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Revenue and Transportation Interim Committee

62nd Montana Legislature

SENATE MEMBERS

CHRISTINE KAUFMANN--Vice Chair
RON ARTHUN
RON ERICKSON
JEFF ESSMANN
KIM GILLAN
JIM PETERSON

HOUSE MEMBERS

ROY HOLLANDSWORTH--Chair
DICK BARRETT
CYDNIE (CARLIE) BOLAND
BRIAN HOVEN
MIKE MILLER
JON SESSO

COMMITTEE STAFF

MEGAN MOORE, Lead Staff
JARET COLES, Staff Attorney
FONG HOM, Secretary

MINUTES

November 19, 2012

Room 137, Capitol Building
Helena, Montana

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. To the left of each section in these minutes is a time designation indicating the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

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Hard copies of the exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.

COMMITTEE MEMBERS PRESENT

REP. ROY HOLLANDSWORTH, Chair
SEN. CHRISTINE KAUFMANN, Vice Chair

SEN. RON ARTHUN
SEN. RON ERICKSON
SEN. JEFF ESSMANN
SEN. KIM GILLAN
SEN. JIM PETERSON
SEN. BRUCE TUTVEDT

REP. CYDNIE (CARLIE) BOLAND
REP. BRIAN HOVEN
REP. MIKE MILLER
REP. JON SESSO

COMMITTEE MEMBERS EXCUSED

REP. DICK BARRETT

STAFF PRESENT

MEGAN MOORE, Lead Staff
JARET COLES, Staff Attorney
FONG HOM, Secretary

Agenda and Visitors' List

Agenda (**Attachment 1**)

Visitors' list (**Attachment 2**)

COMMITTEE ACTION

- The minutes from the September 13-14, 2012 meetings were approved.
- The committee adopted the final reports for the SJR 17 Study and the SJR 23 Study.
- The committee approved LC9502, LC9503, LC9504, and LC9505 to proceed as drafted

CALL TO ORDER AND ROLL CALL

00:00:01 REP. HOLLANDSWORTH called the meeting to order at 8:03 a.m. The committee secretary called roll. Rep. Barrett was excused.

APPROVAL OF MINUTES OF SEPTEMBER 13-14, 2012

00:01:40 The committee approved the minutes from the September 13-14, 2012, meetings.

AGENDA

UPDATE ON MONTANA ECONOMIC OUTLOOK - Patrick Barkey, Bureau of Business and Economic Research

00:02:50 Mr. Barkey gave a presentation on Montana's economic outlook.

Committee questions

00:31:16 SEN. TUTVEDT
00:31:46 Mr. Barkey
00:32:03 SEN. TUTVEDT
00:32:21 Mr. Barkey
00:32:32 SEN. ERICKSON
00:33:20 Mr. Barkey
00:34:59 SEN. GILLAN
00:35:39 Mr. Barkey
00:36:58 SEN. GILLAN
00:37:30 REP. MILLER
00:37:49 Mr. Barkey
00:38:30 REP. MILLER
00:38:49 REP. HOLLANDSWORTH
00:39:12 Mr. Barkey

REVENUE ESTIMATES

- **Recap of revenue estimates and budget process - Amy Carlson, Legislative Fiscal Analyst**
- 00:39:41 Ms. Carlson discussed the process of revenue estimating.

- **Overview of budget process - Dan Villa, Office of Budget and Program Planning**

00:43:37 Mr. Villa discussed the Governor's proposed budget. He encouraged the committee not to embrace the 15% projections.

Committee questions

00:51:52 REP. HOLLANDSWORTH

00:52:11 Mr. Villa

00:53:44 Ms. Carlson

- **Overview of significant assumptions - Terry Johnson, Legislative Fiscal Division**

00:54:34 Mr. Johnson discussed the assumptions that will impact the revenue estimates. **(Exhibit 2).**

Committee questions

01:11:05 SEN. ESSMANN

01:11:18 Mr. Johnson

01:15:30 SEN. ESSMANN

01:16:20 Mr. Johnson

01:17:34 SEN. TUTVEDT

01:18:35 Mr. Johnson

01:20:06 SEN. TUTVEDT

01:20:47 Mr. Johnson

01:21:57 SEN. TUTVEDT

01:22:31 SEN. ERICKSON

01:23:03 Mr. Johnson

01:24:25 SEN. ERICKSON

01:26:02 Mr. Johnson

01:28:04 SEN. ERICKSON

01:28:25 SEN. PETERSON

01:29:14 Mr. Johnson

01:31:14 REP. HOLLANDSWORTH

02:03:15 Mr. Johnson

02:05:58 REP. HOLLANDSWORTH

02:06:09 Mr. Johnson

02:06:47 REP. HOLLANDSWORTH

02:06:58 Mr. Johnson

02:07:28 SEN. ERICKSON

02:08:16 Mr. Johnson

- **Overview of Significant Assumptions - Dan Villa, Office of Budget and Program Planning,**

02:11:13 Mr. Villa gave a presentation on the Office of Budget and Program Planning's assumptions. He distributed a document entitled "Revenue Analysis and Estimation Summary" **(Exhibit 1)** that showed the Budget Office's assumptions and risk factors.

- **Comparison of LFD and OBPP revenue estimates -Terry Johnson, Principle**

Fiscal Analyst

02:16:08 Mr. Johnson discussed the comparisons on page 14 of his handout **(Exhibit 2)**.

Committee discussion

02:19:20 SEN. PETERSON

02:19:33 Mr. Johnson

02:22:32 **Stephanie Morrison, Legislative Fiscal Division**, explained that audit revenues are built into the assumptions.

Committee questions

02:26:05 SEN. ERICKSON

02:27:47 Mr. Johnson

02:28:09 SEN. ERICKSON

02:28:21 SEN. ESSMANN

02:29:38 Mr. Johnson

02:30:12 SEN. ESSMANN

BREAK - reconvened at 10:56 a.m.

Public Comments - none

REVENUE ESTIMATES MOTIONS

Motion

02:53:34 REP. MILLER moved to adopt revenue estimates of the Legislative Fiscal Division.

Amended motion

02:54:09 SEN. GILLAN moved to adopt the revenue estimates and assumptions presented in the November 15 Executive Budget submission within House Bill 2.

Committee discussion

02:55:34 SEN. PETERSON asked Mr. Coles about constitutional issues related to the revenue estimates in HB 2.

02:56:44 **Jaret Coles, Staff Attorney**, said that the committee should keep in mind that 5-5-227, MCA, requires the committee to have prepared by December 1, for introduction, during each regular legislative session in which revenue bills under consideration, an estimate of the amount of revenue projected to be available for legislative purposes. Joint rules in 30-60 also provide that the RTIC shall introduce a House Joint Resolution for the purposes of estimating revenue that may be available for appropriation by the legislature. The Constitution provides that a general appropriations bill shall contain only appropriations. There is a potential that a bill that's a general appropriations bill that has more than appropriations in it is outside of that limitation. There's also a provision in 17-8-1032, that says in no event does a condition or limitation contained in the appropriation act amend any other statute.

02:59:10 SEN. ERICKSON
03:00:36 REP. MILLER
03:00:57 REP. HOLLANDSWORTH
03:02:22 SEN. TUTVEDT
03:02:42 SEN. GILLAN
03:04:01 SEN. TUTVEDT
03:04:50 SEN. KAUFMANN
03:07:14 REP. HOLLANDSWORTH
03:07:28 SEN. GILLAN
03:09:01 REP. HOLLANDSWORTH
03:09:25 SEN. GILLAN
03:10:05 REP. SESSO
03:14:23 SEN. ESSMANN
03:16:06 SEN. PETERSON
03:18:25 SEN. GILLAN
03:20:40 REP. BOLAND

Roll call vote on Sen. Gillan's motion

03:22:51 The amended motion by Sen. Gillan failed on a tie vote 6-6, with Senators Erickson, Gillan, Kaufmann, and Representatives Barrett (proxy), Boland, and Sesso voting yes; and Senators Essmann, Peterson, Tutvedt, and Representatives Miller, Hollandsworth, and Hoven voting no. **(Attachment 3)**

Discussion on original motion

03:23:04 SEN. PETERSON said that he will support Rep. Miller's original motion.

03:24:47 SEN. ERICKSON said he will oppose the motion.

Roll call vote on Rep. Miller's motion

03:27:04 The motion failed on a roll call vote 7-5, with Senators Erickson, Gillan, Kaufmann; and Representatives Barrett (proxy), Miller, Boland, and Sesso voting no; and Senators Essmann, Peterson Tutvedt; and Representatives Hollandsworth and Hoven voting yes. **(Attachment 4)**

Committee discussion

03:27:21 Mr. Coles said that the original motion was to have a starting point and then there were potential amendments to that starting point. The committee needs to find that starting point or go through revenue source by revenue source. Basically, the motion would be to instruct the staff to prepare HJ 2 and prepare it in the manner in which it was voted.

Motion to reconsider previous action by the committee

03:27:56 REP. MILLER moved to reconsider the committee's previous action on the motion to accept LFD revenue estimates.

Committee discussion

03:28:30 SEN. GILLAN
03:28:43 REP. MILLER

03:28:57 SEN. GILLAN
03:29:19 SEN. KAUFMANN
03:29:37 SEN. PETERSON

LUNCH - reconvene at 1:15 p.m.

• **Legal presentation on revenue estimating**

00:01:24 **Todd Everts, Chief Legal Counsel**, explained what the committee is statutorily obligated to do regarding the revenue estimate.

Committee questions

00:04:46 REP. HOLLANDSWORTH
00:05:04 Mr. Everts
00:07:20 Mr. Coles
00:08:06 REP. HOLLANDSWORTH
00:08:12 Mr. Coles
00:08:46 REP. MILLER

Roll call vote on Rep. Miller's motion

00:11:08 The motion to reconsider the previous action by the committee failed on a tie vote 6-6, with Senators Erickson, Gillan (proxy), Kaufmann; Representatives Barrett (proxy), Boland, and Sesso voting no. Senators Essmann, Peterson, Tutvedt; Representatives Miller, Hollandsworth and Hoven voting yes.
(Attachment 5)

Committee comments on the motion

00:11:20 SEN. ESSMANN
00:11:25 REP. SESSO

Motion to delay approving the revenue estimate until December 3rd

00:13:21 REP. SESSO moved that the discussion of the revenue estimate be delayed until the afternoon of December 3rd, after the rules committee has met, to verify that the reforms that were suggested are made a part of the rules committee's recommendation to the full body of the Senate and the House.

Committee discussion

00:14:09 REP. HOLLANDSWORTH
00:14:52 REP. SESSO
00:15:21 REP. HOLLANDSWORTH
00:15:28 REP. SESSO
00:17:41 REP. HOLLANDSWORTH
00:17:47 REP. SESSO
00:18:30 REP. MILLER
00:18:58 REP. HOVEN
00:19:45 REP. HOLLANDSWORTH
00:20:10 SEN. ESSMANN
00:20:37 SEN. PETERSON
00:21:45 REP. HOLLANDSWORTH
00:22:00 SEN. PETERSON

00:22:08 SEN. TUTVEDT
00:23:26 SEN. PETERSON requested that the committee recess for 15 minutes.

RECESS - reconvened at 2:03 p.m.

00:47:53 SEN. PETERSON
00:49:12 SEN. ERICKSON
00:49:24 REP. HOLLANDSWORTH
00:49:57 SEN. ERICKSON
00:50:14 REP. HOLLANDSWORTH
00:50:38 SEN. TUTVEDT
00:51:14 REP. MILLER
00:51:32 SEN. ERICKSON
00:51:44 Mr. Everts
00:52:19 SEN. GILLAN
00:53:59 REP. MILLER
00:54:13 REP. HOLLANDSWORTH
00:55:12 REP. SESSO
00:59:00 SEN. PETERSON

Roll call vote

01:00:20 The motion failed on a tie vote 6-6, with Senators Erickson, Gillan, and Kaufmann; Representatives Barrett (proxy), Boland, and Sesso voting yes; Senators Essmann, Peterson, and Tutvedt; Representatives Miller, Hollandsworth, and Hoven voting no. **(Attachment 6)**

ADMINISTRATIVE RULE REVIEW - Jaret Coles

01:01:43 Mr. Coles gave a presentation on administrative rule review **(Exhibit 3)**.

Public Comments - none

FINAL REPORTS

- **SJR 17: Study of Centrally Assessed and Industrial Property**
01:08:06 Ms. Moore presented the final report for the SJR 17 Study. **(Exhibit 4)**

Motion

REP. MILLER moved to adopt the final report on the SJR 17 Study. The motion passed unanimously by voice vote.

- **SJR 23: Study of Tax Exemptions for Nonprofits**
01:09:02 Ms. Moore presented the final report on the SJR 23 Study. **(Exhibit 5)**

Motion

01:09:13 SEN. KAUFMANN moved to adopt the final report on SJR 23. The motion passed unanimously by voice vote.

Public Comments - none

COMMITTEE REQUESTED BILL DRAFTS

- **LC9502: Adjust distribution to Missoula TIF**
01:10:08 Ms. Moore discussed LC9502. **(Exhibit 6)**

Committee discussion
01:12:29 REP. SESSO
01:13:09 Ms. Moore
01:15:42 REP. SESSO
01:15:53 REP. HOLLANDSWORTH
01:16:02 SEN. KAUFMANN

Motion
01:17:04 REP. SESSO moved that LC9502 proceed as drafted. The motion passed unanimously with Rep. Barrett as the sponsor.

- **LC9503: Clarifying that certain class eight property tax adjustments are based on corporation license tax collections rather than corporation income tax collections**
01:18:42 Ms. Moore discussed LC9503. **(Exhibit 7)**

Motion
01:19:00 SEN. ESSMANN moved that LC9503 proceed as drafted. The motion passed unanimously by voice vote with Rep. Miller as sponsor.

Committee discussion
01:19:24 SEN. ESSMANN
01:19:57 Mr. Coles
01:20:34 Ms. Moore
01:21:29 Mr. Coles

- **LC9504: Remove references to local government severance tax**
01:22:02 Mr. Coles discussed LC9504. **(Exhibit 8)**.

Motion
01:22:58 There was a motion for LC9504 to proceed as drafted. The motion passed with Rep. Boland as sponsor.

- **LC9505: Repeal taxable value decrease for expanding industries that process Montana raw materials**
01:24:41 Ms. Moore distributed a supplemental to LC9505 and discussed the bill **(Exhibit 9)**.

Committee discussion
01:25:44 SEN. ESSMANN
01:25:51 Ms. Moore
01:26:21 SEN. TUTVEDT
01:26:34 Ms. Moore

01:26:46 REP. MILLER
01:27:35 Ms. Moore

Motion

01:27:46 REP. HOVEN moved that LC9505 proceed. The motion passed with Sen. Tutvedt, Rep. Sesso and Sen. Essmann voting no. Sen. Peterson, Sen. Barrett, and Sen. Erickson were not present to vote. A sponsor will be assigned later.

Public Comment - none

DEPARTMENT OF REVENUE REPORT ON SALES ASSESSMENT RATIO

01:29:55 **Alan Peura, Deputy Director, Department of Revenue**, discussed the sales assessment ratio report (**Exhibit 10**).

Committee questions

01:42:16 SEN. TUTVEDT

01:42:38 Mr. Peura

01:42:54 SEN. TUTVEDT

01:43:18 Mr. Peura

01:44:00 SEN. TUTVEDT

01:44:19 Mr. Peura

01:44:34 **Jerome Patton, Economist, Department of Revenue**, explained that the ratios are the sales price of a given property divided by the 2008 assessment value given by the department.

01:45:09 SEN. TUTVEDT

01:45:40 Mr. Patton

Continuation of Report

01:45:56 Mr. Peura

Public Comment - none

ADJOURNMENT

01:54:32 With no further business before the committee, REP. HOLLANDSWORTH adjourned the meeting at 3:10 p.m.

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