



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

July 11, 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. CYDNIE (CARLIE) BOLAND
SEN. JILL COHENOUR
SEN. BRIAN HOVEN

REP. BECKY BEARD
REP. JIM HAMILTON
REP. GREG HERTZ
REP. BRIDGET SMITH

REVENUE AND TRANSPORTATION INTERIM COMMITTEE MEMBERS EXCUSED

SEN. DUANE ANKNEY
SEN. DICK BARRETT
REP. ALAN REDFIELD

LOCAL GOVERNMENT INTERIM COMMITTEE MEMBERS PRESENT

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

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

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

LOCAL GOVERNMENT INTERIM COMMITTEE MEMBERS EXCUSED

REVENUE AND TRANSPORTATION INTERIM COMMITTEE STAFF PRESENT

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

LOCAL GOVERNMENT INTERIM COMMITTEE STAFF PRESENT

K. VIRGINIA ALDRICH, Staff Attorney

VISITORS' LIST (Attachment 1)

AGENDA (Attachment 2)

COMMITTEE ACTIONS

CALL TO ORDER AND ROLL CALL

00:00:01 Rep. Jacobson called the Revenue and Transportation Interim Committee to order at 8:32 a.m. The committee secretary took roll (**Attachment 3**). Rep. Redfield was excused and left his proxy with Rep. Hertz (**Attachment 4**). Sen. Ankney was excused and left his proxy with Sen. Blasdel (**Attachment 5**). Sen. Barrett was excused and left his proxy with Rep. Hamilton (**Attachment 6**).

00:00:50 Sen. Webb called the Local Government Interim Committee to order at 8:34 a.m. The committee secretary took roll call (**Attachment 7**).

HJ 18: TAX INCREMENT FINANCING STUDY

00:01:30 Ms. Moore gave a brief review of the HJ 18 study.

Bill drafts -- Ms. Moore

DOR/Working Group draft: LCtif1

00:01:59 Ms. Moore (**Exhibit 1**) and (**Exhibit 2**)

Committee questions on LCtif1

00:06:37 Sen. Hoven asked for clarification of the data listed in LCtif1 (see Exhibit 1).

00:07:17 Rep. Adam Hertz asked for clarification on the reason for limiting the base instead of the increment.

00:08:36 Sen. Cohenour commented on what issues LCtif1 addresses.

00:09:14 Rep. Adam Hertz commented on capping the increment.
00:10:03 Rep. Dunwell asked why a public meeting will not be held unless taxable value reaches 35%.

Remittance draft: LCtif2

00:10:42 Ms. Moore (**Exhibit 3**)

Committee questions on LCtif2

00:15:04 Rep. Beard commented on reserve rates for loans and recommended establishing a reserve amount in LCtif2.

Private property draft: LCtif3

00:16:04 Ms. Moore (**Exhibit 4**) and (**Exhibit 5**)

Draft final report -- Ms. Moore

00:17:41 Ms. Moore (**Exhibit 6**)

Public comment

00:19:09 Kelly Lynch, Montana League of Cities and Towns
00:20:18 Sen. Thomas joined the meeting at 8:52 a.m.
00:30:08 Emily Dean, Montana School Board Association (**Exhibit 7**)
00:32:27 Rep. Essmann, HD 54
00:39:32 Doug Russell, Kalispell City Manager
00:41:40 Bill Bronson, Great Falls City Commission
00:44:46 Wyeth Friday, City of Billings
00:48:32 Tim Goodridge, East Billings Rural Development
00:53:01 Melody Mileur, Bozeman City Manager's Office
00:56:32 Eric Bryson, Montana Association of Counties

Revenue and Transportation Interim Committee action

00:59:50 Ms. Moore reviewed possible action items.

Legislation

MOTION

01:00:16 Sen. Cohenour moved to request LCtif1 as a Revenue & Transportation Interim Committee bill.

DISCUSSION ON THE MOTION

01:00:37 Rep. Hamilton asked Ms. Lynch to clarify how analysis of the impact will be measured.
01:02:06 Rep. Hamilton asked Mr. Goodridge to comment on the 15-year time period for pay back in LCtif2 (see Exhibit 3).
01:05:00 Rep. Smith
01:05:42 Rep. Adam Hertz
01:09:14 Sen. Webb asked the Department of Revenue (DOR) if there was an estimate on the taxable value of the Keystone pipeline. The question was redirected at Ed Caplis, DOR.
01:11:06 Rep. Greg Hertz asked Mr. Bronson what in statute would prohibit a local jurisdiction to create a TIF to benefit from a large incoming corporation.

01:12:19 Rep. Greg Hertz
01:13:40 Sen. MacDonald asked for clarification on the voting process.
01:14:01 Sen. MacDonald
01:16:28 Sen. Cohenour
01:20:41 Sen. Hoven
01:21:59 Sen. Hoven asked Ms. Lynch to clarify the issue regarding the 95 mills.
01:23:01 Rep. Jacobson asked Mr. Coles to clarify how mills are defined and stated in the Montana Code Annotated.
01:24:08 Sen. Hoven asked Mr. Bronson to clarify if a TIF keeps the 95 mills.
01:25:16 Rep. Smith
01:25:34 Sen. Cohenour asked Ms. Lynch to clarify if the 95 mills are included or excluded in state law and if the 95 mills are included in the increment.
01:26:59 Sen. Cohenour asked Ms. Lynch if districts have spent money on school facilities.
01:27:09 Sen. Cohenour asked Ms. Lynch why a district would create a TIF and asked for clarification of school districts use of TIF.
01:30:01 Rep. Jacobson asked Mr. Caplis what the value is of 95 mills in the increment.
01:30:51 Rep. Adam Hertz
01:31:18 Rep. Fern
01:33:26 Rep. Dunwell asked Mr. Caplis to clarify how LCtif1 would affect school equalization.
01:35:33 Rep. Dunwell asked Ms. Dean for clarification on her public comment.
01:36:10 Sen. Thomas asked Mr. Caplis to review how the 95 mills are used.
01:37:55 Sen. Thomas
01:38:24 Sen. Cohenour
01:38:59 Sen. Thomas
01:39:32 Sen. Cohenour
01:40:22 Rep. Greg Hertz asked Ms. Moore for clarification on voter approved mills.

SUBSTITUTE MOTION

01:42:02 Rep. Greg Hertz made a substitute motion to amend LCtif1 to include language that would exclude the 95 mills from the tax increment going forward.

DISCUSSION ON SUBSTITUTE MOTION

01:42:22 Sen. Hoven
01:43:21 Sen. Cohenour
01:45:07 Rep. Adam Hertz
01:45:37 Ms. Moore
01:45:51 Sen. Thomas

SUBSTITUTE MOTION VOTE

01:47:16 The motion failed on a 5-7 roll call vote, with Rep. Hamilton, Rep. Jacobson, Rep. Smith, Sen. Boland, Sen. Cohenour, and Sen. Hoven voting 'no'. Sen. Barrett noted 'no' by proxy. (**Attachment 8**)

DISCUSSION ON ORIGINAL MOTION

01:48:11 Sen. Cohenour
01:48:49 Rep. Hamilton
01:49:37 Rep. Greg Hertz
01:50:18 Sen. Cohenour

VOTE

01:50:33 The motion failed on a 6-6 roll call vote, with Rep. Beard, Rep. Greg Hertz, and Sen. Blasdel voting 'no'. Rep. Redfield, Sen. Ankney, and Sen. Barrett voted 'no' by proxy. (**Attachment 9**)

01:51:16 Rep. Dunwell asked if the Local Government Interim Committee could consider the legislation and what the public notice requirement would be.

01:52:45 Rep. Greg Hertz asked Ms. Lynch for clarification of her comments on LCtif3.

01:55:42 Sen. Hoven commented on Ms. Lynch's work.

01:56:12 Rep. Greg Hertz commented on the work and research behind the TIF issue.

01:57:11 Rep. Jacobson asked Mr. Caplis to comment on the TIF issue.

BREAK

01:58:59 Rep. Jacobson recessed RTIC at 10:31 a.m. to reconvene at 10:45 a.m. on July 11, 2018 in Capitol room 102, Helena.

01:59:38 Sen. Webb recessed LGIC at 10:31 a.m. to reconvene at 10:45 a.m. on July 11, 2018 in Capitol room 137, Helena.

July 11, 2018
Room 102, Capitol Building
Helena, Montana

COMMITTEE MEMBERS PRESENT

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

SEN. CYDNIE (CARLIE) BOLAND
SEN. JILL COHENOUR
SEN. BRIAN HOVEN

REP. BECKY BEARD
REP. JIM HAMILTON
REP. GREG HERTZ
REP. BRIDGET SMITH

COMMITTEE MEMBERS EXCUSED

SEN. DUANE ANKNEY
SEN. DICK BARRETT
REP. ALAN REDFIELD

STAFF PRESENT

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

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

AGENDA ([Attachment 2](#))

COMMITTEE ACTIONS

The committee voted to request 3 agency bill drafts on behalf of the Montana Department of Revenue.

RECONVENE

00:00:03 Rep. Jacobson reconvened the meeting at 10:49 a.m. Rep. Redfield was excused and left his proxy with Rep. Hertz ([Attachment 3](#)). Sen. Ankney was excused and left his proxy with Sen. Blasdel ([Attachment 4](#)). Sen. Barrett was excused and left his proxy with Rep. Hamilton ([Attachment 5](#)). Sen. Boland was excused and left her proxy with Sen. Cohenour ([Attachment 6](#)).

SJ 23: CENTRALLY ASSESSED AND INDUSTRIAL PROPERTY STUDY

Bill drafts

LCcald -- Ms Moore

00:00:15 Ms. Moore ([Exhibit 1](#)) and ([Exhibit 2](#))

LCca01 -- Gene Walborn, Director, Department of Revenue (DOR)

00:01:53 Director Walborn ([Exhibit 3](#))

LCca02 -- David Hoffman, Northwestern Energy

00:07:12 Mr. Hoffman ([Exhibit 4](#))

Committee questions

00:11:48 Rep. Hertz asked Mr. Hoffman to clarify the mill issue.

00:14:07 Sen. Cohenour asked Mr. Hoffman for clarification on taxable value to counties.

00:17:29 Sen. Cohenour asked Mr. Hoffman to clarify his comments on the rule language regarding acquisitions.

00:18:33 Sen. Cohenour asked Director Walborn if there will be additional language added to the agency's legislative proposal that provides additional authority to the department.

00:19:41 Sen. Cohenour asked Director Walborn how the department currently handles situations without the additional authority.

00:21:58 Sen. Cohenour asked Director Walborn for clarification of language in the agency's legislative proposal (see Exhibit 3).

Public comment

00:23:17 Bob Story, Montana Taxpayers Association ([Exhibit 5](#))

Draft final report -- Ms. Moore

00:27:44 Ms. Moore ([Exhibit 6](#))

Public comment

None

Committee action

00:28:51 Sen. Cohenour asked Director Walborn to comment on the draft final report.

00:30:49 Sen. Cohenour asked Mr. Hoffman to comment on the draft final report.

00:32:13 Sen. Cohenour asked Director Walborn to comment on LCca02 (see Exhibit 6).

AGENCY OVERSIGHT: DEPARTMENT OF REVENUE -- Gene Walborn, Director

00:34:55 Director Walborn

Required reports

Countries that may be considered tax havens

00:39:59 Lee Baerlocher, DOR ([Exhibit 7](#)).

Use of property tax abatements for gray water systems

00:44:20 Shauna Helfert, DOR ([Exhibit 8](#)).

Committee questions

00:45:11 Rep. Hertz asked what the abatement is worth to the taxpayer.

Review of property tax exemptions, public listing of exempt property

00:45:38 Ms. Helfert ([Exhibit 9](#)).

Committee questions

00:47:20 Sen. Hoven asked if the department's database can show exempt property.

00:48:20 Rep. Hertz asked for clarification on property exemption status in the department's database.

Major case update

00:49:38 Dan Whyte, Chief legal counsel, DOR ([Exhibit 10](#))

Agency legislation requests

00:56:20 Director Walborn

Committee questions

00:59:58 Rep. Hertz asked how often the department uses liens on personal property.

01:00:25 Sen. Blasdel asked Ms. Moore for clarification on agency legislative requests.

Public comment

None

Committee action on agency legislation requests

MOTION

01:01:06 Sen. Cohenour moved that the committee authorize the drafting of the Department of Revenue's legislative proposals.

VOTE

01:01:20 The motion passed unanimously on a voice vote.

LUNCH (Reconvened at 1:02 p.m.)

REVENUE ESTIMATING AND MONITORING -- Legislative Fiscal Division

General Fund YTD revenue update -- Amy Carlson, Legislative Fiscal Analyst, and Stephanie Morrison, fiscal analyst

02:13:54 Ms. Carlson ([Exhibit 11](#))

02:17:31 Ms. Morrison

02:21:02 Ms. Carlson

Committee questions

02:30:12 Rep. Hertz asked what the current amount is in the state's fire fund and if money from the Montana State Fund was transferred into the state fire fund.

02:31:41 Ms. Carlson continued the presentation.

Committee questions

02:32:18 Rep. Hertz asked when the Fiscal Year (FY) 2018 data will be finalized and how SB 9: *Generally revise laws to provide for budget stabilization* will affect the data.

02:32:38 Sen. Hoven asked what the growth factor was in HB 2 for individual income tax.

2021 Biennium Revenue Outlook -- Ms. Carlson; Quinn Holzer, fiscal analyst; and Ms. Morrison

02:33:43 Ms. Carlson ([Exhibit 12](#))

02:35:18 Ms. Morrison

Committee questions

- 02:42:08 Sen. Cohenour asked what the FY 2017 projection was for HJ 2: *Revenue estimating resolution*.
- 02:43:02 Rep. Jacobson asked for clarification on the FY 2018-2019 HJ 2 projections.
- 02:44:03 Ms. Carlson continued the presentation.

Committee questions

- 02:47:17 Rep. Hamilton asked if the estimated FY 2019 base budget includes the restoration in SB 9: *Generally revise laws to provide for budget stabilization*.
- 02:49:00 Ms. Carlson continued the presentation.
- 02:50:05 Mr. Holzer
- 02:53:40 Ms. Carlson

Committee questions

- 02:59:52 Rep. Hamilton asked for a summary of items that occur under the pessimistic revenue forecast.
- 03:01:57 Rep. Hamilton asked for clarification of the pessimistic revenue forecast.
- 03:03:10 Ms. Carlson continued the presentation.

Committee questions

- 03:05:58 Sen. Cohenour asked for clarification of the I-185 reduction.
- 03:06:22 Sen. Hoven asked for clarification on the federal funding responsibility for the Help Act.
- 03:07:50 Mr. Holzer continued the presentation.
- 03:12:39 Ms. Carlson

Public comment

- 03:18:45 Bob Story, Montana Taxpayers Association
- 03:19:40 Ms. Morrison

PROPERTY TAX INFORMATION FOR LEGISLATORS

Overview -- Nick VanBrown, fiscal analyst, and Alice Hecht, fiscal analyst, Legislative Fiscal Division

- 03:22:17 Mr. VanBrown ([Exhibit 13](#))

Committee questions/discussion

- 03:35:16 Rep. Hertz asked how mills are determined.
- 03:36:35 Sen. Hoven asked for clarification on the appraisal process.
- 03:39:19 Rep. Beard asked if the mill levy information could be put into a database.
- 03:40:57 Rep. Smith asked for clarification on reappraisal.
- 03:42:42 Rep. Hertz commented on stabilized tax rates.

Public comment

- 03:44:23 Bob Story, Montana Taxpayers Association

Committee discussion

03:47:04 Sen. Cohenour commented on the work of the department and staff.

MEMBER TOPIC: OIL AND GAS PRODUCTION TAX

Information provided after last meeting -- Ms. Moore and Jim Halvorson, Administrator, Board of Oil and Gas Conservation

03:50:21 Ms. Moore ([Exhibit 14](#))

03:52:16 Mr. Halvorson

Committee questions

03:53:02 Sen. Hoven asked Mr. Halvorson to comment on the money cities receive from the Montana Board of Oil and Gas.

03:55:33 Rep. Hamilton asked Mr. Halvorson to clarify the board's operating expenses.

Public comment

03:57:10 Tim Burton, Montana League of Cities and Towns

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

None

INSTRUCTIONS TO STAFF

04:00:16 Ms. Moore reviewed agenda items for the next meeting.

04:00:54 Sen. Hoven asked who to ask if he has questions about the TIF bill drafts.

04:01:55 Rep. Hamilton asked Ms. Moore for clarification on the committee bill draft process and if committee bill draft requests could still be submitted.

CONFIRM FINAL MEETING DATES

04:03:02 Ms. Moore reviewed the committee's meeting dates.

04:04:13 Rep. Hertz asked Ms. Moore if LFD would have enough time before the committee's November 2018 meeting to gather requested information.

ADJOURNMENT

04:05:00 Rep. Jacobson adjourned the meeting at 2:54 p.m.

CI0106 820113xb