



Revenue and Transportation Interim Committee

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58th Montana Legislature

SENATE MEMBERS

GREGORY BARKUS
JERRY BLACK
VICKI COCCHIARELLA
JON ELLINGSON
ROBERT STORY
KEN TOOLE

HOUSE MEMBERS

JOE BALYEAT
EILEEN CARNEY
RONALD R. DEVLIN
CHRISTINE KAUFMANN
KARL WAITSCHIES
BILL WILSON

COMMITTEE STAFF

JEFF MARTIN
RESEARCH ANALYST
LEE HEIMAN
STAFF ATTORNEY

MINUTES

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 documents.**

Room 137, State Capitol
June 20, 2003

COMMITTEE MEMBERS PRESENT

Sen. Robert Story, Chairman
Rep. Eileen Carney, Vice Chairman
Sen. Gregory Barkus
Sen. Jerry Black
Sen. Vicki Cocchiarella
Sen. Jon Ellingson
Sen. Ken Toole
Rep. Joe Balyeat
Rep. Ronald R. Devlin
Rep. Karl Waitschies

COMMITTEE MEMBERS EXCUSED

Rep. Christine Kaufmann
Rep. Bill Wilson

STAFF PRESENT

Jeff Martin, Research Analyst
Leanne Kurtz, Research Analyst
Lee Heiman, Staff Attorney
Lois O'Connor, Secretary

VISITORS

Visitors' list (ATTACHMENT #1)
Agenda (ATTACHMENT #2)

COMMITTEE ACTION

- Elected Sen. Story and Rep. Carney as Chairman and Vice Chairman respectively
- Adopted the proposed work plan with revisions
- Adopted the tentative interim meeting schedule

CALL TO ORDER AND ELECTION OF OFFICERS

The Committee met jointly in the morning with the Legislative Finance Committee. The Legislative Fiscal Division staff addressed the status of the state general fund (2005 Fiscal Report) and options for using new federal aid funds.

The meeting was called to order by Senator Cocchiarella at 1:30 p.m. Roll call was noted; Rep. Kaufmann and Wilson were excused. (ATTACHMENT #3)

Sen. Barkus nominated Sen. Story as chairman, and Sen. Toole nominated Rep. Carney as vice chairman. Both were elected unanimously.

DEPARTMENT OF TRANSPORTATION (MDT)

Jim Currie, Deputy Director, MDT, said that David Galt, Director, MDT, intends to concentrate on highway safety. Currently, Montana has 2.3 accidents per million miles traveled, one of the highest accident rates in the country. The goal for federal highways is to reduce accidents to 1 per million miles traveled. According to the federal government, in the year 2000, traffic accidents in Montana had an adverse economic impact of \$621 million. Mr. Galt requested that highway safety be placed on the Committee's agenda for each meeting.

Mr. Currie said Senate Bill No. 34, introduced by Sen. Barkus, streamlined and accelerated the eminent domain process (under certain conditions) for MDT to acquire right of way for highway projects. He said that MDT is taking a conservative, cautious approach in using its new authority and is using it on projects that are immediately fundable and ready to be let and that are being held up by only a few landowners.

Mr. Currie provided overviews of the long-range planning document for the highway state special revenue account and why it is structurally out of balance, legislative actions impacting the highway state special revenue fund related to the taxable gallons of gasoline and diesel fuel, and provided an update on the status of program delivery. (EXHIBITS #1, #2, and #3 respectively)

Sen. Story asked if there was any indication from the Office of Budget and Program Planning (OBPP) whether MDT would continue to fund the Motor Vehicle Division out of the highway state special revenue account. Mr. Currie said that MDT has not discussed this issue with OBPP. However, OBPP is very reluctant to take that route and has been looking for ways to move some Highway Patrol functions from the fund.

Sen. Black asked how many years the \$3 million tax incentive for the production of gasohol in Hardin would continue. Mr. Currie said that the statute (15-20-522, MCA) provides that there is no tax incentive after July 1, 2010.

Rep. Waitschies asked how MDT calculated the taxable gallons of gasoline and diesel fuel. Mr. Currie said that the figure is received from the distributors who pay the tax and MDT has built those amounts into its revenue estimate.

Rep. Devlin asked why there was a 1.25% increase in taxable gallons when only one-half of that amount is seen in the net gasoline tax. Mr. Currie was uncertain but thought that the difference may be the comparison between House Joint Resolution No. 2 and MDT's third quarter estimates. Mr. Currie would look into it.

Sen. Black requested more information on the Highway Patrol operations for prisoner transfers. Mr. Currie said that the operations for prisoner transfers are nonrestricted highway dollars used for the costs incurred by the Highway Patrol when they transfer prisoners from point A to point B. The funds are not constitutionally protected like gasoline and diesel taxes, the money comes from permit fees.

Sen. Story asked if MDT's safety goal meant contributing more money toward safety projects and how it relates to the Legislature not enacting the open container law. Mr. Currie said that since the Legislature did not pass the open container law, MDT had to transfer \$5.6 million from the construction program into the safety program. Director Galt has chosen to transfer the \$5.6 million back into the hazard-elimination program.

DEPARTMENT OF REVENUE

Update on Replacement of POINTS

Linda Francis, Director, Department of Revenue (DOR), stated the following:

- The POINTS system will be replaced by the Integrated Revenue Information System (IRIS).
- A request for proposals (RFP) has been let for the new system and no payments will be made to the vendor until the DOR sees a product delivered in an incremental fashion and is successfully put into production.
- DOR is working on organizational improvements to see which of the 48 employees currently working on the POINTS project should remain on the project, who can be transferred to the IRIS project, or who can be integrated back into the normal operations of the agency.
- DOR continues to review all data that comes out of the POINTS project regarding statements of account to employers, and the Department is trying to clean the data up before it converts the data to the new system.
- DOR will not manage the bond proceed funds to purchase IRIS. The Department of Administration will manage it while DOR will manage the assessment mechanism.

Rep. Devlin said that according to an IBM survey conducted in the fall of 2002, POINTS had an error rate of between 3% and 5%. He asked if those percentages were consistent with what Ms. Francis found or was it higher. Ms. Francis said that IBM conducted a point-in-time data assessment of POINTS, and it was not reviewing or taking responsibility for assessing the underlying technical architecture or the programming logic. Because it was a small stratified sample, she believed the percentage was subjective and that a small sample did not give the representation of errors that people who work in POINTS see on a day-to-day basis.

Sen. Story asked about implementing the IRIS system. Ms. Francis said that the plan is to first set up the basic primary functions, such as customer registration forms and correspondence; second, accounting compliance, and the rental car tax; and, after that, combined oil and gas (COGS), and then withholding.

Rep. Balyeat asked if DOR was going to have new withholding tables to reflect the income tax cuts and reforms scheduled to take effect in 2005. **Judy Paynter, DOR**, said that the Tax Policy and Research Division has been discussing the issue for a number of years, and it is an item that must be discussed with Director Francis. However, withholding tables alter cash flow and they cannot be arbitrarily changed. Rep. Balyeat asked if Senate Bill No. 407 mandated the adjustment of withholding tables. Ms. Paynter said no.

Neil Peterson, DOR, provided an overview of SB 407 (implementation of the cigarette and other tobacco tax increases). (EXHIBIT #4)

DISCUSSION OF THE COMMITTEE'S PROPOSED WORK PLAN

Jeff Martin, Research Analyst, Legislative Services Division, provided an overview of the Committee's proposed work plan and its 2003-04 meeting schedule. (EXHIBITS #5 and #6 respectively)

Following a thorough discussion of the work plan, the Committee requested the following additions to the plan:

- review a proposed work plan for Senate Joint Resolution #29 (study of centrally assessed property with a focus on utility and utility properties) to determine whether the Committee prefers an in-depth study of the issue versus a "white paper";
- review the impacts of Senate Bill No. 155 on local governments (revises the way DOR determines whether the trigger is met for the reduction and ultimate exemption of the class eight business equipment tax) at a later date in the interim; (EXHIBIT #7)
 - Ms. Paynter said that the calculations for SB 155 should be done by October 15, 2003. DOR has reviewed the impacts of SB 155 on section 15-10-420, MCA, on local governments and found that local governments can raise their mills on other properties to make up for lost revenue. However, the state may not raise state levies.
- because the impacts of SB 155 could be substantial, public input and Committee discussion on the issue was requested sometime before the 2005 session;
- review the possibility of reorganizing the tax exempt statutes;
- monitor what DOR is doing about changing the withholding tables;
- review the MDT's problems with environmental violations;
- monitor the issue of highway safety and the funds that are being transferred from the highway state special revenue account;
- review federal mandates regarding homeland security and the transportation of hazardous materials and the changes that the Legislature may have to make in order to comply with the new federal standards;
- receive an update on how MDT establishes truck routes (i.e., the widening of the truck route from McCallister to the Idaho border (Gallatin Valley Road); and
- requested the Department of Commerce to report on the relationship of transportation to economic development in the state.

Rep. Devlin **moved** the adoption of the proposed work plan with revisions. Motion passed unanimously.

Sen. Cocchiarella **moved** the adoption of the tentative interim meeting schedule. Motion passed unanimously.

RULE REVIEW

Lee Heiman, Staff Attorney, Legislative Services Division, described the Committee's rule review responsibilities of DOR and MDT. (EXHIBITS #8 and #9 respectively)

OTHER EXHIBITS PROVIDED

- legislator claims for reimbursement related to interim activities (EXHIBIT #10)
- A Summary of Tax Legislation Enacted During the 2003 Legislative Session (EXHIBIT #11)
- A Summary of Transportation Legislation Enacted During the 2003 Legislative Session (EXHIBIT #12)

There being no further business, the meeting adjourned at 4:00 p.m.

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