



## Revenue and Transportation Interim Committee

### 64th Montana Legislature

#### SENATE MEMBERS

FRED THOMAS--Chair  
DICK BARRETT  
MARK BLASDEL  
BRIAN HOVEN  
CHRISTINE KAUFMANN  
SUE MALEK

#### HOUSE MEMBERS

TOM JACOBSON--Vice Chair  
JEFF ESSMANN  
GREG HERTZ  
RAE PEPPERS  
ALAN REDFIELD  
BRIDGET SMITH

#### COMMITTEE STAFF

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

# MINUTES LOG

November 30, December 1, and December 2, 2015  
Room 317, Capitol Building  
Helena, Montana

DECEMBER 1, 2015

Please note: This document is a Minutes Log and provides a notation of the time elapsed between the beginning of the meeting and the time at which the item was presented or discussed, a motion was made, or a vote was taken. The narrative presented here is provided only as a guide to the audio or video record of the meeting. The official discussion, motion, or vote is available on the audio or video archive of this meeting. The Legislature does not prepare a transcript of meeting activities. The time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

Access to an electronic copy of these minutes and the audio or video recording is provided from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side menu of the home page, select Committees, then Interim. Once on the page for Interim Committees, scroll down to the appropriate committee. The written Minutes Log, along with the audio and video recordings, is listed by meeting date on the interim committee's web page. Each of the Exhibits is linked and can be viewed by clicking on the Exhibit of interest. All Exhibits are public information and may be printed.

Please contact the Legislative Services Division at 406-444-3064 for more information.

#### **COMMITTEE MEMBERS PRESENT**

SEN. FRED THOMAS, Chair  
REP. TOM JACOBSON, Vice Chair

SEN. MARK BLASDEL  
SEN. BRIAN HOVEN  
SEN. CHRISTINE KAUFMANN  
SEN. SUE MALEK

REP. JEFF ESSMANN  
REP. GREG HERTZ  
REP. RAE PEPPERS  
REP. ALAN REDFIELD  
REP. BRIDGET SMITH

#### **COMMITTEE MEMBERS EXCUSED**

SEN. DICK BARRETT

#### **STAFF PRESENT**

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

## VISITORS' LIST (Attachment 1)

## AGENDA (Attachment 2)

### CALL TO ORDER AND ROLL CALL

00:00:03 Sen. Thomas called the meeting to order at 8:04 a.m. The committee secretary called roll. (Attachment 3) Sen. Barrett was excused and left his proxy with Sen. Kaufmann. (Attachment 4)

### AGENCY OVERSIGHT: DEPARTMENT OF TRANSPORTATION

#### Update on federal highway funding - Mike Tooley, Director, Department of Transportation

00:01:54 Director Tooley

#### Inventory and maintenance of shared use trails report - Jon Swartz, Administrator, Maintenance Division, Montana Department of Transportation

00:04:01 Mr. Swartz (Exhibit 10)

#### Committee Questions of Mr. Swartz

00:12:18 Sen. Hoven asked about noxious weeds along the pathways.

00:13:55 Sen. Kaufmann asked about fog sealing.

00:15:01 Rep. Hertz asked about plowing during winter months.

00:16:26 Rep. Jacobson asked about general funds used for road maintenance.

00:20:54 Rep. Essmann commented on bike paths in Billings.

00:22:45 Sen. Kaufmann asked about paths that are adjacent to a state-maintained federal highway system.

00:25:41 Rep. Redfield commented on use by pedestrians, runners, bikers and skateboarders.

00:29:07 Sen. Thomas asked whether or not the Department of Transportation has a plan to address maintenance costs.

00:32:37 Sen. Kaufmann asked if the Department of Transportation plans to meet with local groups about the plan and potential solutions to the funding issue.

00:33:34 Sen. Kaufmann asked the Department of Transportation to propose funding options for the maintenance of the bike paths.

00:34:18 Sen. Thomas suggested a presentation on funding options sometime next summer.

00:37:34 Sen. Kaufmann asked Sen. Thomas to consider having a panel presentation on this topic and include city and county officials.

#### Public Comment on Agency Oversight Report

00:40:39 Melinda Barnes, Executive Director, Bike Walk Montana

### HIGHWAY STATE SPECIAL REVENUE ACCOUNT STUDY

#### Overview of Asset Management Program - Lynn Zanto, Division Administrator, Rail Transit and Planning Division, Montana Department of Transportation

00:45:21 Ms. Zanto (Exhibit 11) (Exhibit 12)

#### Committee Questions of Ms. Zanto

- 01:06:03 Rep. Peppers asked about contractor payments.  
01:08:10 Sen. Hoven asked what percent of design work is done in-house.  
01:12:13 Rep. Essmann asked how miles traveled are measured for funding purposes.  
01:14:41 Rep. Jacobson asked about the requirements for maintenance of public roads.  
01:16:11 Sen. Hoven asked if a portion of the gas tax goes back to counties for road development and maintenance.  
01:19:15 Rep. Smith asked how the gas tax is allocated.  
01:20:43 Rep. Smith asked about the counters across the highways.  
01:21:35 Sen. Malek asked about wildlife crossings and safety on Highway 83.

#### **History of Highway State Special Revenue Account Funding for Highway Patrol and Motor Vehicle Division - Cathy Duncan, Legislative Fiscal Division**

- 01:24:28 Ms. Duncan ([Exhibit 13](#))

#### Committee Questions

- 01:33:30 Rep. Peppers asked about the use of the Highway State Special Revenue Account for the Motor Vehicle Division.  
01:36:55 Rep. Essmann asked Ms. Duncan to find out how much the Highway Patrol generates in fines and revenue from traffic enforcement annually and where it is disposed.  
01:37:20 Rep. Jacobson asked that a representative from the Highway Patrol answer Rep. Essmann's question.

#### **Discussion of short- and long-term sufficiency of funding in support of highway maintenance and construction**

- 01:39:07 Mike Tooley, Director, Department of Transportation  
01:45:18 Sarah Garcia, Administrator, Motor Vehicle Division, Department of Justice  
01:48:15 Tom Butler, Highway Patrol, Department of Justice  
01:50:42 Mike Milburn, Deputy Chief of Staff, Department of Justice

#### Committee Questions

- 01:53:42 Sen. Thomas asked Mr. Butler if the Department of Justice tracks the number of speeding tickets issued monthly.  
01:55:49 Sen. Kaufmann asked Mr. Milburn if the Department of Justice has discussed efficiency savings to preserve the HSRA account.  
01:57:32 Sen. Kaufmann asked Director Tooley about the Department's work on Environmental Impact Statements.  
01:59:09 Sen. Malek asked Director Tooley to discuss the design bill and if contractors supported that bill.  
02:01:24 Sen. Malek asked about the increase in highway funding and the increase in expenditures noted in the Legislative Fiscal Division's report.  
02:03:59 Sen. Malek requested that the Department of Transportation provide crash data.  
02:04:43 Rep. Essmann asked Director Tooley about removal of construction signs after a highway construction project is completed.  
02:09:21 Sen. Thomas asked Director Tooley about reducing costs on the construction side.

- 02:12:54 Rep. Essmann asked Director Tooley for a demographic analysis of the engineering and design staff.
- 02:15:53 Rep. Jacobson asked Director Tooley about innovative ways that other states have addressed funding shortfalls.
- 02:17:33 Rep. Jacobson asked what the Department of Justice is doing to address the issue of shortfalls. Mr. Milburn referred that question to Christie Jacobson, Central Services Administrator, Department of Justice.
- 02:19:21 Rep. Jacobson asked Ms. Jacobson about the Department of Justice's proposals to cut costs.
- 02:20:50 Rep. Jacobson asked Mr. Milburn to provide an overview of alternative ideas for revenue generation.

#### Public Comment

- 02:22:28 Bob Story, Montana Taxpayers Association
- 02:27:26 Glenn Oppel, Montana Chamber of Commerce
- 02:28:30 Sen. Thomas asked Mr. Oppel about public opinions on cost reductions.
- 02:29:17 Rep. Jacobson asked Mr. Oppel about recommendations from the Chamber of Commerce's study group.

#### **Committee Work Session to determine scope of study, requests for information on options**

- 02:31:32 The committee members requested information on electric vehicle fees, annual gas tax costs for a typical Montana driver, how gas tax revenue is distributed to local governments and tribes, tribal gas tax agreements, what counties and the Department of Justice do with their share of revenue generated from fines, how much dyed diesel is sold and the revenue impact of reducing the diesel tax but applying it to all purchases, toll roads, implementing a gas tax increase when the price goes down, taxes that have been eliminated that used to go to HSRA, the design build bill, the Department of Transportation survey related to highway maintenance, the target account balance, use of construction funds for beautification and restoration and if this is mandated by the federal government, and fines for speeding tickets and crash data.

**BREAK** (reconvened at 11:20 a.m.)

#### **ELDERLY HOMEOWNER AND RENTER CREDIT STUDY**

##### **History of credit related to residence in tax-exempt facilities - Megan Moore**

- 03:16:25 Ms. Moore ([Exhibit 14](#))
- 03:23:23 Gene Walborn, Deputy Director, Department of Revenue, said the department would provide a chart on types of facilities that qualify under existing law.

#### Committee Discussion

- 03:24:53 Sen. Kaufmann suggested inclusion in those charts of data on rent.
- 03:26:25 Rep. Jacobson asked about income requirements for eligibility and whether subsidy dollars are included in total household income.

03:30:19 Sen. Hoven asked about facilities not paying property tax.  
03:34:10 Rep. Hertz asked whether the Department notifies taxpayers who may qualify for the credit.  
03:35:10 Rep. Jacobson asked about the number of taxpayers claiming the tax credit.  
03:36:10 Sen. Malek asked about those taxpayers living in low income facilities.  
03:37:51 Ms. Moore discussed entities making payments in lieu of taxes as authorized in 7-15-2115, MCA, that the credits are claimed as an income tax credit from the Department based on where you live, and whether that facility is eligible based on the definitions.  
03:41:15 Rep. Jacobson asked about payments in lieu of taxes.  
03:42:31 Ms. Moore discussed 7-15-2115, MCA.  
03:43:42 Rep. Jacobson announced that Sen. Hoven and Rep. Peppers will be working on the Elderly Homeowner Tax Credit issue.

Public Comment - None

**LUNCH BREAK** (reconvened at 1:02 p.m.)

## **ADEQUACY OF LOCAL GOVERNMENT REVENUE GENERATING CAPACITY STUDY**

### **Local Governments Levying Maximum Authorized Mills - Megan Moore**

04:58:41 Ms. Moore ([Exhibit 15](#))

### **Update on carry forward under 15-10-420, MCA - Harold Blattie, Montana Association of Counties**

05:02:09 Mr. Blattie

### **Panel discussion on revenue and costs considerations, impact of 15-10-420, additional revenue generation options, and use of special districts**

#### **City Panel**

Susan Nicosia, City Manager, Columbia Falls  
John Engen, Mayor, Missoula  
Doug Kaercher, Finance Officer, Havre

05:07:06 Ms. Nicosia  
05:23:45 Mr. Engen  
05:29:42 Mr. Kaercher

#### **Committee Questions**

05:36:34 Sen. Blasdel asked Ms. Nicosia about efficiency and stability based on economic projections.  
05:39:54 Rep. Essmann asked Ms. Nicosia about tax receipts decreasing in smaller communities.  
05:44:25 Sen. Malek asked about using special districts and the overall impact if taxes were raised.  
05:49:40 Sen. Malek asked Mr. Engen about funding for new construction.  
05:51:36 Rep. Essmann asked Mr. Engen whether new residential subdivisions cost more

05:54:10 in services than the subdivisions generate in income from property taxes.  
Rep. Hertz asked about the limitations of 15-10-420, MCA.  
06:05:01 Sen. Malek asked about the role that cities and towns play in the economic picture in Montana.  
06:08:56 Rep. Essmann asked Mr. Engen about trade-offs in tax increment finance districts.

### **County Panel**

Eric Bryson, Chief Administrative Officer, Lewis and Clark County  
Maureen Davey, Commissioner, Stillwater County  
Susan Geise, Commissioner, Lewis and Clark County  
Marty Malone, Commissioner, Park County

06:25:07 Ms. Davey (**Exhibit 16**)  
06:29:58 Mr. Malone  
06:35:22 Ms. Geise  
06:46:15 Mr. Bryson

### **Committee Questions**

06:50:21 Sen. Thomas asked about counties' sources of revenue.  
07:03:04 Sen. Kaufmann asked about local amenities to attract tourists.  
07:07:49 Rep. Redfield asked Mr. Malone about services that are currently provided by counties that weren't provided 10 years ago.  
07:20:49 Rep. Hertz asked if the panelists have any suggestions on other forms of taxation.

### **Public Comment**

07:28:41 Bob Story, Montana Taxpayers Association  
07:35:00 Harold Blattie, Executive Director, Montana Association of Counties  
07:44:10 Kevin Nelson, Billings  
  
07:47:44 Rep. Essmann asked Mr. Blattie about taxing rural property that has been removed from productive agriculture. He requested that Mr. Blattie take this issue to MACo for discussion.  
07:50:27 Rep. Redfield asked Mr. Blattie to look at the \$1,500 income for nonqualified agriculture property.

### **Committee work session on scope, requests for information on revenue generation options**

07:51:49 Rep. Redfield suggested studying the impact to eastern Montana with the reduction of coal mining and coal mines closing.  
07:53:43 Sen. Blasdel suggested updating work that has been done on entitlement share payments.  
07:54:09 Rep. Essmann requested a study on a sales tax model.  
07:56:07 Rep. Jacobson added that he would like to know what the economic impact would be with a sales tax.  
07:56:25 Sen. Hoven asked about the level of local mills if the legislature eliminated the 101 mills.

- 07:56:53 Rep. Hertz requested information on each county's tax base and what the mills are in those counties and cities.
- 07:58:02 Sen. Malek suggested that the committee look at Wyoming's oil and gas tax.
- 07:59:41 Rep. Jacobson asked for more information on the tax implications of some of the decisions made over the past several sessions where the tax burden has gone and if there is a way to measure the economic impact.

**BREAK** (reconvened at 4:13 p.m.)

## **PROPERTY TAXABLE VALUE NEUTRALITY STUDY**

### **Overview of valuation methodologies - Mike Kadas, Director, Department of Revenue**

08:09:20 Director Kadas ([Exhibit 17](#))

#### Committee Questions

- 08:32:04 Rep. Essmann asked about the model.
- 08:34:25 Rep. Hertz asked if the Department of Revenue reviews the AB-26s that claim that the definition of the property is incorrect.

#### Public Comment on property taxable value neutrality study

08:37:24 Kevin Nelson, Billings

#### Committee Discussion

- 08:39:53 Rep. Redfield commented on notifying taxpayers that they can still file AB-26s.
- 08:40:33 Rep. Essmann discussed the ability to access a model online that estimates taxes based on taxable value.

## **AGENCY OVERSIGHT: DEPARTMENT OF REVENUE**

### **Quality of reappraisal report - Eric Dale, Tax Policy and Research, Department of Revenue**

08:45:15 Mr. Dale ([Exhibit 18](#))

#### Committee Questions

- 08:57:23 Rep. Hertz asked about the number of residences used in the sales ratio analysis.
- 08:58:02 Rep. Essmann asked about outliers.

### **Appeals update - Mike Kadas**

09:03:27 Director Kadas ([Exhibit 19](#))

### **Litigation report - Dan Whyte, Chief Legal Counsel**

09:09:41 Mr. Whyte ([Exhibit 20](#))

### **Response to Kevin Nelson's TIF questions - Mike Kadas**

09:16:21 Director Kadas ([Exhibit 21](#))

Committee Questions

09:17:28 Rep. Hertz asked Mr. Whyte about the Barnard case.  
09:19:38 Sen. Hoven asked Mr. White about the Kohoutek case.

Public Comment

09:23:11 Kevin Nelson, Billings ([Exhibit 22](#))

**PUBLIC COMMENT on any other topic within the committee's jurisdiction**

09:28:07 Kevin Nelson, Billings, commented that a public official criticized his public testimony that he gave at a prior public comment period.  
09:31:31 Bob Story, Montana Taxpayers Association, commented on 15-10-420, MCA.

**RECESS**

09:36:09 Sen. Thomas recessed the meeting at 5:40 p.m. to reconvene at 8:00 a.m. on December 2, 2015.

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