



## LEGISLATIVE FINANCE COMMITTEE

### 60<sup>TH</sup> Montana Legislature

Room 110 Capitol Building \* P.O. Box 201711 \* Helena, MT 59620-1711 \* (406) 444-2986 \* FAX (406) 444-3036

#### SENATE MEMBERS

TRUDI SCHMIDT--Chair  
KEITH BALES  
JOHN BRUEGGEMAN  
JOHN COBB  
DAVID WANZENRIED  
CAROL WILLIAMS

#### HOUSE MEMBERS

RICK RIPLEY--Vice Chair  
RON ERICKSON  
CYNTHIA HINER  
DAVE KASTEN  
JON SESSO  
JANNA TAYLOR

# MINUTES

## TELECONFERENCE

### JOINT SUBCOMMITTEE OF THE REVENUE AND TRANSPORTATION INTERIM COMMITTEE AND THE LEGISLATIVE FINANCE COMMITTEE

August 18, 2008

Room 137, State Capitol  
Helena, Montana

Please note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes are on file in the offices of the Legislative Services Division. **Exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.**

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. The minutes are accompanied by an audio recording. For each action listed, the minutes indicate the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time may be used to locate the activity on the audio recording.

An electronic copy of these minutes and the audio recording may be accessed from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side column of the home page, select *Committees*, then *Interim*, and then the appropriate committee.

To view the minutes, locate the meeting date and click on minutes. To hear the audio recording, click on the Real Player icon. Note: You must have Real Player to listen to the audio recording.

#### COMMITTEE MEMBERS PRESENT

SEN. KEITH BALES - LFC  
SEN. CAROL WILLIAMS - LFC  
REP. JON SESSO - LFC  
REP. RICK RIPLEY - LFC  
SEN. JIM PETERSON - RTIC  
REP. MIKE JOPEK - RTIC  
REP. BOB LAKE - RTIC

**SUBCOMMITTEE MEMBERS EXCUSED/ABSENT**

SENATOR KIM GILLAN - RTIC

**STAFF PRESENT**

Jeff Martin, Research Analyst, LSD  
Clayton Schenck, Legislative Fiscal Analyst, LFD  
Terry Johnson, Principal Fiscal Analyst, LFD  
Diane McDuffie, Committee Secretary

**Visitors**

Visitors' list, Attachment #1.

**COMMITTEE ACTION**

The Joint Subcommittee of the Revenue and Transportation Interim Committee (RTIC) and the Legislative Finance Committee (LFC) voted:

- to delete section 11 of LC 115
- to approve the technical amendments from the Dept. of Revenue
- to request staff provide a recommendation or proposal at the next meeting on how to handle the issue of staff resources.

**CALL TO ORDER AND ROLL CALL**

**Sen. Bales**, Chairman, called the Joint LFC and RTIC to order at 11:05 a. m. The secretary noted the roll. (Attachment #3)

**APPROVAL OF THE MINUTES**

00:00:02      **MOTION: Rep. Lake** moved that the minutes of July 9, 2008 meeting be approved as submitted. **VOTE:** Motion passed.

**STAFF PRESENTATION OF STUDY BILL DRAFT (LC 115)**

00:05:39      Jeff Martin, Research Analyst, LSD discussed each section of the proposed bill draft LC 115. (Exhibit 1) Mr. Martin explained that this bill is to create a demographic, economic, and government trend analysis interim committee to conduct a study of the potential long-term effects of demographic, economic, social, and other trends in Montana on state and local governmental programs and services and on state and local revenue systems. Members of the committee will consist of four members of the RTIC and four members of the LFC. The Department of Revenue shall assist the committee in evaluating individual income taxes. On or before December 1, 2010, the committee shall issue a report on the committee's findings.

00:24:35      **Senator Williams** expressed concern with using existing studies completed by reputable and reliable experts as stated in section 11 (b). She said there is a risk of not having an independent study but a compilation of studies that already exist.

00:25:49      Mr. Martin said there may be information available for the committee's review and analysis without having to pay for it.

- 00:26:40 **Rep. Lake** said he does not want to limit any access to utilizing information.
- 00:28:18 **Rep. Sesso** said that this should be an independent study that the committee is commissioning and other studies should only be used as input and not be adopted as the starting point.
- 00:30:43 **Sen. Bales** said his understanding of this section is authorization for the committee to either conduct their own study or contract for services, and authorizes staff to look at information the Council of State Government might have about the difference in demographics between the states and the interrelationship.
- 00:31:48 **Sen. Peterson** said he sees no reason to take (b) out. This would be a beginning point for the committee and the committee will have control of the study.
- 00:35:02 **Sen. Williams** said that the words "reliable" and "reputable" are subject to whoever is looking at the study.
- 00:36:49 **Rep. Jopek** said clarification of the language would help.
- 00:37:17 Mr. Martin said 11 (a) may be broad enough to incorporate 11 (b). Typically when you do a study you establish a baseline looking at information that has already been generated.

*(Rep. Sesso left the meeting and left his proxy with Sen. Williams)*

- 00:55:32 Dan Bucks, Director, Department of Revenue discussed the technical amendments to the bill draft. (Exhibit 2) The proposed amendments apply to section 12 (a), (b)(i),(b)(ii), (c), (d), and (e) of the bill draft. In summary, the authorization will be for the purposes of this study, the budget office should have access to the same information and to protect individual privacy.
- 01:08:15 **Rep. Lake** asked if the bill draft allows the committee to use private funds intermingled with state funds. Mr. Martin said no. **Rep. Lake** said that he believes there are organizations that are willing to put funds into this study and is there a mechanism in current statute to allow this.
- 01:09:44 Clayton Schenck, LFA said there is a provision in statute for private donations to the state but it wouldn't necessarily be earmarked for this purpose. Using other funds that may have special interests can be complicated when doing a legislative study.

*(Rep. Lake left the meeting and left his proxy with Sen. Peterson)*

- 01:11:19 Mr. Bucks explained that individual income taxes are slightly less than half of the general fund but the other half consists of other sources. While inventorying the provisions directed in the bill in terms of analysis and more particular data collection by the department, focus on equipping the committee less comprehensively in looking at the whole revenue structure. Instead, the way the bill equips the committee is with the

acquisition of demographic information. The other sources of revenue are very significant and are not necessarily driven by demographics. There are many factors other than demography that will bear on the sustainability of revenue systems.

- 01:15:39 Mr. Martin said it was not his intent to limit the analysis of the revenue sources by demographics.
- 01:17:06 Terry Johnson, Principal Fiscal Analyst, LFD said that the bill draft specifically addresses the existing tax and other revenue sources. It does not talk specifically about those individual variables that can be significant in the various tax sources.
- 01:18:27 **Sen. Williams** asked if the bill could be amended to include other sources that are more narrow. Mr. Johnson said section (a) could be expanded to allow the committee to look at other driving factors.
- 01:19:35 **Sen. Peterson** said he doesn't object to providing language that gives the committee the option to look at other factors.
- 01:20:22 **Rep. Ripley** said he wouldn't object to the amendment but the focus needs be on the aging and graying of Montana.
- 01:22:10 **PUBLIC COMMENT**
- Mr. Schenck said that Mary Whittinghill from the Montana Taxpayers Association suggested to him that in section 10(a) the committee consider using "current" or "similar" rather than "sufficient".
- 01:26:31 **SUBSECTION 11**
- 01:23:47 Mr. Schenck said subsection 4 states "the committee shall conduct a detailed study of the potential long-term effects..." This provides the committee with the authority to complete the study by whatever means necessary. His recommendation is that subsection 11 is not needed.
- 01:33:23 **MOTION: Sen. Williams** moved to delete subsection 11. **VOTE:** Motion passed.
- 01:33:32 **MOTION: Sen. Williams** moved to approved the technical amendments. **VOTE:** Motion passed.
- 01:38:40 Without objection from the committee, Mr. Martin and Mr. Johnson will research other revenue sources and provide options for the committee to consider at the next meeting.
- 01:42:02 Mr. Martin referred to his email to provide the committee with an idea of the range of costs of the committee, including expanding it to a 12-member committee. (Exhibit 3) The amount of the appropriation will include the committee operating budget, but any contracted services would be in addition to the amounts listed in Exhibit 3.

01:42:50 Mr. Johnson said there is a high probability that the committee may need the services of the university system and/or national economic forecasting firms, and this may warrant research from staff to provide the committee with additional information on what type of costs could be incurred.

01:46:47 The consensus of the committee was that the bill will be introduced in the Senate and an appropriation will not be needed at this time.

01:53:37 **Sen. Williams** asked the committee if there should be money in the appropriation for staff time. Mr. Martin said the budget for each Legislative Branch would include staff time. But how staff resources are allocated needs to be considered.

01:57:20 Mr. Johnson said that the amount for contractual services could be increased with the understanding that those dollars be used to either help the LFD do their regular duties or, contract the work that's required of the study that would require staff time.

01:59:55 **Sen. Bales** requested staff provide a recommendation or proposal at the next meeting on how to handle the issue of staff resources.

02:02:16 **NEXT MEETING**  
Mr. Martin said the amended bill draft will be available prior to the next meeting of the RTIC. A conference call for the LFC/RTIC will be scheduled for September 9.

02:04:35 **ADJOURNMENT**  
Meeting adjourned 1:05 p.m.

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