

MINUTES

**MONTANA SENATE
55th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON TAXATION

Call to Order: By **VICE CHAIRMAN MIKE FOSTER**, on March 28, 1997,
at 8:02 a.m., in Room 413.

ROLL CALL

Members Present:

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. Barry "Spook" Stang (D)
Sen. Fred R. Van Valkenburg (D)

Members Excused: Sen. Gerry Devlin, Chairman (R)

Members Absent: Sen. Mike Sprague (R)

Staff Present: Jeff Martin, Legislative Services Division
Meg Angell, Committee Secretary

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

Committee Business Summary:

Hearing(s) & Date(s) Posted: None
Executive Action: SB 397 (DPAA)

EXECUTIVE ACTION ON SB 397

{Tape: 1; Side: A; Approx. Time Count: .6; Comments: None.}

EXPLANATION OF PROPOSED AMENDMENTS 39704.akw

EXHIBIT 1

SEN. BARRY STANG: The amendment changes the guaranteed tax base ratio when enrollment goes up 6% or more. The tax increment portion is paid on the amount over the base. Applies only to school districts; the revenue generated to pay back the pre-paid tax comes from the 20% above the base.

Madalyn Quinlan, OPI: The concern that was raised was that the General Fund money to the school districts, base budget levies for the amount that's below the 80% budget - those are matched by state guaranteed tax base aid. If you set up a tax increment district and apply all the district's general fund levies to that, then the revenue needed to come to district general fund is

going to have a higher amount of state guaranteed tax base aid into it. So you almost have a situation where guaranteed tax base aid is helping to pay back those pre-payments that are made by the mining companies. These amendments would then say you will apply all the mills to the tax increment district and then the revenue that's raised by the base budget levy turns around and goes back to the school districts so that we prevent that increase in State GTB's from occurring.

COMMENTS/QUESTIONS FROM COMMITTEE MEMBERS:

SEN. MACK COLE:

Is this going to be kept within the districts or will it be statewide:

Ms. Quinlan responds: The bill has two parts; the part that deals with anticipated enrollment increases would apply to any district that has at least a 6% increase. The other part of the bill pertains only to mineral development; amendments to the Hard Rock Mining Act.

SEN. WILLIAM GLASER:

The amendments to this bill are essential; otherwise we do all sorts of things we really don't want to do. There is a big financial impact to it the way it was originally written.

SEN. BOB DEPRATU:

Is it right that this bill would kick in in a place like Lincoln?

SEN. GLASER responds: Yes, or like Big Timber. The folks in this area, **SEN. FOSTER'S** area, don't anticipate this bill affecting them for the next several years because they don't have any projects on the board. **SEN. MIKE FOSTER responds:** That isn't exactly true. This bill could definitely affect my district relative to the expansion of mining.

SEN. FOSTER: More information has just been passed out regarding this bill. **EXHIBIT 2**

EXPLANATION OF EXHIBIT 2: Carol Ferguson, Hard Rock Mining Impact Board: Clarification of how the tax crediting fund would work: Allocation of taxable valuation to a tax crediting fund is authorized. The tax crediting fund is created only after the district has received sufficient mineral development taxable valuation to meet all increased mine-related costs. The tax crediting fund would be terminated after all tax crediting obligations have been met. At that point no more taxable valuations will be allocated to the tax crediting fund. All of the mineral development taxable valuation will automatically go to the district. This additional valuation will serve to decrease, and may eliminate, the GTB assistance to the district that results from non-mine impact students and non-mine taxable valuation. The tax prepayment, tax base sharing and tax crediting provisions of the Hard Rock Mining Impact Act, the

Property Tax Base Sharing Act and SB 397 do not affect state revenues. The entire mineral development taxable valuation remains subject to the statewide and basic county mill levies for the state's base funding programs.

VOTE: MOTION CARRIED 7-0 with CHAIRMAN DEVLIN and SEN. SPRAGUE not voting.

MOTION: SEN. GLASER MOVED SB 397 DO PASS AS AMENDED

DISCUSSION:

SEN. GLASER: There is a downside to this particular piece of legislation. They keep referring to tax increment districts and the like and it's probably reasonably proper to do this for hard rock mining but if they come back later on and try to do it for tax increment districts I will oppose that. We should not be adding things.

SEN. STANG: Plans to vote no on the bill; references HB 667 stating this may be a nick at HB 667. Don't want to have to play the ratio game with individual districts. Could be an issue later.

SEN. GLASER: This is not a "traditional" tax bill.

VOTE: MOTION CARRIED 6-1 with SEN. STANG voting no and CHAIRMAN DEVLIN and SEN. SPRAGUE not voting.

VICE CHAIRMAN FOSTER expressed thanks to the Committee and especially to **SEN. GLASER** and **SEN. STANG** for their hard work on this bill. **SEN. GLASER** pointed out the hard work of **Carol Ferguson** and **Madalyn Quinlan** as well as Legislative Staff.

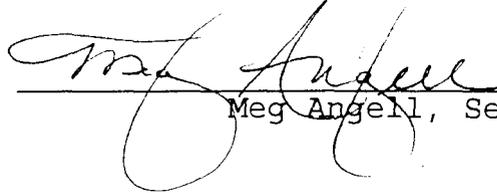
VICE CHAIRMAN FOSTER noted there will be no Committee meeting on Wednesday, April 2, but reminded members all the tax bills will be on the Senate Board that day.

ADJOURNMENT

Adjournment: 8:20 a.m.



Sen. Mike Foster, Vice Chairman



Meg Angell, Secretary

MF/ma

Minutes taped on Sony BM 89-T.