

January 2012 State Legislative Report

The **Legislative Finance committee** (Rep. Janna Taylor –Dayton) met on December 5 and 6 to get a general fund budget and revenue update. The state's surplus by mid-2013 is projected to be much larger than estimated by the 2011 Legislature, according to the state's legislative fiscal analyst, Terry Johnson. He is estimating the state **treasury's ending fund balance, or surplus, will be \$426.7 million on June 30, 2013. The estimate is based on projected higher tax collections. Individual income tax collections led the way with a proposed \$117.3 million higher adjustment over the next two years;** corporation license taxes are up \$31.9 million; and oil and gas production taxes are up \$25.2 million. Vehicle fees and taxes are projected to drop by \$15.6 million, while other taxes are forecast to decline \$24.8 million. No change is expected in general fund revenue from property taxes. The committee also discussed security issues at the Capitol and heard updates on various agency programs including an education funding update and pension fund update. Next meeting is March 8, 2012.

The **Revenue and Transportation Interim Committee** (Sen. Bruce Tutvedt-Kalispell) continued to work on three studies: SJR 17 study of centrally assessed (CA) property valuation; SJR 23 study of tax exemption for nonprofits, and HJR income tax study. In the SJR17 study, an overview of valuation methods used by several other states was shared with the committee. The report generated significant discussion on the exemption of intangible property and the methodology for valuations of CA properties. BNSF made a presentation on the formula valuation used for railroads and the stability it provides the company. Meanwhile the Department of Revenue Director presented charts comparing assessed value, taxable value and taxes paid for residential, commercial and centrally assessed properties in MT. The Director stated that if the centrally assessed properties were reduced then it would increase the taxes for agricultural and residential properties. Public comments with viewpoints different than the DOR were provided by AT&T; BNSF; Verizon; and Montax. Nancy Schlepp with Montax made three important points: our taxes need to be competitive with the taxes in the surrounding states; centrally assessed companies need stability; and Montana needs to get 3rd parties with different views from the DOR to address the issues.

The SJR 23 study started with a presentation on charity healthcare and bad debt of hospitals. This was followed by a review of how other states treat commercial property and real estate of non-profits, and an overview of the impact of market changes of tax exempt property in the seven largest counties. In Flathead, the change in taxes that might result if exempt property was no longer exempt showed a decrease of \$38.96 per \$100,000 of valued property. In Flathead 2010 taxable market property value is \$8,209,517,616 while the exempt property value is \$212,771,947. The 2010 property tax revenue in Flathead County was \$126,594,460. The committee received information on how exemptions of nonprofits are treated, and statutes from other states that create multifactor tests for determining whether nonprofits should be exempt from taxation and statutes that address exemptions for hospitals.

The HJR income tax study included a thorough presentation of taxpayer use of tax credits and deductions, the various types of credits and deductions, and an illustration of the effective tax rates before and after credits and deductions. The most common deductions are home mortgage and federal tax deductions.

The **Law and Justice Interim Committee** (Rep. Steve Lavin-Kalispell) met on December 15-16 to hear reports on advisory councils within the public defender's office and the Justice and Corrections Departments. An update on the Public Defender system was provided by its chair, Mr. Gillespie. The

committee listened to a panel presentation on youth restorative justice programs; received updates on the Board of Pardons and Parole and the Department of Corrections proposed increase in new secure beds; and heard from the ACLU on a prison reform project.

Reapportionment Commission and staff are traveling around the state visiting with local and tribal officials and other interested groups about the redistricting process. The Districting Commission encourages Montanans interested in the redistricting effort to send in comments about how legislative districts should or could look after lines are redrawn. More information about how to send in comments and to view comments already contributed by others are available on the commission's webpage at <http://www.leg.mt.gov/districting>. Stay tuned for future commission activities, including releases of draft maps and a schedule of public hearings in 2012.

Next month – January 2012

Select Committee on Efficiency in Government meets January 9-10 in Helena; Water Policy committee meets January 10-11 in Helena; Environmental Quality Council (EQC) meets January 11-12 in Helena; Energy and Telecommunications meets January 13 in Helena; State Tribal-Relations meets January 13 at a location to be announced; Economic Affairs meets January 19-20 in Helena; and Children, Families, Health and Human Services meets January 28 in Helena.

If you are interested in water and supplying water to subdivisions, the Water Policy interim committee will hear a panel discussion on the topic on January 10-11. The committee is studying exempt wells and how to treat the thousands of these wells in the state used for domestic, stock, and irrigation. A presentation from the Bureau of Mines and Geology will review exempt well development in MT.

The EQC in January will discuss the management of state parks in the Rocky Mountain region along with outdoor recreation and heritage resource programs. A study bill requires a review of these programs and recommendations for improving management of these areas.

Professor John Peters of MSU-Bozeman will provide a presentation titled Hydrogen and the Environment "The Quest for alternative fuels" at the Energy and Telecommunications committee. And, workers' compensation reform and workplace safety will be on the agenda for the Economic Affairs mtg.

Business Days at the Capital, sponsored by the Montana Chamber of Commerce begins Thursday, January 19 and continues through Friday, January 20.

Other news:

- Kalispell attorney Dana Christensen was confirmed by the U.S. Senate in December to be the next U.S. District Judge for Montana. Christensen replaces U.S. District Judge Don Molloy, who began serving under "senior status" last summer, which means he remains on the bench but takes on a lower work load.
- Governor Schweitzer launched a winter tourism campaign focusing on skiing and winter activities. Visitors spend \$2.5 billion annually in Montana and support 28,000 jobs.
- 2 Republicans have announced their candidacies for seats on the Montana Public Service Commission that regulates utilities. Current State Senator Bob Lake (R-Hamilton) is running for District 4 against incumbent Gail Gutsche of Missoula and Dillon native James Brown (R) is challenging Gallatin Gateway Democrat John Vincent (incumbent) for District 3 seat.

- The Legislative Fiscal Division says non-farm Montana employment shows a slight increase in 2011, but still below the high years of 2007-2008