



PO BOX 201706
Helena, MT 59620-1706
(406) 444-3064
FAX (406) 444-3036

Revenue and Transportation Interim Committee

64th Montana Legislature

SENATE MEMBERS

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

HOUSE MEMBERS

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

COMMITTEE STAFF

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

MINUTES LOG

July 9, 2015
Room 137, Capitol Building
Helena, Montana

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. DICK BARRETT
SEN. MARK BLASDEL
SEN. BRIAN HOVEN
SEN. CHRISTINE KAUFMANN
SEN. SUE MALEK
SEN. FRED THOMAS

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

STAFF PRESENT

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

VISITORS' LIST ([Attachment 1](#))

AGENDA ([Attachment 2](#))

COMMITTEE ACTIONS

The committee:

- elected Sen. Thomas as presiding officer and Rep. Jacobson as vice presiding officer;
- agreed to accept a written proxy from absent members;
- reviewed the proposed work plan and suggested topics for agency reports and levels of involvement for various committee activities but waited to adopt a work plan until study topics are decided;
- asked staff to poll the committee members on possible study topics and set up a conference call in the coming weeks to discuss the results; and
- asked staff to poll the committee members on the next meeting date, which will be near the end of September.

CALL TO ORDER AND ROLL CALL

- 00:00:01 Sen. Kaufmann called the meeting to order at 9:43 a.m. The committee secretary called roll. ([Attachment 3](#))
- 00:02:25 The members of the committee gave brief introductions of themselves.

ADMINISTRATIVE MATTERS - Megan Moore, Lead Staff

- 00:08:26 Ms. Moore discussed staff roles and responsibilities; "Rules, Procedures, and Guidelines for Interim Committees" ([Exhibit 1](#)); the Summary of Enacted and Vetoed Tax Legislation ([Exhibit 2](#)); and the Summary of Enacted and Vetoed Transportation Legislation ([Exhibit 3](#)).

ELECTION OF OFFICERS

- 00:12:42 Sen. Blasdel moved to nominate Sen. Thomas as Presiding Officer. The motion passed unanimously by voice vote.
- 00:16:32 Sen. Blasdel moved to nominate Rep. Jacobson as Vice Presiding Officer. The motion passed unanimously by voice vote.

DRAFT INTERIM WORK PLAN

- 00:21:42 Ms. Moore gave a presentation on the Draft Interim Work Plan. ([Exhibit 4](#))
- 00:35:28 Stephanie Morrison, Fiscal Analyst, Legislative Fiscal Division, gave a presentation on possible revenue estimating topics for the committee's consideration.

Questions of Ms. Morrison

- 00:43:10 Sen. Barrett asked about the time estimated for the topics and whether the Legislative Fiscal Division will undertake this research regardless of the committee's decision.
- 00:45:58 Rep. Essmann asked about high income taxpayers.
- 00:51:22 Ms. Moore referred the committee to the memo from Carl Glimm, Chair of the Natural Resource and Transportation Joint Subcommittee, requesting that the

committee study the Highway State Special Revenue Account Fund Balance.
(Exhibit 5)

Committee Discussion

- 00:52:41 Sen. Barrett discussed the use of subcommittees.
00:53:12 Sen. Thomas discussed what topics should be assigned to subcommittees.
00:53:29 Sen. Hoven suggested the following topics to be studied: income tax simplification, local option sales tax, and increasing the elderly homeowner tax credit.

Public Comment on the draft work plan

- 00:58:07 Glenn Oppel, Montana Chamber of Commerce, distributed a report card on Montana's infrastructure (Exhibit 6), a report on Montana's Transportation System (Exhibit 7), and a copy of House Joint Resolution No. 24 (Exhibit 8).
01:05:35 Scott Olsen, Montana Contractors Association, distributed a document entitled, "Montana's Top 20 Transportation Challenges and Improvements Needed to Address Them" published by TRIP. (Exhibit 9)
01:10:36 Spook Stang, Motor Carriers of Montana, distributed a document entitled, "Cost Allocation Study for the Montana State Highway System: 1999 Update". (Exhibit 10)
01:12:10 Jay Skoog, American Council of Engineering Companies of Montana (Exhibit 11)
01:14:30 David Nielsen, Montana League of Cities and Towns, and on behalf of the Montana Association of Counties
01:16:20 Pat Keim, Columbia Grain, Inc.
01:19:14 Robert Story, Montana Taxpayers Association, distributed a document entitled "State and Federal Funding of Highway Projects". (Exhibit 12)
01:22:07 Melinda Barnes, Bike Walk of Montana
01:23:21 Ronda Wiggers, Montana County Treasurers Association
01:24:40 Jon Metropolous, Montana Association of Oil, Gas, and Coal Counties
01:26:05 Heather O'Loughlin, Montana Budget and Policy Center

Committee discussion

- 01:27:56 Sen. Thomas discussed Rep. Greef's email. (Exhibit 13)
01:29:29 Sen. Barrett commented on the Department of Transportation's Asset Management Plan.

POSSIBLE COMMITTEE STUDY ACTIVITIES

- 01:31:14 Ms. Moore introduced the committee's suggested topics for review and analysis. (Exhibit 14)

Committee discussion

- 01:32:26 Sen. Barrett discussed the adequacy of local government revenue generating capacity and taxation of international corporations doing business in Montana.
01:36:05 Rep. Essmann discussed nonprofit reporting of community benefits.
01:38:53 Rep. Hertz discussed property taxable value neutrality, implementation of a sales tax in Montana, and simplification of the individual income tax.
01:40:48 Rep. Redfield discussed income tax simplification.

- 01:41:10 Sen. Thomas discussed the treatment of intangible property for centrally assessed property valuation.
- 01:41:51 Rep. Essmann discussed non-uniform speed limits.
- 01:43:13 Rep. Smith discussed passenger rail service.

Public Comment on possible committee study activities

- 01:46:55 Bob Story, Montana Taxpayers Association,

Committee discussion

- 01:47:57 The committee members discussed forming subcommittees and paring down the list of suggested topics, finalizing a schedule of meeting dates, and budget and staff time constraints.

AGENCY OVERSIGHT: DEPARTMENT OF REVENUE

- 01:53:03 Mike Kadas, Director, gave a presentation on the activities of the Department of Revenue. **(Exhibit 15)**
- 01:55:47 Mr. Kadas discussed the 2015 Reappraisal - Informal Reviews, Formal Appeals, and Valuation Adjustments memorandum. **(Exhibit 16)**
- 02:00:15 Mr. Kadas distributed a document entitled "Sales Packet" **(Exhibit 17)** showing residential sales information for purposes of comparing the sale of neighboring property.
- 02:22:50 Dan Whyte, Chief Legal Counsel, gave a litigation report. **(Exhibit 18)**
- 02:35:52 Mr. Kadas reported on three tax bills being considered in Congress.

Committee questions of Mr. Kadas

- 02:37:15 Sen. Blasdel asked about deadlines for filing an AB-26.
- 02:39:37 Rep. Essmann asked about a contact person for commercial valuation.
- 02:40:57 Sen. Hoven asked for more details about one of the bills in Congress.
- 02:41:31 Lee Baerlocher, Business and Income Taxes Division, Department of Revenue, responded to Sen. Hoven's question.

LUNCH BREAK - reconvene at 1:10 p.m.

AGENCY OVERSIGHT: DEPARTMENT OF TRANSPORTATION - Mike Tooley, Director

- 03:27:53 Mr. Tooley gave an update on the activities of the Department of Transportation. **(Exhibit 19)**

Committee questions of Mr. Tooley

- 03:44:18 Sen. Barrett asked about funding issues, prioritizing infrastructure investments, and the Department's Asset Management Program.
- 03:47:07 Rep. Essmann asked about fuel tax revenues.
- 03:50:57 Sen. Malek asked about the Asset Management Plan.
- 03:51:30 Mr. Tooley deferred the question to Lynn Zanto.
- 03:51:47 Lynn Zanto, Rail, Transit, and Planning Division, Department of Transportation, discussed the Asset Management Program.

Committee questions of Ms. Zanto

- 03:54:01 Sen. Malek asked about risk assessments for highways and bridges.
03:57:58 Rep. Hertz asked about asset management needs.

Committee questions of Mr. Tooley

- 03:58:49 Sen. Kaufmann asked about the five-year plan.
04:00:23 Rep. Hertz asked about exempt fuel.
04:02:15 Sen. Malek asked about gas taxes in surrounding states.
04:03:22 Rep. Essmann asked about funding and federal regulations.
04:06:00 Sen. Thomas asked about cost reduction of projects.
04:08:50 Sen. Thomas asked about funding for the Highway Patrol Program.
04:09:36 Rep. Jacobson asked about maintenance.
04:10:41 Rep. Jacobson asked about road and bridge safety.
04:12:10 Rep. Jacobson asked about the aeronautics program.
04:14:08 Rep. Hertz asked about bike paths.
04:15:24 Rep. Redfield asked about the weed budget.

AGENCY OVERSIGHT: MONTANA TAX APPEAL BOARD - Dave McAlpin, Montana Tax Appeal Board

- 04:16:53 Mr. McAlpin gave a history of the Montana Tax Appeal Board and an update on its activities. ([Exhibit 20](#))

REVENUE ESTIMATING AND MONITORING: GENERAL FUND REVENUE COLLECTION REPORT

- 04:29:24 Stephanie Morrison, Fiscal Analyst, Legislative Fiscal Division, gave a report on general fund revenue collection. ([Exhibit 21](#))
- 04:40:56 Nick Brown, Fiscal Analyst, Legislative Fiscal Division, gave a presentation on property tax and oil and natural gas production tax.
- 04:43:41 Sam Shepard, Fiscal Analyst, Legislative Fiscal Division, gave a presentation on corporate income tax, vehicle fees and taxes, and video gaming tax.
- 04:45:15 Cynthia Holliman, Fiscal Analyst, Legislative Fiscal Division, gave a presentation on insurance tax.

Committee questions

- 04:47:01 Sen. Barrett requested a report comparing House Joint Resolution No. 2 revenue estimates with year-end numbers.
- 04:50:56 Sen. Kaufmann asked about the 8.7% growth.
- 04:53:07 Sen. Kaufmann requested more recent numbers for individual income tax data.
- 04:55:09 Rep. Jacobson asked for clarification on the HJ2 estimates.
- 04:55:40 Rep. Peppers asked Mr. Brown about the growth of the coal severance tax.
- 04:57:14 Rep. Smith asked Mr. Brown about state and county revenues.
- 04:58:43 Rep. Essmann asked Mr. Brown about property tax laws.
- 04:59:24 Sen. Thomas asked Mr. Brown about the 101 mills.
- 04:59:49 Rep. Essmann suggested that the topic of triggers be discussed.
- 05:01:07 Sen. Kaufmann asked about the significance of the 8.7% growth.

AGENCY MONITORING: ADMINISTRATIVE RULE REVIEW

05:02:22 Jaret Coles, Staff Attorney, gave a presentation on administrative rule review.
(Exhibit 22)

PUBLIC COMMENT ON ANY OTHER TOPIC WITHIN THE COMMITTEE'S JURISDICTION

There were no public comments.

COMMITTEE WORK SESSION

Proxy Voting

Motion/Vote

05:19:34 Rep. Redfield moved to allow proxy voting. The motion passed unanimously by voice vote.

Scheduling of Future Meetings

05:20:51 Committee members discussed setting meeting dates at the next meeting.

Topics for Study

05:26:13 Sen. Thomas commented on the need for the committee to choose study topics for the interim.

05:27:31 Sen. Barrett suggested prioritizing the possible study topics.

BREAK - reconvene at 3:22

Topics for agency oversight

05:40:11 Rep. Essmann suggested a presentation from the Department of Revenue regarding the listing of nonprofit real property.

05:40:56 Sen. Barrett requested the Department of Revenue report on the AB-26 appeals.

05:41:39 Sen. Kaufmann requested removing the presentation from the Transportation Commission. The committee agreed.

05:43:08 Sen. Barrett requested a briefing on the Asset Management Plan.

05:43:35 Rep. Essmann requested an update from the Aeronautics Division of the Department of Transportation on unmanned aerial vehicles.

05:46:55 Rep. Jacobson requested a brief update from the Aeronautics Division in general and a public transportation update.

05:48:50 Sen. Thomas asked the committee to make a public proclamation committing to recommending a revenue estimate to the next Legislature.

Work plan decision matrix

05:50:15 The committee members worked through the decision matrix.

05:54:25 The committee discussed the level of involvement in revenue estimating activities.

Other areas for review and analysis

06:01:29 The committee asked staff to poll members on study topics.

Motion

06:07:46 Sen. Hoven moved that all items on pages 12 and 13 of the Draft Work Plan be included on the survey list.

Motion

06:08:20 Rep. Essmann moved to amend the motion to exclude speed limits.

06:09:49 The committee discussed including the topics of a tax incentive review process, a review of tax credits, and income tax simplification.

Amended motion/vote

06:11:22 Sen. Hoven amended his motion to exclude the tax incentive review process. The motion passed unanimously by voice vote.

Motion

06:12:49 Sen. Thomas moved to add the topic of intangibles to the survey list.

06:13:03 Committee members discussed prioritizing the items on the survey list and adding the topics of intangibles and individual and corporate income tax simplification.

Motion/Vote

06:15:12 Rep. Essmann made a motion to remove the non-uniform speed topic from the survey list. The motion passed unanimously by voice vote.

06:16:45 Committee members discussed a study of the adequacy of local government revenue generating capacity.

Motion/Vote

06:19:00 Rep. Smith made a motion to remove the passenger rail study from the survey list. The motion passed unanimously by voice vote.

Committee discussion

06:24:47 Rep. Essmann suggested ranking the topics.

06:26:34 Sen. Thomas discussed finalizing the ranking of topics to be studied.

06:27:15 Rep. Essmann suggested working with the Legislative Council on additional resources. The committee agreed with this suggestion.

06:28:22 Ms. Moore discussed a deadline for returning the survey poll.

06:29:00 Sen. Malek discussed the use of subcommittees.

Adopt draft interim work plan

06:31:38 Ms. Moore suggested that the committee finalize the topics for study before adoption of the work plan. She discussed holding a conference call to discuss the results of the survey poll.

ADJOURNMENT

06:31:59 With no further business before the committee, Sen. Thomas adjourned the meeting at 4:15 p.m.