

MINUTES

MONTANA SENATE 55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By CHAIRMAN GERRY DEVLIN, on February 18, 1997,
at 8:00 a.m., in Room 415.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Mike Foster, Vice Chairman (R)
Sen. Mack Cole (R)
Sen. Bob DePratu (R)
Sen. Dorothy Eck (D)
Sen. Wm. E. "Bill" Glaser (R)
Sen. Mike Sprague (R)
Sen. Barry "Spook" Stang (D)

Members Excused: Sen. Fred R. Van Valkenburg (D)

Members Absent: None

Staff Present: Jeff Martin, Legislative Services Division
Renée Podell, Committee Secretary

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

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 336, 2/06/97;
SB319, 2/06/97
Executive Action: SB 299, Table

HEARING ON SB 336

Sponsor: SEN. MIKE HALLIGAN, SD 34, MISSOULA

Proponents: Carl Schweitzer, Montana Contractors Association
Chris Cook, Envirocom

Opponents: None

Opening Statement by Sponsor:

SEN. MIKE HALLIGAN, SD 34, MISSOULA reports he sponsored a recycling bill approximately six years ago that provided incentives for businesses to purchase recycled material, buy equipment, do recycling, and for consumers to get an incentive to

purchase the recycled products from businesses. Two years later businesses that recycle soils stated it is possible to recycle dirt from road reconstruction to make the soil productive again. We then added a credit for soil recycling equipment for two years. SB 336 extends the temporary credit to the year 2001 for equipment for cleaning up contaminated soils and keeps the phase out schedule for the recycling credit. This will terminate in 2001. **SEN. HALLIGAN** disagrees with the fiscal note which states this will result in a \$250,000 loss in 1999, there is no discussion here of the jobs created as a result of the work being done in the State of Montana.

{Tape: 1; Side: A; Approx. Time Count: 8:12; Comments: None.}

Proponents' Testimony:

Carl Schweitzer, Montana Contractors Association says the association supports SB 336. Two years ago this was part of a bigger bill that extended the income tax credit for all recycling equipment for six years. Because soil recycling was new it was set to sunset in two years. We are asking to go the additional four years so it all sequences together. He says he has a number of firms that are interested in purchasing this type of equipment. In the future, there should be many uses for this equipment to recycle soil and do something positive with it. **Mr. Schweitzer** hopes the committee will look favorably upon this bill and extend the termination date.

Chris Cook, Envirocom says Envirocom is a Montana contractor primarily dealing with environmental clean-up that has taken advantage of this bill. He professes some of their projects include the Livingston rail yard, the mission lye site east of Livingston, groundwater treatment collection in Bozeman, and mine reclamation near Victor. Last year the company purchased two pieces of soil treatment equipment for approximately \$250,000. That equipment is currently working on a mission lye site for Burlington Northern Santa Fe. We have plans to spend another \$250,000. We ask you to support this bill as it provides an opportunity to buy this equipment which we believe makes us more competitive. Most of our competitors are out-of-state firms. This allows Montana companies to do Montana clean-ups since many of our clients prefer to hire Montana contractors.

Opponents' Testimony: None

Questions From Committee Members and Responses:

CHAIRMAN DEVLIN asks how many credits were given in the last few years? **Lynn Chenoweth, Department of Revenue** answers since last session, there haven't been any soil clean-up credits claimed because it didn't go into effect until 1996. They will claim these credits on their 1996 returns and these have not been filed yet.

SEN. DOROTHY ECK questions what the credit would be on purchases totaling \$260,000? **Mr. Chenoweth** says the credit would be 25% of the cost up to the first \$250,000. The remaining \$10,000 would be 15%.

SEN. ECK asks **SEN. HALLIGAN** if this has anything to do with the slime work being done at MSU. **SEN. HALLIGAN** states he hasn't heard anything from MSU. The original purpose of the bill was to try and connect it with higher education research and development aspects so we would be able to plug the private sector in with our higher education system.

SEN. MIKE FOSTER comments that **SEN. HALLIGAN** didn't feel the fiscal note was totally accurate because it does not reflect job creation. This isn't a new complaint or concern about fiscal notes, typically economic development or activity resulting from a bill is not reflected in a fiscal note, is that right? **Steve Bender, Office of Budget and Program Planning** asserts that in his 16 years preparing fiscal notes a "dynamic fiscal note" hasn't been made. Basically, fiscal notes are controversial enough and we don't want to get into speculating and arguments on the number of jobs created. We don't address indirect impacts, we leave that to qualitative discussions about a bill.

SEN. FOSTER asks **Mr. Bender** if he feels it is inappropriate to, at least, mention in a fiscal note that there could be the creation or loss of jobs. **Mr. Bender** says in many instances it is hard to tell which side it is on the number of jobs. For example, you may have a bill to reduce personal property taxes which may result in substituting equipment for labor or more equipment is needed for labor. Who knows what the net impact will be? We stay away from it completely.

SEN. MIKE SPRAGUE asks **Mr. Cook** what the cost of the equipment is. **Mr. Cook** comments he purchased two pieces of equipment in 1996 for \$253,000. We will be claiming a total of \$62,000.

SEN. SPRAGUE questions once the equipment is purchased, you also bid in other states, how do we have the ability to see if our investment in you has given us a return? We know that soil has been recycled but have you created jobs? **Mr. Cook** answers saying we have definitely created jobs with the two pieces of equipment we purchased last year. We determined we were able to win bids because we own these pieces of equipment instead of having to rent them. Our crew is mostly Montana residents. We also do work in the region, some of this equipment is working in Salt Lake City now.

CHAIRMAN DEVLIN asks **Mr. Cook** if there are any other states that give these credits? **Mr. Cook** says he is not aware of any other states giving this credit.

CHAIRMAN DEVLIN inquires if **Mr. Cook's** company is the only one in the state that does this kind of work. **Mr. Cook** proclaims there

are other contractors that do soil recycling but on the scale that his company bids, most of the competition is out-of-state.

CHAIRMAN DEVLIN asks if some of the refineries in Billings do this work and would they be eligible for this credit? **SEN.**

HALLIGAN answers that the purchase of equipment for a tire dealer to recycle tires into retreads would be eligible for the credit. The equipment used for recycling oil in a refinery should be eligible for the credit.

SEN. ECK voices concern that there are probably a lot of people who could be doing this kind of thing and don't know about it. She recalls another one of **SEN. HALLIGAN'S** bills that might be covered under this. The bill dealing with the company Ecocompost. She questions if another community were going to do this would the equipment be eligible for this credit. **SEN.**

HALLIGAN answers he believes so.

CHAIRMAN DEVLIN asks if some amending a few years ago was done on this bill to allow others to be eligible? **Mr. Schweitzer** says this was a marriage of the fly/ash credit and others saying all recycling equipment would sunset in six years, however, since this was a new item it would sunset in two years in order for us to take another look at it.

SEN. SPRAGUE asks if this would also apply to recycling tires to use on the roads. **Mr. Schweitzer** says they would probably qualify under the original bill. This bill is for equipment that cleans up contaminated soil.

{Tape: 1; Side: A; Approx. Time Count: 8:25; Comments: None.}

Closing by Sponsor:

SEN. HALLIGAN closes by saying the original bill was for the grocery store or the tire dealer. This bill came along because of the potential loss to Montana businesses because of the bigger out-of-state firms. As mentioned, there are some job creation issues here. We'll be available to answer any questions before you take executive action.

{Tape: 1; Side: A; Approx. Time Count: 8:27; Comments: None.}

HEARING ON SB 319

Sponsor: **SEN. BARRY "SPOOK" STANG, SD 36, ST. REGIS**

Proponents: **SEN. MIKE FOSTER, SD 20, TOWNSEND**
Mick Robinson, Governor's Office
Madeline Quinlan, Office of Public Instruction
Dennis Burr, Montana Taxpayers Association
Gary Felstad, Rosebud County Commissioner

Opponents: **Alex Hanson, League of Cities and Towns**

Opening Statement by Sponsor:

SEN. SPOOK STANG, SD 36, ST. REGIS says SB 319 comes out of a recommendation of the Montana Tax Policy Task Force which was set up by SB 417 in the last session. He presents the first part of the report from the task force and their recommendations. (EXHIBIT 1). The recommendations are based on what we want taxes to look like in Montana. **SEN. STANG** explains (EXHIBIT 1) they were not able to come up with comprehensive tax reform, however, they came up with a short and long term policy. SB 319 is a short term policy with a two year strategy. This bill freezes the number of mills at the 1996 levels. This will require the local tax jurisdictions to roll back their mills to 1996 levels. There are some amendments to exempt the transportation and retirement accounts from the freeze. This is a very bipartisan bill. **SEN. HARP** sponsored SB 195 and **SEN. STANG** says he agreed with him that we need to freeze taxes. He was concerned that SB 195 may work but if it got caught in a court battle we needed something to show the public that we really were doing something to freeze their taxes. This is the other option to SB 195. This bill can be passed in conjunction with SB 195 and it won't make that much difference either way. **SEN. STANG** affirms he represents two counties that have over 50% projected increases with reappraisals. Those same two counties are in the top five counties in unemployment and the lowest counties in per capita income. These people cannot afford anymore property taxes. We live in an area where out-of-state people are coming in, driving up property values and those of us who have lived there for years can no longer afford to buy the property in our back yard. Those of us who own that property can no longer afford to pay the taxes because our wages are not going up as fast as the taxes. This is a good, bipartisan proposal. It is meant to do something with property taxes, hopefully it will lower them. He believes this is a proposal that will not be challenged in court. When the task force came up with this a number of the county commissioners were concerned that their taxes might be less than 1986 levels. This bill has a provision for those people, although their mills are frozen they still have the ability to go to the people to vote to raise the revenue they need.

{Tape: 1; Side: A; Approx. Time Count: 8:36; Comments: None.}

Proponents' Testimony:

SEN. MIKE FOSTER, SD 20, TOWNSEND testifies he would like to commend **SEN. STANG** for bringing this proposal forward. The Tax Policy Task Force did a very good job of putting together a plan to address property tax issues that concern all Montanans. In conjunction with **SEN. HARP'S** bill this bill will provide us with a very good back-up plan. The task force started with SB 421 from last session and went from there. He requests the committee consider a committee bill on the principles of taxation because the task force said this should be in statute and we don't

currently have a bill to do that. **SEN. FOSTER** was a little concerned about the specific numbers that were given regarding the mills noting a little flexibility may be needed and the amendments do that. He asks the committee to consider the amendments. Perhaps it is okay the way the bill is written but he thinks the committee needs to provide the flexibility. This addresses the issues of retirement and transportation that are viewed as areas needing to be exempted.

Mick Robinson, Governor's Office announces SB 319 came out of the Tax Policy Task Force which spent a significant amount of time since the 1995 session addressing and anticipating the increase in appraisal. The task force looked at many different approaches; reduction in the tax rate, valuation issues, acquisition values, etc. The task force decided the approach to recommend deals with the reduction in the mill levy. All of us have to recognize that in the property tax system, there is no perfect solution. When we talk about fairness and equity it seems to be pointed more toward the individual tax payer and tax relief for them. That doesn't happen with this particular bill and the system was not designed for that to happen. We support the approach that deals with the reduction of mill levies because we believe that was the way the system was designed. The government's proper response to an increase in the value portion of the equation is to reduce the mill levies only having enough money flowing from that revenue source to adequately fund the budget. That was done in the Governor's budget, the appropriations that were dealt with in terms of the reappraisal activity was a mechanism to reduce the mill levies. You'll find, in the Governor's budget, that there was \$71 million of property tax revenue that would result from the reappraisal activity that was targeted as property tax relief. Also, through the reduction in the mill levy mechanism there is an additional \$14 million that is a state expenditure relief in terms of fiscal equalization issues. There is \$85 million targeted within the Governor's budget as property tax relief based on our earliest estimates of what the reappraisal impact would be at the state level. As you look through the bill you can find the different statewide mills that we are talking about. The university levy in the bill is reduced from 6 mills to 5.1, the county elementary levy goes from 33 to 28.3, the county high school levy goes from 22 down to 18.8 and the state equalization levy goes from 40 to 34.3. We have the basic statewide mill levies of 101 reduced to 86.5. He says he isn't sure that this is the right number, as **SEN. FOSTER** indicated, perhaps flexibility is necessary so when those final reappraisal numbers are available in April or May the proper adjustments in those mill levies can take place. There are other state mill levies that are adjusted. We have discussed the issue of property taxes in Montana for a number of years and very heatedly in the 1993 special session. It is very difficult to come out with a perfect solution in terms of the increase in taxes. This is not perfect, if you are pointing towards keeping individual's taxes from rising, it doesn't do that, however, it does provide a system approach to the issue of reappraisal with a

reduction in mill levies. Some amendments may have to be considered for the bill. He closes by saying he believes this bill is the proper approach to reappraisal.

Madeline Quinlan, Office of Public Instruction says she isn't sure whether she's a cautious proponent or a friendly opponent. She would like to talk about how this bill effects school districts. This bill is much improved from SB 421 and she knows **SEN. HARP** was frustrated last session with the concerns the education community had with the bill because of the way it collided with school funding laws. She feels this bill with the amendments proposed, works in terms of coordination with school funding and supporting requirements now. School districts have nine budgeted funds, three are voted funds; the General Fund, the building reserve fund, and the debt fund. Those voting mechanisms would continue under this bill. The adult education fund is limited by law to between one and two mills and established by statute. Four funds are non-voted funds of the school district; the district transportation fund, the bus reserve fund, the tuition fund and the non-operating fund. She says she would like to ask for a few more amendments. The transportation fund is from \$12-\$15 million of property tax levied statewide. The bus reserve fund is a levy of approximately \$20 million statewide. She thinks it is probably appropriate that these be voted funds. **Ms. Quinlan** explains that if there is a special education student in a district and they need to send that child to a larger school district the smaller district will pay tuition to the larger district. That amount of tuition can fluctuate from year to year. She asks that this fairly small fund be exempted from the limitations in this bill. The other fund totaling \$174,000 is the school district non-operating fund. If a school district shuts its doors it may need to maintain a building for several years. That can fluctuate some from year to year and we ask that it be exempted also. She comments she will be happy to answer any questions.

Dennis Burr, Montana Taxpayers Association would like to point out some things in the bill that haven't been mentioned yet. On Page 1, Line 25 regarding the university levy, one of **SEN. FOSTER'S** amendments will change that to a range of 6 mills down to 5.1 that would be determined by the Department of Revenue. The reason for that is if the reappraisal went on the revenue neutral university levy it would be 5.1, if we put 5.1 in this bill and the reappraisal is frozen then the university system is not going to get the anticipated revenue. That holds true with some school and state levies that will be bracketed by **SEN. FOSTER'S** amendment. The main change was moving from the 1986 freeze to 1996. If cities and counties were restrained to 1986 levels by I-105 they would still be there in 1996 so there really isn't any change as far as cities and counties are concerned. It will have impact on some eastern counties that have oil, gas and coal revenue that was changed from a property tax to a local government severance tax. The legislature excluded reappraisals from a freeze. If there was a reappraisal, local governments

could keep their mill levies the same as in the past and take the windfall from a reappraisal. On the bottom of Page 3, revaluations and cyclical reappraisals are no longer an exemption from the bill, meaning local government would have to lower their mill levies. On the top of Page 4, there is an exemption that didn't appear in the law before, saying if local governments lose non-tax revenue from Title 15, Chapter 23 & 36, they can raise levies to replace that non-tax revenue. That refers to oil and coal. On the top of Page 6, there are exemptions that have been stricken. You will see some other levies that will be changed by **SEN. FOSTER'S** amendment in the back of the bill. He announces the Taxpayers Association supports this bill.

Gary Felstad, Rosebud County Commissioner asks for committee support for SB 319. Rosebud County supported the bill in the last session explaining they are one of the eastern Montana counties that was caught with the problem of changing the tax when it came to the coal and oil flat tax after the property freeze in I-105. It has left us in a unique situation in operating county government. Everyone in this room is probably asking how Rosebud County could be having a financial problem, however, in 1986 we were caught with our mill levy at 1.25 mills because our mills brought in over \$200,000. We had some windfall from the power companies and oil royalties lawsuits. Those numbers were plugged into our General Fund budget before the levy was set which was the way the law is intended and the commissioners were trying to be frugal. Now we are paying the price for this and when the flat tax went on it worsened our situation. We're running emergency levies for the last four years to balance our General Fund. Over two-thirds of our General Fund is in emergency levy. We're looking at bringing our 1986 to 1996 levels to resolve our problems because we got caught with the flat tax situation. Without that revenue we couldn't operate the county. He urges committee support of this bill.

{Tape: 1; Side: B; Approx. Time Count: 8:55; Comments: None.}

Opponents' Testimony:

Alex Hanson, League of Cities and Towns opposed **SEN. HARP'S** bill last session and has some concerns with this bill. Property taxes have not increased for eleven years in eastern Montana, and this is unacceptable. Finally, after all these years taxable value has gone up. Valuation in every county in Montana except McCone went up as a result of reappraisal. These people were waiting for this to happen with the anticipation that finally there would be some value, they could apply the frozen mills to the increased value and hopefully get back in the race against inflation. If this bill passes that won't happen, property taxes that have been frozen at 1986 levels now will be frozen at 1996 levels which are essentially the same. We are telling these people there is not going to be an increase in property taxes for cities, towns and counties in eastern Montana from 1986 into the next century. I think this bill needs some flexibility to

recognize the effects of I-105 on cities, towns and counties in eastern Montana, recognize the effects of inflation on those counties and gives them some room to operate. There are little towns in eastern Montana that are close to going bankrupt. I hope this committee can do what the House Taxation Committee did two years ago, put some kind of an adjustment in this bill that recognizes the fact that inflation effects the cost of government just like it effects your family budget. When I-105 was first implemented by the Legislature there were some exemptions listed at the bottom of Page 5 and the top of Page 6. You may want to put judgement levies back in, if a city or town is sued on a case for which they don't have any insurance they have to have a way to pay. I don't know how you would pay a judgement if this law were passed. A judgement levy is limited to three years. Maintenance districts aren't funded by property taxes in the strict sense. These are assessments that are not always imposed on the value of the property. You might be dealing with two different items here, property taxes and assessments. He voiced concern about the effects of this bill on tax increment financing districts saying this is a vitally important economic development tool in the State of Montana. This committee needs to be very careful to make sure that this bill does not eliminate benefits in tax increment financing. **Mr. Hanson** believes looking at the levies is one of the ways to limit property taxes. Cities and towns in Montana have a pretty good record on controlling taxes. If the legislature feels limits are necessary he agrees with that. He asks the committee to do something that makes it possible for the cities and towns, especially those in eastern Montana, to continue to operate and provide services. If this bill were to pass, the possibility of a court challenge is a lot less likely.

{Tape: 1; Side: B; Approx. Time Count: 9:03; Comments: None.}

Questions From Committee Members and Responses:

SEN. ECK comments to **Mr. Hanson** that as she recalls there was a lot of the same concerns he expressed come from eastern Montana. It would be possible for the cities to have an election and increase their taxes to run the city. She questions if that is a likelihood in eastern Montana? **Mr. Hanson** says it is possible that the voters would agree to increase the levies to keep these little towns in business. The problem is on the election side noting that people are used to voting on school levies sometimes they are used to vote on additional levies for special districts but if this bill were to pass he thinks there would be a whole succession of elections. Somebody is going to lose, nobody is going to take a levy to the voters until it is absolutely necessary. Then when you lose you have problems. Levy vote would be the last desperate step.

SEN. ECK maintains she looks at this from the perspective of Bozeman where levies always pass because a good sales job is done. She thinks this could be done in eastern Montana too.

SEN. ECK calls on **Gloria Pedaduchek** and explains that it is her experience that county voters would never increase by a vote of the people even if it was something desperately needed. **Ms. Pedaduchek** responds she thinks it depends on the sales job and the need for the increase. She says she can only speak on behalf of Richland County and the City of Sidney. Last year Richland County, for the first time, went to the voters for an ambulance and it passed. As far as for the City of Sidney, she thinks the only thing that has kept their mills down is the gambling revenue and comments that is probably true in the majority of eastern Montana cities.

SEN. ECK wonders about the counties since there isn't anyone from MACO in attendance. **SEN. STANG** responds that Gordon Morris has indicated to him that SB 319 would fit very well into the counties plan of freezing taxes and looking at the sales tax. He doesn't believe the counties have any opposition to this bill.

SEN. MACK COLE asks **Mr. Felstad** if he sees any problems with having a vote as far as the cities are concerned and asks for some background on what he has done. **Mr. Felstad** says, as county commissioner for Rosebud County, we went to the people four times for a voted levy for the County General Fund and we were able to pass that.

SEN. COLE asks if the cities in Rosebud County are having the same problem. **Mr. Felstad** answers he has served as an alderman on the city council in Forsyth and they haven't had one elected mill levy for the city. He states this is an option but it will not be easy.

SEN. BOB DE PRATU asks **SEN. STANG** to enlighten us on what your thinking was in preparing the bill for eliminating judgement levies and where you feel the tax increment financing fits in. **SEN. STANG** comments these are the exemptions the committee decided to leave out of the bill knowing people would come in to ask for them. He felt there shouldn't be given blanket exemptions other than in the transportation and school retirement bill. The Governor's office received a letter from the bond council for the state and they had some concerns with the capabilities and what it might do to the bond rating for the state. He feels the committee can take these exemptions on an individual basis, however, he isn't sure we want to put them all back in. Judgements, increment financing and the levies pledged for the repayment of bond indebtedness may be ones we want to look at. The schools are included in this. The schools can go to a vote and they still get their 4% increase in their base budgets. What somewhat alleviates **Mr. Hanson's** concerns is that the cities can now go to a vote also. Many of those cities are at maximum mill levies now and if there was no change in reappraisal they'd be frozen and broke. This gives the cities an option they never had before. **SEN. STANG** thinks that is why some eastern Montana people decided this wasn't as bad as they originally thought it was.

CHAIRMAN DEVLIN comments he thinks it was either the task force or the bill **SEN. HARP** had last session that put the schools back into the limitations under I-105. **SEN. STANG** says that is correct, but we did exempt transportation and retirement because those were two things the schools have no real control over. The schools were exempted that are under 80% because state law said they had to come up. Any school district below 80% would still be able to raise the mills necessary to bring them up to 80%. The ones above 80% have to go to a vote.

SEN. SPRAGUE questions if this does away with I-105. **Mr. Hanson** responds this probably gets I-105 back closer to what people think they voted for. I-105 originally included schools and this bill puts the schools back in. It didn't include some of the exemptions this bill would remove. When the 1987 legislature came and looked at I-105, the courts decided on the equalization cases, the Legislature realized there was some problems with I-105. The exemptions were specifically intended to deal with those problems when the schools went out of I-105 people lost faith in the ability of certain elected bodies to follow through on their will.

SEN. SPRAGUE asks if **Mr. Hanson** feels that from 1986 to 1996 those of us in the east who were being appraised reasonably have allowed the other cities and counties to bring their appraisal up to current. He further comments he knows there was a lot of them lagging and not as current with their values. In your opinion, are we even closer to parity now that everybody is equalized and it stops that process? **Mr. Hanson** comments he thinks each reappraisal is better than the last one. In the one that was in effect until 1986 the values in eastern Montana were based on data collected in 1982 during the oil boom. The numbers for eastern Montana for that particular cycle and were artificially high. We've seen some dramatic decreases in taxable value in eastern Montana, some as the result of reappraisal, some as the result of sales assessment ratio studies. He asserts there is a better balance now. Some of western Montana seems high to him and he believes there is speculative interest in recreational property in this part of the state. Maybe that is having the same effect on the values that the oil boom had on values in eastern Montana 15 years ago.

CHAIRMAN DEVLIN comments the way this benefits your county is that it takes into consideration your voted mill levy up to 9. It would raise your level from 1.5 to 10.25, right? **Mr. Hanson** answers "Yes, it resolves the problem when we were caught by the flat tax, reestablishing our base at the 1996 level which would be 10.25".

SEN. ECK asks if **Gordon Morris, MACo** (arrived within the last 20 minutes) thinks the counties in eastern Montana have reevaluated their position and are more in support of this. **Gordon Morris** says he supports this bill and feels it is a much better approach than SB 195. He thinks there is a question relative to the

mechanism in the bill for making the calculation based on what the valuation would be. He thinks this bill, from the standpoint of the eastern counties, gives the benefit of new construction tied to tax year 1996 freeze which translates into FY 97 for local government purposes.

CHAIRMAN DEVLIN notes if county commissioners reduced their mills voluntarily a couple of years ago **SEN. HARP** would have brought in this similar legislation. **Mr. Morris** says he believes there would remain to be reasonable debate over the issue as to whether or not there was a windfall taken and **SEN. HARP'S** effort was to address that. He thinks this bill would have prevented any suggestion of windfall either back in 1994 or 1995.

{Tape: 1; Side: B; Approx. Time Count: 9:22; Comments: None.}

Closing by Sponsor:

SEN. STANG comments the items brought up about the judgement levy and the levies indebtedness may be covered by the language on Page 6, Line 17. He notes it was pointed out to him that the satisfaction of judgements against taxing units are usually imposed by the courts so we probably wouldn't need to put that back in. He says he thinks local governments fare better under this bill and have more flexibility than they did under I-105. It takes away my fear that we might have been tinkering with local control. This bill leaves some of the elements of local control in and gives local officials the ability to solve their problems. This can be a companion bill to SB 195, or it could be passed without SB 195. Either way this bill will cause the revenue to be frozen at 1996 levels unless they go to a vote to raise them. It puts schools under I-105 which we exempted when we did school equalization. It reaffirms I-105 and doesn't do away with it. The taxpayers have told us we have to do something with property taxes. This is a short term solution which will work for two to four years until the Legislature comes up with another plan to reduce property taxes. He feels we either need to find a different source of revenue or we have to cut \$200 million out of the budget if we are going to reduce property taxes.

EXECUTIVE ACTION ON SB 299

CHAIRMAN DEVLIN comments in this bill we cap the money going back to the cities and towns at the present level and the increase in gambling revenues goes into a holding account and eventually into the General Fund. He notes he was approached by **SEN. ESTRADA** who is looking for money for treatment of compulsive gamblers and she thought this fund would be good for that purpose. He says he is not in favor of this but will open it up for discussion.

SEN. ECK asks if there is an amendment drawn up which would do that. **CHAIRMAN DEVLIN** answers "no".

SEN. STANG explains that it seems to him that all this bill does is make another addict for gambling funds; cities, towns and the state. He says he is totally opposed to the bill and is even more opposed to setting that fund up for gambling problems. By passing the bill the other day, in my estimation, the tavern owners who thought they were making themselves look good by supporting that bill have set themselves up for a proposed tax increase in a few sessions as we find out how many people will use that money. He says he doesn't think this is the proper way to do it. Cities and towns have been frozen over the past years and my counties and cities rely heavily on this. If we take it away from them we're taking a very flexible amount of money away from them. He proclaims he lives in one of the smallest counties in the state and we're in the top 10 in collections of gambling revenue.

SEN. ECK says she thinks **SEN. GROSFIELD** brought this in as a good government bill. He de-earmarked a lot of things I really loved. We have to then trust the appropriation process and the Legislature to properly fund these functions. She thinks that was **SEN. GROSFIELD'S** intent and goes along with what we have done in previous sessions. We probably need to be doing more of it. I think it is a good idea.

Motion: **SEN. COLE** MOVES THAT SB 299 BE AMENDED ON THE BACK PAGE, LINE 2, TO READ AN AVERAGE OF THE PAST THREE (3) YEARS RATHER THAN 1996.

Jeff Martin, LFD explains the wording for this amendment might be as follows: The department shall notify the state treasurer as to the average of the amount of the tax distributed in the past three years.

Discussion: **SEN. SPRAGUE** says he thinks this is an exercise in futility.

SEN. DE PRATU comments he will probably vote for the bill and he likes the amendment. He contends he is seeing our cities getting too dependent on gambling. He favors **SEN. COLE'S** amendment.

Vote: THE MOTION TO AMEND SB 199 CARRIED ON ROLL CALL VOTE.

MOTION/VOTE: **SEN. STANG** MOVES THAT SB 299 BE TABLED. THE MOTION CARRIED WITH **SEN. COLE, ECK** AND **DE PRATU** VOTING NO.

ADJOURNMENT

Adjournment: 9:40 a.m.



SEN. GERRY DEVLIN, Chairman



RENEE PODELL, Secretary

GD/RP