

MINUTES

MONTANA SENATE 54th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By MIKE FOSTER, VICE CHAIRMAN, on January 27,
1995, at 8:00 a.m.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Mike Foster, Vice Chairman (R)
Sen. Mack Cole (R)
Sen. Delwyn Gage (R)
Sen. Lorents Grosfield (R)
Sen. John G. Harp (R)
Sen. Dorothy Eck (D)
Sen. Barry "Spook" Stang (D)
Sen. Fred R. Van Valkenburg (D)

Members Excused: SEN. GERRY DEVLIN

Members Absent: None

Staff Present: Jeff Martin, Legislative Council
Renée Podell, Committee Secretary

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

Committee Business Summary:

Hearing: SB 161, SB 176
Executive Action: None

HEARING ON SB 176

Opening Statement by Sponsor:

SEN. GREG JERGESON, SD 46, Chinook, stated greater than anticipated revenues from gasoline, and diesel taxes represent a windfall to the Highway State Special Revenue Account, a windfall created by Montanans paying the fourth highest gasoline and diesel taxes in the nation. SEN. JERGESON acknowledged according to the fiscal note for SB 176, would return \$31 million per year to the Montana economy. He reported we have an opportunity to reduce taxes, improve Montana's economy, and restore faith in Montana's legislature.

Proponents' Testimony:

Ben Havdahl, Montana Motor Carriers Association, presented written testimony in support of SB 176. **EXHIBIT 1.**

SEN. JOHN HARP, SD 42, Flathead Valley, commented it was appropriate that the chief sponsor of the fuel tax increase two years ago should support the idea of reducing the fuel tax because of changes in the earmarked account, and at the same time offer an alternative. **SEN. HARP** presented an amendment to SB 176. **EXHIBIT 2.** He supported **SEN. JERGESON'S** effort to reduce the fuel tax in Montana if the amendment is passed in the committee. He stated his amendment doesn't speak to additional spending, but to taking care of indebtedness. He discussed the amendment, explaining in 1993, a major highway bonding program was passed, and Montana continues to pay those bonds off. **SEN. HARP** commented the indebtedness could be reduced by \$40 million this year. He stated **SEN. JERGESON** has a good idea. **SEN. HARP** said he wants to add to the bill by saying let's take care of our indebtedness, and add to a program that is funded well and is looking toward the future of Montana.

Maureen Cleary-Schwinden, WIFE (Women Involved in Farm Economics), disclosed most of the WIFE membership are from the North Eastern part of the state with a lot of miles between the North Eastern corner and Helena. She acknowledged support for the positive statement this bill will represent to the hard working people of Montana, and urged a do pass on SB 176.

Bob Stephens, Montana Grain Growers Association, stated last session the association opposed the gas/diesel fuel tax, but they support SB 176.

Marvin Dye, Director, Department of Transportation, submitted written testimony regarding the department's long range plan. He said the department supports this bill with the proposed amendment. **EXHIBIT 3.**

Carl Schweitzer, Montana Contractors Association, stated the association supports the bill with the amendment offered by **SEN. HARP.**

Russ Ritter, Washington Contractors Association, Missoula, and Westran Transportation Company, supports **SEN. HARP'S** amendment.

POINT OF ORDER: **SEN. FRED VAN VALKENBURG** said, "It's obvious from listening to at least the last three speakers that there is a charade going on here. These are not proponents of this bill, and the chair ought easily recognize that these are opponents to the bill who are testifying. If they want to give opponent testimony, and suggest the amendment, they certainly have the right to do that, but they shouldn't be allowed to characterize themselves or take up the time of the proponents to this bill."

SEN. MIKE FOSTER stated, "**SEN. VAN VALKENBURG,** the chair, of course, appreciates your input. I guess, I am surprised by your

concerns. I just left a committee myself, where this very same thing went on with one of my bills. In it's original form it wasn't quite what some people could support. I offered some amendments, and people stood up instead of opposing the bill they said, "With the amendments, I speak in favor of the bill". I don't think this is an unusual occurrence in the legislature. I will proceed."

Jack Gunderson, former legislator appearing as a consumer, presented an article from the Great Falls Tribune. **EXHIBIT 4.** He stated his primary concern is the diversion of the highway tax money over the years. **Mr. Gunderson** commented as a farmer he is more dependent on good roads all the time.

Lorna Frank, Montana Farm Bureau, stated the bureau was opposed to the gas/diesel tax increase last session, but they support SB 176. **Ms. Frank** said if there is a surplus in this fund, it should be refunded to the people who put the money into it.

Ken Hoovestol, Montana Snowmobile Association, and the Montana Voting Association, reported he originally came here this morning to oppose the bill, but after hearing the proposed amendment he will support the bill if the amendment is adopted.

Opponents' Testimony:

Jerry Driscoll, Montana State Building and Construction Trade Council, commented if the bill passes, in about four or six years the Trust Fund for construction won't work anymore. He said the interest earnings off the trust fund go to the General Fund, and if this tax is lowered the General Fund will be affected. **Mr. Driscoll** stated if you want good roads you have to pay the tax. He attested the federal government is matching 87% to the state's 13%, which could mean \$200 million in the highway construction industry in six years. He asked the committee to kill the bill.

Gordon Morris, Director, Association of Counties, presented written testimony on behalf of **Vern Petersen, Chairman, MACo Transportation Committee**. **EXHIBIT 5.**

Dave Stahly, Montana Consultants, shared his views developed by a survey of two separate committees, the Helena Area Chamber of Commerce Streets and Highways Committee, and the Highway Department Consulting Engineers Liaison Committee. He stated he opposes the original bill, but favors the amendment.

Kim Milburn, Public Works Director, City of Helena, commented the main concern with this bill is there is already under-funding in this area for road, and street repairs. He stated currently \$20 million of needed repairs have already been identified. **Mr. Milburn** said he hasn't seen the proposed amendment.

Steve Turkiewicz, Executive Vice President, Montana Auto Dealers Association, and Montana Highway Users Association, stated it is

not prudent at this time to reduce the ability to strengthen investment in Montana's major transportation system. He urged a do not pass on SB 176, as introduced.

Informational Testimony:

None

{Tape: 1; Side: A; Approx. Counter: 48.0.}

Questions From Committee Members and Responses:

SEN. DELWYN GAGE asked Mr. Dye how much (percentage wise) of the highway contracts have gone to out-of-state companies. Mr. Dye referred the question to Tom Barnard (Department of Transportation). Mr. Barnard reported he would get data for SEN. GAGE. SEN. GAGE asked Mr. Barnard how many engineers the Highway Department lost as a result of the early retirement incentive. Mr. Barnard responded about 100 engineers took early retirement. He acknowledged more and more contracts are being awarded to private consultants.

SEN. VAN VALKENBURG questioned Mr. Dye in regard to SEN. HARP'S amendment with respect to the outstanding debt the department manages. He asked Mr. Dye if there was any need for the passage of legislation of any kind for the department to pay off that debt or reduce it by \$40 million by the end of this year. Mr. Dye stated the department could at anytime reduce it's outstanding debt. SEN. VAN VALKENBURG asked Mr. Dye if he needs SEN. HARP'S amendment to reduce the debt. Mr. Dye said he doesn't need the amendment. SEN. VAN VALKENBURG asked SEN. HARP if SEN. JERGSON offered a floor amendment to HB 171, and it had a contingent voidness condition in it, would you support that amendment. SEN. HARP stated, "no". He explained HB 171, deals with a one time surplus that occurred in the 1995 biennium. He said his amendment goes for the long term, reducing a indebtedness, and not have an increase in taxes for a decade. SEN. HARP acknowledged the reason he offered the amendment was to put the department on notice that the legislature wants \$40 million reduced in debt service before the fuel cost could be put into effect. SEN. VAN VALKENBURG commented the effect of the amendment SEN. HARP is offering would be absolutely no reduction in either the gasoline or diesel fuel tax if the department reduces it's outstanding indebtedness by \$40 million by the end of this year. He asked SEN. HARP if that was correct. SEN. HARP stated, "if we don't put the \$40 million towards indebtedness, and take care of our long term costs, the fuel reduction will not take effect." SEN. VAN VALKENBURG discussed the hearing on HB 171, in regard to Senators talking about the need to restore public trust, and confidence in the legislature. He remarked this was the reason the committee acted quickly, and maybe even without considering other very valid uses of the money, but the public trust and confidence was so low. SEN. VAN VALKENBURG asked SEN. HARP if public trust and confidence would be restored by proposing to reduce fuel taxes by 4.3¢ per gallon

respectively, and then "pulling the rug out from under people" by saying the highway department managed their money better, so we are going to leave those taxes in effect forever. **SEN. HARP** answered, "Yes".

SEN. GAGE asked **Mick Robinson** if he could get numbers for the committee in regard to what effect this bill would have on income tax. **Mr. Robinson** replied he would research it.

SEN. VAN VALKENBURG asked **Mr. Dye** about high priority routes, and if the amendment will enable the department to avoid compliance with quotas. **Mr. Dye** responded, "No". **SEN. VAN VALKENBURG** asked **Mr. Dye** when the projects will be completed by virtue of the adoption of this amendment. **Mr. Dye** stated he can't give the exact completion date, and referred to the department's published ten year plan. He said the amendment allows the department to accelerate in order to get them done sooner, and to bring in new high priority projects. **SEN. VAN VALKENBURG** asked **Mr. Dye** by virtue of passage of this amendment will any of the projects be completed within this biennium. **Mr. Dye** answered there are projects that will be let this biennium. **SEN. VAN VALKENBURG** commented, "what you are telling me is this amendment is really meaningless." **Mr. Dye** stated he didn't understand. **SEN. VAN VALKENBURG** said, "What you are telling me is it doesn't matter whether this amendment passes or not, your plans in your department are not affected by the passage of this amendment." **Mr. Dye** responded, "I don't believe that is correct."

Closing by Sponsor:

SEN. JERGESON stated he pondered during the hearing what his reaction would be, and how he would maintain his good humor. He said the opponents are well organized with a carefully scripted amendment to his bill that reaches new heights, the kind of behavior on the part of politicians that the public is complaining about. **SEN. JERGESON** remarked the amendment magically is able to turn tax consumers into supporters of a bill to reduce the taxes for their programs. He commented this language will never reach the Governor to be signed because of the contingent voidance provision. He disclosed the contingent voidance provision language is found in the joint rules, and the rules say the Governor won't get the bill to sign or veto, and if he can't sign it, this language can't go in the statutes. **SEN. JERGESON** opposed the proposed amendment. He stated a contingent voidance clause is not needed. He urged a do pass on SB 176 without the amendment.

HEARING ON SB 161

{Tape: 1; Side: B; Approx. Counter: 11.0.}

Opening Statement by Sponsor:

SEN. BARRY "SPOOK" STANG, SD 36, St. Regis, stated SB 161, is a fairness issue for those people who own motorcycles in this

state. He acknowledged SB 161, will put motorcycles on equal footing with snowmobiles and motor homes. He commented the bill proposes to assess a flat fee based on the age of the vehicle. **SEN. STANG** commented many people don't use their motorcycles year round because Montana weather doesn't permit it, therefore they pay a full years tax on a vehicle that is used only part of the year. He stated he didn't sign the fiscal note because the assumptions didn't have a lot of figures in them.

Proponents' Testimony:

Jill Z. Smith-Mcguire, A.B.A.T.E. of Montana, presented written testimony in support of SB 161. **EXHIBIT 6.**

Dal Smilie, presented written testimony supporting SB 161. **EXHIBIT 7.**

Rich "Doc" English, Viet Nam Vets Motorcycle Club, supports SB 161, in the interest of fairness to motorcycle riders.

Jeff Wuerl, A.B.A.T.E. of Montana, commented this bill will level the playing field.

George Lane, spoke in support of SB 161.

Lloyd Hefferman, Coordinator of the Helena Chapter of A.B.A.T.E., stated he pays \$96.00, to license his 1984 Chevrolet Suburban vehicle, and \$158.63, to license his 1984 Harley Davison. He asked the committee to make taxation a little more fair.

Bud Schoen, Motor Vehicle Division, Deer Lodge, commented the division likes the bill because it is a flat fee, and it simplifys the registration of motorcycles. He presented a schedule for fees in lieu of taxes for different recreational vehicles. **EXHIBIT 8.**

Carla McDonnell stated she owns a 1988 Dodge she licensed for \$130.00, and she licensed her 1981 Sportster for \$160.00. She urged a do pass on SB 161.

Mike Tolon disclosed he has two motorcycles which cost him about \$150.00 each to license. He urged the committee to pass SB 161, as a matter of fairness.

Tom Harwood remarked he doesn't have any motorcycles, just trail bikes, but he is in favor of SB 161, for the reasons already stated by the proponents. He acknowledged some confusion on Page 13, Line 24, of the bill in regard to peddle cycles and street legal ATV's.

Dennis Miller commented he would like to see this bill passed because it makes it equitable for recreation vehicles.

Gary Hibbert said he puts 7,000 or 8,000 miles a year on his .

truck which costs \$145.00 to license, and only uses his motorcycle approximately three or four months out of the year (about 3,500 miles a year), and it costs \$150.00 to license. **Mr. Hibbert** commented he would like to see this bill passed.

James Bernet submitted written testimony in support of SB 161.
EXHIBIT 9.

Opponents' Testimony:

None

Informational Testimony:

None

Questions From Committee Members and Responses:

SEN. VAN VALKENBURG asked **Mr. Schoen** if the information he is going to provide to the committee will include effects on local governments. **Mr. Schoen** said he can provide the information for the 2% tax on motorcycles (same as passenger cars) provided during calendar year 1994. **SEN. VAN VALKENBURG** questioned **Mr. Schoen** in regard to the county option tax applying to motorcycles. **Mr. Schoen** said the county option tax does not apply to motorcycles.

Closing by Sponsor:

SEN. STANG stated this is a fairness issue. He said the reason he didn't sign the fiscal note is he had concerns with the effects on the county and the state. He stated as soon as he gets the requested information an informed decision can be made.

ADJOURNMENT

Adjournment: 9:35 a.m.


MIKE FOSTER, Vice Chairman


RENEE J. PODELL, Secretary

GD/rp

MONTANA SENATE
1995 LEGISLATURE
TAXATION COMMITTEE

ROLL CALL

DATE _____

January 27, 1995

[illegible]

SEN:1995
wp.rollcall.man
CS-09

Statement Of Montana Motor Carriers Association
To The Senate Committee On Taxation
On SB 176 - Diesel Fuel Tax Decrease

SENATE TAXATION
DATE January 27, 1995
HOUSE NO. 1
BILL NO. SB 176

Mr. Chairman and members of the Committee. For the record, my name is Ben Havdahl representing the Montana Motor Carriers Association. MMCA has some 450 motor carrier members who will be impacted positively by the enactment of a reduction in the diesel fuel tax rate. It is our position that if in fact there is a surplus of highway funds, then why not seriously consider a reduction in the diesel fuel tax rate?

This kind of action is not unprecedented in this session. Consideration is being given to reduction in personal property taxes. Surplus general fund taxes are being refunded to taxpayers. So why not a diesel fuel tax rate reduction for the benefit of truckers and other commercial users who can use the economic benefit represented by the action?

MMCA's position on this bill was determined with continued full support for the highway program in Montana. When I testified on behalf of MMCA in support of a 4 cent per gallon diesel fuel tax increase in the 1993 session under SB 257, I said the motor carrier industry's policy is to support the needed funding for the necessary construction and maintenance of the major primary highway system and the Interstate highway system in the State.

I also said, the highway funding position of the motor carrier industry is to support the maximizing of available federal aid moneys, including the full funds available under ISTEA.

We supported an effective maintenance program. We supported the funding the Reconstruction Trust Fund at the then proposed funding level for the biennium. That is still the our policy. Notwithstanding our position for support of a 4 cent rate increase, the tax rate was raised by 7 cents per gallon to 27 3/4 cents, the third highest in the country. It was projected to raise approximately an additional \$7 million per year for the highway fund from diesel fuel taxes.

At the same time MMCA opposed the diversion of fuel taxes and GVW fees for non-highway construction use including diversion of highway taxes for funding functions of government in the Department of Justice and others. We still do.

According to figures by the MT DOT, between \$14 and \$15 million per year is diverted there. In fact in 1994 only 65.9% of all highway user taxes was available to the MT DOT for construction of highways. In 1995 that percentage dropped to 61.8%. It appears that more and more the highway fund is becoming our government's cash cow for other than highways.

Also in the 93 session, MMCA supported HB 539 changing the diesel fuel taxable incident to the wholesale level so motor carriers and others with supply tanks, would pay the State diesel fuel tax "up front" when purchased.

Prior to that, motor carriers with bulk storage, purchased diesel fuel tax free and paid the tax quarterly by filing reports and proof of purchase as the fuel was consumed on the highways.

Since the great bulk of the fuel was used on the highway, carriers virtually paid all the tax due on the diesel fuel consumed. Only very small amounts are used by carriers for off highway use. An example is the fueling of refrigeration units on trailers. The change was supported by MMCA. The fact is that most truckers purchase fuel at truck stops in Montana and pay the tax, up front, at the time of those purchases.

The fiscal note on that bill estimated the net revenue increase from diesel fuel taxes would be \$1.7 million in Fiscal 94 and \$3.4 million in 95. The actual increase was \$17.2 million in FY 94 alone, according to DOT figures. That included a diesel fuel tax increase of 4 cents per gallon for that year accounting for some \$4 million of the increase. The balance of some \$13 million, the equivalent of a 13 cent per gallon diesel fuel tax, was generated in the single year as a result of changing the taxable incident.

Total diesel fuel collections in FY 93 were \$26.2 million. Total diesel fuel tax collections in FY 94 were \$43.4 million. This same level of diesel fuel tax collections is projected by the Department through the year 2006.

The DOT commented on the source of the increase in diesel fuel tax collections in their "Report to the 54th Legislature" saying that the old method presented a clear potential for tax evasion with the buyer simply claiming the bulk purchase was for off-highway use and avoid the tax, then used the vehicle on the highway.

So it seems to us that there is in fact an unexpected significant gain and surplus funds from diesel fuel taxes in the highway fund.

MMCA was told by the Department that it plans to use the surplus funds to accelerate the payment of the bonded indebtedness incurred for highway construction, among other highway program uses. The plan to pay the bonds off by the year 2000 instead of 2006 has come about primarily as a result of the increased revenue from diesel fuel taxes.

This is an important policy decision to be made by this Legislature. It also seems to MMCA that it is equally important for this Legislature to consider a tax rate reduction for the 450 business operations represented by our members plus all the other diesel fuel users who pay the taxes.

We ask the question, would this Legislature approve a tax increase to pay off construction bonds early? It is our feeling that it probably would not. A reduction in the diesel fuel tax rate would send out a strong signal for this Legislature's continuing effort to avoid increased taxes and lessen the impact of government.

It appears that many of the opponents of this bill are highway users of gasoline and not diesel fuel. MMCA has no problem if gasoline tax rates are not reduced and left at current levels if that is the decision of this Legislature.

A tax rate differential between gasoline and diesel fuel can be justified. Congress enacted different rates for the two fuels. The current federal diesel fuel tax is 20¢ per gallon, six cents higher per gallon higher than gasoline taxed at 14¢ per gallon. Why not consider a reverse of that differential for Montana?

Lowering of the diesel fuel tax rate would be consistent with the recommendations in the 1993 Montana Highway Cost Responsibility Study requested by the Legislature and completed by MSU.

The study concluded that "basic vehicles", autos and pick- ups, were underpaying (with a ratio of .96) and intermediate and heavy vehicles were overpaying (with ratios of 1.11 and 1.07 respectively) their respective highway cost responsibilities. The basic vehicle primarily consumes gasoline.

The study was made prior to the change in fuel tax rates and changes in the diesel fuel taxable incident.

A one cent decrease in diesel fuel translates to a \$200 annual savings to a Montana motor carrier operating a typical five axle truck trailer combination. A five cent decrease would be a savings of \$1,000 per year per truck.

In 1993, MMCA completed a compilation of 286 intrastate motor carrier reports showing revenues and expenses for the year filed with the Public Service Commission. The bottom line reflected an average operating ratio for the 286 carriers of 98.31% or a net profit of 1.69%. Not a very great return. Total taxes paid by carriers as an expense, were a significant cost item.

The picture was the same for individual commodities by motor carriers including cement, fertilizer, general commodities, household goods, livestock, lumber, oil field products, special commodities and petroleum. Now action by Congress, effective the first day of this year, has deregulated all those commodities except household goods, creating an even greater economic uncertainty for those Montana carriers.

MMCA is aware of the economic benefits from highways in Montana. Many jobs are created. However the trucking industry would hope to be able to continue creating new jobs in Montana as well. We feel strongly, that action to reduce any and all taxes affecting motor carriers is an effective way for this Legislature to continue to express its support for continued growth and economic viability of the industry. Thank you.

DATE January 27, 1995NO. 2FILE NO. SB176

Amendments to Senate Bill No. 176
First Reading Copy

Requested by Senator Harp
For the Committee on

Prepared by Greg Petesch
January 26, 1995

1. Title, line 5.

Strike: "AN"

Insert: "A CONTINGENT"

2. Title, line 6.

Following: "DATE"

Insert: "AND A CONTINGENT VOIDNESS CONDITION"

3. Page 2, line 27.

Strike: "Effective"

Insert: "Contingent effective"

Following: "date"

Insert: "-- contingent voidness"

Following: "."

Strike: remainder of line 27 through "1995"

Insert: "(1) Because debt service savings would be applied to accelerate statewide high priority projects in the department of transportation construction program including but not limited to projects on US 87, US 93, US 2, MT 200, MT 16, and MT 59, [this act] is void if the department of transportation reduces outstanding bonded indebtedness by \$40 million by December 31, 1995.

(2) If the department of transportation does not reduce outstanding bonded indebtedness by \$40 million by December 31, 1995, [this act] is effective January 1, 1996. "



Montana Department
of Transportation

2701 Prospect Avenue
PO Box 201001
Helena MT 59620-1001

3.
SENATE TAXATION
DATE January 27, 1995
BILL NO. 3
SB 176

TO: Members of the 54th Legislature
FROM: Marv Dye, Director
DATE: January 27, 1995
SUBJECT: SB 176 Fact Sheet

To assist you in making a decision concerning SB 176, "An Act Proposing The Reduction Of Montana's Fuel Tax By Five Cents Per Gallon," we wanted you to have this relevant information:

- 1.) The MDT Executive Budget Proposal envisions a long-term plan built upon the commitments of the 1993 Legislature. That plan permits Montana to meet highway construction needs through the year 2006 without an additional fuel tax increase.
- 2.) The State of Montana can leverage \$6.69 in federal funds for highway construction for every \$1.00 in state matching funds.
- 3.) The "2006 Plan", built upon the present rate of taxation, with no further diversions from the Highway Fund, allows us to do the following in the next ten years:
 - a.) Reduce the outstanding bond debt by \$40 million on or before December 31, 1995, thus saving an average \$3.3 million per year in debt service for eight years through 2004.....a saving of \$26.7 million.
 - b.) Eliminate the total \$109 million outstanding bond debt by the year 2004, saving approximately \$15.7 million per year in debt service for the years 2005, and 2006.....an additional savings of \$31.5 million.Total interest savings resulting from the early retirement of the bond debt will be approximately \$20.9 million.
- c.) Increase the state-funded Reconstruction Trust Fund (RTF) program from its current level of \$20 million per year to \$30 million in FY96 and \$35 million for each year thereafter at least through the year 2006.

This will permit the department to construct approximately \$145 million in badly-needed projects

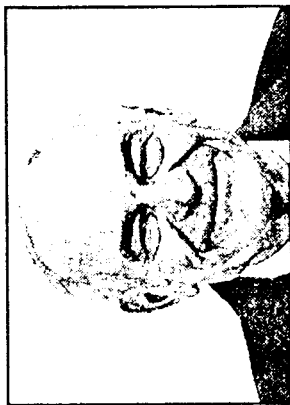
currently in MDT's construction program on such important roads as US93, US2, MT200, MT59, MT16, and US87. Cutting the tax would mean matching cuts in these projects and others.

d.) Maximize the use of all available Federal Highway Trust Funds, and be in a position to apply for "grab bag" funds (funds other states could not use) as they become available.

4.) The decrease provided for in SB 176 will result in savings of approximately \$25 per year for the average Montana consumer and other savings for the 7.1 million visitors to our state each year.

5.) Montana's population is growing and its economy is changing. These changes are increased by the impacts of our state becoming a major transportation corridor under the North American Free Trade Agreement. If SB 176 passes, any short term advantages would be outweighed by the need to address increases in the near future to maintain our roads' viability, our state's competitiveness and the Highway State Special Revenue Fund's solvency.

Could lose year's worth of federal highway funds



GUEST COLUMN

Ed Smith

new federal legislation.

As a holdover commissioner, I was asked to write a letter on behalf of the commission to the governor and legislators, setting forth why it was necessary that we have an and-3 cent increase. Since I have been an outspoken critic of some of the activities of the DOT, and knowing that Montana already has the highest fuels taxes in the nation, it was not easy for me to write that letter.

Having two years on the commission, however, I had come to the conclusion that creating some efficiencies within the

Highway Department and with the funding formula agreed to by the 1993 legislature, we could raise our 13 percent of the money to get an 87 percent federal match without any increase in the fuels tax for many years. With all the requests that the commission receives asking for road improvements, it would be foolish on our part not to take advantage of the federal match of \$6.69 for every dollar the state contributes to our highway construction programs. But I explained that with the federal funds come certain requirements, and that the department must be properly funded and staffed to qualify for that funding.

With my letter, I also enclosed a letter dated March 11, 1993, that we had received from Hank Honeywell, the federal highway administrator for Montana. In that letter, he expressed his concern that we were on the verge of losing federal matching funds because the Department of Transportation was not suitably staffed, equipped and organized to discharge its duties as required by law.

After we provided all this information, it was totally ignored.

When the Highway Commission met on Nov. 3, we were shocked to find that

after our support for the 4-and-3 cent increase with the understanding that there would be no diversions, \$12.4 million had been diverted by the legislature without our knowledge. We also found that an attempt was being made to divert another \$9 million of coal trust money that was appropriated to the highway construction program by the 1993 legislature. We were also told that under the early retirement legislation that was passed by the last legislature, there was a possibility that the Department of Transportation may lose as many as 250 senior staff employees, many of whom are in the pre-planning and construction programs, which are necessary to get projects ready for construction. To make matters even worse, the buy-out of these employees could cost the DOT another \$3 million.

After the shock subsided and reality set in, the first question was what should the commission do? It was decided that I should send a second letter. I also went to Helena on Dec. 2-3 to visit with the governor's staff and legislators. I testified before the Senate Highway Committee and explained the critical situation we are in. I talked with dozens of legislators who didn't

know these diversions were made. Some were furious. As a former legislator, I can see how this happened. I told the \$2.6 million of diversions to the Wildlife and Parks were made in the long range buildings committee; the diversions to the cities were made in the taxation committee; and the diversions to the Department of Justice were made in a three-member conference committee.

When one adds up the \$13.7 million and the \$9 million, that is more than is needed to match \$100 million of federal funds — more than one full year of highway construction, which adds up to approximately 200 miles.

Because of all the uncertainties, DOT and the commission were notified on Dec. 1 that a performance audit will be conducted by the Federal Highway Administration next month.

The Highway Commission has done everything possible to alert the administration and the legislators of our problems. If we are ruled out of compliance and lose federal matching funds, they can only blame themselves.

Ed Smith is a member of the Montana Highway Commission from Dagmar.

MONTANA
ASSOCIATION OF
COUNTIES

SENATE TAXATION

5

DATE January 28, 1995

ENROLL NO. 5

BILL NO. SB176 11 Airport Road

Helena, Montana 59601

(406) 442-5209

FAX (406) 442-5238

TO: Senate Taxation Committee

FROM: Vern Petersen, Chairman
MACo Transportation Committee

RE: SB 176

DATE: January 26, 1995

I would like to go on record as opposed to Senate Bill 176.

We worked very hard two years ago to get the user fees on fuel raised. No one, at that time, wanted to raise fees of any kind. However, the need for more funding was so overwhelming that it was recognized by most and the increase was phased in over time. Those needs on the state's roads have not gone away and, in fact, have continued to increase. I recognize that collections have exceeded the projections but this will, hopefully, offset the increased demands. There may be a need to redistribute some of the monies to get them on the roads where they are needed most urgently in the quickest and most effective manner, but certainly not to reduce the funds.

Please vote do not pass on this bill.

MACo

ABATE OF MONTANA



SENATE TAXATION

DATE January 24, 1995

REPORT NO. 6

SB161

• AMERICAN BIKERS AIMING TOWARD EDUCATION •

TO: SENATE TAXATION COMMITTEE

FROM: JILL Z. SMITH-MCGUIRE
A.B.A.T.E OF MONTANA LOBBYIST

DATE: 1/27/95

RE: SB-161

Mr Chairman, members of the Committee, Good Morning. For the Record my name is Jill Z. Smith-McGuire. I am a volunteer Lobbyist for ABATE of Montana. ABATE is American Bikers Aiming Toward Education, and what we are is a non-profit organization dedicated to the promotion of motorcycle safety. We currently have approximately 1100 members statewide. I speak for those members today.

The motorcycle is the last Recreational vehicle in Montana still licensed on the assessment system, rather than a flat fee. We believe that the fee for registrations is severely overstated in most cases for a "recreational vehicle," that is generally ridden only about 3 or 4 months a year. I have provided you with a list of other flat fee vehicles that I received from Legislative Council during the drafting of this bill.

We tried to be fair and equitable to all classes of motorcycles, by using a combination of the engine size and the model year. This allows the system to be more specific, rather than lump all motorcycles together in one class. IE: In The State of Maine, all motorcycles are \$18.00, and all mopeds \$6.00. We have discovered since the initial drafting of this bill that we have neglected one class of motorcycles, those being the 30 year and older bikes with the larger engines. These folks are paying between \$15.00 and \$20.00 total to license their bikes, and under the proposed schedule, the fee starts at \$40.00, and goes up with each added tax (weeds, HP, etc.). We would like to amend this part of the schedule. There is such a thing as a "Vintage plate" available to motorcycles that are 20 years or older, however, it is supposed to be used only for parades and shows, which makes it practically useless.

LET THOSE WHO RIDE DECIDE

I personally own a car, a truck, and a motorcycle.

My car is a 1977 Pinto and it costs me \$25.75 to license it for a year.

The Truck is a 1984 4-wheel Drive Ford, and it costs me \$77.00 to license it for a year.

The motorcycle is a 1980 Harley-Davidson 1340 cc, and this year it costs me \$164.38 to license it for a year. That is up a whopping 63% from last year, and 78% from the previous year. This is for a vehicle that is 15 years old, and can be used only a few months of the year. I feel that this is incredibly high. The reason for the increases is that the bike goes up in value every year, and Fords, evidently, do not. Putting motorcycles on a flat fee would eliminate this problem.

In closing I would like to say that we are certainly open to changes and/or amendments to this bill, such as the 30 year and older category of bikes, but I hope that you will all agree that this bill is definitely needed. Please vote "do pass" on SB-161.

Thank You.

Julie Smith-McGuire

SENATE TAXATION

DATE January 27, 1995

EXHIBIT NO. 7

BILL NO. SB 161

Senate Taxation Committee
January 27, 1995

TESTIMONY IN FAVOR OF SB 161
Dal Smilie

Motorcycles in Montana are primarily a recreational vehicle that can only be used for a portion of the year. Usually about three months. Treating these vehicles the same as full year transportation vehicles for tax purposes creates an inequity. Other recreational vehicles like motor homes, travel trailers and campers pay a fee rather than the assesement and tax that full year vehicles pay.

We have a 1991 four door Honda station wagon and a 1991 K100RS BMW motorcycle. The property tax on the station wagon was \$150, the tax on the motorcycle was \$145.80. That is a four year old 1000 cc motorcycle with 68,000 miles on it.

The station wagon is used twelve months, the motorcycle is limited due to weather. Virtually 100% of Montana motorcycle owners are also paying taxes on a four wheel form of transportation.

The Motorcycle Industry Council's Motorcycle Statistical Annual says there were 19,151 on-highway registered motorcycles in Montana in 1993. About 30% were 600cc or smaller. Almost half are over 750 cc. The estimated economic value of the Montana motorcycle retail marketplace is \$65,710,000. The average on-highway rider is 35 and married.

Lessening the ultra high taxation of the most popular class of on-highway motorcycles should stimulate sales and create a larger tax base. Any remaining loss of income for schools or counties can more than be recovered by the reduction in cost of eliminating County superintendants if that Renew Government bill passes.

Passing this bill is fair. It would put the fair amount of tax on this type of vehicle which is very easy on the roads and parking and is only a part time vehicle. Owners are already paying taxes on other full time four wheel transportation.

SENATE TAXATION

DATE January 27, 1995EXHIBIT NO. 8PHIL NO. SB 161Schedule for fees in lieu of taxes for different recreational vehicles

Snowmobiles: less than 4 years old \$22
 all others \$15

Personal Watercraft (jet skis):
 less than 4 years old \$22
 all others \$15

Off-Highway vehicles:
 less than 3 years old \$19
 all others \$ 9

Motor Homes: less than 2 years old \$250
 2 - 3 years old \$230
 3 - 4 years old \$195
 4 - 5 years old \$150
 5 - 6 years old \$125
 6 - 7 years old \$100
 7 - 8 years old \$ 75
 8 years and older \$ 65

Travel Trailers:
 less than 3 years old \$60
 all others \$22.50

Campers: less than 3 years old \$52.50
 all others \$22.50

Boats: combination of age and length

Fax Transmittal Memo

of Pages

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To: <u>Jill McGuire</u>	From: <u>Cornie Erickson</u>
Co.:	Co.:
Dept.:	Phone # <u>444-3064</u>
Fax # <u>449-7602</u>	Fax # <u>444-3036</u>

RCFX14

SENATE TAXATION

DATE January 27, 1995EXHIBIT NO. 9BILL NO. SB161

January 24, 1995

Senate Taxation Committee
Montana Senate
Helena, Montana

Dear Senators:

I strongly favor SB161 setting a flat fee on motorcycle registrations.

I urge your support.

Thank you.



James Bernet
12 Hidden Valley Dr.
Clancy, MT 59634

DATE

January 27, 1995

SENATE COMMITTEE ON

Taxation

BILLS BEING HEARD TODAY:

SB 161 Senator Stang
SB 176 Senator Ferguson

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PLEASE PRINT

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Check One

Name	Representing	Bill No.	Support	Oppose
Bud Schoen	MOTOR VEHICLE DIV	SB 161	✓	
Ken Hovus To 1	MT. Snowmobile Assn.	with amendment SB 176	✓	✓
Virgil Mortenson	Midland F&B Snowgoers	SB 176		✓
Kim Milburn	Cty of Helena	SB 176		✓
John Semple	AMAAT	with amendment SB 176	✓	✓
Jeff Wuerl	A.B.A.T.E. of Mt.	SB 161	✓	
Bob Stephens	Mt. St. Ignace	176	✓	
Russ Ritter	Wash Const			✓
Gordon Morris	MACo	176		✓
Vern Peterson	Fergus Co	176		✓
DENNIS BURR	MONT AX	176		✓
Robin HARPER	SELF	161	✓	
Mike Tolon	SELF	161	✓	
Deven Merritt	SELF	161	✓	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

DATE January 27, 1995
 SENATE COMMITTEE ON Taxation
 BILLS BEING HEARD TODAY: SB 161 Senator Stang
SB 176 Senator Jergeson

< ■ > PLEASE PRINT < ■ >

Check One

Name	Representing	Bill No.	Support	Oppose
DAL SMILIE	AMA	161	✓	
JAMES BERNET	Self	161	✓	
JACK GUNBERSON	Self	176	✓	
DAVE STAHL	MENT. CONSULTANTS	176		✓
Jerry Driscoll	mt State Bulking Trade	176		✓
Maureen Cleary-Schwinden	Women In Farm Eco	176	✓	
Jill Z Smith-McGuire	ABATE	161	✓	
Steve Turkiewicz	MT Highway Users Fed MT Auto Dealers Assn	176		✓
JOE MICHALETZ	Self			
Dennis S. Miller	Self	161	✓	
B. "DOC"	Vietnam Vets Motorcycle Club	161	✓	
R. T. G. HARWOOD	SELF	161	✓	

VISITOR REGISTER

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DATE 1/27/95

SENATE COMMITTEE ON

Taxation

BILLS BEING HEARD TODAY:

SB 161 Senator Stang
SB 176 Senator Greg Jergeson

Name

Representing

Bill
No.

Check One
Support Oppose

Robin HARPER	SELF	SB 161	✓	
Carl Schweitzer	Mont Cont Assn	SB 176	✓	
Lorna Frank	MT. Farm Bureau	SB 176	✓	
LLOYD HEPPERMAN	SELF	SB 161		
George LANE	SELF	SB 161	✓	
Ryan Bown	Self		✓	
Carla M. Smell	Self	SB 161	✓	

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VISITOR REGISTER

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