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Revenue and Transportation Interim Committee

65th Montana Legislature

SENATE MEMBERS

MARK BLASDEL--Vice Chair
DUANE ANKNEY
DICK BARRETT
CYDNIE (CARLIE) BOLAND
JILL COHENOUR
BRIAN HOVEN

HOUSE MEMBERS

TOM JACOBSON--Chair
BECKY BEARD
JIM HAMILTON
GREG HERTZ
ALAN REDFIELD
BRIDGET SMITH

COMMITTEE STAFF

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

MINUTES LOG

March 14, 2018
Room 317, 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.

REVENUE AND TRANSPORTATION INTERIM COMMITTEE MEMBERS PRESENT

REP. TOM JACOBSON, Chair
SEN. MARK BLASDEL, Vice Chair

SEN. DUANE ANKNEY
SEN. DICK BARRETT
SEN. CYDNIE (CARLIE) BOLAND
SEN. JILL COHENOUR
SEN. BRIAN HOVEN

REP. BECKY BEARD
REP. JIM HAMILTON
REP. ALAN REDFIELD
REP. BRIDGET SMITH

REVENUE AND TRANSPORTATION INTERIM COMMITTEE MEMBERS EXCUSED

REP. GREG HERTZ

LOCAL GOVERNMENT INTERIM COMMITTEE MEMBERS PRESENT

SEN. ROGER WEBB, Chair
REP. MARY ANN DUNWELL, Vice Chair

SEN. CYDNIE (CARLIE) BOLAND
SEN. MARGARET (MARGIE) MACDONALD

REP. DAVE FERN
REP. ADAM HERTZ
REP. JEREMY TREBAS

LOCAL GOVERNMENT INTERIM COMMITTEE MEMBERS EXCUSED

SEN. FRED THOMAS

REVENUE AND TRANSPORTATION INTERIM COMMITTEE STAFF PRESENT

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

LOCAL GOVERNMENT INTERIM COMMITTEE STAFF PRESENT

LEANNE KURTZ, Lead LGIC Staff
K. VIRGINIA ALDRICH, LGIC Staff Attorney

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

AGENDA ([Attachment 2](#))

CALL TO ORDER AND ROLL CALL

00:00:01 Rep. Jacobson and Sen. Webb called the meeting to order at 8:03 a.m. The committee secretary took roll ([Attachment 3](#)) and ([Attachment 4](#)). Rep. Greg Hertz was excused and left his proxy with Rep. Redfield ([Attachment 5](#)).

HJ 18: TAX INCREMENT FINANCING STUDY

Presentation of Legislative Audit -- Alyssa Sorenson, Legislative Audit Division (LAD)

00:01:56 Ms. Sorenson presented on the Tax Increment Financing Administration and Impact Performance Audit ([Exhibit 1](#)) and ([Exhibit 2](#)).

00:02:43 Rep. Hamilton arrived to the meeting at 8:05 a.m.

Committee questions on Local Implementations of TIF

00:14:24 Sen. Barrett asked for clarification between private and public infrastructure.

00:16:25 Rep. Hertz asked if public infrastructure is considered stand-alone infrastructure versus private infrastructure which could be adjacent to a project.

00:17:41 Sen. Hoven asked for clarification on remittances to school districts.

00:19:07 Sen. Hoven asked Ms. Sorenson to speak on school districts in TIF districts.

00:19:51 Rep. Dunwell asked Ms. Sorenson about the TIF districts that have expired and if they were successful or not.

00:21:24 Rep. Fern asked for clarification on the increased taxable value of an expired TIF or TEDD district.

00:23:01 Rep. Hertz asked if there was a measurement of blight elimination in the audit.

00:23:48 Sen. Hoven asked if expired TIF districts were considered in the audit.
00:24:42 Ms. Sorenson continued her presentation and focused on State Administration of TIF (see Exhibit 1).

Committee questions on State Administration of TIF

00:38:08 Sen. Barrett asked for clarification on the surveys the department conducted with local government staff and PAD employees involved in TIF administration.
00:40:17 Rep. Adam Hertz asked if there were any specific situations that gave rise to the first recommendation in the audit (see Exhibit 1, page 31).
00:42:44 Sen. Cohenour asked if a TIF district needs to be successful to increase its taxable value.
00:46:25 Rep. Fern asked how remittances are broken down and if there are other categories that the remittances are going to, and what is the purpose of debt payments (see Exhibit 1, page 23).
00:48:45 Rep. Hertz asked if a TIF district has to remit in the proportion that the taxes were levied.
00:49:07 Rep. Hamilton asked for clarification on the implementation process of TIF district tax rules.
00:50:24 Rep. Jacobson asked if the TIF issues were spread across all TIF districts or if they were localized to specific districts.
00:54:05 Rep. Jacobson asked if it is clearly defined in statute that the legislature has oversight of the local governments.
00:54:48 Sen. Hoven asked if there are any recommendations on managing TIFs and if one style of TIF management is better at meeting timelines.
00:57:27 Rep. Beard asked if the local government's audit processing helps to coordinate the TIF guidelines.
00:59:02 Rep. Dunwell asked if the department will respond to their recommendations, and asked if a need for resources was found and is in their recommendations.
01:01:24 Sen. Hoven asked if TIF districts' record keeping was considered in the audit.
01:02:59 Ms. Sorenson continued her presentation and focused on TIF Statewide Impacts (see Exhibit 1).

Committee questions on Statewide Impacts of TIF

01:16:43 Sen. Hoven asked for clarification of the measurement unit in the chart Estimated Property Value Change by Community Characteristics (see Exhibit 1, page 49).
01:18:07 Sen. Hoven asked what the high population measurement was in the Estimated Property Value Change by Community Characteristics (see Exhibit 1, page 49).
01:18:20 Rep. Hamilton asked for clarification on the sixth recommendation from the audit (see Exhibit 1, page 52).
01:20:14 Sen. Barrett asked how the audit controlled for other factors that influence property value growth.
01:21:43 Sen. Hoven asked for clarification on the population growth correlation to overall property value growth.
01:23:24 Sen. Barrett asked if new investment could cause estimated property value change for a parcel.
01:25:40 Rep. Jacobson asked if types of property were separated out in the research of property values.

BREAK (Reconvened at 9:48 a.m.)

Public comment

01:45:59 Mike Kadas, Director, Department of Revenue
01:50:16 Kelly Lynch, Montana League of Cities and Towns (**Exhibit 3**) and (**Exhibit 4**)
01:58:42 Karen Burns, Community Development, Butte-Silver Bow
02:06:10 Ellen Buchanan, Director, Missoula Redevelopment Agency
02:08:33 Tim Goodridge, East Billings Urban Renewal District
02:14:14 Doug Russell, Kalispell City Manager
02:30:12 Bill Bronson, Great Falls City Commissioner
02:38:45 Kevin Nelson, Billings
02:46:39 Chris Noumann, Director, Downtown Urban Renewal District
02:47:30 Rep. Essmann, HD 54
03:05:17 Eric Bryson, Montana Association of Counties
03:08:50 Tim Burton, Montana League of Cities and Towns
03:10:27 Julie Foster, Ravalli County

Committee discussion of next steps of study

03:12:40 Ms. Moore reviewed the RTIC's interim work plan.
03:13:23 Sen. MacDonald commented on the work done by the LAD.
03:15:26 Rep. Fern recommended reviewing the statutes used to analyze urban districts.
03:16:32 Rep. Adam Hertz commented on the urban renewal districts.
03:19:15 Sen. Barrett commented on the RTIC study topic to review how the centrally assessed property value in a district is determined.
03:21:28 Sen. Cohenour commented on TIF districts' autonomy and ability to govern.
03:24:47 Rep. Hamilton commented on the local governance of TIF districts.
03:26:12 Rep. Jacobson asked for recommendations from the RTIC and LGIC for next steps.
03:27:07 Rep. Fern commented on the LGIC's budget and time left in the interim to complete committee work, and discussed LGIC study topics.
03:27:58 Sen. Webb commented on the LGIC meeting dates.
03:28:16 Leanne Kurtz, Research Analyst, reviewed the LGIC meeting dates.
03:29:21 Rep. Dunwell recommended creating a subcommittee to go over the LAD recommendations and comments on TIF districts.
03:29:54 Sen. Cohenour asked for a presentation from DOR regarding their response to the audit recommendations.
03:31:42 Sen. Hoven asked for a listing of expired TIF districts and their taxable value before and after and where they were located.
03:32:51 Rep. Jacobson commented on the responsibility of legislators to their constituents to verify that taxes are collected and expended responsibly.
03:36:53 Rep. Fern asked if LGIC could conduct an urban renewal districts study.
03:37:12 Sen. Webb commented on LGIC's planned work on urban renewal districts

RECESS

03:38:22 Rep. Jacobson recessed RTIC at 11:41 a.m. to reconvene at 12:30 p.m. in Capitol Room 137, Helena.
03:38:30 Rep. Webb recessed LGIC at 11:41 a.m. to reconvene at 1:00 p.m. in Capitol Room 152, Helena.

March 14, 2018
Room 137, Capitol Building
Helena, Montana

COMMITTEE MEMBERS PRESENT

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SEN. MARK BLASDEL, Vice Chair

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REP. GREG HERTZ

STAFF PRESENT

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COMMITTEE ACTIONS

The committee voted to send a letter to the Children, Families, Health, and Human Services Interim Committee requesting the committee object to recently adopted administrative rules for the medical marijuana program and recommending the Department of Health and Human Services amend certain administrative rules.

RECONVENE

00:00:02 Rep. Jacobson reconvened the meeting at 12:33 p.m.

MEDICAL MARIJUANA UPDATE

Administrative rules update -- Erica Johnston, Operations Services Branch Manager, Department of Public Health and Human Services (DPHHS)

00:00:58 Ms. Johnston updated the committee on the department's administrative rules.
00:01:35 Rep. Smith and Sen. Cohenour arrived to the meeting at 12:34 p.m.
00:10:32 Sen. Ankney arrived to the meeting at 12:43 p.m.

Committee questions for Ms. Johnston

00:10:55 Rep. Redfield asked if financial disclosures are being submitted by labs.

00:11:50 Rep. Redfield commented on the requirements for water testing.
00:13:17 Sen. Cohenour commented on laboratory testing standards.
00:16:45 Rep. Beard asked how many FTE's are dedicated to the program.
00:17:37 Sen. Cohenour asked Ms. Johnston to speak on the logic behind the medical marijuana growth education and production program.
00:20:39 Sen. Cohenour asked what the department's plans are regarding the medical marijuana growth education and production program.
00:22:04 Sen. Cohenour commented on the amount of product created in the program.
00:23:20 Rep. Jacobson asked what information was gathered to determine the 50-foot canopy protocol.
00:24:45 Rep. Jacobson commented on the public comment that was given during SB 333: *Generally revise medical marijuana laws* and how the legislative intent was missed in the implementation of the legislation.
00:26:37 Sen. Hoven asked how much product providers are selling and at what price.
00:27:30 Rep. Hamilton asked for clarification on the rulemaking process ([Exhibit 1](#)).
00:32:14 Rep. Redfield spoke to the lack of health safety protocols in the program.

Tax collections update -- Gene Walborn, Deputy Director, Department of Revenue (DOR)

00:34:21 Mr. Walborn updated the committee on the SB 333 tax collections.

Committee questions for Mr. Walborn

00:37:22 Rep. Jacobson asked if cash collection are reaching expectations.
00:38:27 Rep. Jacobson asked if the allocated revenue was adequate for the cash room renovations.
00:39:11 Sen. Hoven asked how many returns were received from providers.
00:40:31 Sen. Cohenour asked Mr. Walborn to speak to the banking process.
00:41:43 Sen. Hoven asked about the amount of card holders, the cost of the product, and the reported income for card holders.
00:43:10 Sen. Cohenour commented on the ability for card holders to grow their own product.
00:43:30 Rep. Jacobson reminded the committee that this will be a topic discussed throughout the interim and directed the member's attention to public comment given to the committee ([Exhibit 2](#)).

Public comment

00:44:29 Kate Cholewa, Montana Cannabis Industry Association ([Exhibit 3](#))
00:56:03 Talum Lang, Ravalli County
01:00:32 Barb Turner, Libby

Committee questions and discussion

01:04:53 Rep. Redfield commented on the development and implementation of SB 333.
01:06:45 Sen. Cohenour commented on the implementation of SB 333 and hoped that the department will take additional time to develop a different system.
01:09:09 Sen. Ankney commented on providers concerns about product grow space and testing.
01:11:14 Rep. Beard commented on the SB 333 legislation, concerns about health safety precautions, and protecting patient and provider needs.
01:12:16 Sen. Cohenour asked what actions the committee can take on the issue.
01:12:41 Rep. Jacobson asked Jaret Coles, staff attorney, about what steps the committee can take next regarding the issue.

01:15:45 Sen. Cohenour asked Mr. Coles if a set of emergency rules could be put in place to create a new rulemaking process.

01:17:20 Sen. Cohenour asked Mr. Coles if emergency rulemaking were to take place would the department be in trouble for not implementing the previous rule.

01:19:16 Sen. Cohenour recommended that the committee submit their recommendations to the Children, Families, Health, and Human Services Committee (CFHHS) who has oversight of DPHHS.

01:20:58 Sen. Barrett commented on the recommendation letter to be sent to CFHHS and cautioned against making recommendations that might be improper.

01:22:12 Rep. Jacobson asked Mr. Coles to review the committee's options.

01:23:28 Rep. Jacobson recommended writing a letter to CFHHS regarding issues such as the legislative intent of SB 333, protocols on canopy space, testing conditions, testing licensure, and request to halt DPHHS's work until they can provide full explanation of the work done to correct the issues.

01:27:14 Sen. Hoven asked for clarification of the registry statistics and the amount of card holders registered through providers ([Exhibit 4](#)).

01:30:28 Rep. Hamilton requested that licensing for providers be added to the letter of recommendations to CFHHS.

01:31:32 Sen. Barrett asked for clarification of the recommendations to CFHHS.

01:32:38 Sen. Barrett asked Mr. Coles if there is anything that prevents the department from revising it's rules.

01:34:02 Sen. Barrett commented on the letter to CFHHS and discussed the option of a committee bill.

01:35:17 Rep. Jacobson recommended drafting legislation for a committee bill to address the concerns of the committee regarding the implementation of SB 333.

01:35:57 Ms. Johnston responded to the committee comments and concerns about the department's implementation of SB 333.

01:37:23 Rep. Jacobson commented on the concerns of the committee and the immediate changes that need to be done in the program.

01:39:16 Sen. Hoven asked if the provider prescription numbers are reviewed by the department.

01:40:12 Sen. Hoven asked if DPHHS sends the provider prescription numbers to the Department of Labor for review.

01:40:43 Sen. Ankney commented on the number of prescribing providers in the program.

01:41:34 Rep. Jacobson asked Ms. Moore to review the committee's recommendations to CFHHS.

01:42:24 Sen. Ankney asked if Rep. Jacobson should appear before CFHHS with the recommendation letter.

01:43:05 Sen. Boland asked if anything will be done about provider deadlines.

01:44:14 Sen. Boland asked Ms. Johnston what the ramifications are to providers if they missed deadlines and recommended that the deadlines be addressed in the committee's recommendation letter to CFHHS.

01:47:58 Sen. Cohenour commented on how the rolling renewals affect the market and asked that it be added to the recommendation letter.

MOTION

01:49:06 Rep. Redfield moved that the committee sends a letter of recommendations to the Children, Families, Health, and Human Services Interim Committee regarding concerns about the implementation process of SB 333.

VOTE

01:49:36 The motion passed unanimously on a voice vote with Rep. Hertz voting by proxy and Rep. Beard not present.

REVENUE ESTIMATING AND MONITORING -- Legislative Fiscal Division (LFD)

Year-to-date revenue collections

01:51:00 Stephanie Morrison, Fiscal Analyst, LFD, updated the committee on the year-to-date (YTD) revenue collections ([Exhibit 5](#)).

Committee questions for Ms. Morrison

01:57:34 Sen. Barrett asked what the YTD revenue collections would be in a worse and best case scenario for comparison to current collections.

02:00:52 Sen. Barrett asked if the money transfers were considered in the YTD collection numbers and commented on the variances in revenue collections.

02:02:55 Sam Schaefer, Fiscal Analyst, LFD, updated the committee on corporation tax collections and oil and natural gas tax collections.

Committee questions for Mr. Schaefer

02:05:39 Rep. Hamilton asked what the expectation from HJ 2: *Revenue estimating resolution* was for the year.

02:06:31 Sen. Barrett asked what the source is for the estimated increase in oil production collections.

02:07:36 Sen. Hoven asked if LFD consults with DOR on their corporate audits.

02:08:33 Alice Hecht, Fiscal Analyst, LFD, updated the committee on insurance tax collections.

02:09:14 Nick VanBrown, Fiscal Analyst, LFD, updated the committee on property tax collections.

02:10:09 Ms. Morrison commented on the FY 2018 GF "Cash Concept" Revenue by Month: Actual vs. HJ 2 Chart (see Exhibit 5, page 24).

02:11:05 Sen. Cohenour asked for a similar FY 2018 GF "Cash Concept" Revenue by Month chart for Special Session 2018.

Public comment

02:12:37 Bob Story, Montana Taxpayers Association

02:16:31 Sen. Ankney left the meeting at 2:49 p.m.

AGENCY OVERSIGHT: DEPARTMENT OF REVENUE -- Mike Kadas, Director

Effects of federal income tax changes

02:17:03 Director Kadas reviewed the effects of the federal income tax changes.

Office closures

02:22:32 Director Kadas updated the committee on the department's property division field office closures ([Exhibit 6](#)).

Income tax season update

02:30:45 Director Kadas gave a brief update on the income tax processing season ([Exhibit 7](#)).

Committee questions for Director Kadas

02:37:44 Rep. Redfield asked why fiduciary returns cannot be filed electronically.
02:39:35 Sen. Hoven asked about collecting capital gains from out of state landowners.
02:40:40 Rep. Hamilton asked how the state compares with other states on electronically processing refunds.
02:41:45 Rep. Hamilton asked if the current average refund is higher than previous years.

Major case update

02:42:15 Dan Whyte, Chief Legal Council, DOR, updated the committee on the department's major cases ([Exhibit 8](#)).
02:49:48 Director Kadas provided an answer for Rep. Redfield's question earlier in the meeting regarding fiduciary filings.

Public comment

02:52:08 Heather O'Loughlin, Montana Budget and Policy Center ([Exhibit 9](#))

Committee discussion

02:55:30 Sen. Hoven commented on tax withholding collections.

SJ 23: CENTRALLY ASSESSED AND INDUSTRIAL PROPERTY

Taxes paid by public utility customers -- Ms. Moore

02:56:24 Ms. Moore gave a brief background on the study work of SJ 23: Taxes Paid by Public Utility Customers ([Exhibit 10](#)).

Public comment

02:59:55 Chris Puyear, Montana Public Services Commission ([Exhibit 11](#))
03:05:23 David Hoffman, NorthWestern Energy ([Exhibit 12](#))
03:11:29 Doug Harty, Montana Electric Co-op Association
03:11:53 Director Kadas, Department of Revenue
03:18:31 Bob Story, Montana Taxpayers Association

Committee discussion of next steps

03:24:11 Rep. Jacobson asked the committee for discussion on next steps.
03:24:57 Ms. Moore reviewed the committee's work plan.
03:25:24 Sen. Cohenour asked for more information on the timeframe issue brought up in Mr. Story's public comment regarding the creation, process, and implementation of valuations.

AGENCY MONITORING: ADMINISTRATIVE RULE REVIEW

Overview of administrative rule activity -- Jaret Coles, staff attorney

03:26:30 Mr. Coles reviewed the administrative rules as they relate to the committee ([Exhibit 13](#)).
03:30:25 Rep. Hamilton commented on the reimbursement for family income on medical leave.
03:31:02 Mr. Coles continued his presentation.

Public comment

None

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

03:34:14 Kevin Nelson, Billings

NEXT MEETING

03:38:41 Rep. Jacobson discussed the committee's option to overlap a meeting with LFC.

03:39:12 Ms. Moore commented on the committee's and LFC meeting dates.

03:39:35 Rep. Hamilton asked Ms. Moore to review the committee's future meeting dates.

03:40:00 Committee discussion on a joint meeting with LFC.

ADJOURNMENT

03:53:29 Rep. Jacobson adjourned the meeting at 4:26 p.m.

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