing to prevent the first one in line from "eating it up." If some budgets went up 6%, other budgets would have to go down. If this type of legislation is enacted, there would have to be carefully drafted coordination language to prevent that from happening.

REP. STORY asked if a cap on assessed value would be a more workable cap. **Mr. Morris** said any approach in terms of capping the value would be more workable than what is contained in the bill. He said the Governor's Advisory Council had looked at a cap on values and decided that was not the way to go but it was an alternative.

REP. SOMERVILLE said he had some interesting conversations with retired school teachers in the Flathead Valley who had seen property tax increases up to 156% over the last three or four years. He asked if the MEA had a solution to skyrocketing tax

increases. **Mr. Feaver** said the solution is a sales tax. They supported the sales tax as an alternative to the enactment of I-105 and only a handful of people joined them. They have continued to support the sales tax in every instance it has been proposed. They also supported the income tax reform bill passed during the 1993 session which would have ameliorated much of the property tax increase.

{Tape: 1; Side: A; Comments: The tape was inadvertently turned over and the following testimony appears at the beginning of Tape 1A.}

Mr. Feaver said the Legislature's decision has been to equalize school funding with property tax and it is the Legislature's responsibility to come up with a solution to the problem. The Legislature should not "pass the buck" off to the voters.

REP. SOMERVILLE asked **Mr. Feaver** if he had an opinion on the local option sales tax. **Mr. Feaver** replied that he did and it was a mixed opinion. His fear of a local option sales tax would be that it might prohibit a general sales tax. The local option sales tax did not address how to pay for schools and the mix of dollars was not addressed so they did not actively support the bill, but they did not oppose it.

REP. SOMERVILLE asked **Mr. Waldron** what the best solution would be for rural schools. **Mr. Waldron** said **Mr. Feaver** had given a good answer when he said it was the Legislature's responsibility. The counties have different situations and when property values drop, they must still support their schools. Therefore, decisions must be made at the state level.

REP. ROSE asked what the general response of the people of Montana would be to a cap on taxes. **Mr. Hansen** said they would support a cap if it was done right. They would support a sales tax if it was fair. There are solid indications that people would support government if the Legislature could come up with something everyone could agree on. The Legislature has all the authority and the local governments have all the responsibility for providing services and the two must be connected somehow. By telling the local governments they must do something, authority and responsibility are disconnected and that is a major problem.

Closing by Sponsor:

SEN. DEVLIN thanked the Committee for a good hearing. He said that distribution of the tax had been mentioned several times and he stated that it would be distributed the same as it always has been. He said remarks had been made that the bill was unnecessary. He said he believed it was necessary unless the Legislature wanted to look at some "immature piece of constitutional question." One of these years, one of them will pass and it would take two years to rescind it by taking it to the people again to straighten it out. He said he wasn't really fond of the bill but it was a question that should be addressed

during the session. He said the Committee was welcome to amend the bill but an honest effort should be made to show that the Legislature agrees that the property taxes they pay are exorbitant and should be limited.

EXECUTIVE ACTION ON SB 424

CHAIRMAN HIBBARD announced that because of the abbreviated hearing on SB 424 due to time constraints, he had asked Sen. Gage and others testifying at the hearing to be present during executive action in order to answer questions.

Motion:

REP. HARPER MOVED THAT SB 424 DO PASS.

Discussion:

CHAIRMAN HIBBARD asked Sen. Gage to explain the fiscal impact of the bill. **SEN. GAGE** said the Committee should receive a revised fiscal note. He then explained how the local government severance tax would be redistributed within the oil producing counties. **CHAIRMAN HIBBARD** asked whether Fallon County would be able to make up the difference and, if so, how. **SEN. GAGE** said they could use reserves and, under HB 412, there would be an accelerated distribution of local government severance taxes and the county and school districts would be allowed to put it into a special account to be used at their discretion.

{Tape: 2; Side: A.}

REP. ROSE asked if Fallon County could be placed in jeopardy with the passage of this bill. **SEN. TVEIT** said he did not think so because they receive a large amount of oil revenue and, with the Gage amendment, it would soften the initial blow. They would also get money up front under SB 412. He also stated that there was new oil production in Fallon County.

REP. ARNOTT said she understood the schools had done the same thing that Fallon County had done. **SEN. GAGE** said that what Fallon County did was "after the fact" because they knew about the new system of taxation and what they did was in October of 1989. The school levies were set in April of 1989 and the session did not adopt the new system until June or July of 1989 so the schools had no knowledge of what was going on when they set their levies. The school levies were for on-going expenses and Fallon County passed the emergency levy for one-time expenditures.

REP. ELLIOTT spoke to the motion. He referred to the article in the *Fallon County Times* which listed the reasons for voting for the increased mill levy and noted that the article had stated that after the current fiscal year, gross proceeds would be based

on the 1989-90 budget. Quite obviously, someone in Fallon County saw a way to increase its share and the people in the other oil and gas counties didn't. Fallon County may have been smarter than the other counties or they took advantage of a knowledge the other counties did not have. He said he objected to this sort of action and would support the bill.

REP. HANSON noted that she had received more mail on SB 424 than she had ever received on any other issue.

Vote:

On a roll call vote, the motion passed, 17 - 3.

EXECUTIVE ACTION ON SB 274

Motion:

REP. WENNEMAR MOVED THAT SB 274 BE NOT CONCURRED IN.

Discussion:

REP. RANEY said Senator Devlin had made the point that property tax problems in the minds of the citizens have not gone away. If the Legislature doesn't do something, there will be another revolt on the ballot. If there is a way to make this bill acceptable to the Committee, it should be done.

CHAIRMAN HIBBARD said he had received a communication from John Lahr, Montana Power Company, presenting written testimony in support of the bill on behalf of Jerry Pederson, Vice President and Chief Financial Officer, Montana Power Company. He instructed the secretary to enter it into the minutes. EXHIBIT 2.

REP. STORY said he would offer amendments that would attempt to make the bill workable. EXHIBIT 3. The amendment removes the 2% cap and most of the Senate amendments. He said there was also some concern about the wording on the ballot.

Motion:

REP. STORY MOVED THE AMENDMENTS BE ADOPTED.

Discussion:

CHAIRMAN HIBBARD said that if the bill passes and the public approves it, it would give the Legislature the authority to limit property tax increases and/or reduce property taxes.

REP. ELLIOTT said the Legislature already has the authority to increase or reduce property tax but it does not have the authority to reduce values.

CHAIRMAN HIBBARD said that equalization fits in somewhere because the Constitution requires the Legislature to equalize classes of property and this would be a step away from that requirement. There is authority but it is limited.

REP. ELLIOTT asked how closely this paralleled what the Governor's Task Force on taxes wanted to do. **Mr. Robinson** said his position was that any modification to the valuation approach now in use would require constitutional language. The Legislature does have the ability to adjust tax rates and deal with mill levies but does not have the authority to deal with valuation. This would allow the Legislature to deal with all components of property tax. He said the wording in the bill would allow the Legislature to deal with different classes of property in terms of valuation and the extension of income level to a class would be acceptable.

REP. HARPER said that if the people were to pass this, the only thing that would be added would be the Legislature's capability to change valuation. He said he thought that's what CI-28 would have done.

{Tape: 2; Side: B; Comments: Considerable amount of noise in hearing room and coming through open windows made transcription difficult.}

Mr. Robinson replied that CI-28 was very narrow in scope and this bill was very broad and covers the entire spectrum of valuation approaches.

REP. HARPER said his question was whether this bill would encompass the principal that the realtors were fighting statewide in CI-28. **Mr. Robinson** said it covers it totally because it would include acquisition value only as one possibility.

REP. HARPER asked if anyone would want to speculate what the realtors would want to do if the bill passed. **Mr. Robinson** said he was not sure. They stood up as proponents to the bill with the removal of the language they interpreted as acquisition value.

REP. HARPER asked what it would add to the Legislature's credibility if that language was removed. **Mr. Robinson** said he thought the flexibility that was being added, along with the ability to do something other than what is currently done, was significant.

REP. RANEY asked what the meaning of the word "individual" on line 23 referred to. **Mr. Robinson** said that word would have to be modified in terms of the amendment because the DOR's interpretation has always been that they deal with individual pieces of property. He suggested removing the word.

REP. RANEY asked if it would be appropriate to remove "the increase in" on lines 26 and 27 because it makes the sentence

confusing. **Mr. Robinson** said he had not seen a copy of the amendment but he had assumed that the amendment had taken out those words.

REP. STORY said he had concerns about the wording in the last sentence.

REP. RYAN said that in light of what Rep. Harper was speaking to, he would oppose the amendment because it would be unjust.

REP. WELLS commented that the language had changed. The language was broad enough now that it would not be limited to acquisition value and that was the reason the realtors objected to CI-28. They said it would ruin sales and prevent young families from buying houses.

REP. REAM said that in reading the amended sentence and the second sentence immediately following, it seemed that the first sentence didn't do anything and it was the second sentence that would be the effective language. He suggested striking the first sentence.

REP. WELLS said he would agree that it was redundant.

REP. RANEY said Mr. Heiman had told him that the word "individual" was a key word and if the first sentence was taken out, it would limit any action to one class and nothing could be done within a class.

REP. REAM suggested adding "individual" on line 26 before "property."

CHAIRMAN HIBBARD stated that if the Story amendment was passed, the Committee could give further attention to clarification.

REP. HARPER clarified that the amendment would allow the Legislature to adopt an acquisition value method which, in the special session, was passed by both Houses by a two-thirds margin but failed on the ballot.

Mr. Robinson said his interpretation would be that there could be an argument that the natural resources tax could fall into this area and the Legislature already has authority over that tax in terms of how gross receipts are taxed.

REP. REAM asked if there was a problem with eliminating the sentence. **Mr. Robinson** explained that one of the reasons for the language was more from a standpoint of marketing because there needs to be something other than just the valuation, and there has to be a focus on tax. The taxpayers view of the language would be diminished. He would agree it was redundant but it was needed. There is language in the constitution and if that information was presented to voters, the word "tax" had to come in at the beginning of the language so people would be aware that

it would give the Legislature the ability to deal with taxable valuation in addition to what they already can do.

REP. HARPER asked if there would be a potential conflict if they say "the Legislature can unequalize by statute." **Mr. Robinson** said the first sentence refers to the equalization of value and the sentences have to be read in conjunction. As you equalize the value, the Legislature has the ability to limit or reduce the value of any class.

REP. HARPER asked if there could be a conflict in some cases because one says "equalize" and the other says they may "unequalize." **Mr. Robinson** said the second sentence does not say they may unequalize, it says the Legislature can do things differently.

REP. HARPER said this was a big bill and he was trying to dig out the benefits that the bill could provide to the citizens. So far it comes down to the Legislature being able to phase in taxes and the bill should be narrowed. It could open up the potential for a lawsuit because it says the Legislature can do whatever it wants -- and this speaks directly to the amendment.

REP. ARNOTT suggested putting further executive action off to provide an opportunity to work on the language.

REP. STORY said that if any amendments are made, it will have to go through the process of being smoothed out.

REP. WELLS said he did not think there was a conflict. It equalizes the valuation which is a different connotation from "equalizes the value" and valuation would represent the technique. The Legislature will not do anything that creates a great furor and the language should be broad enough that they can do something the public would accept.

REP. ELLIOTT said he would also like to postpone action because he would like to see the language before him before he has to vote on the bill.

REP. REAM said he thought the Committee could go ahead because the change is minor except that it is constitutional language and the ballot language is not consistent with the language in section 1 of the bill.

Substitute Motion:

REP. REAM MOVED TO CHANGE THE SENTENCE IN SUB-SECTION 2, MAKING IT ONE SENTENCE AND SIMPLIFYING THE CONSTITUTIONAL LANGUAGE.

Discussion:

Mr. Heiman read the proposed language of the amendment.

REP. ELLIOTT said he did not understand the language because it was too complex. He said there was no need to compress the language so heavily. He said he agreed with the language and he would vote for the bill but he did not want to vote for the bill with conceptual language in it. Until it was worked out, he said he would vote no on the bill.

REP. REAM WITHDREW HIS MOTION.

Substitute Motion:

REP. ELLIOTT MOVED TO PUT OFF CONSIDERATION OF THE BILL UNTIL THE LANGUAGE HAD BEEN DRAFTED.

Discussion:

REP. ELLIOTT said he was becoming very uncomfortable with the language change.

REP. BOHLINGER said he concurred with Rep. Elliott. He said that until the Committee could actually see the language, it would be impossible to make an intelligent decision and he also requested that action be delayed.

REP. HANSON suggested that Mr. Heiman continue working on the language and action be delayed until later in the meeting.

CHAIRMAN HIBBARD said it seemed to be the feeling of the Committee that satisfactory language should be drafted before voting on it and he postponed further executive action. He appointed Rep. Story, Rep. Harper and Rep. Arnott to a sub-committee to develop the language.

REP. BOHLINGER distributed information on tax value rankings of all states which was prepared by the Chamber of Commerce.
EXHIBIT 4.

{Tape: 3; Side: A.}

EXECUTIVE ACTION ON SB 260

Motion:

REP. REAM MOVED THAT SB 260 BE CONCURRED IN.

Discussion:

REP. HANSON noted that the bill would be another \$400,000 impact on local governments and she thought "we have done about as much damage and we can."

REP. RANEY said the purpose of the bill was wholesome and morally correct. A significant number of people in Montana are addicted to gambling and, while the state and local governments are

profiting, it is a horrible thing and they need help. The gamblers are "flat broke" because they have put all their money into the machines and they can't afford to go for treatment. He said the state is responsible for taking their money.

REP. ORR spoke against the motion because the bill does not get to the root of the problem which is gambling. The bill would provide a "bandaid" and at some point the Legislature must get rid of gambling. All the problems that have been heard will continue and he would rather not try to fix it now and make the hard decision at some point in the future.

REP. JORE said he would agree with Rep. Orr. The bill feeds another addiction which is that the government can fix all the problems.

REP. ELLIOTT said the state has sanctioned gambling because there were financial difficulties and when the state brought in gambling, they made a very bad decision. However, the decision was made and the state will not get rid of it and forego the millions of dollars in tax revenue. It is the state's moral responsibility to take care of the individuals who are "hooked on it." He said he did not agree with Reps. Orr and Jore because government does have a responsibility to people in need. It is entirely appropriate for the state to take some of the money that governments get from gambling and use it to fix some of the problems the state has caused.

REP. HARPER said he had looked at the fiscal note and found that local governments did not oppose this bill because the costs to government and society in general are a direct link to gambling. He noted that gambling problems hurt work habits, lead to suicide, forgery, theft, embezzlement and drug dealing and they are responsible for an estimated \$1.3 billion worth of insurance-related fraud. He said all the studies show that there is a direct link between gambling addiction and costs to society and the taxpayer at large. The legislation would be a cost effective investment for local governments and the State of Montana.

REP. BOHLINGER spoke in support of the motion. He said funding would require only .1 of 1% of the money being forwarded by the people who would benefit from the legislation. It is an important moral consideration and would be the only way out for people who need help with their addiction.

REP. STORY said it was hard to speak against the bill. He said the bill would cost \$400,000 and he had heard that there were 4,000 people needing help -- \$100 a person. He did not see an advantage to setting up another government program where most of the money would go for administration.

REP. ARNOTT spoke against the bill for the same reasons Rep. Ream had opposed the bill. Instead of funding more, consideration should be given to repeal.

REP. RYAN said he was strongly in favor of the bill. The Legislature will not move in the direction of repeal and as long as "we play the game" the concerns must be addressed.

REP. ROSE said he could not support the bill.

REP. HARPER commented that gambling had been repealed in Montana before and he had been a staunch opponent to legalized gambling in any form. However, gambling is here and it's not going away and every community is suffering detrimental consequences. He said the American Insurance Institute estimates 40% of all white collar crime is related to gambling. He said they could not say "someday we'll repeal gambling" because it won't happen in the near future. This bill would try to deal with the impacts.

REP. MURDOCK said she was not opposed to gambling but she was opposed to the bill. The most effective treatment programs for gambling, such as Gamblers Anonymous, are free.

REP. RANEY noted that the gaming industry, the coin operators, the Department of Family Services, the Department of Justice, churches, psychologists had come in to support the bill. Those people saw a need for the legislation.

REP. REAM said there were comments that the money would go into a new program. He said that if the \$400,000 is not put into this program, it will go to feed the addiction of local governments to gambling money. The gambling tax is the most regressive tax in Montana. The bill addresses a real problem and he hoped the Committee would support the bill.

Vote:

On a roll call vote, the motion failed, 11 - 9.

Motion\Vote:

REP. HANSON MOVED TO TABLE THE BILL. The motion passed 11 - 9.

EXECUTIVE ACTION ON SB 414

Motion:

REP. BOHLINGER MOVED TO CONCUR IN SB 414.

Discussion:

REP. BOHLINGER he stood in support of SB 414 because it would provide an incentive to invest more money in foundations that could be earmarked for foundations that are of particular interest to a donor. He said the objections of the opponents could be set aside because, based on the Michigan experience,

people became more philanthropic. It would be a win/win situation for the people of Montana.

REP. RANEY said it might be a good idea, but, in reality, the way the bill was written, if a person is in a tax bracket where he can afford to make contributions, out of \$100 the donor would contribute \$35 and the government would contribute \$65 so two out of the three dollars donated would be government dollars.

REP. HARPER said he would agree with Rep. Bohlinger but he was concerned about the "cannibalism" effect. He would support the cultural advocacy amendments so that what was done for one organization would be done for all organizations. EXHIBIT 5.

Motion:

REP. HARPER MOVED THE AMENDMENTS BE ADOPTED.

Discussion:

CHAIRMAN HIBBARD said the substance of the amendments are to broaden the legislation to include all foundations.

REP. REAM asked what the fiscal impact would be. He said he had asked the people from Michigan about the credit they have for university and college support. That preceded the community foundation tax credit. Montana has a 10% credit on the books for colleges and universities. He asked if those foundations existing under current statute would be covered under the amendment. **Mr. Robinson** said he thought the language was broad based and the donor would have a choice.

{Tape: 3; Side: B.}

REP. SWANSON said she supported the general idea of broadening the scope of foundations to be included and, in order to lower the cost, she suggested lowering the percentage rate of the credit. The model was based on Michigan and they had a very strong community foundation which Montana does not have and it may not be applicable to Montana. She asked for a definition of community foundations and why it was limited to community foundations.

Without objection, **Clark Pyfer**, said there were very good reasons. Community foundations are a unique kind of vehicle that serve as an umbrella for many endowments. The danger of broadening it is that it would take away another tool for the United Way and other organizations to take advantage of professional management, accounting and auditing. The control stays with the community that sets it up. He said he was surprised that there was opposition to the bill. If the bill was amended it would be unworkable and would be killed if it was not limited to community foundations.

REP. SWANSON said that if the organization qualifies under 501(3)(c), it should not be more difficult to administer. **Mr. Pyfer** said the reason was the economy of scale. In the case of small endowments, administrative costs can eat up all of the earnings.

REP. SWANSON said she would resist limiting it to community foundations.

REP. REAM asked if the other large foundations were considered when the legislation was drafted. **Mr. Pyfer** said he was a member of the Investment Committee for the Carroll Foundation and they have found that the economy of scale does exist. He suggested that they start with community foundations and, at the end of two or four years, they consider expanding it to other foundations. He emphasized that local control is retained by all funds in the foundation.

REP. ROSE asked if Mr. Pyfer believed the community foundations would not have an impact on the University of Montana or other foundations. **Mr. Pyfer** replied that he believed they would have a positive impact on all charities because that was the experience in Michigan. Montana does not have a reputation for being high on the list for giving.

REP. ORR said he recognized the need for more information but he objected to any further questions because of time constraints.

REP. HARPER said it was hard for him to accept the logic that if the bill was passed, he would write two checks and double the amount he was contributing.

REP. SWANSON said she would ask that Mr. Heiman look at the amendment on lines 23 - 27 and make sure that it was clear. **Mr. Heiman** said (b) and (c) were specific to the community foundation and, if the bill is amended, the words "community foundation" on line 23 should be replaced with "general endowment funds" and sub-sections (b) and (c) would be struck.

REP. ARNOTT said the amendments would have such a significant impact on the fiscal note, it would be impossible to pass the bill. If it is passed, it should have a contingent voidness clause on it.

Substitute Motion:

REP. ARNOTT MOVED THAT THE AMENDMENTS NOT BE ADOPTED.

Substitute Motion for all Pending Motions:

REP. HARPER MOVED THAT THE AMENDMENTS BE AMENDED WITH THE LANGUAGE SUGGESTED BY STAFF COUNSEL AND ADOPTED.

Discussion:

REP. HARPER said the reason for his motion was to look at the 50% allowance, but the amendments would allow for a level playing field for all charities. He said United Way had opposed the bill.

Mr. Heiman read the amendment as amended.

REP. HARPER said he was sensitive to the arguments. The community foundation offers the most efficient way possible to get the best return on money and individuals will invest with them.

CHAIRMAN HIBBARD asked what the cost would be. Mr. Robinson guessed that the amount would double. Unless there are some constraints, a number of endowments might be set up to channel operating money into an endowment to be used for operating expenses at a later date. He said 50% is a significant credit and expansion would lead to a significant tax loss to the state.

REP. ELLIOTT said "we aren't getting anywhere with this bill." He commented that a tax credit is a powerful tool in government. In this particular case it has a six to one advantage over taking a tax deduction. It would be possible to save \$6 in taxes for every \$1 saved if the deduction was taken. He said the idea of community foundations is good, they presently enjoy the same advantage as any other charity -- the tax deduction -- and he did not think they should have such a strong competitive advantage over other charities.

REP. HARPER advised that if the motion passed, he would go back and adjust the amount of the credit.

Vote:

On a roll call vote, the motion failed, 10 - 9. Rep. Ream abstained.

Motion/Vote:

REP. ELLIOTT MOVED TO TABLE SB 414. On a roll call vote, the motion passed, 11 - 9.

EXECUTIVE ACTION ON SB 419

Motion:

REP. WENNEMAR MOVED THAT SB 419 BE CONCURRED IN.

Discussion:

REP. MURDOCK said she would support the bill. She noted that the bill did not have a fiscal note and it should have.

{Tape: 4; Side: A.}

REP. HANSON said she would vote against the bill because, if a native American chooses to live on his own reservation, he should be exempt; but if he chooses to work or reside somewhere else, he should be "in the same boat with the rest of us" and pay taxes.

REP. REAM said it was his understanding that the bill would implement what had been the situation in case law. He asked about the situation where a tribal member from outside the state works on a Montana reservation. He asked if the individual would be exempt from income tax. **Mr. Robinson** said the wording in the bill states that a native American who is a member of a federally recognized tribe, performing work on any Montana reservation, whether they are from another state or not, would be exempt from Montana tax. **REP. REAM** asked if the bill would implement what has already been established by the courts. **Mr. Robinson** said that was a difficult question. The testimony referred to a 1978 Montana Supreme Court case that basically exempted native Americans on reservations. The Department's position in moving to a change through Administrative Rule was based on a U.S. Supreme Court decision regarding Indian issues on reservations outside of Montana. He said the Department's view is that the courts' determination is going more toward the idea that "a native American must be a member of a federally registered tribe of that reservation in terms of exemption of taxes."

CHAIRMAN HIBBARD asked if the bill would liberalize that position beyond the Supreme Court decision. **Mr. Robinson** said that is the DOR's interpretation of the U.S. Supreme Court case. He said there are arguments on both sides.

REP. STORY said he understood that the tax policy dealing with Indians on reservations was intended to be political policy and not a racial policy. As long as a tribal member was on their own reservation, they were in their own sovereign nation and that is why they weren't taxed but once they left their nation they were just like any other citizen. By implementing this legislation, "you go back and look not as a tribal member as a member of a political sub-division but as a member of a racial class and apply that to all tribal members" and he would oppose the bill on those grounds.

REP. RYAN spoke in favor of the bill because it is a sovereignty issue, not a political issue. They should be exempted from state tax according to agreements reached in the past.

HOUSE TAXATION COMMITTEE

April 5, 1995

Page 19 of 23

REP. HARPER stated that the current situation is that if a tribal member marries a member of another tribe, the spouse's income would be taxed. Mr. Robinson said that was correct.

REP. ELLIOTT said he did not see this bill as a racial issue. He said that if a member of one sovereign nation is working on another sovereign nation, Montana laws should not apply.

REP. JORE said he had no strong feelings in opposition to the bill, but pointed out the inconsistencies that had led up to the introduction of the bill. He said the concept of sovereign nations is compromised consistently by the fact that tribal members are citizens of the State of Montana. He said 30% of his district are tribal members and he must represent them and he will vote against the bill on principal because he could not in good conscience support a bill that is unequally applied to all his constituents. He said 80% of the tribal people, who are considered citizens of the State of Montana, take advantage of the schools, roads and other government services, but are exempt generally from all the taxes. This causes a lot of animosity when a school election comes up and tribal members are entitled to vote, when very few are subject to the property taxes they are voting to increase.

Vote:

On a roll call vote, the motion failed, 11 - 9.

Motion\Vote:

REP. HANSON MOVED TO TABLE THE BILL. On a voice vote the motion passed, 13 - 7.

{Comments: Recorder was not turned off during break in Committee deliberations.}

EXECUTIVE ACTION ON SB 409

Motion:

REP. ARNOTT MOVED THAT SB 409 BE CONCURRED IN.

Discussion:

REP. STORY said he thought the bill was a good idea. The only way a school can take advantage of the legislation is to separate their bus fleet or have one that runs only dyed fuel and some that don't ever run dyed fuel.

REP. ELLIOTT asked what a non-sectarian school-related purpose would be. Without objection, Bill Salisbury, Administration Division, Department of Transportation (DOT), replied that it would be something that people do now with school busses. They

would be owned by the school and take kids to camps that aren't associated with a school activity, YMCA camps, transporting adults to various functions, and numerous other activities that school busses are used for that are not related to school activities.

REP. ELLIOTT asked if taking a football team from a sectarian school to a game with a non-sectarian school would be a non-sectarian school related service. Mr. Salisbury said that would be school-related because, even though it is a sectarian school, the DOT has interpreted that it would not be connected with religious activities.

REP. ELLIOTT said he had serious misgivings about the bill because it mixes church and state.

REP. RYAN asked if it would be possible to administer this bill by offering a credit similar to that offered to operators of stationary special fuel engines that do not have auxiliary fuel tanks. Mr. Salisbury said it would not be possible.

{Tape: 4; Side: B.}

REP. RYAN said he did not see the same element of fear that Rep. Elliott did. He said it was a matter of fairness and would affect a minimum number of schools. He would support the bill.

CHAIRMAN HARPER suggested an amendment to add the word "solely" on line 25 before "non-sectarian" to make sure the loophole would be closed and, if any of the schools want to use a bus "solely" for non-sectarian school-related purposes, they could. EXHIBIT 6.

Motion:

REP. HARPER MOVED THE AMENDMENT.

Discussion:

REP. ARNOTT asked if there actually was a loophole. Mr. Heiman said he did not know if it could be considered a loophole, but adding the word "solely" would clarify the language.

Vote:

On a voice vote, the motion passed unanimously.

Discussion:

REP. ARNOTT said schools use their busses to take kids to school and school-related activities and rarely take kids to church camp which would be an activity to which the bill would not apply. If they did, they would be using the fuel illegally.

REP. NELSON said his recollection of the testimony was that the Manhattan Christian School contracts with the local public school district to bus kids and the bill would allow them to lower their costs and, in turn, lower the cost of transportation for the public schools. He said he thought they could do that with separate busses and he would support the bill.

CHAIRMAN HIBBARD said he understood that a sectarian school, picking up students to go to and from class, could use the dyed fuel which is the non-taxed fuel. If they used the busses to take students to a religious camp, they would not be allowed to use the dyed fuel.

REP. STORY said he did not agree because the only thing they could use dyed fuel for was activities that had nothing to do with religion.

Mr. Salisbury said the situation exists today in public schools. Whether a school owns a vehicle or they are under lease, they do not allow the refund if they take students or the public on charter trips for any sort of activity. He said they do allow the refund for public schools who use the busses for school-related activities such as games and music conferences.

CHAIRMAN HIBBARD asked how the Department would keep track of how the fuel was used. **Mr. Salisbury** said the Department would probably spend more money auditing than the schools would save from the tax.

REP. RANEY said he did not like the bill.

REP. HARPER said his understanding was that it is the opinion of the DOT that any school that has been accredited pursuant to 27-102 is not necessarily a sectarian school.

REP. ELLIOTT said it concerned him that the bill would cost more to administer than it would create tax benefits and, for that reason, he would speak against the bill. He said he thought the bill represented bad governmental policy.

REP. STORY suggested an amendment that would clear up the language by striking out "non-sectarian" and inserting "that are of a non-sectarian nature" after "school related purposes." He said that would describe the purpose and clear up some of the ambiguity.

Motion:

REP. STORY MOVED THE ADOPTION OF THE AMENDMENT.

Discussion:

REP. REAM said it didn't clarify anything for him.

REP. STORY said the determination had already been made by the DOT that children can be bussed to a non-public school using tax exempt fuel. He said the bill addresses transporting children to church-related activities and has nothing to do with the school.

REP. HARPER said that when he offered the amendment to add the word "solely" it would make sure that if a school had a bus that was used solely for purposes other than transporting children to and from school, they would be tax exempt. Now his understanding was that transportation to and from school was something outside the scope and if it was something the Legislature could legalize, he would not support it because that would clearly be a public subsidy of a religious institution.

Vote:

On a voice vote, the motion failed.

Discussion:

REP. ELLIOTT said the bill, according to Mr. Salisbury, was drafted to allow busses that haul kids to school to use tax-exempt fuel. It is constitutionally illegal in the State of Montana to expend public money for sectarian purposes. The bill is an "end-run" attempt to run around the Constitution by not charging the tax in the first place. It would have the same effect as giving a tax refund.

{Tape: 5; Side: A.}

Motion\Vote:

REP. ARNOTT MOVED THAT SB 409 AS AMENDED BE CONCURRED IN. On a roll call vote, the motion passed, 11 - 9.

EXECUTIVE ACTION ON SB 412

Motion:

REP. ELLIOTT MOVED THAT SB 412 BE CONCURRED IN.

Discussion:

None.

Vote:

On a voice vote, the motion passed unanimously.

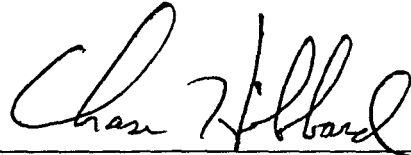
HOUSE TAXATION COMMITTEE

April 5, 1995

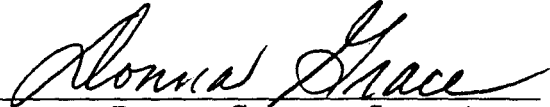
Page 23 of 23

ADJOURNMENT

Adjournment: 12:30 p.m.



CHASE HIBBARD, Chairman



Donna Grace, Secretary

CH/dg

HOUSE OF REPRESENTATIVES

Taxation

ROLL CALL

DATE April 5, 1995

NAME	PRESENT	ABSENT	EXCUSED
Rep. Chase Hibbard, Chairman	✓		
Rep. Marian Hanson, Vice Chairman, Majority	✓		
Rep. Bob Ream, Vice Chairman, Minority	✓		
Rep. Peggy Arnott	✓		
Rep. John Bohlinger	✓		
Rep. Jim Elliott	✓		
Rep. Daniel Fuchs	✓		
Rep. Hal Harper	✓		
Rep. Rick Jore	✓		
Rep. Judy Rice Murdock	✓		
Rep. Tom Nelson	✓		
Rep. Scott Orr	✓		
Rep. Bob Raney	✓		
Rep. Sam Rose	✓		
Rep. Bill Ryan	✓		
Rep. Roger Somerville	✓		
Rep. Robert Story	✓		
Rep. Emily Swanson	✓		
Rep. Jack Wells	✓		
Rep. Ken Wennemar	✓		

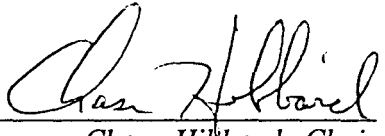


HOUSE STANDING COMMITTEE REPORT

April 5, 1995

Page 1 of 1

Mr. Speaker: We, the committee on **Taxation** report that **Senate Bill 409** (third reading copy -- blue) be concurred in as amended.

Signed: 
Chase Hibbard, Chair

Carried by: Rep. Barnett

And, that such amendments read:

1. Page 1, line 25.
Following: "pupils"
Insert: "solely"

-END-

Committee Vote:
Yes 11, No 9.

781357SC.Hbk



HOUSE STANDING COMMITTEE REPORT

April 5, 1995

Page 1 of 1

Mr. Speaker: We, the committee on **Taxation** report that **Senate Bill 412** (third reading copy -- blue) **be concurred in.**

Signed: _____

A handwritten signature in cursive script, appearing to read "Chase Hibbard", written over a horizontal line.

Chase Hibbard, Chair

Carried by: Rep. Elliott

Committee Vote:
Yes 20, No 0.

781359SC.Hbk



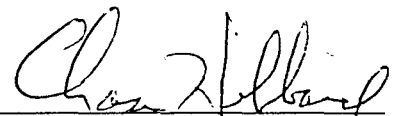
HOUSE STANDING COMMITTEE REPORT

April 5, 1995

Page 1 of 1

Mr. Speaker: We, the committee on Taxation report that **Senate Bill 424** (third reading copy -- blue) be concurred in.

Signed: _____


Chase Hibbard, Chair

Carried by: Rep. Elliott

Committee Vote:
Yes 17, No 3.

781400SC.Hbk

HOUSE OF REPRESENTATIVES

ROLL CALL VOTE

DATE 4/5/95 BILL NO. 424 NUMBER

MOTION: do ~~pass~~ concur

NAME	YES	NO
Vice Chairman Marian Hanson		✓
Vice Chairman Bob Ream	✓	
Rep. Peggy Arnott	✓	
Rep. John Bohlinger	✓	
Rep. Jim Elliott	✓	
Rep. Daniel Fuchs	✓	
Rep. Hal Harper	✓	
Rep. Rick Jore	✓	
Rep. Judy Rice Murdock		✓
Rep. Tom Nelson	✓	
Rep. Scott Orr	✓	
Rep. Bob Raney	✓	
Rep. Sam Rose	✓	
Rep. Bill Ryan	✓	
Rep. Roger Somerville	✓	
Rep. Robert Story	✓	
Rep. Emily Swanson	✓	
Rep. Jack Wells	✓	
Rep. Ken Wennemar	✓	
Chairman Chase Hibbard		✓

Elliott to Carry

17

3

HOUSE OF REPRESENTATIVES

ROLL CALL VOTE

DATE 4/5/95 BILL NO. 260 NUMBER

MOTION: do pass

NAME	YES	NO
Vice Chairman Marian Hanson		✓
Vice Chairman Bob Ream	✓	
Rep. Peggy Arnott		✓
Rep. John Bohlinger	✓	
Rep. Jim Elliott	✓	
Rep. Daniel Fuchs		✓
Rep. Hal Harper	✓	
Rep. Rick Jore		✓
Rep. Judy Rice Murdock		✓
Rep. Tom Nelson	✓	
Rep. Scott Orr		✓
Rep. Bob Raney	✓	
Rep. Sam Rose		✓
Rep. Bill Ryan	✓	
Rep. Roger Somerville		✓
Rep. Robert Story		✓
Rep. Emily Swanson	✓	
Rep. Jack Wells		✓
Rep. Ken Wennemar	✓	
Chairman Chase Hibbard	✓	✓

HOUSE OF REPRESENTATIVES

ROLL CALL VOTE

DATE 4/5/95 BILL NO. SB 414 NUMBER

MOTION: Harper Amend

NAME	YES	NO
Vice Chairman Marian Hanson		✓
Vice Chairman Bob Ream	<i>Abstain</i>	
Rep. Peggy Arnott		✓
Rep. John Bohlinger		✓
Rep. Jim Elliott		✓
Rep. Daniel Fuchs		✓
Rep. Hal Harper	✓	
Rep. Rick Jore	✓	
Rep. Judy Rice Murdock	✓	
Rep. Tom Nelson	✓	
Rep. Scott Orr		✓
Rep. Bob Raney	✓	
Rep. Sam Rose	✓	
Rep. Bill Ryan		✓
Rep. Roger Somerville	✓	
Rep. Robert Story	✓	
Rep. Emily Swanson		✓
Rep. Jack Wells	✓	
Rep. Ken Wennemar		✓
Chairman Chase Hibbard	✓	

HOUSE OF REPRESENTATIVES

ROLL CALL VOTE

DATE _____ BILL NO. ^{SB} 414 NUMBER _____

MOTION: Table (Elliott)

NAME	YES	NO
Vice Chairman Marian Hanson	✓	
Vice Chairman Bob Ream		✓
Rep. Peggy Arnott	✓	
Rep. John Bohlinger		✓
Rep. Jim Elliott	✓	
Rep. Daniel Fuchs		✓
Rep. Hal Harper		✓
Rep. Rick Jore	✓	
Rep. Judy Rice Murdock	✓	
Rep. Tom Nelson	✓	
Rep. Scott Orr	✓	
Rep. Bob Raney		✓
Rep. Sam Rose		✓
Rep. Bill Ryan		✓
Rep. Roger Somerville	✓	
Rep. Robert Story	✓	
Rep. Emily Swanson		✓
Rep. Jack Wells	✓	
Rep. Ken Wennemar	✓	
Chairman Chase Hibbard		✓

11

9

HOUSE OF REPRESENTATIVES

ROLL CALL VOTE

DATE 4/5/95 BILL NO. 419 NUMBER

MOTION: Concur

NAME	YES	NO
Vice Chairman Marian Hanson		✓
Vice Chairman Bob Ream	✓	
Rep. Peggy Arnott		✓
Rep. John Bohlinger	✓	
Rep. Jim Elliott	✓	
Rep. Daniel Fuchs	✓	
Rep. Hal Harper		✓
Rep. Rick Jore		✓
Rep. Judy Rice Murdock	✓	
Rep. Tom Nelson		✓
Rep. Scott Orr		✓
Rep. Bob Raney		✓
Rep. Sam Rose	✓	
Rep. Bill Ryan	✓	
Rep. Roger Somerville	✓	
Rep. Robert Story		✓
Rep. Emily Swanson		✓
Rep. Jack Wells		✓
Rep. Ken Wennemar	✓	
Chairman Chase Hibbard		✓

9

11

HOUSE OF REPRESENTATIVES

ROLL CALL VOTE

DATE 4/5/95 BILL NO. SB409 NUMBER

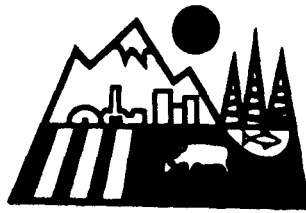
MOTION: Arnott do pass as amended

NAME	YES	NO
Vice Chairman Marian Hanson	✓	
Vice Chairman Bob Ream		✓
Rep. Peggy Arnott	✓	
Rep. John Bohlinger	✓	
Rep. Jim Elliott		✓
Rep. Daniel Fuchs	✓	
Rep. Hal Harper		✓
Rep. Rick Jore	✓	
Rep. Judy Rice Murdock	✓	
Rep. Tom Nelson	✓	
Rep. Scott Orr	✓	
Rep. Bob Raney		✓
Rep. Sam Rose		✓
Rep. Bill Ryan	✓	
Rep. Roger Somerville	✓	
Rep. Robert Story		✓
Rep. Emily Swanson		✓
Rep. Jack Wells	✓	
Rep. Ken Wennemar		✓
Chairman Chase Hibbard		✓

4/5/95

TAXATION

I LEAVE MY PROXY WITH REP.
JORE ON ALL MOTIONS, AMENDS
AND BILLS. S. J. Du

EXHIBIT 1DATE 4/5/95HB SB 274**MONTANA CHAMBER OF COMMERCE**

P. O. BOX 1730

• HELENA, MONTANA 59624 •

PHONE 442-2405

Legislative Bulletin • Montana Chamber of Commerce

Dec. '93

Pg.#3

HOW MUCH IS ENOUGH?

SECTION 2: STATE SPENDING AS A PERCENT OF THE ECONOMY.

It is difficult to determine how much of the state's economy should be used for funding education, welfare, highways, regulations, and other government activities. One of the problems in linking government expenditures to the size of the economy is the inverse cause and effective relationship that currently exists. As the economy declines, demands for public assistance increase leaving government leaders with a choice between shifting funding from education, environmental protection or other areas to social services or spending increased amounts of the state's income. The table below shows the percentage of Montana's economy (as measured by non-farm labor income) consumed by total state spending (as measured by total state spending, including self funded programs and money raised through fees adjusted by federal revenue) from 1979-1991.

TABLE II GROWTH IN TOTAL STATE SPENDING AND NON FARM LABOR INCOME

YEAR	EXPENDITURES*	NON-FARM LABOR INCOME	STATE SPENDING AS	
	(% incr.)	(in thousands \$)	(% incr.)	% OF THE ECONOMY
1979	731,934,338	4,490,592		16.29
1980	786,493,589 (7.45)	4,764,240	(6.1)	16.51
1981	880,088,719 (11.9)	5,149,170	(8.1)	17.09
1982	1,020,207,434 (15.9)	5,282,262	(2.6)	19.31
1983	1,135,778,973 (11.3)	5,581,841	(5.7)	20.34
1984	1,193,282,591 (5.1)	5,918,176	(6.0)	20.16
1985	1,317,593,983 (10.4)	6,057,809	(2.3)	21.75
1986	1,438,953,125 (9.2)	6,074,715	(0.3)	23.69
1987	1,445,329,017 (0.4)	6,242,009	(2.7)	23.15
1988	1,456,657,963 (0.8)	6,526,180	(4.55)	22.32
1989	1,535,157,462 (5.3)	6,865,307	(5.2)	22.36
1990	1,592,585,841 (3.7)	7,265,739	(5.8)	21.91
1991 ^f	1,865,572,852 (17.1)	7,700,698	(6.0)	24.22
Overall incr: 154.9%		Overall incr: 71.5%		

* - Information from the Montana Historical Revenue & Expenditures Report: Fiscal Years 1979-1991 by Legislative Fiscal Analyst. Calculated by subtracting Federal Revenue (p20) from Total State Spending (p45).

Even though the chart above clearly demonstrates that state spending is taking a larger share of non-farm labor income, it does not tell us what the appropriate limit should be. In other words, how much is enough? This will be left to the Governor, Legislature and the advocacy of many groups including the Montana Chamber.

EXHIBIT- 2
DATE 4/5/95
~~SB~~ SB 274

MEMORANDUM

TO : Members of The House Taxation Committee
FROM : John Lahr
DATE : April 5, 1995
RE : Senate Bill No. 274

Mr. Pederson is absent and unable to give testimony today and I am delivering his testimony in written form for the Committee Members.1

SENATE BILL 274 -- April 5, 1995

- Chairman, Members of the Committee, I am Jerry Pederson, a Vice President and the CFO of the Montana Power Company and Subsidiaries.
- I am here today in support of Senate Bill 274.
- MPC and its Subsidiaries are substantial taxpayers within the State of Montana. In 1994, the total taxes paid to state and local governments was \$87 million. We estimate that amount to be over 5% of all taxes collected in Montana.
- Property taxes are the largest component of taxes we pay the state. In 1994, they amounted to \$52.2 million.
- Annual growth in property taxes is one of the most serious business problems we face. That is especially true in our utility businesses where lengthy rate cases are needed to include this significant, ever-increasing cost in rates.
- Let me put this increase in property taxes in perspective.
 - Over the last 3 years, MPC's revenues have increased 14% to over \$1 billion.
 - Assets also increased 14% to over \$2.5 billion.
 - Payroll to Montana employees, coincidentally, also increased 14% to over \$125 million annually.
 - However, property taxes increased twice that rate -- 32% over the same three years.

- And income the company earned? It increased less than 5%.
- Of the 32% increase in property taxes over the last 3 years, about half (15%) was due to mill levy increases. The other half was due to changes in property valuation and property additions.
- We understand SB 274 is intended by its sponsors to apply to centrally assessed utility property as well as to other business property. For MPC and its ratepayers that would at least reduce the impact of mill levy increases to 2%.
- We certainly believe limiting property tax increases is a step in the right direction, and we urge you to pass Senate Bill 274.

EXHIBIT 3
DATE 4/5/95
SB 274

Amendments to Senate Bill No. 274
Third Reading Copy

For the Committee on Taxation

Prepared by Greg Petesch
April 5, 1995

1. Page 1, line 23.

Strike: "shall" through "unless,"

Insert: "may be limited"

2. Page 1, lines 24 through 26.

Following: "LAW" on line 24

Strike: remainder of line 24 through "ELECTORATE" on line 26

THE TAX-VALUE RANKINGS

THESE RANKINGS ARE DERIVED FROM A BASKET OF 14 service-quality indicators provided by 11 government and private sources. All data is from 1992 or later.

We started with total state and local taxes as a percentage of per capita income. By calculating state and local taxes in this manner, we eliminated distortions caused by differing income levels between the states. The result is seen under the heading "tax bite." Each state's tax bite was converted into a tax-cost score ranging from 1 to 11.

We then produced a state-benefit score by assessing each state's performance in five major areas—education, welfare, health and hospitals, highways, and law enforcement. For each state-benefit category the chart includes data for a single crucial measure. We also factored in the following:

- **Education:** In addition to student-teacher ratio, average ACT or SAT score (depending on which has the greatest market share in the state) and the number of students in public colleges and universities as a percentage of all students.
- **Welfare:** In addition to high school graduation rates, the percentage of residents living below the poverty level. Since welfare is associated with economic opportunity, we also used two indicators from the Corporation for Enterprise Development. One measured a state's business-development capacity, the other its tax and fiscal systems.
- **Health and hospitals:** In addition to immunization rates, infant-mortality rates (a traditional worldwide indicator of health) and public hospital beds per 100,000 residents.
- **Highways:** In addition to first-class miles, the percentage of bridges in the state that are functionally obsolete.
- **Crime:** In addition to arrest rates, the crime rate per 100,000 residents (including murder, rape, and aggravated assault).

To arrive at the state-benefit score, we weighted the five categories based on the national averages for government expenditures compiled by the Advisory Commission on Intergovernmental Relations: education, 49 percent; welfare, 21 percent; health and hospitals, 13 percent; highways, 11 percent; and law enforcement, 6 percent. Thus high marks in education carried the most weight. Other expenditures, such as each state's costs for debt service and administration, were not included. The weighted scores for each category were converted into the state-benefit score, ranging from 1 to 11, with 11 being the best. The tax-cost and state-benefit scores were added together to arrive at the total score, which is seen in the first column of the table. In the event of a tie, states are listed alphabetically.

Finally, to help voters figure out how their state reins in spending, we have included fiscal-discipline notes. A 1 means the state requires voter approval for tax hikes; 2 means a legislative supermajority is necessary to pass a tax hike; 3 means the state has tax and spending limits in place; and 4 means the state has no fiscal-discipline mechanisms whatsoever. Where numbers are shown in parentheses, taxpayers will vote on these measures this November. —J.B.

Tax value score	State	Tax bite (% of income)	Tax-cost score	Students per teacher	% high school graduates	% 2-year olds fully immunized	% highway miles rated first class	% violent crimes in arrests	State benefit score	Fiscal discipline
19	Wyoming	8.7%	9	14	89%	58%	35%	38%	10	4
18	Alaska	7.9	10	17	89	53	21	27	8	3
17	Nebraska	10.1	7	13	88	65	30	14	10	4
16	Colorado	9.2	8	20	87	61	41	44	8	1, 3
16	Kansas	9.4	8	15	87	58	29	31	8	4
16	Montana	8.8	8	16	86	53	28	41	8	3 (1, 2)
16	Nevada	8.1	10	20	85	42	23	29	6	3 (2)
15	New Hampshire	8.8	8	17	86	79	65	44	7	4
15	North Dakota	8.9	8	14	81	58	15	29	7	4
15	Wisconsin	11.6	4	16	85	61	69	58	11	4
14	Alabama	7.6	10	20	76	57	53	33	4	4
14	Delaware	7.5	10	24	82	53	39	14	4	2, 3
14	Iowa	10.6	6	15	85	52	45	26	8	4
14	Oregon	9.9	7	19	85	47	38	29	7	3 (1)
14	South Dakota	8.3	9	15	80	56	23	36	5	2
14	Virginia	8.7	9	22	81	58	56	48	5	4
14	Washington	9.9	7	22	89	51	46	26	7	1, 3
13	Idaho	9.8	7	19	83	49	13	51	6	3
13	Maryland	9.3	8	24	83	57	66	29	5	4
13	Minnesota	11.3	5	20	86	61	22	25	8	4
13	Missouri	8.1	10	18	80	44	37	20	3	3 (1)
13	Tennessee	7.4	11	21	72	70	57	22	2	3
12	Kentucky	9.3	8	18	74	60	45	84	4	4
12	New Jersey	10.7	6	17	82	50	46	44	6	4
12	Ohio	9.5	7	19	83	51	38	26	5	4
12	Oklahoma	8.3	9	18	80	44	33	29	3	1, 2, 3
12	Texas	8.9	8	18	77	56	26	29	4	3
11	Arkansas	9.0	8	16	75	42	29	36	3	2
11	Florida	8.9	8	20	80	49	42	33	3	2 (1)
11	Illinois	9.6	7	20	79	61	47	10	4	4
11	Indiana	9.4	8	19	79	56	43	24	3	4
11	Maine	11.3	5	14	85	65	38	72	6	4
11	New Mexico	9.9	7	20	79	55	18	16	4	4
11	West Virginia	9.1	8	17	69	48	41	44	3	4
10	Arizona	11.1	5	24	84	49	45	36	5	2, 3
10	North Carolina	9.5	7	18	75	58	46	56	3	3
10	Pennsylvania	9.2	8	20	80	58	29	45	2	4
10	Utah	10.4	6	26	90	36	25	40	4	3
9	California	10.2	6	28	80	48	37	42	3	2, 3
9	Connecticut	12.3	3	16	84	59	62	59	6	3
9	Louisiana	8.8	8	21	74	58	46	26	1	2, 3
9	Massachusetts	10.2	6	19	85	65	25	30	3	3
9	Michigan	10.5	6	21	82	61	35	32	3	3
9	Mississippi	8.9	8	20	72	58	44	18	1	2
9	Rhode Island	10.5	6	18	74	68	30	74	3	3
9	South Carolina	9.1	8	18	73	56	49	15	1	3
9	Vermont	11.3	5	14	85	68	17	17	4	4
8	Georgia	9.5	7	22	75	51	75	24	1	4
6	Hawaii	13.1	2	24	87	61	34	45	4	3
3	New York	14.1	1	20	81	56	58	32	2	4
11	National average	10.0	7	20	75	56	38	33	4	

Sources: Advisory Commission on Intergovernmental Relations, American Hospital Association, Bureau of the Census, the Cato Institute, Centers for Disease Control and Prevention, the College Board, Chronicle for Higher Education, Corporation for Enterprise Development, Federal Bureau of Investigation Uniform Crime Reports, Federal Highway Administration, Market Data Retrieval, Morgan Quitno, National Center for Health Statistics

EXHIBIT 5
DATE 4/5/95
~~HB~~ SB 414

MONTANA CULTURAL ADVOCACY AMENDMENTS TO SB NO. 414

1. page 1, lines 16-18
delete: lines 16-18
2. page 1, line 30 and page 2, lines 1-2
delete: page 1, line 30 and page 2, lines 1-2
3. page 2, line 13
after: "fund"
delete: "of a community foundation"
4. page 3, line 2
after: "endowment"
delete: "of a community foundation"
5. page 3, lines 6-7
after: "fund"
delete: "of a community foundation"

Without the amendments the MCA must oppose SB No. 414. MCA strongly endorses the concept of providing financial incentives through tax credits for all not-for-profit organizations, not just community foundations. Why would a business corporation give to the general endowment of a community theater or museum when a tax credit is available only when giving to the Montana Community Foundation? Other cultural groups want to control their own resources rather than having to "pass the donation through" a community foundation. Passage of SB 414 without these amendments would give legislative endorsement to one cultural group over another without any justification for doing so. Tax policy should discriminate only when there is a rational and justifiable reason.

K. Paul Stahl
Chair, Montana Cultural Advocacy

EXHIBIT. 6
DATE 4/5/95
~~HB~~ SB 409

Amendments to Senate Bill No. 409
Third Reading Copy

For the Committee on Taxation

Prepared by Lee Heiman
April 5, 1995

1. Page 1, line 25.
Following: "pupils"
Insert: "solely"

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Location _____ COMMITTEE _____ BILL NO. SB 274
 DATE 4/5/95 SPONSOR(S) Sen. Melvin

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Don Waldron	MREA	SB 274	✓	
Larry Fashender	Cascade Coalition	SB 274	✓	
W. James Kembel	City of Billings	SB 274	✓	
Eric Allen	MEA	274	X	
John Chalee	M.F.T	274	X	
John Alam	MPC	274		X
Gordon Morris	MAAC	274	X	
Walter Herma	Roosevelt County	274	X	
Laverne Neeskins	Daniels Co.	274	X	
Gordon Kampen	Sheridan Co	274	X	
Bill Verwolf	City of Helena	274	✓	
J. Shantz	MT Assoc REDWOOD	274	X unless commented	
Don Judge	MT STATE AFL-CIO	SB 274	X	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS
 ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Laxation COMMITTEE BILL NO. SB 274
DATE 4/5/95 SPONSOR(S) Sen. Keelin

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
John Youngberg	MT Farm Bureau	274		X
Jennifer Hill	MSGIA	274		X
CANDACE Torgerson	Mont. Cattle Women	274		X
David Owen	MT Chamber	274		✓

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.