

12.
1/22/79

HOUSE TAXATION COMMITTEE
46th Legislature

Representative Herb Huennekens, Chairman, called the Taxation Committee to order January 22, 1979, at 9:10 a.m., in room 434, Capitol Building, Helena. All members were present except Rep. Harrington who was excused.

House Bills 149, 210 are to be heard.

Representative Joe Brand, Deer Lodge, as sponsor of House Bill, thinks that when the state gets into buying up 3,000 acres of land for farming, they ought to pay some kind of taxes. If the land were owned by private farmers the state would receive more money with which to run the government. HB 149 does not ask that taxes be paid on all property, just on ranching property. He suggested an amendment on line 12 exempting some state land prison leases.

HOUSE BILL 149 The prison ranch is directly involved in ranching business. They have hogs and sell them to other institutions which reduces the tax base for the State of Montana. They should pay some sort of tax. The Fish and Game pay taxes on properties they buy, but they do not have cattle or machinery on it. This ranch does have.

He feels that when in the cattle business, they should be assessed just as any other rancher or farmer in the area. There are various ways this could be taxed. He would appreciate concurrence with this legislation.

Mike Stephenson, research director, said allocation would be distributed in proportion to what it bears to the total mill levy in which the property is located.

Jack Perkins, rancher in Powell County, borders the prison ranch for about 3 miles. There is animosity among ranchers towards the prison because they are in competition with us and they don't pay any taxes. On this ranch there are approximately 12 private homes that are let out to the fellows who have children who go to Powell County Schools, and they don't pay any taxes. The homes belong to the prison. The prison ranch comprises 33,000 acres, 277 acres irrigated land, dry land grain land, 1277 acres of hay and 5418 acres of timber land. There are 200 holstein cows milking; they fatten about 1080 beef calves - they have 2580 cattle altogether. They run 300 sows, 6 boars, and the other pigs total 2365 head. Altogether this constitutes quite a large ranch and he thinks they should reimburse Powell County schools for what they have taken off the rolls in Powell County.

John Vanisholfeels the ranch and equipment and stock should be appraised just like any of the other places, and start from there.

Opponents:

Larry Zanto, Director of the Department of Institutions, said his major concern is that this particular bill only affects the prison ranch. The prison revolving fund could pay the bill if given the appropriation. He has some concern about the concept behind this bill. Conceptually this kind of legislation may well affect other institutions, some of which do not have revolving funds with which to pay for them. He intended to be more informational to the committee and the concept behind this bill and not to this particular bill.

John Fitzpatrick, OBPP, advised there are not funds currently budgeted in the prison budget either in the governor's budget or in the legislative fiscal analyst's budget. A fiscal note is being prepared on this bill at the present time although a ball park figure given current land and assets value, would take approximately \$142,500 per year to meet the provisions of HB 149. The larger issue involved is whether the state should pay property taxes on state-owned property. He thinks this is a larger issue the state needs to resolve and needs to be resolved between the cities and counties and the state. The state pays \$130,000 for fire protection for state-owned buildings. There is some disagreement about how large the state payment should be in the area of payment in lieu of taxes.

The Fish and Game does make payments for game ranch, fishing access, etc. They only pay for properties that were at one time taxable payment properties. The budget includes items for payment in lieu of taxes of \$215,000 which is an increase. The legislative analyst has not recommended payment in lieu of taxes. There is a question about how much cities and counties should be paid for services.

Rep. Brand closed, saying the two ranchers are not opponents; they are only saying that lands being taxed adjacent to the prison land have to pay higher taxes because the prison real property is not taxed. HB 149 does not ask for payment on buildings. At one time the land paid huge taxes into the county. Many people feel that this land should be taxed in some manner. He personally feels that the prison farm is needed because they produce food for all the institutions in Montana at a low cost.

Rep. Reichert mentioned that the fiscal analyst has recommended that the ranch be closed and the livestock, equipment, and stock be liquidated, and suggested leasing the land.

Rep. Lien was interested in what percentage of Powell County the prison ranch represented. There are two large parcels, including the Higgins Ranch. School trust land doesn't meet the criteria for in lieu category, and would just shackle school trust funds.

Rep. Fagg thought no profit was derived from the ranch - that its purpose is just raising and selling produce to save the Universities money. He was advised that last Tuesday 199 head of pigs went through the auction yards from the prison ranch. The prison ranch directors are coming to the appropriations committee to get an additional appropriation so that they can put in more profit making equipment (sprinkler system) which would be a much bigger cost than taxes would be.

Rep. Brand mentioned the prison ranch sells its produce at a reduced cost to other state institutions, and if they have a commodity left over, they might possibly pay for the taxes through that avenue. The purpose is to have taxes paid in lieu of what was paid under former ownership. HB 149 could be like the Fish and Game in trying to get the tax base according to surrounding farms, but don't get any in lieu tax payment.

Rep. Underdal asked if it were planned to tax livestock, machinery, and land? Rep. Brand said yes. Rep. Williams thought this would be well of 1% in livestock alone and could have quite an effect. He asked if all the property were in Powell County, and Rep. Brand said it is.

Representative Dassinger took over chairmanship of the committee because Rep. Huennekens was to represent Rep. Polly Holmes who was sponsor of House Bill 210, but who was unable to be present because of illness.

HOUSE BILL 210 Rep. Huennekens read information written by Rep. Holmes, copy of which is attached. There are about 250 million packages of cigarettes sold in Montana a year, and at a cent a package could generate \$50,000 to as much as \$500,000. He would suggest that the amount indicated in the bill, because the amount of funds needed for the programs wouldn't be over \$200-300,000, should be modified some.

Dr. McMann, Montana Medical Director, explained the purpose of this fund is two-fold. If the taxes are high enough, might cut down to less than a cent a package. See his handout for further explanation of the proposed two programs.

He said regular physicians don't regularly follow up their cancer patients. Only about 30% are being followed up. The Tumor Registry program is a patient oriented program designed to follow up patients who have had cancer problems.

The tape programs will all be locally reviewed. They are not trying to delineate any specific tapes. They would not infringe upon doctors. This would require \$94,000. He feels that the tax should be 1¢ - what was not used by these two programs could be turned over to the general fund.

Dr. Huntley explained the tapes are developed from written script 3-5 type-written pages on a health topic, submitted to a screening committee, and put on tape the size of an 8-track cassette. The consumer calls a statewide toll-free number, tells which tapes he wishes to hear. The tapes are 3-5 minutes in length. Since Tel-Med has been developed over 20 million calls have been received. There are 176 Tel-Med licensees. Every state has a Tel-Med licensee; Montana would be the second state to have a statewide toll-free number for Tel-Med. He handed out a sample tape guide describing information on various tapes.

Dr. Skinner, Department of Health Environmental Science, said the bill as written would appropriate the money to the Department of Health for administration. He supports the concept of the Tumor Registry. This is a system which can be pursued in a number of different ways.

Ralph Gildroy supports the bill if amended to 1¢ per package since the programs need about \$100,000, and 1¢ would raise about \$965,000, and the Montana Health Services Agency provides assistance.

12.
1/22/79
Page 4.

William E. Leary, Montana Hospital Association, Helena, executive vice-president, feels HB 210 is in the interests of the public and will assist people with their health care needs. The Hospital Association supports passage of this particular piece of legislation. See testimony attached.

John W. Bartlett, Chairman of the State Board of Health, said they unanimously endorse the bill as of benefit to the health of Montana and its people.

David Lackman, PhD in the Medical Sciences, lobbyist for the Montana Health Association, supports HB 210. See testimony attached.

Ed Murray, Blue Cross of Montana, endorse the bill as it is. See testimony.

Anabelle Richards, Montana Foundation for Medical Care, Helena, supports HB 210. See testimony attached.

Jerome T. Loendorf, M.M.A., Helena, supports the bill. See testimony attached.

Edward Mares, Montana Nurses Association, Helena, supports HB 210, and approves of both proposed programs. See testimony attached.

Frank J. Davis, Executive Director of the Montana State Pharmaceutical Assoc., supports increase on tax for cigarettes as stated in HB 210. See testimony.

OPPONENTS:

Jerome Anderson, attorney from Billings, representing the Tobacco Council, is not in opposition to the program that is felt to be of benefit to the people of Montana. The question is whether it is the only possible source of funds available to the people, and whether the tax is a fair and non-discriminatory method. See his testimony attached. He feels private funding is available, and suggest it is unfair to single out one segment to fund this.

Robert VanDerVere, Helena, explained tobacco jumped 19-20¢ more in the last two weeks. They are 70¢ a pack in cigarette machines. He thinks it is time that we put a limit on some of these programs and hold the cost down to the general public.

J. R. Callant, cigarette vendor from Deer Lodge, Montana, feels HB 210 is discriminatory. He thinks these programs should be funded by the general fund instead of the cigarette industry. Will have to change machines and obsolete others in order to raise prices. Quite a bit of tax on cigarettes already.

Thomas W. Maddox, Montana Association of Tobacco and Candy Distributors and all the people they serve, Helena, left lengthy testimony opposting HB 210. He advises screening of proposed tapes, and questions need for a telephone consumer health education project.

Rep. Huennekens closed saying the question of propriety has bee raised. A tobacco tax has been used as general revenue in the past to fund various veterans bonuses all the way from WW II on up to fund buildings we are building. He doesn't see any harm to fund this health program. Whether it is wrong to tax one small segment for the good of all is asked. The committee will make determination of the value of these services. Doctors haven't been

prominent in committee. If they wish to comment, they can still make written statements. As a smoker, he doesn't object to it. The cost of providing medical services throughout the field of cancer is spread across the entire population right now and is being paid by a lot of citizens who don't smoke at all. Some of the people paying on other taxes are providing services to smokers. Representative Holmes requested "Please don't let the program go up in smoke!"

Rep. Lien asked how 1/10¢ would be plugged into a vending machine. Mr. Callant advised 5¢ would probably be plugged in. The price on tobacco has increased in the last two weeks also. Usually a portion of a cent goes into a full cent or more and the vendors would get more income.

Rep. Burnett asked how much bootlegging there is out of Indian agencies, Rep. Huennekens answered that as cigarette prices go up and taxes increase, there is going to be bootlegging going up.

In answer to Rep. Fagg's question of where the 1/10¢ would come from, Rep. Huennekens said the dealers could absorb this tax now and later on when prices were raised anyway, this tax could be included.

Rep. Underdal asked if they have any figures on how many lives would be increased. Dr. McMann said 50-70% of health care dollar is spent on the last year of a person's live. The vast majority of cancers are curable today, Hopefully, such programs will improve the quality and lengthen survival of those who have had cancer. Education is helpful. In the long run, none, but will make people live longer.

Rep. Fabrega said if the tax went into the general fund, programs such as this could be funded through it. Are cigarettes the only cancer causing material? Dr. McMann said health care problems with tobacco are not only cancer - others are related to tobacco intake. He is in agreement that cigarettes should be the source of payment. He thinks it is a double-headed sword when the government provides assistance payments to tobacco growers, and then taxes tobacco. Dr. McMann would still like to see the program funded whatever way.

Rep. Gilligan asked if there are competing programs for Twl-Med. Dr. McMann said the program they know most about is the Tel-Med program. It could go to someone else.

Rep. Burnett asked Mr. Maddox to give the committee figures on how many cigarettes go through vending machines.

Rep. Fagg raised the question of whether raising the price of cigarettes has cut down on the number of cigarettes sold. Studies have shown that the price of cigarettes from smoke shops on reservations has increased significantly, Wyoming sells 30% more cigarettes per capita than in other states. Increase in the price really can't be answered because of bootlegging going on. More tax-free sales being made than ever has been.

Rep. Fagg asked 1. Will the program do any good. (Certainly the tumor registry is going to have to do good.) 2. People will call Tel-Med and then treat themselves is a smoke dream. Any time the public is given good information negates paid information. He thinks the retailers or wholesalers should be able to

12.
1/22/79
Page 6.

absorb it - he thinks they can and they will. The committee will have to decide this.

Rep. Sivertsen asked Dr. Huntley whose philosophy does Tel-Med represent. It is the philosophy of local medical and health care personnel.

Rep. Hirsch said he has problems with Tel-Med but not the Tumor Registry. If Tel-Med were amended out, the Tumor Registry would cost around \$30,000 plus 6% inflation per year Dr. McMann answered.

Rep. Underdal asked who is going to make the public aware of these programs. The brochure would be printed and located in a variety of business and industry places, newspapers ads, public service announcements on radio and television. Cost of advertising has been included in proposed cost factor.

Bootlegging of cigarettes is big business. The mafia derives one of their main sources of income this way - they bring cigarettes in by the truckload and have a delivery system like the milkman used to have. It is highly competitive and dangerous industry at the present time and it is there.

Rep. Vinger lives in the middle of a reservation and said little cigarette shacks are going up every week. How can it be learned how many are going out of the reservation. Mr. Anderson told him you can't for Montana. The Department of Revenue has that information available on each smoke shop and will furnish statistics on the number of cigarettes and where they go.

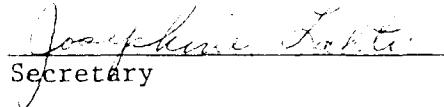
EXECUTIVE SESSION:

The committee discussed House Bills 161 and 80. Rep. Williams moved HB 80 Do Pass. The first proposed amendment has been accepted. Rep. Dassinger moved adoption of amendment #2. Adoption was unanimous with 13 members present. Reps. Burnett, Fagg, Harrington, Gilligan, Nordtvedt, Bertelsen were absent. Rep. Dassinger moved that HB 80 Do Pass as amended. Unanimous.

Meeting adjourned at 11:20 a.m.



REP. HERB HUENNEKENS, Chairman



Secretary