



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 16, 2016
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. FRED THOMAS, Chair
REP. TOM JACOBSON, Vice Chair

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

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

COMMITTEE MEMBERS EXCUSED

REP. RAE PEPPERS

STAFF PRESENT

MEGAN MOORE, Lead Staff
JARET COLES, Staff Attorney
LAURA SHERLEY, Secretary

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

AGENDA ([Attachment 2](#))

COMMITTEE ACTIONS

The committee requested a committee bill to provide a revenue estimate for the 2017 Legislative Session. The revenue estimate adopted by the committee is the Legislative Fiscal Division's general fund and nongeneral fund assumptions and estimates but makes line-item adjustments to the estimates to match the estimates of the Office of Budget and Program Planning. Rep. Essmann will sponsor the bill.

The committee also voted to reconsider LC 413 (Amend reporting requirements for districts that use tax increment financing) to broaden the scope and include a requirement for public hearings before the expenditure of tax increment. Committee staff will work on the bill language with Sens. Barrett and Thomas and Reps. Essmann and Jacobson.

CALL TO ORDER AND ROLL CALL

00:00:02 Sen. Thomas called the meeting to order at 8:02 a.m. The committee secretary took roll call ([Attachment 3](#)). Rep. Peppers was excused from the meeting and left her proxy with Rep. Smith ([Attachment 4](#)).

ADMINISTRATIVE RULE ACTIVITY -- Jaret Coles, staff attorney

Administrative Rule Review

00:00:52 Mr. Coles ([Exhibit 1](#))

Update on timeline for Department of Transportation review of ARM 18.7.202

00:11:00 Mr. Coles (refer to page 7 of Exhibit 1)

Committee Questions/Discussion

00:14:30 Rep. Essmann asked for copies of administrative rules in the following MAR notices: 42-2-966, 42-2-957, and 42-2-958. Mr. Coles will follow-up with Rep. Essmann's information requests.

00:15:40 Rep. Essmann discussed the pending rule on golf course valuations.

Public Comment

None

REPORT ON TAX RATES FOR UPCOMING PROPERTY REAPPRAISAL CYCLE THAT WILL RESULT IN TAXABLE VALUE NEUTRALITY FOR EACH PROPERTY CLASS -- Mike Kadas, Director, Department of Revenue

00:19:14 Mr. Kadas ([Exhibit 2](#))

Committee Questions/Discussion

- 00:22:25 Sen. Barrett asked if the value changes in the *Estimated Impact of Reappraisal Change in Market Value Relative to TY16 Values* table included new property.
- 00:22:50 Rep. Essmann asked if the department calculated the impact of the four classes on the *Estimated Impact of Reappraisal Change in Market Value Relative to TY16 Values* table versus industrial classes. Rep. Essmann asked for the department to submit this information to the committee. Mr. Kadas will follow-up on Rep. Essmann's information request.

Public Comment

- 00:23:51 Bob Story, Montana Taxpayers Association, Helena

REVISIT COMMITTEE-REQUESTED BILL LC 413: AMEND REPORTING REQUIREMENTS FOR DISTRICTS THAT USE TAX INCREMENT FINANCING

- 00:26:55 Sen. Thomas introduced the agenda topic and asked Rep. Essmann to present and provide further information to the committee.
- 00:27:28 Rep. Essmann

Committee Questions/Discussion

- 00:31:25 Sen. Thomas asked if the tax increment financing district planned to approve the use of public money regarding LC 413 without a public hearing.
- 00:32:13 Sen. Thomas asked how large the tax increment financing district was and if it was on a consent calendar with no specific vote.
- 00:32:47 Sen. Barrett asked if Rep. Essmann was proposing to amend LC 413. The question was redirected to Megan Moore, committee staff ([Exhibit 3](#)).
- 00:33:47 Rep. Essmann recommended holding the discussion until later in the agenda.
- 00:34:05 Sen. Kaufmann asked if there have been comments from local governments on LC 413 proposed amendments.
- 00:34:48 Sen. Thomas asked Ms. Moore to review the proposed amendments to LC 413 (**refer to Exhibit 3**).
- 00:37:39 Sen. Barrett asked for clarification regarding bill draft language on pages 6 and 7 of LC 413 (**refer to Exhibit 3**). The question was referred to Rep. Essmann.

Public Comment

None

OVERVIEW OF IHS INDICATORS USED IN REVENUE MODELS -- Stephanie Morrison, Legislative Fiscal Division

- 00:41:27 Ms. Morrison ([Exhibit 4](#))

Committee Questions/Discussion

None

Public Comment

None

STATUTORY DUTY RELATED TO REVENUE ESTIMATE -- Megan Moore, committee staff

- 00:52:07 Ms. Moore ([Exhibit 5](#))

Committee Questions/Discussion

None

BREAK (Reconvened at 9:20 a.m.)

Introduction of revenue estimates -- significance of revenue estimates to budget process -- Amy Carlson, Legislative Fiscal Analyst, and Dan Villa, Director of Office of Budget and Program Planning

01:18:30 Ms. Carlson ([Exhibit 6](#))

01:38:47 Sen. Thomas asked for clarification of the *2019 Biennium Growth by Major Source* chart (**refer to page 9 of Exhibit 6**).

Presentation continued

01:41:50 Mr. Villa

Committee Questions/Discussion

01:44:53 Rep. Essmann asked Mr. Villa to give his opinion on the amount of recommended risk that could be taken for a smaller ending fund balance.

01:48:27 Sen. Thomas asked if the ending fund balance approximation is fairly accurate.

01:49:12 Sen. Thomas asked for information on the ending fund balance to be given to the members of the committee. Mr. Villa will follow-up on Sen. Thomas' information request.

Overview of significant assumptions and Comparison of Revenue Estimates -- Stephanie Morrison and staff, Legislative Fiscal Division, and Staff, Office of Budget and Program Planning

01:49:50 Ms. Carlson introduced the presenters.

01:51:15 Ms. Morrison ([Exhibit 7](#))([Exhibit 8](#))

01:55:20 Sen. Thomas asked for clarification of the *General Fund Revenue Estimate Comparison by Fiscal Year* chart (**refer to page 1 of Exhibit 8**).

01:57:15 Sen. Thomas asked Ms. Morrison for information behind the revenue trends in the *General Fund Revenue Estimate Comparison by Fiscal Year* chart. Ms. Morrison will follow-up on Sen. Thomas' information request.

02:00:49 Ms. Morrison continued her presentation.

02:02:11 Sen. Hoven asked Ms. Morrison if she has FYTD 2017 data for income tax comparison from this year to next year.

02:05:28 Ms. Morrison continued her presentation.

02:14:57 Sen. Thomas asked what conclusions were drawn from the Income Collections by Account charts (**refer to page 24 on Exhibit 8**).

02:16:13 Sen. Thomas asked if yearly parameters regarding the Income Collection Accounts were examined in hindsight.

02:18:18 Rep. Essmann asked Ms. Morrison if the YTD adjustment would be approximately \$50 million.

02:18:40 Sam Schaefer, Legislative Fiscal Division (**refer to Exhibit 8**).

02:22:18 Sen. Malek asked Mr. Schaefer where the state compares to other states regarding reducing the number of years for a carry back.

02:23:04 Sen. Thomas asked Mr. Schaefer if the most volatile income force is corporate

income tax and what precautions he took to take corporate income tax out of the predictions.

02:27:05 Sen. Malek asked Mr. Schaefer for information regarding the state's carry forward data. Mr. Schaefer will follow-up on Sen. Malek's information request.

02:27:57 Mr. Schaefer continued his presentation.

02:28:22 Sen. Thomas asked Mr. Schaefer if he receives week-to-week actuals on the state's income tax accounts.

02:28:53 Mr. Schaefer continued his presentation.

02:32:20 Rep. Essmann asked Mr. Schaefer if the growth decrease in casino and gambling revenue is due to the activity migrating online.

02:33:05 Mr. Schaefer continued his presentation.

02:34:52 Sen. Thomas asked Mr. Schaefer to review LFD's estimate recommendations **(refer to page 2 of Exhibit 8)**.

02:35:21 Rep. Essmann asked Mr. Schaefer if he considered the data impact if the federal government increases the federal fund rate.

02:36:37 Nick VanBrown, Legislative Fiscal Division

02:38:56 Sen. Malek asked Mr. VanBrown what the total amount is for federal forest payments and if they are going to certain counties.

02:40:23 Rep. Essmann asked Mr. VanBrown if the forecast on property tax assumed a mitigation bill.

02:41:05 Ms. Morrison

02:43:38 Sen. Thomas asked Ms. Morrison if the insurance tax applies to group plans and what percent applies to group plans.

02:45:00 Sen. Thomas asked Ms. Morrison if the tax applies to exchange insurance premiums.

02:46:02 Sen. Thomas asked Ms. Morrison if the federal government pays the premium. The question was referred to Sen. Barrett and Rep. Essmann.

02:47:39 Sen. Hoven asked Ms. Morrison what insurance is covered in the insurance tax and if the tax is paid by the insurance companies.

02:50:03 Ryan Evans, Office of Budget and Program Planning (**Exhibit 9**)

03:03:51 Sen. Malek asked Mr. Evans to review the PATH Act for the committee and it's impact on the state.

03:04:50 Sen. Malek asked Mr. Evans for clarification on bonus depreciation. The question was referred to Ralph Franklin, Office of Budget and Program Planning.

03:06:41 Rep. Hertz asked Mr. Franklin if the bonus depreciation rules also applied to individual small businesses and if that was the primary amount of bonus depreciation that hit other than corporations.

03:08:06 Rep. Essmann asked Mr. Evans if the estimate included a review of the negative impact of increasing federal fund rates.

Committee Questions/Discussion

03:10:58 Sen. Thomas asked Mr. Villa if there is a cash in the bank analysis and if it is being used in the budget estimates.

03:16:57 Rep. Hertz asked Mr. Villa how the cash flow will be managed until 2019 if \$3 million is needed to cash flow the government.

- 03:18:39 Sen. Hoven asked Ms. Morrison what gives reason for optimism in the upcoming budget years.
- 03:22:13 Sen. Thomas asked Ms. Carlson if there was further comment from her department.

Public Comment

None

LUNCH (reconvened at 12:05 p.m.)

MOTION TO REQUEST REVENUE ESTIMATE AND ADOPT LFD GENERAL FUND AND NON-GENERAL FUND ASSUMPTIONS AND CORRESPONDING ESTIMATES

Motion to request revenue estimate as committee-requested bill and assign sponsor **MOTION**

- 04:03:47 Rep. Jacobson moved to adopt the revenue estimate as presented by the Office of Budget and Program Planning.

MOTION DISCUSSION

- 04:04:12 Rep. Hertz moved to amend the motion to replace the OBPP TCA Interest amounts with the LFD TCA Interest amounts.
- 04:05:29 Sen. Kaufman commented on attempting to find an estimate in the middle.
- 04:06:33 Rep. Hertz clarified his amendment to the motion.

SUBSTITUTE MOTION

- 04:07:08 Sen. Barrett moved to adopt the revenue estimate as presented by Legislative Fiscal Division, but with the adjustment to the TCA interest earnings.

MOTION DISCUSSION

- 04:07:42 Rep. Redfield commented on the substitute motion and the effect on agriculture.
- 04:08:09 Sen. Hoven commented on the effect on mining and agriculture.

SUBSTITUTE MOTION

- 04:09:06 Sen. Barrett moved to adopt the Office of Budget and Planning Program estimate without adjustment.

VOTE

- 04:09:28 The motion passed on a 10-1 voice vote, with Rep. Redfield voting 'no'.
- 04:10:19 Rep. Essmann agreed to carry the bill.
- 04:10:27 Ms. Moore asked for clarification of the motion and sponsor.
- 04:10:54 Rep. Essmann reminded the committee to discuss the LC 413 bill draft.
- 04:11:10 Ms. Carlson clarified variables to the LFD estimate.
- 04:13:11 Rep. Essmann asked Ms. Moore if the OBPP estimate does not include the non-general fund revenues. The question was referred to Ms. Morrison.
- 04:14:39 Rep. Essmann asked Ms. Morrison if there were material differences between the revenue estimates.
- 04:16:04 Sen. Thomas recommended the committee reconsider the previous committee action and adjust the motion.
- 04:16:49 Rep. Essmann asked if Ms. Morrison would speak to the non-general revenue estimates in House Taxation Committee.

MOTION

04:17:29 Sen. Barrett moved that the committee reconsider the previous motion action.

VOTE

04:18:10 The motion passed on a unanimous voice vote.

MOTION

04:18:19 Rep. Jacobson moved to adopt Legislative Fiscal Division's general and non-general fund assumptions and corresponding estimates.

VOTE

04:19:12 The motion passed on an unanimous voice vote.

04:19:27 Sen. Thomas recommended making adjustments to the LFD general and non-general fund estimates.

MOTION

04:19:44 Rep. Jacobson moved that the committee amend the Legislative Fiscal Division revenue estimates to match the Office of Budget and Program Planning estimates for the general and non-general fund.

MOTION DISCUSSION

04:20:33 Rep. Essmann asked Ms. Morrison to inform the committee of budget issues to watch for in the first 100 days. The question was also referred to Mr. Coles.

04:24:57 Sen. Kaufman asked Ms. Carlson if the motion should adopt her department's estimates, would the committee's adjustments to the estimate be detrimental.

04:26:55 Sen. Kaufman asked Ms. Carlson to give her opinion on whether to use a revenue estimating subcommittee.

VOTE

04:28:30 The motion passed on a 10-1 voice vote, with Rep. Redfield voting 'no'.

04:29:17 Sen. Barrett asked for clarification of the motion. The question was referred to Ms. Carlson.

Motion to adopt preliminary ending general fund balance**MOTION**

04:30:58 Rep. Jacobson moved the committee to adopt the preliminary ending fund balance.

DISCUSSION ON THE MOTION

04:31:11 Sen. Hoven asked for clarification of the motion.

VOTE

04:32:53 The motion passed on a unanimous voice vote.

PUBLIC COMMENT ON ANY OTHER TOPIC WITHIN COMMITTEE'S JURISDICTION

None

REVISIT COMMITTEE-REQUESTED BILL LC 413: AMEND REPORTING REQUIREMENTS FOR DISTRICTS THAT USE TAX INCREMENT FINANCING

04:33:49 Sen. Thomas asked Ms. Carlson if there is further committee action needed by Legislative Fiscal Division before adjourning.

04:34:17 Rep. Essmann commented on the need to amend the bill title for LC 413.

MOTION

04:35:16 Rep. Essmann moved the committee to authorize LC 413 to be amended before moving it to final form.

VOTE

04:35:50 The motion passed on a unanimous voice vote.

04:36:00 Sen. Thomas made ending remarks for the committee staff and members.

04:37:25 Sen. Kaufman thanked the chairmen, committee members, and staff for their work during the interim.

ADJOURNMENT

MOTION

04:37:42 Sen. Kaufman moved to adjourn the November 17th, 2016, Revenue and Transportation meeting.

VOTE

04:37:52 The motion passed on a unanimous voice vote.

04:37:56 Sen. Thomas adjourned the meeting at 12:40 p.m.

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