

Revenue and Transportation Interim Committee Proposed Work Plan for the 2015-2016 Interim

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INTRODUCTION

The Revenue and Transportation Interim Committee is one of seven interim committees established by law and required to meet between the end of one regular session and the beginning of the next session. Section 5-5-215, MCA, sets out the duties of interim committees, which include:

- monitoring the operation of assigned Executive Branch agencies and reviewing the agencies' administrative rules and proposed legislation;
- conducting interim studies as assigned;
- reviewing statutorily established advisory councils and required reports of assigned agencies to make recommendations to the next Legislature on retention or elimination; and
- proposing legislation the committee believes should be considered by the next Legislature.

The specific duties of the Revenue and Transportation Interim Committee are contained in section 5-5-227, MCA. The Committee has administrative rule review, draft legislation review, program evaluation, and monitoring functions for the Departments of Revenue and Transportation and the Montana Tax Appeal Board.¹ In addition, the Committee is required to prepare a revenue estimate by December 1 for introduction during each regular session of the Legislature in which a revenue bill is under consideration.

This document presents the preliminary 2015-2016 interim work plan for the Revenue and Transportation Interim Committee. The plan is designed to allow for Committee discussion and revision and will be revised to reflect the version adopted by the Committee.

STATUTORY DUTIES

The following sections provide additional information about the duties of the Committee.

Agency Monitoring

The Committee generally receives updates at each meeting from each agency for which the Committee has agency monitoring duties. Following are some topics about which the Committee may wish to ask the agencies to report.

Department of Revenue

- Implementation of 2-year reappraisal cycle
- Implementation of revised property tax assistance programs
- Litigation reports
- Cooperative tax agreements

¹ Oversight duties related to the Montana Tax Appeal Board are a new duty for the 2015-2016 interim. The Committee and the State Administration and Veterans' Affairs Interim Committee (SAVA) jointly proposed legislation in the 2015 session to transfer oversight duties from SAVA to the Committee.

Department of Transportation

- Status of highway state special revenue account
- Status of federal highway funding
- Implementation of increased speed limit
- Presentation from Transportation Commission representative
- Major highway and construction projects and needs
- Highway safety

Montana Tax Appeal Board

- Status of tax appeals following reappraisal
- Implementation of [House Bill No. 41](#) (industrial appeals to Montana Tax Appeal Board)

Action item: The Committee should indicate interest in the topics listed above and additional topics not listed.

Review Statutorily Established Advisory Councils and Required Reports to the Legislature

Section 5-5-215(1)(d), MCA, requires each interim committee to review statutorily established advisory councils and required reports of assigned agencies and to make recommendations on their retention or elimination.

The Committee did a thorough review of required reports and advisory councils during the last interim and recommended the following bills, which became law:

- [Senate Bill No. 33](#), changes the frequency of certain reports from annual to biennial; and
- [Senate Bill No. 95](#), makes the appointment of the advisory council for the Multistate Tax Compact contingent on whether there are local subdivisions affected by the compact.

The Committee also recommended legislation to revise the composition of the agricultural advisory committee but that bill, [Senate Bill No. 17](#), did not pass the Legislature.

The required reports are summarized on pages 6-7. The following are the advisory councils of the Departments of Revenue and Transportation, listed by MCA section:

- 2-15-1311, MCA, requires the Director of Revenue to appoint an advisory council for the purpose of complying with Article VI, section 1(b) of the Multistate Tax Compact;
- 15-7-201, MCA, provides for an agricultural advisory committee for purposes of providing input on agricultural land valuation;
- 15-44-103, MCA, provides for a forest lands taxation advisory committee; and
- 60-2-601, MCA, requires the Transportation Commission to appoint an advisory council for the scenic-historic byways program.

Rule Review

Each legislative interim committee is required to review administrative rules proposed by state agencies within the committee's jurisdiction. The agenda for each meeting will likely include an item for this review depending on how involved the committee wishes to be in the administrative rule process.

Revenue Estimating and Monitoring

As provided in subsection (2)(a) of section 5-5-227, MCA, the Revenue and Transportation Interim Committee is required to prepare an estimate of revenue available for appropriation for each regular legislative session. The work plan calls for the Committee to be involved in revenue estimating topics and revenue collection status reports throughout the interim. The Legislative Fiscal Division will present general fund revenue collections reports.

The Committee adopts the revenue estimates in November of the year preceding the next regular session. In the past, staff of the Legislative Fiscal Division and the Office of Budget and Program Planning each presented revenue estimates for the Committee's consideration and the Committee has initially adopted the revenue estimates of the Legislative Fiscal Division. The Committee may then opt to make changes to those estimates based on other presented information. The Committee may consider whether representatives from other organizations should be invited to present their views on the state's economic and financial outlook. In recent interims, the Committee received presentations from representatives of the Bureau of Business and Economic Research, the Department of Labor and Industry, the Chamber of Commerce, and the oil and gas industry.

Income Tax Credit Relief Multiple

House Bill No. 9 (Ch. 6, Sp. L. May 2007) provided a one-time \$400 property tax rebate in the form of an income tax credit based on the amount of property taxes designated for school equalization on \$20,000 of market value of a taxpayer's principal residence times a relief multiple (section 15-30-2336, MCA). The relief multiple in statute is 0. For tax year 2007 only, a relief multiple was determined based on the amount that the unaudited general fund revenue received in fiscal year 2007 exceeded a certain amount.

Section 15-30-2336, MCA, directs the Committee to determine if a change in the relief multiple is justified based on actual and projected revenue and spending and any other appropriate factors. If the Committee determines that a change is justified, the Committee is directed to request a bill draft to change the relief multiple.

The Committee should consider whether to develop criteria for determining a recommended change to the relief multiple, eliminate the requirement that the Committee make a recommendation, repeal the statute, or leave the statute as it is.

STATUTORILY REQUIRED AGENCY REPORTS

The Legislature often requires a state agency to report to the appropriate interim committee on a particular matter. The Departments of Revenue and Transportation are required to submit a variety of reports to the Committee, which are summarized in the table beginning on the next page. The Department of Revenue's biennial report is required to be submitted to the Governor but must be made available to the Legislature.

The Office of Budget and Program Planning is required to notify the Committee if the amount of actual or projected receipts is less than the amount projected to be received in the revenue estimate (section 17-7-140, MCA), and the Committee is required to make recommendations to the Budget Director on the amount of a revenue shortfall. The Budget Director must consider the recommendations before certifying a general fund budget deficit. The budget office is also required to present an explanation of any significant change in agency or program scope to the appropriate interim committee (section 17-7-138, MCA).

State-Tribal Cooperative Agreements

Section 18-11-101, MCA, provides that the state may enter into cooperative agreements "to promote cooperation between the state or a public agency and a sovereign tribal government in mutually beneficial activities and services" and "to prevent the possibility of dual taxation by governments while promoting state, local, and tribal economic development." Section 15-70-234, MCA, requires the Department of Transportation to report on the status of cooperative agreements on motor fuel taxation to the Committee and to present an agreement to the Committee for review and comment before the final agreement is presented to the Attorney General for approval.

The Department of Revenue also enters into cooperative tax agreements with tribal governments but is not specifically required to report to the Committee. In the past, the Department has reported to the Committee on tax agreements.

**Reports Required to be Provided to the
Revenue and Transportation Interim Committee**

Citation	Reporting Entity	Report	Frequency
15-1-205	Department of Revenue	Biennial report	20 days before the meeting of the Legislature
15-1-230	Department of Revenue	Number and type of taxpayers claiming the credit for contributions to a qualified endowment under 15-30-2328, the total amount of the credit claimed, the total amount of the credit recaptured, and the Department's cost associated with administering the credit	Biennially Credit terminates December 31, 2019
15-7-111	Department of Revenue	Tax rates for the upcoming reappraisal cycle that will result in taxable value neutrality for each property class	Second year of each reappraisal cycle
15-24-3211	Department of Revenue	Use of the property tax abatements for gray water systems under 15-24-3202 and 15-24-3203	Biennially
15-31-322(2)	Department of Revenue	Update of countries that may be considered tax havens under 15-31-322(1)(f)	Biennially
15-32-703(10)	Department of Revenue	Number and type of taxpayers claiming the credit for costs of investments in depreciable property used for storing or blending biodiesel with petroleum diesel, the total amount of the credit claimed, and the Department's cost associated with administering the credit	Biennially
15-70-234	Department of Transportation	Status of motor fuel tax cooperative agreement negotiations with the state's Indian tribes	As needed, after negotiations are complete and before final agreement is submitted to Attorney General for approval

**Reports Required to be Provided to the
Revenue and Transportation Interim Committee, Continued**

Citation	Reporting Entity	Report	Frequency
15-70-369(7)	Department of Transportation	Number and type of taxpayers claiming the refund (1 cent a gallon for retailers or 2 cents a gallon for distributors) of biodiesel sold, the total amount of the refund claimed, and the department's cost associated with administering the refund	Biennially
17-7-140(4)	Office of Budget and Program Planning	Estimated amount of receipts less than the amount projected to be received in the previous session's revenue estimating resolution	Upon determination of budget director that contingency in 17-7-140 has occurred
61-10-154(8)	Department of Transportation	Enforcement of department's authority to stop and inspect, if probable cause exists, diesel-powered vehicles to determine compliance with provisions of special fuels use tax and impacts of enforcement on the state special revenue fund	Biennially
Ch. 384, L. 2015	Department of Transportation	Compile an inventory and maintenance plan for all multiuse trails and other paths within state-maintained federal-aid highway rights-of-way that are used by pedestrians and other non-motorized users	One-time to RTIC and 65 th Legislature Reporting requirement terminates May 1, 2017

INTERIM STUDY ASSIGNMENTS

The Legislative Council did not assign any interim studies to the Committee.

COMMITTEE AND AGENCY LEGISLATIVE PROPOSALS

If the Committee requests legislation as a result of an interim study or for another reason, the proposal must be preintroduced.

In addition, interim committees are required to review legislative proposals of assigned agencies as provided by joint legislative rules. Joint Rule 40-40(5)(a) provides that unless requested by a legislator, "a bill draft request submitted at the request of an agency must be submitted to, reviewed by, and requested by the appropriate interim or statutory committee." A committee request for the drafting of an agency bill does not imply that the committee endorses or supports the agency proposal.

Staff may recommend clarifying existing law, or the Committee may request legislation on a topic of interest to members. If a bill draft requested by the Committee or a state agency is not preintroduced by December 15 prior to the convening of the legislative session, the request is canceled.

PROXY VOTING

The Legislative Council publication "Rules, Procedures, and Guidelines for Legislative Interim Committees and Activities" generally discourages proxy votes and provides:

For the exercise of a proxy to be valid, the deputized member shall hold a written proxy from the absent member.¹

Unless the committee approves some other policy, the policy stated above will apply. Last interim, the Committee allowed proxy voting and required the proxy be submitted in writing or by e-mail or fax to the committee chair, the deputized member, and the committee lead staff.

MEETING SCHEDULE

Following is a proposed meeting schedule. The Committee will meet six more times this interim, including a meeting in November 2016 to adopt the revenue estimates for the 2019 biennium. The meeting schedule includes six 1-day meetings.

¹"[Rules, Procedures, and Guidelines for Legislative Interim Committees and Activities](#)," Montana Legislative Council (Helena, MT, revised May 5, 2012), p. 3.

Proposed Meeting Schedule

September 25, 2015
December 4, 2015
March 18, 2016
June 27, 2016
September 15, 2016
November 21, 2016

TIME ALLOCATION

The RTIC Work Plan Decision Matrix on pages 10-11 provides a list of the Committee’s duties, with options for the level of involvement that members would like to have for each topic. The options with asterisks represent levels of involvement over recent interims and would result in the following approximate breakdown of Committee time, assuming 48 hours of meeting time.

Item	Description	Time Allocation
Other	Committee-requested topics and emerging issues	42% (20 hours)
Statutory Oversight	Agency monitoring, required reports, administrative rule review, legislation review	33% (16 hours)
Revenue Estimating and Monitoring	General fund updates, fiscal year end reports, economic outlook presentations, revenue estimate presentations, adoption of a revenue estimate	25% (12 hours)

If committee members wish to devote more or less time to any of the items, the percentages in the table above would change accordingly in the final work plan.

Action item: Review, discuss, and adopt or revise the proposed interim work plan, including the level of involvement the committee would like to have in statutory oversight, revenue monitoring activities, review of required reports and advisory councils, and the topics of interest to members, the allocation of Committee time among the various activities, and the meeting schedule.

RTIC WORK PLAN DECISION MATRIX

Rule Review: <i>Decide the level of involvement the committee would like to have in the rule review process.</i>		
<p><u>Minimal Involvement</u></p> <ul style="list-style-type: none"> ▪ Receive a list of proposed or adopted rules prior to meetings ▪ Legal staff will note issues of concern 	<p><u>Moderate Involvement*</u></p> <ul style="list-style-type: none"> ▪ Receive a brief written description of each proposed or adopted rule prior to meetings ▪ Legal staff will note issues of concern ▪ Committee review of any topics of concern or any rule that a Committee member wants placed on the agenda 	<p><u>Significant Involvement</u></p> <ul style="list-style-type: none"> ▪ Receive a brief written description of each proposed or adopted rule prior to meetings with issues of concern noted ▪ Receive copies of rules from agencies for personal review ▪ Review and seek public comment on rules of legislative concern
Agency Monitoring: <i>Decide the level of DOR/MDT/STAB oversight and review the Committee would like to provide. (Involvement could vary by agency.)</i>		
<p><u>Minimal Involvement</u></p> <ul style="list-style-type: none"> ▪ Presentation on any statutorily required report ▪ Receive a written update of agency activities in a pre-meeting mailing; Committee members could designate topics on which they would like further information at a future meeting 	<p><u>Moderate Involvement*</u></p> <ul style="list-style-type: none"> ▪ Presentation on any statutorily required report ▪ Receive an agency update from agency officials at each meeting ▪ Receive additional updates based on topics identified by Committee members, the agency, or constituents during the interim 	<p><u>Significant Involvement</u></p> <ul style="list-style-type: none"> ▪ Presentation on any statutorily required report ▪ Presentations from agency divisions at each meeting ▪ Receive additional updates based on topics identified by Committee members, the agency, or constituents during the interim
Legislation Review: <i>Decide the level of oversight and review for DOR, MDT, and STAB legislation.</i>		
<p><u>Minimal Involvement*</u></p> <ul style="list-style-type: none"> ▪ Hear agency presentations on proposed agency bills; authorize pre-drafting of bills. 		
Review of Advisory Councils/Required Reports: <i>Decide the level of involvement in reviewing advisory councils and required reports.</i>		
<p><u>Minimal involvement*</u></p> <ul style="list-style-type: none"> ▪ Review the list of advisory councils and required reports and designate any the committee wishes to review 	<p><u>Moderate involvement</u></p> <ul style="list-style-type: none"> ▪ Request background information on each advisory council and report ▪ Designate those of interest for further review and schedule committee time for follow-up 	<p><u>Significant Involvement</u></p> <ul style="list-style-type: none"> ▪ Request background information from staff on each advisory council and report ▪ Schedule meeting time for agency and stakeholder input on each advisory council and report

Revenue Estimating and Monitoring: *Decide the level of involvement in the revenue estimating process.*

<u>Minimal Involvement</u>	<u>Moderate Involvement*</u>	<u>Significant Involvement</u>
<ul style="list-style-type: none">▪ Receive general fund updates or fiscal year end reports at each meeting ▪ Identify revenue sources for which the committee would like more detail and request information at a future meeting	<ul style="list-style-type: none">▪ Receive general fund updates or fiscal year end reports at each meeting ▪ Identify revenue sources for which the committee would like more detail and request information at a future meeting ▪ Receive presentations from economists and forecasters in September 2016 in preparation for November adoption of revenue estimate	<ul style="list-style-type: none">▪ Receive general fund updates or fiscal year end reports at each meeting. ▪ Include revenue estimating topics from pages 13-14. ▪ Receive presentations from economists and forecasters in September 2016 in preparation for November adoption of revenue estimate

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APPENDIX A: OTHER AREAS FOR POSSIBLE REVIEW AND ANALYSIS

The following list identifies topics the committee may want to study or about which it may want to obtain more information during the interim. The list is compiled from topics that garnered interest during the legislative session and topics on which the committee has spent time during past interims.

As provided in section 5-5-215(1)(c) and (1)(f), MCA, the Committee may identify other concerns or policy matters for review and analysis as the interim proceeds. If a Committee member proposes a topic that is not taken up by the Committee, the member may submit an information request to the Legislative Services Division. Staff may spend up to 16 hours on an information request.

The time for committee-requested studies and information requests will be limited by staff workload.

Topic: Taxation	Reason	Possible Study Activities	Committee time estimate
Elderly homeowner and renter credit	The Senate approved Senate Joint Resolution No. 26 to study whether elderly renters who live in tax-exempt facilities should be eligible for the income tax credit contained in sections 15-30-2336 through 15-30-2341. The session ended before the House considered the resolution.	<ul style="list-style-type: none"> • Overview of eligibility and how credit is calculated • Review history of the credit • Overview of types of facilities that provide elderly housing and their tax status • Consider how facilities determine rent paid by residents • Consider options and recommendations 	8% (4 hours)
Tax incentive review process *Alternatively, the committee could select tax credits to review and begin reviews this interim.	The governor vetoed House Bill No. 154 which required RTIC to review certain tax credits and terminated those credits on a rolling basis without affirmative action by the Legislature.	<ul style="list-style-type: none"> • Review Pew report, "Evidence Counts" (2012), summarizing the states' efforts to review tax incentives. <ul style="list-style-type: none"> • Update information in report • Committee, stakeholder, and public input on how to structure a review process • Consider options and recommendations 	10% (5 hours)

Topic: Taxation, continued	Reason	Possible Study Activities	Committee time estimate
Tax increment financing districts	The Senate approved Senate Joint Resolution No. 31 requesting a study of tax increment financing districts and targeted economic development districts. The session ended before the House considered the resolution.	<ul style="list-style-type: none"> • Review the establishment, operation, termination of TIFs • Study impacts on local taxing jurisdictions, taxpayers • Study the roles of state agencies, local governments, and TIF district boards in interpreting statutes • Review the mechanism for resolving conflicting statutory interpretations • Study remittances • Study use of urban renewal policies authorized in statute • Study abuses by local governments or taxing jurisdictions of TIF district boards in approving projects • Consider options and recommendations 	25% (12 hours)
Tax liens and deeds	The Legislature has considered a number of bills in recent legislative sessions that aim to address concerns surrounding the sale of tax liens when property taxes are delinquent. The concern is whether the owners, particularly elderly owners, understand the process.	<ul style="list-style-type: none"> • Overview of tax lien process • Overview of tax deed process • Stakeholder and public input on the process • Consider options and recommendations 	10% (5 hours)
Topic: Transportation	Reason	Possible Study Activities	Committee time estimate
Highway State Special Revenue account	The Natural Resource and Transportation Joint Subcommittee wrote a memo requesting the Committee study the Highway State Special Revenue account fund balance.	<ul style="list-style-type: none"> • Overview of revenue sources for account • Overview of spending • Fund balance report(s) • Consider options and recommendations 	8% (4 hours)
Work Zones	MDT and the Montana Contractors Association worked together on House Bill No. 415 to revise laws governing highway work zones. There seemed to be general support for the goals of the bill but more work needed on the specific statutory language.	<ul style="list-style-type: none"> • Overview of current law • Stakeholder input on issues with current law • Consider options and recommendations 	8% (4 hours)

Topic: Revenue Estimating	Reason	Possible Study Activities	Committee Time Estimate
Prediction intervals for General Fund	Increase understanding of IHS accuracy, which may lead to improved revenue estimate accuracy	Report/presentation from LFD staff	1% (1/2 hour)
Individual income tax revenue analysis	Better understand the relationship between year-to-date revenue and income growth rates to assess revenue estimate accuracy	Report/presentation from LFD staff	2% (1 hour)
Vehicle tax revenue analysis	Better understand the relationship between vehicle age and revenue, improve revenue estimate accuracy, have vehicle data available for use in policy scenarios	Report/presentation from LFD staff	1% (1/2 hour)
Energy industry impacts on revenue	Better understand energy issues and potential implications, improve revenue estimate time responsiveness	Report/presentation from LFD staff	1% (1/2 hour)
Health care insurance premiums impact on revenue	Increase understanding of effect of policy changes on insurance tax revenue, improve revenue estimate accuracy	Report/presentation from LFD staff	1% (1/2 hour)
Improved revenue estimates	Better understanding of Pew and Rockefeller Institute revenue estimate accuracy report findings, improve revenue estimate accuracy	<ul style="list-style-type: none"> • Report/presentation from LFD staff • Possible additional research based on committee's interest 	Varies/2% (1 hour)
Other Topics as Identified by Committee Members			
<i>See separate document with committee member proposed topics. This section will be updated upon committee decision on study topics.</i>			

APPENDIX B: MEETING PLAN SUMMARY

Following is a tentative schedule of Committee activities for each meeting for the 2015-2016 interim.

Date	Activity	Tasks/Policy Decisions
July 9, 2015	<ul style="list-style-type: none"> ➤ Organizational ➤ Agency monitoring ➤ Revenue estimating/monitoring ➤ Other issues 	<ul style="list-style-type: none"> • Elect officers • Review, revise, and adopt work plan • Review, revise, and adopt meeting dates • Administrative rule review • DOR, MDT, STAB agency introductions • General Fund revenue update • Overview of tax and transportation legislation enacted and vetoed
September 2015	<ul style="list-style-type: none"> ➤ Organizational ➤ Agency monitoring ➤ Revenue estimating/monitoring ➤ Other issues 	<ul style="list-style-type: none"> • Revise work plan as necessary • Review, revise, and adopt study plan(s) • Administrative rule review • Agency updates as necessary/requested • FY2015 Revenue report • Committee studies, member topics
December 2015	<ul style="list-style-type: none"> ➤ Agency monitoring ➤ Revenue estimating/monitoring ➤ Other issues 	<ul style="list-style-type: none"> • Administrative rule review • Agency updates as necessary/requested • MDT inventory and maintenance of shared use trails report • General Fund Revenue Trend Update for 2017 Biennium • Committee studies, member topics
March 2016	<ul style="list-style-type: none"> ➤ Agency monitoring ➤ Revenue estimating/monitoring ➤ Other issues 	<ul style="list-style-type: none"> • Administrative rule review • Agency updates as necessary/requested • MDT biodiesel refund, compliance with special fuel laws reports • FY2016 General Fund Revenue Collection Update #3 • Committee studies, member topics • Income tax credit analysis

Date	Activity	Tasks/Policy Decisions
June 2016	<ul style="list-style-type: none"> ➤ Agency monitoring ➤ Revenue estimating/monitoring ➤ Other issues 	<ul style="list-style-type: none"> • Administrative rule review • Agency updates as necessary/requested • Agency bill request presentations • DOR tax haven, reappraisal rates reports • Overview of committee's duties • Discussion about desired information/materials • FY2016 General Fund Revenue Collection Update #6 • General Fund Outlook for 2019 Biennium • Committee studies, member topics • Staff suggested cleanup legislation • Income relief multiple
September 2016	<ul style="list-style-type: none"> ➤ Agency monitoring ➤ Revenue estimating/monitoring ➤ Other issues 	<ul style="list-style-type: none"> • Administrative rule review • Agency updates as necessary/requested • DOR qualified endowment, biodiesel blending, gray water reports • Economic outlook presentations • Fiscal Year-End 2016 Revenue Report • Conclude committee studies, member topics • Income relief multiple follow-up • Review draft final report
November 2016	<ul style="list-style-type: none"> ➤ Agency monitoring ➤ Revenue estimating/monitoring 	<ul style="list-style-type: none"> • Administrative rule review • General Fund Revenue Collection Update • 2019 Biennium Revenue Estimate Recommendations from LFD and OBPP • Adopt revenue estimate