

MINUTES OF THE MEETING
FINANCE AND CLAIMS COMMITTEE
MONTANA STATE SENATE

March 31, 1981

The 32nd meeting of the Senate Finance and Claims Committee was called to order by Chairman Hims1 at 7:13 a.m. in room 108 of the Capitol Building. Roll call was taken and all members were present.

Senator Hims1 said he had an amendment that had been given to him, page 26, it just changes the language. On line 1, following ",", put "and"; on line 2 following "services" insert "and certificate surveys". It says "there shall be no state funding".

MOTION NO. 40: Senator Johnson: I would move the amendment.

Senator Regan: Why not just strike lines 1 through 5. If the agency wants to come in in the next biennium and ask for some sort of funding they have that right.

Senator Johnson: We would have both health and environmental sciences that budget in their regular budget processing to contract the services. That is on-going. I wanted to take out the request for their leaving it, more state funding.

On page 26, line 1, following "is" insert "and" and on page 26, line 2, following "services" strike "and certification surveys by the department of health and environmental sciences".

Senator Regan: Senator Johnson is concerned that if the funds dry up that the state does not put state dollars in by budget amendment. The certificate of need is also drying up. If you are, in essence, going to say you're not going to fund federal programs with state funds you should probably put "or" after rural areas.

Senator Story: The point is this goes and every other federal program will want the state picking up the bucks. You are saying in this that two years from now that they can come back and plug it in. Obviously, they can anyway, but we are saying we don't want a part of it and I am sure if we just say we don't want it, it expresses our opinion better.

Senator Regan: That may be what we mean. We can't bind future legislatures. You take Jan's amendment.....the funds dried

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up, the program was terminated. We haven't allowed it to exist as a slim thread and they come back in to fund it. I have two questions. I would like to ask Mr. LaFavour if their funds dry up there, what happens? LaFavour: The proposals to dry them up should be in the Department of Health, not the SRS. I can not answer as clearly as the Department of Health could. It is not really a part of SRS. Senator Regan: But if we put it here, they should, maybe, listen anyway?

The motion was voted and passed with Senator Aklestad voting no.

MOTION NO. 41: Motion by Senator Story to amend page 24, line 16, following, "is" and to insert "no more than". Some discussion was held to see if the wording would work better elsewhere.

The motion was voted and passed.

MOTION NO. 42: Motion by Senator Story to amend page 27, line 9, following, "limit" to insert "eligibility and".

The question was called, and voted and passed unanimously.

MOTION NO. 43: Motion by Senator Story to amend page 26, line 12, to make the fiscal year the way it should be. It would amend page 26, line 12, following "from" strike "June" and insert "July", following, "to" strike "July" and insert "June".

The motion was voted and passed.

MOTION NO. 44: Amendments were offered by Senator Regan. This deals with general fund money. General fund money would revert to general fund. By this amendment they could continue to use the funds in the Medicaid program which may be very necessary because of proposed amendments in Washington. I would ask Judy Rippingale to address this. Judy: There are some pro's and some con's to the amendments. On page 24 of the bill under SRS things have item numbers by it. Presently there is language in the bill that says the department may use general fund money appropriated for the item 3, and is deducted with matching funds to supplement item 2. The department shall fully match at allowable rates with federal funds. The Medicaid state institutions

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reimbursements shall be matched with federal funds and if item 2 is not great enough they can take from item 3 to match item 2. The general fund money is 35% and the match is with 65% federal funds and is approximately \$9 million in federal funds. It goes back to replace general fund money to institutions already appropriated, if federal funds fall off. Item 2 should take the precedence for full funding over item 3. They are based on \$18.6 million back into the general fund and \$18 million is so far the entire fund balance. When you reverse it you would strike it, item 2 and insert item 3, and you are providing the authorization of item 3 is possible. Item 2 can give money to item 3 to take up federal reductions, but may not be enough for the duration. Now, it is not that that will make the short fall but item 2 may not get its revenue. One of the problems is that you may have to come in for a special session. If you take from item 2 to give to item 3 and the federal funds fall then the SRS is pretty limited to the eligibility, etc.. The Medicaid money is going out of the same fund, you would not have to come in for a special session to make up money for the revenue. You could decrease up to \$18 million, the advantage is not a special session and maybe not have decreasing federal funds.

Senator Himsl: If I understand the indirect cost reimbursements, you go to the general fund. The federal government allows it to carry out the program. I don't see too much of a problem. A number of instances, there are a lot of indirect reimbursement funds not in. If the reimbursement fund cut down are not sufficient, you will draw on the general fund for carrying on the programs. Judy: This was set up special a couple of years ago. They keep very close track of it. Previously you appropriated general fund money. It was hard then to put it back into state general fund. It is monitored very closely so that it doesn't end up somewhere else.

Senator Himsl: The administration costs have not been provided for, from general funds or whatever? Judy: These are indirect costs.

Senator Story: The effect is to authorize SRS through \$3+ million in addition to what we have already authorized them and take a like amount away from the institutions. It is money that would be reimbursed. No, they don't use it in institutions, but to take it away from a fund that was intended to be made available to recover that money from their budget.

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Senator Story said he would move the amendments.

Senator Story: Two years ago when we saw SRS was going up so high we asked the previous director to cut it back if he thought it was going to run out. He did not follow through on it. He came in for a huge budget supplement. We then put as much of a strangle-hold on it as possible and still give some flexibility. Now you are asking to postpone the day of reckoning and to jeopardize the \$18 million surplus and you could still come back for a special session. You are merely saying there will be that much more flooding before we get back here. If you do, we are in that much bigger scramble to find funds.

Senator Aklestad: If we get into a block grant situation, the Legislature should have some authority over the block grants. If so, we should come back and take another look.

Senator Jacobson: What about the block grant situation? Judy: They were talking about a block grant as a whole. The latest indication is Medicaid will not be in the block grant. Therefore, if they do keep it out, this would not have any effect. If somehow it did, the language as written could get you into some maneuverability.

Senator Himsl: I don't think block grants are involved in this. Judy: If a block grant is discretionary, if Medicaid is not in a block grant then you have provided \$18 million flexibility for the block grant. It does not appear likely at this moment it will be included in the block grant.

Senator Smith: I hope we will not make a mistake here. If we obligate all the general fund balance in this now. This one program could obligate all of it.

Senator Story: What us old country boys have learned is that the first losses are the easiest. The earlier you take the decision to cut your losses the more you get out with. If a decrease of Medicaid funds and other funds, we are going to have to make some decisions. To merely postpone the day of reckoning puts that many more problems to scramble through later. If there is such a loss as to get us into a special session, the smaller the better to make the necessary cut-backs and find the necessary funds. I would recommend not doing this.

Senator Keating: If there are federal funds for Medicaid, will it go in as item 3 or item 2? Himsl: As item 3, if additional

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funds. Keating: If federal funds are coming in? The answer was yes.

Senator Story: These general funds are matched 34% and pick up 66%. Keating: When we get federal funds do they go in as 3 or 2? Judy: Item 2 is the language in the bill, if as amended, it would be item 3.

The question was called, voted and failed.

MOTION NO. 45: Senator Van Valkenburg said this would add \$250,000 in the biennium for DD group homes for movement of youth out of Boulder.

Senator Etchart: I would oppose the motion. I think this would give us a little time to see if we have to move people back in. To spend this much money to open up a new group home without assurance we are not throwing it away.

Senator Jacobson: They are human beings and human beings lives. If someone can be moved out into a group home or even moved back in to the institution.....I would hate to think my vote had someone stay in that should not be there.

Senator Smith: Originally it was agreed that money was supposed to follow the patient. I would hope that in some way we could reduce some from the institutions budget.

Senator Himsl: You can take 10 people out, but you are not going to materially reduce the costs of the institutions. If it costs \$50,000 to keep them in there you cannot take that much out for each one.

Senator Story: It seemed to me that last time we had everyone moved out and back and the funding for it. What is happening?

Senator Himsl: Treatment, evaluation, re-evaluation, etc. Now they think they can move out of that setting into a more home-type setting.

Senator Etchart: Three of us went to Boulder. To tell me those people would be better in group homes is not right. The only way they could function in a group home is to have them be a duplicate of the conditions at the institution.

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Senator Jacobson: I went through it too during the session. There are people there in some of the cottages functioning well enough to have a key to their cottage. They were having trouble in group homes. It would seem to me if functioning at that level they could get out at some time.

Senator Story: This is an area where we are tremendously concerned over the emotional conditions. This is the only budget we pumped up beyond the executive budget. They asked for \$1.2 million to expand. The developmentally disabled asked for a greater expansion. We compromised on \$1.8 million for expansion. It was 1/2 again as much as the executive budget asked for. We put \$100,000 more in salaries to bring them up in the group homes for those who are running it. We think we are well beyond what the executive budget recommended. Some can go to group homes and some have to come back. In Livingston in their group home a young fellow gave the lady a concussion before going back to Warm Springs. That would leave an opening for one to go out to that group home. Most of the ones returned from homes are because of violent emotions. I understand this appropriation is for the moving of patients from Boulder into group homes. My question is, are we moving these people for our convenience or have they requested to be moved. Is there someone over there that wants patients moved or are we moving them to suit us.

Senator Himsl: There are social workers in the institution and they now evaluate them. They reach a balance where they think a person has been trained enough to be better off in a community. Sometimes the medical people disagree. There is a kind of a conflict as to whether social or medical should prevail. If the social worker or medical recommend to the department that it be done, they look around to find a place to place them under a contract.

Senator Keating: Do the family get involved? Himsl: I am sure they do.

Senator Etchart: Senator Keating, there are two current agencies that in effect, have jurisdiction over the same people, SRS and the institutions. Both are well qualified and there is perhaps an overlapping of abilities. Our decision is who will take the best care of them.

Senator Van Valkenburg moved the amendments for motion #45. There is two points. One, the opposition seems to be saying we can't save money by moving them out. I think it unfortunate.

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Two, if we don't adopt it we are stopping for at least two years the de-institutionalization.

Senator Aklestad: There is a certain philosophy. Some have the philosophy of not moving them out and I don't think they have any more concern than the ones whose philosophy is moving them out. There may be three or four or five that should come out, but probably there are that many in the communities that may have to come back in. I think this should be left to the people working with them.

The question was called on the motion to put in \$250,000 for movement out of Warm Springs. Voted, the motion failed.

CONSIDERATION OF HOUSE BILL NO. 653:

Senator Himsel said this is a non-appropriation bill and will have to go across. The sponsor, Representative Nordvedt, District 77 explained the bill. He said House Bill 653 is addressing spending limits for the state. Last session there were two bills, one party had a constitutional and the other a statutory bill. Both went down in defeat. Hopefully this is the weaker of the two approaches and we can get by the partisan approach. This would require that state spending could not grow faster than total personal income. Total personal income includes social security, etc., that is not taxable. We use a three year rolling average. This would smooth it out. Total state expenditures.....all forms of spending by state government in which the revenue comes. He said we are not saying the state spending cannot grow, but not faster than the personal tax growth. We are trying to limit the growth of state spending to the growth of personal income in the private sector. Section 3 deletes surplusses. We left some money as a final balance. It would say we also set a June 30 balance for every year. If more, it would be in a tax relief from there by returning it to the people. The mechanism is in the bill. Property tax levies to reduce the mandatory levy from schools. It would be returned to the counties on a per capita basis from any surplus.

Dennis Burr, Montana Taxpayer Association spoke as a proponent of the bill. He said he had left some testimony with the committee some time ago. He said the mandatory levy varied from 3 mills to 39 mills on the counties. It would reduce the retirement levies in the state.

Gary Langly spoke as a proponent and left testimony.

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Janell Fallon, Chamber of Commerce said they very strongly support the legislation.

There were no further proponents, no opponents and Senator Himsel asked if there were questions from the committee.

Senator Regan: I have several questions. I am a little surprised that we have the bill. It is in the nature of a revenue bill and I feel a little uncomfortable with it. I lack the background with revenue projections, so I am tackling it as a greenhorn. Wealth, on a measurement of wealth for a state is tied to personal income. How does Montana rank in growth of personal income? Nordvedt: The per capita income is below, but the rate of growth is faster. Growth in personal income 26.4% for two years which is just about the inflation rate.

Senator Regan: In measuring personal income in Montana I have been under the impression we are a state whose wealth is not derived from its personal income and are rather a resource state. Our wealth is from our resources.

Representative Nordvedt: To the extent that resource production creates payroll and the royalties and profits of resources go to revenue for those held in the state. The out-of-state is not taken as income.

Senator Regan: Could you give me some indication of the percentage of resources are held out of the state and therefore that wealth will not figure into it? Nordvedt: I don't have the actual numbers, but it is substantial. In the operation of those held out of state 5 to 20% of the sales is the profit. The rest of the cash flow is wages, rents, royalties, etc., that reflect in revenue.

Senator Regan: That is not what I meant. Our wealth is in resources. What percent of that wealth goes out of state and therefore right off the top, is not included? Nordvedt: I don't have the percent of the earnings of the wealth, unless taxable it is not relevant to the tax burden of the state.

Senator Regan: How many other states similar than Montana have adopted this kind of bench-mark.

Representative Nordvedt: Between one half and one dozen.

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Senator Regan: Have any of them done it? Nordvedt: The last I heard there was a strong movement in California. I don't know the outcome. They are trying to do it with citizen initiative rather than legislative process. I don't know the specific states. There is no pattern, it is just all kinds of states and pretty much scattered.

Senator Story: I was toying with this idea some years ago. Professor Draper gave me some information then, that might help. Personal income in terms of gross product is generally 85%. It does not vary. I asked, and he said no. It is about as consistent a figure as you can get with any type of economy and any figuring, that personal income is about 85% of the gross product.

Senator Himsl: This deals with personal income. My problem is the growth in personal income is not based necessarily on productivity, but because employees earnings are increased. Private income follows much the same pattern. A continuing build-up of personal income that is not related to productivity. Nordvedt: There are three things involved. One, inflation, we are allowing inflation features to be included so that government spending can grow to include inflation too. In the purpose of putting in a statutory spending limitation I have taken probably the most generous of personal income. There are tighter definitions and this is a moderation.

Senator Himsl: Have you been able to indicate what the increase would be that is allowed? Nordvedt: 26.4% could be increased from the last budget. You will see how close we are now. We are within 1% of this when you put in the pay plan.

Senator Van Valkenburg: Why the immediate effective date? Nordvedt: The budget coming out this session would be subject to this limitation.

Senator Van Valkenburg: Have you looked historically at Montana over the past 10 or 12 years? Would any biennium have caused a problem? Nordvedt: Except for the last one everyone let state spending grow faster than the income. We have increased the real tax burden on Montana by about 40% higher than a decade ago. The last legislature made the constraint of a spending law.

Senator Haffey: What are the components of revenue? Nordvedt: Wages and salaries, property, business profits, royalties,

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capital gains, unemployment insurance, receipts, social security, pensions, etc. You subtract the contributions to social security insurance, etc.

Senator Haffey: Which ones did you say you added in to be generous? Nordvedt: Transfer payments such as social security, pensions, etc. If you took out these Montana growth would be 24%. That is the kind that is the tax base of the state. The things that grow faster than peoples personal income.

Senator Haffey: Were there fluctuations over the past ten years?

Representative Nordvedt: It would be more drastic if designed less the transfer payments. Non-taxable transfer payments have been growing faster than the Montana productivity payments.

Senator Haffey: So that the personal income index you would suggest would have been used throughout at 70% is higher than the one that could have been used? Nordvedt: I am using the one that is safest. The transfer is growing faster than the rest.

Senator Haffey: Why did you include this? Nordvedt: I would personally prefer the true income base. But I tried to get a product on a bipartisan basis.

Senator Haffey: What do you think the trend will be? Nordvedt: At least for this year, they will not touch the social security system.

Senator Keating: Give us some idea of an extreme depression or hyper-inflation. Nordvedt: Probably no awful problems because there is no measure of anything in inflation. Depression, a long one to take ahold. It would take a while to slow up, it also has a trigger clause.

Senator Keating: A three year average. We are on a biennium. In the event of a serious recession or conversly, hyper-inflation, would it have a greater effect because of the biennium budget? Nordvedt: No, just smooth out the differences. You are always comparing two years, but average out three to get a smooth trend.

Senator Van Valkenburg: I am a little concerned about a provision for an emergency. Both the government and 2/3 of the legislature to concur. I guess I presume that your intent was to limit the governor, but I wonder about your limiting the 2/3 of the legislature. You have to get the Governors concurrence and repeal the law. Nordvedt: Oh, the Governor, you could strike it. If

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a fiscally tight-nosed governor and a more liberal-spending legislature, but the governor, I guess being in does give him some power.

Senator Regan: You based this on personal income indicating it was very generous. Personal income lags behind inflation.
Nordvedt: The price of anything shows up as someones income, As receiving income, profit or something.

Senator Regan: It is, but there is a lag time because of the immediate replacement. Nordvedt: Maybe in the order of months, but not long.

There was a 15 minute break and then the committee came back at 8:47 to House Bill No. 500.

Senator Johnson: I have an amendment, on page 24, line 5.

MOTION NO. 46: This is the 4-C's program. The vote in the subcommittee was very close. It is a program that is very necessary. We need this for the children of the state of Montana. I would move the amendment.

Senator Hims1: This was initiated with federal funds. No state funds? Johnson: Yes, there are state funds in it.

Senator Story: I think it is pretty important not to do it, particularly since we will probably be back here making some extremely hard decisions on the priorities we will have to set, and will be like the renal program. Misery and degradation has to be pretty high on the list, in setting priorities. This only covers eight counties. When we looked at the program very closely there was a mixed feeling in the committee. When we looked at the program that the 4-C's said they would do. There were four things. Statutorily there is other activities to take care of these descriptions.

1. Make child services available to all areas of Montana. Duplication of Use Development Program, and is only made available in eight counties.
2. Increase rates, particularly to day-care with special emphasis on sliding day-care. We have eliminated that. Look at all advocacy compared to direct services, advocacy should come last. Asking taxpayers to pick up taxes to ask people to pay more taxes, is like paying to have somebody hit you over the head with a 2 x 4.

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3. Continue monitoring day-care requirements. Insure the guidelines are okay in Montana. The federal were, a few years ago, introducing guidelines that were not realistic. It is unlikely they will be proposed now. We are in an ice age of retreating. That is no longer necessary.

4. Register day-care homes. It is again the business of other areas and not day-care. All the areas they said they would cover are duplication. It is all done by someone else. It is true all advocacy programs do generate more mail and more people, but in relation to the people they are serving you are bringing something that is self-serving. It tells you all, you must come back and too, it tells you priority and putting human services where the dollar will help the most miserable.

Senator Regan: I was a member of the subcommittee considering this program. I would like to let the committee, now that the program failed on a 3 - 3 vote, in looking at the program, I think I myself supported it for a number of reasons. I do not feel it is the least bang for the bucks by any means. In Billings they wrote the child abuse manual and it was so good it has been reprinted and distributed in the schools and was put out as a basis of a workshop to sponsor parent workshop screens. Their sponsorship of family life conferences are most worthwhile. In Butte they have after-school workshops and they teach the kids that are latch-key kids after school. I totally disagree with Senator Story that they are not a high priority. I am not sure that the eight counties is a proper figure. I would urge the committee to accept Senator Johnsons amendment. When the fiscal analysts built the budget for us to see the 4-C's was not included in her budget for us, although it was an on-going program. It was not recommended because the title 3 money was used up. It was a decision in her office. Had it been in the budget it would remain in the budget on a 3 - 3 vote. It was in a sense an action the committee did not take.

Senator Aklestad: In discussing the worth of the program I am sure that most of us will agree it is good in the counties. The worth of the program could stay on the line in the counties if people want it. If the counties feel it is a worthwhile program they can get private and county funding. I would like

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to emphasize if we are going to get title 20 monies, since they are used up, the rest will come out of other programs. Otherwise general fund money.

Senator Keating: The program in Billings is a good program and has been well received, but the only comment on contacts from Billings are people in agency or programs or SRS that are funded by tax money. They say they would like to have it. I notice on the second page of the explanation, the SRS contracts with these local non-profit 4-C corporations because they function less expensively than the cost of hiring more state employees. Why aren't these funded from the agency itself?

Senator Haffey: Because of the letters I received, I would have to ask someone on the subcommittee. I think it might help Montana keep its costs down. The absence of 4-C's would not have us increase costs greater than that in the whole thing? Story: The whole of the Development Bureau claims this. Also so does the Battered Spouses Program, etc. That you will save money by not having the kids grow up to join the criminals. Every program we have with kids claims the same.

Senator Haffey: Now 4-C's would help prevent a local area from having two or three different ones that the state is involved in. They say 4-C's has helped us to prevent borrowing more money on other ones.

Senator Himsl: This program just started up in our area a short time ago. We got all kinds of letters saying how good it was and it just started. They do some good in coordinating, but this is a lot of money to plug into eight counties. They get money from United Fund there.

Senator Johnson: I would comment on Senator Story's statement. He says life.

1. Nothing more precious or important than the life of children.
2. None of you have a direct responsibility of getting children up to a baby sitter and
3. There are a lot of children that have no place to go after school. There are no dollars in the family for baby sitters. The kids are not old enough to be at home alone.

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The parent makes just too much to get on a program, but not enough to pay for baby sitters. 4-C's coordinate programs that will help the children and help the parents. There is nothing harder to come by than infant day care. From six months on, it is hard to get baby sitters. Any single parent family has this problem, and there are many single parent families. If you look at the growing number of single member parents in Montana, there is a need for this program. As responsible adults, we need to look after the children.

Senator Story: Not a single dollar will go into any day-care center or anything, this is indirect money and it buys advocacy.

Senator Aklestad: We pumped in a lot of dollars.

The question was called, the vote was taken, on a tie vote the motion failed.

Senator Aklestad: House Bill 127 how did that bill turn out with a "shall" or a "may"? John LaFaver: The language was changed. Aklestad: So we don't have to do anything about it in this bill then.

MOTION NO. 47: Senator Regan said she would ask for a reconsideration of action yesterday in striking from planned parenthood budget the contraceptives. Hopefully this would allow you to accept it. I would therefore offer the following recommendation that we amend it to read "no taxpayers money shall be spent for contraceptives for minors." I am sure there are those that feel by furnishing contraceptives to minors that the state of Montana is encouraging them to be sexually active. I think this is a misconception. What I am really trying to do here is to have you seriously consider the action you have taken. What you have done says the state has adopted a policy. No taxpayer dollars shall fund abortions for medically needy. Now you will adopt a policy that says not only that, but also a policy that no medically needy shall be able to have contraceptives. Regardless of the religious background, there is a real medical need for spacing children adequately or that might threaten the life of a mother. I can't see the state adopting as a policy a statement that says intercourse is going to result in pregnancy. That is the kind of philosophy in the churches but not the state. We should provide the means for necessary and medically necessary contraceptives. This language will strike the availability to minors. I would ask you to reconsider our action in the family planning program on contraceptives.

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Senator Dover: Is this the money for it? Regan: The money was removed yesterday by the action of the committee.

Senator Jacobson: I happen to be a mother who had all cesarean sections. It is unwise for a mother with cesarean sections to have a child more than every three years. There are some good reasons for this to be in the budget.

Senator Smith: Are we saying as a legislator that we are going to contribute money? Isn't there some liability on the individual themselves to spend a little money on themselves?

Senator Jacobson: It is an important part of it. We are going to clothe and feed them and this is also a medical need. In the end we provide for this or pay for the children on welfare later.

The motion to reconsider was voted and failed on a tie vote.

MOTION NO. 48: Senator Smith: I would like to amend this section. Because of the action of our subcommittee.....if you remember when we had the chart in here, our committee eliminated one of the agency heads. We did not take into account the problem of transferring funds for that agency. I would like to have Gary Buchanan speak to this.

Gary Buchanan: On page 29, the subcommittee, as Senator Smith said, combined two individuals into one. The Division of Occupational Licensing. It would provide for pay plan increases not included as indirect cost funds of programs paying salary increases in Centralized Services and the Directors office. This is salaries in the revolving fund which are pro-rated to supporting programs. This would raise the earmarked money of each board to pay for the salary increases in the Department of Commerce. The Legislative Audit was pretty rough on the Department of Occupational Licensing in terms of dollars.

Committee question: In the bill it says aeronautics division. I don't fit the amendments into this.

Terry Cohea, Budget office: The centralized services in the directors office is on a revolving fund. The pay increase goes to it with no money in the four divisions, aeronautics, etc. They need the authority to pay the salary increases in the revolving fund.

Senator Himsl: The salaries are in the revolving fund? Cohea: Their whole budget is in it.

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Senator Himsl: These programs are all under revolving funds. That is why they are suggesting this sort of change on increases. For services they render the money they generate goes into this fund.

Cohea: The pay raise is in the pay bill. It puts it into the revolving fund and the support for it comes from down below. It does not increase it.

Senator Aklestad: What kind of a figure are you putting in for a pay raise? Cohea: We are taking the budget office projections and making a guess.

Senator Van Valkenburg: Why are we not changing the totals on line 12, page 33 and also, if revolving funds, why are we amending amounts in the general fund column?

Senator Smith: When you combine it on page 33, line 22, you strike that and change it. Page 29, line 24, that is general budget that they are increasing. Then it does impact general fund. They said revolving fund. Senator Himsl: No new money in this revolving fund? Cohea: It is supported by the whole Department of Commerce which includes both.

Senator Johnson: What is the over-all impact? Himsl: They are asking for us to change it, line by line, and then we see what it is.

Senator Dover: What bothers me is why are we doing it now and not come up to their figures if they are not the same? If that is the case why not do it when we find out what it is going on? Himsl: We have to get the figures into the bill and they are anticipating this level of funding. They said it will do the job they are projecting.

Senator Aklestad: If we don't go on this they don't automatically get the pay raise? Himsl: I am saying they have projected the pay plan into this. If the pay plan is less their revolving fund will have the surplus in. Cohea: The revolving fund charges out only the actual expenses.

Senator Aklestad: Aren't they going to get the pay raise? Won't they get it? Judy: The pay raise will give it each year. Robinson: In talking to the department it is their opinion that they want to put this money up front and when the pay plan is finalized it will be pro-rated to the different areas. I don't think you would need the first two amendments. The ones on page 30 you might need. I think the pay plan would take care of this.

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Senator Smith: Did you make this as a motion, or what? I am afraid if we can't address it here, if you are sure it will be taken care of in the pay plan, that is fine.

Senator Jacobson: Didn't we eliminate the Board of Osteopaths and put one of them on the medical board?

Senator Dover: All of these funds come from dues.

The motion was withdrawn.

MOTION NO. 49: Senator Smith moved the amendments since the budget change is required by the current method of accounting used by the boards.

The question was called, the motion voted and passed unanimously.

MOTION NO. 50: Senator Story said he had a motion on page 34, line 12, following line 12. This involves a railroad safety inspector. It is one the railroad community wanted very much. It was the duty of the Public Service, which used to be called the Railroad and Public Service Commission, and is on the books now. They have sort of gotten away from it in the last years, however, the Public Service Commission thought it one of their lower priorities. It was not one of the major priorities. It is about \$56,000 to get this position. This year alone there have been five derailments. In 1980 there were twenty-four derailments and in 1979 they almost burned the town of Belt, Montana. Practically every one of them were more cost than this bill. We are just asking for a slight reallocation of federal dollars that are spent anyway. We are asking for something that can pay for itself in terms of safety to people, property and to the railroads themselves. This inspector will be able to cover all the lines in Montana and not just the ones being rebuilt. His job won't be turning his eyes the other way. He will be independent and therefore able to do a better job for all the rails. I move the amendment and would urge your support.

Senator Stimatz: Do I understand correctly that in making the contract with whoever has the \$8 million the Public Service Commission can make the contract put it in the Public Service and hire him and he will be responsible to them. He will be an employee of the Public Service Commission.

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Senator Regan: No, not an employee. You will have a contract with them.

Senator Stimatz: That is what I wanted to be sure of. The Public Service Commission is on contract with this man. They are cooperating with the other rail agency to put this man on.

Senator Story: It is between the two departments. They will agree how to handle it.

Senator Stimatz: Could I ask Mr. Opitz to comment?

Mr. Opitz, PSC: I would question whether or not we would have enough. We do not have an opening. We would have to create an opening to be able to hire someone to get it.

Senator Story: If you really feel that, I think we would have to have another amount.

Ken Clark: I don't think we would have problems with this. The FTE would go to the Public Service with the authority to go to them. The rail inspector for the commerce is only hired at part time. When not used by rail planner, he would be used by the Public Service Commission. They each asked for one. We put this together.

Senator Story: I think we must give Opitz another FTE that says only to be used for this.

A delay was requested while this information could be gotten together.

MOTION NO. 51: Senator Regan moved some amendments on the Consumer Protection Agency. LFA recommended 6.5 employees. The executive budget recommended 7.5. The House subcommittee came up with 3. This would restore the investigator position to consumer protection division. This program has been severely cut and there is not enough staff to do the things they should do. I offer this amendment at the request of Mr. Buchanan, and because I think it is a need. The cut went from 7 1/2 to 3 and that is pretty well nipped.

Senator Keating: What does he investigate? Regan: Complaints that come in.

Senator Stimatz: I served on the subcommittee on this. I did not initiate any of this. I am the author and helper of passing this. I worked with Ed on this. The other act.....that administrator is my work and Bob Harper's. As county attorneys

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we ran a consumer protection agency. The state has not been getting this on a state level. The subcommittee wanted them to act on a state level. They can divide the three people up again any way they want to. The three people they have would be adequate. If they can do the job I would ask for more. These little things they do is not what they are supposed to be doing.

Senator Regan: You have a new head of the department. You should not present him with a job he can't do.

Senator Smith: They had a dead thing there and we asked them to put life into it. They had only about a 10% success ratio. Probably a lot more that are much more needy. Missoula does not allow them to cove over.

The question was called, it would add 24,454 each year. The motion was voted and motion failed.

MOTION NO. 50: The committee reverted back to the motion that had been delayed for gathering more information. Senator Story brought in a copy of the amendment with the figures added to it. On page 40, line 9, after line 9, insert "rail inspector 0 36,195 0 28,200."

Senator Johnson: First, if you want this person in the Public Service, why not before?

Senator Story: I think the Public Service Commission drifted away from the original function. Railroads are going out. They have chosen a different sort of service. The federal had some and ran them.

Senator Johnson: If adopted, that means they will add another person who will expand the power of the Public Service Commission?
Story: The poser is all on the statutes now.

Senator Johnson: You add this person. This makes more staff. What will happen in the budget for support staff to back them up? Story: The only person is the person that goes on board if the contract is made. They are not expanded.

Senator Johnson: Who will be back-up force? Story: There is specialist services you buy to do this.

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Senator Johnson: The personnel to back it up. Somewhere there must be a secretary or something. Story: No, only the one man.

Senator Van Valkenburg: Why do you see the money going down the second year? Story: The first year there has to be a vehicle. A handcar.

Senator Van Valkenburg: Is it permissible with federal funds? Story: The answer is no. The slight problem is that they cannot flag a railroad and tell them not to use the railroad. They can do most of the things a regular inspector can do.

Senator Aklestad: Federally inspected now? Story: Yes.
Aklestad: What authority under the Public Service Commission?
Hims1: One tract inspector for four states. Probably they use an airplane to get around.

Ken Clark: There is one inspector for four states. The federal government says 1.58 or 2 railroad inspectors for the state of Montana plus one equipment inspector. We still have one and then we let him divide himself up and use him for both. The railroad officials said in the committee, had the inspectors been doing their job there would not have been a derailment in East Helena. We can have a man go in and say this is not what you said, this is the way it was. The railroad has their own inspectors and they are told that they say what they want or if you want your job, you will do it our way. We don't want an inspector who owes his allegiance to the company.

Senator Story: The federal person does not go on branch lines.

Senator Johnson: If I heard this right, this would be a contract for two years. Then the contract will end. Are we setting up a self-perpetuating position. Senator: I agree, it is a two year contract.

Senator Regan: I am serious. I would like an amendment to sunset the position and we don't build it in. Story: I would agree to a sunset.

MOTION TO AMEND: Senator Regan: I would so move. The motion voted, and was passed unanimously.

On page 34, line 12, Senator Dover asked if that would automatically be done? He was answered yes.

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Senator Aklestad: If you find a bad track, then what? Clark: The Public Service can put a slow order on, or set a penalty. Tjeu are mandated to do it. They can order the railroads to slow down or pay a penalty.

The motion was voted, passed and Senators Boylan and Aklestad voted no.

MOTION NO. 52: Travel Bureau, page 30, line 7. You would strike line 7 and insert \$700,000 and \$200,000. This would give a \$200,000 appropriation in 1983 which could not be used unless there were matching funds from private sources.

Senator Hims1: The \$300,000 that was in there was to be matched? Senator Keating: You have that amendment, it was passed out before. Mr. Buchanan: That amendment was presented to you about three days ago. All I was appealing to was to reconsider this.

Senator Smith: In other words you are saying you want the committee to ask for \$1.6 million.

Senator Keating: What is the source of the other funds? Why do we not want to ask the private section to make their contribution in the first year of the biennium?

Senator Boylan: It would give them a little catch-up time to do it.

Senator Hims1: If you read the top line you will be putting \$700,000 of general fund money in the first year. No private money that year. The second year authorizes \$700,000 plus expenditures and \$200,000 from other funds. They could only spend \$500,000 the first year? Buchanan: Originally provided \$700,000 and an additional \$200,000 was available. The \$200,000 was not triggered unless matched from industry. The initial proposal is what we are asking to reconsider.

Senator Haffey: You are saying this amendment in the first year, the state could get the thing going, in the second year the state, if it doesn't do a good job in private industry too.....? Buchanan: The \$700,000 is a base.

Senator Keating: If they came up with that much you would have a lot more in the second year.

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Senator Himsl: I think we have a problem in this, could I get Judy to address this? Judy: In terms of amount. If you want the last \$200,000 to be a contingency you will need another line item under it and language to tell you what triggers it to be spent, otherwise it is in general fund.

Senator Dover: What we would do is authorize \$300,000 more general fund money no matter how you look at it.

Senator Regan: It would revert if industry does not come in.

Senator Himsl: This is a new approach. We don't know what industry and to how much they will support it.

Senator Boylan: I think we should leave well enough alone. This could have a rough ride here and in Appropriations Committee.

Senator Himsl: I think the language on line 7 should be clear. Judy: If you will delay it, I will draft the language.

Senator Dover: This shows the intent. Keating: If I understand the report, the travel promotion program was set up to encourage contributions from private industry and to do it with matching funds, so the \$100,000 the first year and the \$200,000 the second year are enticements for contributions from industry. If addressed, 1/2 of it would come out of general funds. It really doesn't reflect that it would be general fund money as matched by industry.

Senator Boylan: They still have to come up with the same....it is in the bill.

This motion was delayed for new language.

MOTION NO. 53: Senator Boylan made a motion on the Department of Livestock.....Rabies and Rodent Control program. It transfers two biologists and the money to go with them.

Senator Regan: These pay plan increases, have they been granted? Senator Dover: I would like to have them take this back and take out the pay plan. We need to authorize the positions without the pay plan increase. When it comes in it would be put in the bill. I would ask Carol. The Department of Livestock will contract that and they don't have enough money to pay the higher salary, Carol said.

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Senator Aklestad: These people.....was this brought up in subcommittee? Robinson, LFA: In working they concentrated and reduced. They transferred the responsibility to the Department of Agriculture. We put in the amount of money to pay for the services and did not put in enough to take care of the pay plan when it goes into the Department of Agriculture. If this amendment goes through they will have enough to pay it.

Senator Van Valkenburg: That isn't the pay plan bill. It will be line itemed after we know what the pay plan does.

Senator Smith: I would have to make one comment. We could end up with a real problem in checking with the pay plan in one place and not somewhere else.

Senat or Story: The point made is on contract services not made. It will go in with the regular payroll. Dover: Because contract services? We will have an awful time getting it all cleared up. But, if not raised we are putting that much into contract services and they could use it somewhere else. The principal is if used somewhere else, it could be a problem.

Senator Thomas: It is not all that much money. The Livestock has had a history of being a well-run organization. I don't think it would make that much difference.

Senator Stimatz: I would like to ask Mr. Robinson, how much general fund money in this division? Robinson: This is general fund. All the rodent costs are the contract services to be transferred to Agriculture. If the money is in it will be upped a little bit. They will be short over there.

Question on motion #53 was called, voted and passed. Senators Johnson, Jacobson, Regan and Van Valkenburg voting no.

Senator Keating: Do we have to change the total figures? Himsl: That will be done automatically.

MOTION NO. 54: Fish and Game, page 34 had an amendment for this section to plug in \$1.74 million in the department. There was revenue estimates we differed with, but all the same, I am suggesting additional cash. When the budget was set we set 1982 at 1.16 per gallon for gasoline and \$1.39 for 1983. Now we are saying 1982 will probably be more like \$1.65 and 1983 like \$1.85 which are our proposal for, I feel, very moderate estimates. This is the difference. The last amendment is for

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four addition FTE. This is four FTE in the House Appropriation Committee under what we proposed in subcommittee. We took about 50 people out. They feel they really need these four. One is a property management in central services, one is circulation officer under Conservation Education and two are secretaries under Administration.

Senator Dover: This motion is premature. We don't know where this bill is yet.

Senator Thomas: Let's find out where the bill is at.

Senator Himsl: The bill was heard yesterday. It will be up for 3rd reading today.

Senator Smith: This bill will go to conference committee. Our subcommittee worked extensively on this bill. We have had four FTE in House Appropriation over what we proposed. I will not support an increase in FTE. I will support gas, but no more FTE.

Senator Dover: I haven't a figure, but this is tight all across the board.

Senator Jacobson: The people in my constituency feel if they don't have the gas in the field they will not be able to get the work done.

Senator Dover: I would like to see you spread the motion to two and have the gas in the first one. Do you have the figures?

Senator Jacobson: I would have to add the figures for gas.

Senator Aklestad: How much money for additional gas and how much more for inflation? Robinson: The gas does not show separately. When you get it run out it is about \$1.16 and \$1.36 or \$1.39 for 1983. Someone in the House Appropriation Committee was to add the money and they did not put in enough. This amendment would bring it up.

Senator Aklestad: Do they have the ability in this to move the funds around instead of buying more land for instance? Robinson: They don't have money to buy any land. They have the authority to move it from one category to another within the division.

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Senator Dover: The page and lines are not right.

Senator Johnson: This would make these dollars expressly used for gas and not used for something else? Robinson: They do not say specifically for gas within each division, but that is where they are short.

Senator Johnson: The part that bothers me is not the gas. The question is are we assured this money will be used for gas? You are saying we cannot be assured on this. Yesterday they said they are not getting out there and you are not earmarking any funds just for this use. It could be spent anywhere.

Senator Thomas: How much general fund?

Senator Keating: Most of this gas increase is in a revolving fund. It is under Parks and Recreation that it is out of general fund. In the amendment, page 35, line 6, there is about a \$6,000 increase for gas that comes out of general fund commitment. Five in 1983, \$11,000 in general fund money. Why, when we are dealing with revolving funds everywhere else?

Senator Etchart: I think I can answer that. Here we are dealing with the case of motorboats. It goes back out to the Department of Parks.

Senator Aklestad: We are telling each department of state government they can maintain an increase in service, but the people paying the bill, if gas goes to \$1.85 will have to not travel as much. We are continuing the agencies ongoing programs and they are going ahead full tilt.

Senator Himsl: In the matter of services, you didn't want them in the office duties?

Senator Story: Two years ago I really jumped to get an increase for snowmobilers. They didn't get it anyway. I want to know how it is in the budget.

Jim Flynn, Director: I can't answer it. I am not familiar with what your talking about. Robinson: We fully funded the departments request for snowmobils service and the money is in there.

Senator Keating: I have a question. Is the gas line itemed in the budget? Answer: No. Keating: Just part of the budget? Answer: yes.

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Senator Smith: In regard to the last question. We line item the number of FTE. I think we would be completely wrong because of the complaints of people, of not enough game wardens. The other thing, it would be unfortunate if we hired game wardens and there was no gas for them.

The question was called and the vote passed with Senator Aklestad voting no.

MOTION NO. 52 revised: It was moved by Senator Regan to amend page 30, line 7 and page 34, line 7, amendment attached.

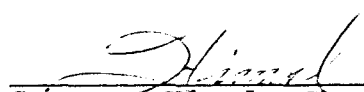
Senator Smith: This was heard in our subcommittee. All are general funds before it was out of highway fund.

Senator Himsl: Are you ready for the question? He then read the amendment to the committee.

It was voted and passed.

The meeting adjourned at 10:45 a.m.

The next meeting will be at 8 a.m. tomorrow and will run until noon.



Senator Himsl, Chairman

ROLL CALL

FINANCE AND CLAIMS COMMITTEE

47th LEGISLATIVE SESSION - - 1981

Date

5/5/

NAME	PRESENT	ABSENT	EXCUSED
Senator Etchart	✓		
Senator Story	✓		
Senator Aklestad	✓		
Senator Nelson	✓		
Senator Smith	✓		
Senator Dover	✓		
Senator Johnson	✓		
Senator Keating	✓		
Senator Boylan	✓		
Senator Regan	✓		
Senator Thomas	✓		
Senator Stimatz	✓		
Senator Van Valkenburg	✓		
Senator Haffey	✓		
Senator Jacobson	✓		
Senator Himsl	✓		

SENATE COMMITTEE

FINANCE AND CLAIMS

Date

4/21

Bill No.

50

Time

7:46

NAME	YES	NO	ABSENT	EXCUSED
Senator Etchart		✓		
Senator Story		✓		
Senator Aklestad		✓		
Senator Nelson		✓		
Senator Smith		✓		
Senator Dover		✓		
Senator Johnson		✓		
Senator Keating		✓		
Senator Boylan		✓		
Senator Regan	✓			
Senator Thomas		✓		
Senator Stimatz	✓			
Senator Van Valkenburg	✓			
Senator Haffey	✓			
Senator Jacobson	✓			
Senator Himsl		✓		

5

Sylvia Kinsey
Secretary

Senator Himsl
Chairman

Motion:

#44

7/2

SENATE COMMITTEE

FINANCE AND CLAIMS

Date 7/31Bill No. 40Time 7:59

NAME	YES	NO	ABSENT	EXCUSED
Senator Etchart		✓		
Senator Story		✓		
Senator Aklestad		✓		
Senator Nelson		✓		
Senator Smith		✓		
Senator Dover			✓	
Senator Johnson		✓		
Senator Keating	✓			
Senator Boylan		✓		
Senator Regan	✓			
Senator Thomas	✓			
Senator Stimatz	✓			
Senator Van Valkenburg	✓			
Senator Haffey	✓			
Senator Jacobson	✓			
Senator Himsl		✓		

7 8 - 1

Sylvia Kinsey
SecretarySenator Himsl
Chairman

Motion:

Roll call 254 of 6 - P.

all

and

#45

SENATE COMMITTEE

FINANCE AND CLAIMS

Date

4/31

Bill No.

Time

NAME	YES	NO	ABSENT	EXCUSED
Senator Etchart		✓		
Senator Story		✓		
Senator Aklestad		✓		
Senator Nelson		✓		
Senator Smith		✓		
Senator Dover		✓		
Senator Johnson				
Senator Keating		✓		
Senator Boylan				
Senator Regan				
Senator Thomas		✓		
Senator Stimatz				
Senator Van Valkenburg				
Senator Haffey				
Senator Jacobson				
Senator Himsl				

Sylvia Kinsey
Secretary

Senator Himsl
Chairman

Motion:

46

SENATE COMMITTEE

FINANCE AND CLAIMS

Date

7/21

Bill No.

Time

11:15

NAME	YES	NO	ABSENT	EXCUSED
Senator Etchart				
Senator Story	✓			
Senator Aklestad		✓		
Senator Nelson		✓		
Senator Smith		✓		
Senator Dover		✓		
Senator Johnson	✓			
Senator Keating		✓		
Senator Boylan	✓			
Senator Regan	✓			
Senator Thomas	✓			
Senator Stimatz		✓		
Senator Van Valkenburg	✓			
Senator Haffey	✓			
Senator Jacobson	✓			
Senator Himsl				

Sylvia Kinsey
Secretary

Senator Himsl
Chairman

Motion:

Resolved547

SENATE COMMITTEE

FINANCE AND CLAIMSDate 10/1/51Bill No. 100Time 1:30

NAME	YES	NO	ABSENT	EXCUSED
Senator Etchart				
Senator Story				
Senator Aklestad				
Senator Nelson				
Senator Smith				
Senator Dover				
Senator Johnson				
Senator Keating				
Senator Boylan				
Senator Regan				
Senator Thomas				
Senator Stimatz				
Senator Van Valkenburg				
Senator Haffey				
Senator Jacobson				
Senator Himsl				

Sylvia Kinsey
Secretary

Senator Himsl
Chairman

Motion:

10/51

SENATE COMMITTEE

FINANCE AND CLAIMSDate 7/21

Bill No. _____

Time 11:00

NAME	YES	NO	ABSENT	EXCUSED
Senator Etchart				
Senator Story				
Senator Aklestad				
Senator Nelson				
Senator Smith				
Senator Dover				
Senator Johnson				
Senator Keating				
Senator Boylan				
Senator Regan				
Senator Thomas				
Senator Stimatz				
Senator Van Valkenburg				
Senator Haffey				
Senator Jacobson				
Senator Himsl				

Sylvia Kinsey
Secretary

Senator Himsl
Chairman

Motion:

#52

**MONTANA
STATE BALLOT**



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Dear NFIB Member:

Please take a few minutes and complete the following questions which pertain to small business issues in your state.

We are interested in your answers to the questions in this survey, and any comments you may have.

Please **return the entire** survey for processing.

Thank you.

Wilson S. Johnson, President

TAXES/FISCAL

1. QUESTION

Should the state phase out the inventory tax over a five-year period by providing an income tax credit as an offset against tax paid on business inventories?

Favor	Oppose	Undecided	
<u>87%</u> 1	<u>5%</u> 2	<u>8%</u> 3	11

BACKGROUND

Montana is one of the few states that still levies a business inventory tax. The most difficult aspect of repealing this tax is the loss of revenue to local units of government. This proposal would phase out the inventory tax over a five-year period by increasing the tax credit increments 20% each year until a full credit could be taken.

2. QUESTION

Should local governments be allowed to levy local option taxes if they are approved by the voters of the city or county involved?

Favor	Oppose	Undecided	
<u>49%</u> 1	<u>46%</u> 2	<u>5%</u> 3	12

BACKGROUND

The most recent economic recession has made local governments look for new sources of revenue. The state Legislature will consider legislation which allows cities and counties to impose local sales and/or excise taxes. This proposal provides residents with the opportunity to decide whether their local governments should operate within the amount realized from existing sources of revenue or whether cities and counties should be able to expand their tax base, upon approval of the voters.

3. QUESTION

Should capital gains, interest income and depreciation for capital investments be indexed for inflation?

Favor	Oppose	Undecided	
<u>85%</u> 1	<u>12%</u> 2	<u>3%</u> 3	13

BACKGROUND

Inflation causes taxpayers to pay taxes on gains from the sale of property which are not, in fact, real gains and it causes distortions in interest income. It also causes businesses depreciating capital investments over a number of years to receive allowances in less valuable dollars, which results in an overstatement of earnings and overpayment of income taxes.

CONSTITUTIONAL AMENDMENT

4. QUESTION

Should the state inheritance tax be repealed for children and grandchildren?

Favor	Oppose	Undecided	
<u>84%</u> 1	<u>9%</u> 2	<u>7%</u> 3	14

BACKGROUND

The 1979 Legislature exempted the surviving spouse from the inheritance tax. Estimates indicate that 60% of the total taxes collected under the inheritance tax laws in 1979 were paid by surviving children and grandchildren. The elimination of this tax would reduce annual state collections by \$3.8 million.

5. QUESTION

Should the Montana Legislature adopt a resolution requesting Congress to propose an amendment to the U.S. Constitution requiring a balanced federal budget, or to call a Constitutional Convention if Congress fails to act?

Favor	Oppose	Undecided	
<u>84%</u> 1	<u>10%</u> 2	<u>6%</u> 3	15

BACKGROUND

The purpose of the resolution is to force Congress to take one of two actions. If 34 states pass similar resolutions, Congress must call a Constitutional Convention for the singular purpose of adopting a Constitutional Amendment for a balanced federal budget, if Congress has failed to take the initiative to propose such an amendment. The Constitutional Amendment would then have to be ratified by two-thirds of the states. To date, 30 states have passed this resolution.

6. QUESTION

Should Montana's constitution be amended to limit the growth of state government spending to the percentage increase in the growth of state personal income and population?

Favor	Oppose	Undecided	
<u>89%</u> 1	<u>7%</u> 2	<u>4%</u> 3	16

BACKGROUND

State government expenditures have more than doubled over the last five years. By limiting future increases in state tax revenues to the increase in statewide personal income and population increases, the constitutional spending limitation would be an "insurance policy" against further erosion of earnings through taxes.

GOVERNMENT

7. QUESTION

Should Legislation be adopted to enact a state regulatory flexibility act?

Favor	Oppose	Undecided	
<u>63%</u> 1	<u>16%</u> 2	<u>21%</u> 3	17

BACKGROUND

Most rules and regulations adopted by state agencies have varying impacts on individual businesses, depending to a large degree on the size of the business. A regulatory flexibility act would require state agencies to vary the regulatory standards as well as the reporting requirements in a flexible manner, whenever possible, taking into account the size and nature of the regulated business.

8. QUESTION

Should legislation be enacted to require the state to pay interest on accounts it does not pay within 30 days after receipt of billing?

Favor	Oppose	Undecided	
<u>87%</u> 1	<u>10%</u> 2	<u>3%</u> 3	18

BACKGROUND

Small business is quite often penalized by state government because of late payment by government of its bills. If the profit margin is small, late payment can eliminate any profit for the business. This proposal will allow assessment of an interest penalty of 1½% per month on overdue accounts.

9. QUESTION

Should the state create within an existing agency: (Please check only one of the following.)

a. A business license information center;	<u>15%</u> 1
b. A business license coordination center;	<u>29%</u> 2
c. Neither of the above;	<u>41%</u> 3
d. Undecided.	<u>15%</u> 4

BACKGROUND

A license information center would provide information about which licenses are required for any business operation and which agencies issue the licenses. In addition, a business coordination center would be responsible for (1) recommending the elimination, consolidation or simplification of unnecessary license requirements; (2) recommending revisions in fee structures and administrative procedures; and (3) developing a permanent master license certificate.

11. QUESTION

$$\frac{25\%}{1} \quad \frac{60\%}{2} \quad \frac{15\%}{3} \quad 20$$

The purpose of the proposed nonprofit public corporation is to help overcome Montana's shortage of venture capital and to stimulate and encourage development of products and inventions within Montana. The corporation will provide financial aid to persons for commercial development in situations where financial aid would not otherwise be available.

11. QUESTION

$\frac{12\%}{1}$	$\frac{80\%}{2}$	$\frac{8\%}{3}$	21
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There is a national labor movement backing legislation to require firms with 50 or more employees to provide one year's notice prior to closing, reducing the workforce or relocating to another community or state. This type of legislation also requires certain financial obligations, retraining and relocation rights for workers.

<u>85%</u>	<u>10%</u>	<u>5%</u>		22
1	2	3		

Statistics show that among the 11 western states, Montana is ranked fourth in the number of state employees per 10,000 population. According to the most recent government statistics, Montana employed over 19,000 people with a payroll of over \$17 million in 1978. This proposal would tie the growth of government employment to the percentage of population growth in Montana.

COMMENTS:

NATIONAL FEDERATION OF INDEPENDENT BUSINESS
RESEARCH AND EDUCATION FOUNDATION
150 WEST 20TH AVENUE, SAN MATEO CA 94403

Non-Profit Org.
Bulk Rate
U.S. Postage Paid
NFIB
Research and
Education
Foundation

1981 MONTANA STATE BALLOT

CARY LANGLEY
*Director, Governmental Relations
Montana*

NFIB

**National Federation of
Independent Business**

P.O. Box 1679
Helena, Montana 59601
Telephone (406) 442-3420

3/31

MAKE YOUR VOICE HEARD VOTE FOR SMALL BUSINESS

MONTANA

Place
Stamp
Here

Mail To:

**National Federation of Independent Business
150 West 20th Avenue
San Mateo, CA 94403**

NFIB MEMO

Statement of Gary Langley
Director, Governmental Relations, Montana
National Federation of Independent Business

Statement of Support of Senate Joint Resolution 19
Before: The Senate Finance and Claims Committee
February 19, 1981

Mr. Chairman, Members of the Senate Finance and Claims Committee.

I am Gary Langley, Director of Governmental Relations in Montana for the National Federation of Independent Business.

The National Federation of Independent Business has a membership of over 540,000 small and independent business firms throughout the nation representing all segments of the economy. Over 5,000 of these members are located here in the state of Montana. The purpose of NFIB is to promote and protect our free enterprise system through a government climate favoring creation of expansion of job producing enterprises.

NFIB enthusiastically welcomes this opportunity to participate in this national movement to obtain ratification of state resolutions or memorials calling upon congress to either propose a constitutional amendment requiring a balanced federal budget or, alternatively, to convene a constitutional convention for this singular purpose.

Inflation is well recognized as the greatest problem facing this nation today and in which the consistent multi-billion dollar deficit spending policies of the federal government are identifiable as a major cause of this inflation. Only once since 1960 has the federal government limited its spending to available revenues. Just last week the national debt was announced to be \$932.2 billion as President Reagan was forced to request congress to increase the government's borrowing authority to \$985 billion. The interest on the current debt is pegged at over \$60 billion annually or more than ten percent of the federal budget.

During the past decade or perhaps even longer, Presidents and Congressmen alike have pledged their support in all sincerity to the objective of attaining a balanced federal budget, but the huge deficits continue on year after year even during periods of economic boom. No one preached the gospel of the balanced

NFIB MEMO

federal budget more than did President Carter, yet at no time did he even come close to this stated goal. This habit of heavy deficit spending has become so ingrained back in Washington D.C., that a constitutional amendment to require a balanced federal budget, except during a national emergency, emerges as the most single logical solution.

In the meanwhile, the rising government spending has forced higher interest rates and shrunken available capital formation funds, leading to sluggish economic growth and unfavorable foreign trade balances. The purchasing power of the dollar has been cut in half since 1967 and the tax bite for the average person for federal, state, and local taxes has grown to forty-four percent of personal income.

Achieving a balanced budget is of major concern to all americans and even to most of the civilized world. In assorted public opinion polls taken at various times throughout the nation, it has been conclusively shown that the general public overwhelmingly supports a constitutional amendment for a balanced federal budget. On National NFIB Ballots, the voting members have consistently favored attaining a balanced budget before instigating tax cuts. Ideally spending cuts, tax cuts, and a balanced federal budget should all go hand in hand to strengthen the economy.

Indeed, 84 percent of the NFIB members in Montana responding to our recent state ballot expressed support for a resolution requesting Congress to propose an amendment to the U.S. Constitution requiring a balanced federal budget or to call a Constitutional Convention if Congress fails to do so.

In a speech in support of a constitutional amendment, former United States Senator Sam Ervin of North Carolina stated: "I found out that this old economic theory that some people attribute to John Maynard Keynes that the more a government spends of what it hasn't got, the richer the country will be, is a fallacy and it robs a country of its economic power as well as its character. I think it is not important but absolutely essential for the United States to have a balanced federal budget. Deficit financing is fundamentally dishonest in pawning off these debts

NFIB MEMO

on some future generation."

Small business which is, has been and should continue to be a major segment of Montana's economy is being severely squeezed as inflation weakens its capitalization structure. The average small business person is not blessed with an abundance of financial resources and, therefore, is highly dependent upon outside financing for the continuity of his business operation. He finds himself being crowded out of the money market as more and more of these funds are drawn away from the private sector to support increased levels of governmental spending.

In addition, and as a result of the inflationary spiral, small businesses are caught, for all practical purposes, on a perpetual treadmill as it requires an increasing percentage of profits just to maintain the same level of inventory on their shelves and to cover inflated overhead and related service expenses. This leaves little opportunity to realize any expansion potential and job creation ability. In fact, according to our economic surveys, fifteen percent of all small business persons do not earn any more per hour than their employees. The financial incentive is rapidly disappearing for the independent-minded individual to remain in business or assume the risks now associated with the high cost of a new business formation.

Inflation has made it impossible to turn back the clock to the time when a business could be started on a "shoe string." It is doubtful that anyone would want to return completely to those days. However, neither can Montana afford to see the time come where the independent, inventive entrepreneurs are priced out of the marketplace in their endeavors to launch new innovative products which offer potential advancements to our standard of living as well as additional job opportunities within the private sector.

The call for congress to convene a constitutional convention if either Congress cannot or will not propose a constitutional amendment requiring a balanced federal budget is an essential provision of this resolution and should remain a part of any

NFIB MEMO

resolution passed by the Montana Legislature on this subject. In prior years, other states have passed various resolutions or memorials in regard to their concerns with the federal deficit spending policies, including requests for a constitutional amendment. Congress has had more than sufficient time to grab the initiative on this issue. It has chosen not to do so.

Only the demands of a sufficient number of the states for a constitutional convention will awaken congress to pass a resolution of its own proposing a constitutional amendment for a balanced federal budget. Only if Congress fails to hear the will of the people across this land, as represented by their state legislatures, and 34 states pass similar resolutions or memorials requiring Congress to convene a constitutional convention will such a convention be needed.

To date, 30 state have passed resolutions asking for a limited convention on a balanced budget amendment if Congress does not act. It is strongly urged that the Senate Finance and Claims Committee give its favorable recommendation to Senate Joint Resolution 19 so that Montana may soon be able to add its name to this worthy endeavor.

Amendments to House Bill 653

Page 1, Lines 6-7

Strike "to provide collected"

Page 3, Line 12 to Page 5, Line 11

Strike in entirety

This above amendment would eliminate the mechanism for distribution of surplus revenue. The surplus would stay in the general fund to be dealt with by the legislature as they saw fit. This is not an important part of House Bill 653. With passage of Initiative 86 there will tend to be substantially less surplus in coming years.

Page 1, Lines 19-21

after "means the" strike "total amount ... government"

insert "general fund, the earmarked funds, and the cash portion of the bond proceeds and insurance clearance fund"

This amendment simply defines total state expenditures in a way simply administerable.

NAME S. KEITH ANDERSON BILL No. 653
ADDRESS HELENA DATE FEB. 16/1981
WHOM DO YOU REPRESENT MONTANA TAXPAYERS ASSOCIATION
SUPPORT X OPPOSE AMEND
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

GOVERNMENTAL EXPENDITURE LIMITATION IS AN IMPORTANT VOTER ISSUE BOTH AT THE STATE AND NATIONAL LEVEL. IT IS ESPECIALLY IMPORTANT TO OUR MEMBERSHIP BECAUSE THEY ARE THE BUSINESS COMMUNITY PAYING A LARGE SHARE OF THE TAXES LEVIED BY GOVERNMENT AT ALL LEVELS. THEY TO ARE CONCERNED ABOUT THE ECONOMIC HEALTH OF THIS NATION.

GOVERNMENT SPENDING HAS CONTINUED TO OUT STRIP PERSONAL INCOME FROM YEAR TO YEAR IN MONTANA DESPITE RAPID GROWTH IN INCOME DURING THE LAST FIVE YEARS OR SO.

IN MY VIEW THE GROWTH OF PERSONAL INCOME IN MONTANA REFLECTS COAL AND PETROLEUM DEVELOPMENT RATHER THAN THE AGRICULTURAL AND GENERAL BUSINESS CLIMATE. A LARGE PERCENTAGE OF PERSONAL INCOME GROWTH IS EXPORTED WEALTH AND DOES NOT GENERALLY REFLECT THROUGH THE GENERAL ECONOMY OF MONTANA. EVEN CONSIDERING THIS, STATE LEVEL TAXES HAVE INCREASED 246% IN 10 YEARS WHILE PERSONAL INCOME HAS GONE UP 178%. IN THE LAST FIVE YEARS PERSONAL INCOME HAS INCREASED 66% BUT STATE LEVEL TAXES HAVE GONE UP 88%.

PROPERTY TAXES HAVE HAD A LESSOR GROWTH RATE BUT ARE A SIGNIFICANT FACTOR IN REDUCING PERSONAL ^{Income}/AVAILABLE FOR DISPOSAL BY THE PRIVATE SECTOR.

THE TWO CHARTS ARE A GRAPHIC DISPLAY OF STATE LEVEL APPROPRIATION GROWTH COMPARED TO THE GROWTH OF PERSONAL INCOME IN MONTANA. THE SECOND CHART RELATES STATE LEVIED TAXES AND PROPERTY TAXES TO PERSONAL INCOME AGAIN TO POPULATION.

A PRIME QUESTION REMAINS--"EVEN CONSIDERING INFLATION, DOES MONTANA'S SMALL INCREASE IN POPULATION GROWTH--SOME 12% IN THE LAST 10 YEARS REQUIRE A 198% INCREASE IN STATE LEVEL EXPENDITURES--LARGELY BECAUSE THE MONEY WAS AVAILABLE FOR THE LEGISLATURE TO APPROPRIATE WITHOUT STATE LEVEL TAX INCREASES?"

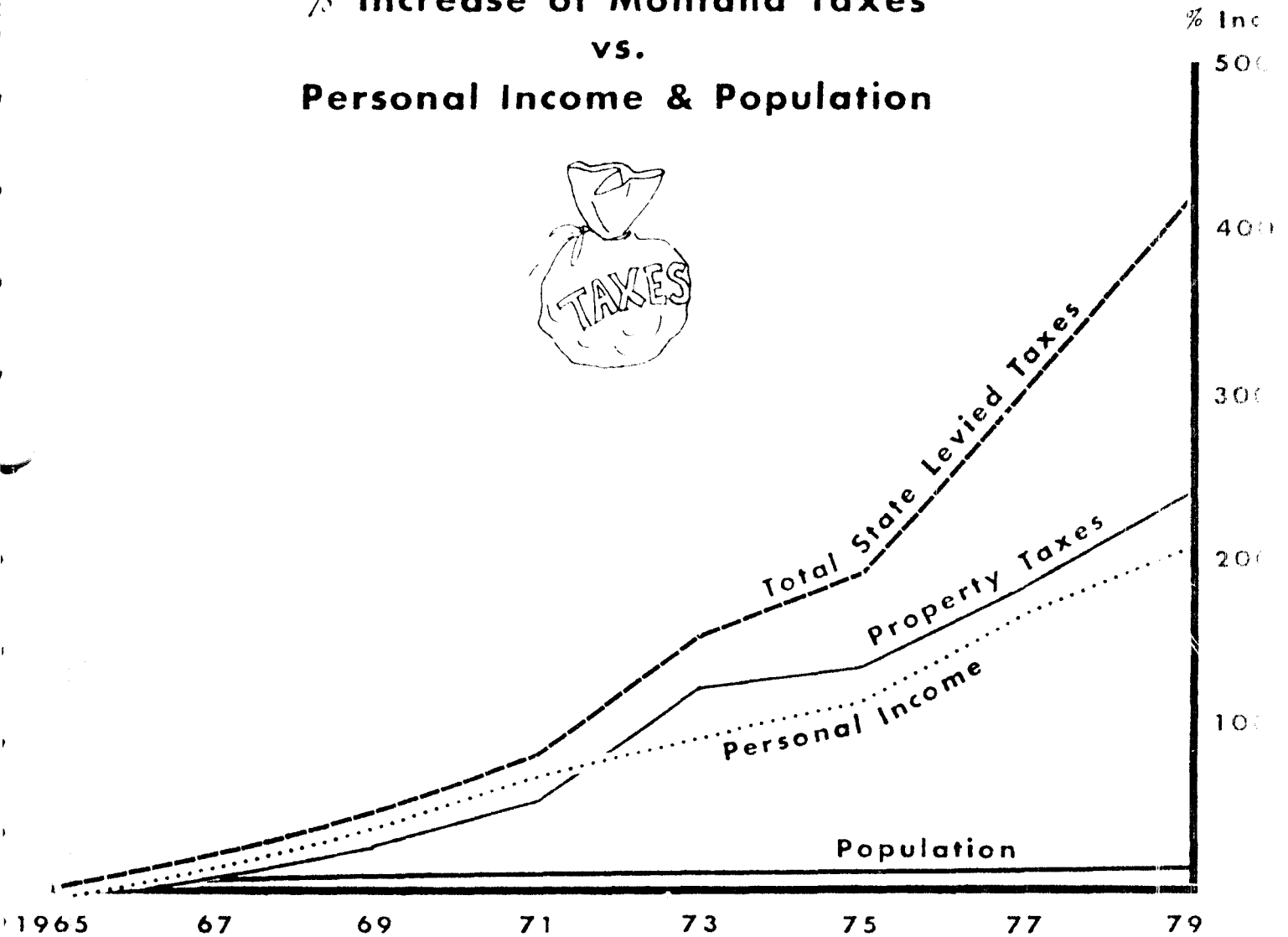
WE FACE TROUBLED TIMES IN OUR ECONOMY--AND STATE AND LOCAL GOVERNMENTS ARE A LARGE SHARE OF THAT ECONOMY. IN FACT, FOR FISCAL 1977, 58.1% OF ALL GOVERNMENTAL REVENUE WAS COLLECTED AT THE FEDERAL LEVEL WHILE 41.9% WAS COLLECTED AT THE STATE AND LOCAL LEVEL--23.7% FROM THE STATE AND 18.2% FROM LOCAL GOVERNMENTS. IT WILL THEREFORE TAKE MORE THAN FISCAL RESTRAINT AT THE FEDERAL LEVEL TO TURN OUR ECONOMY AROUND. IT WILL TAKE TAX AND EXPENDITURE REDUCTION AT THE STATE LEVEL BROUGHT ABOUT BY A VEHICLE LIKE H. B. 653 TO BRING THIS ABOUT.

IN THE ATTACHED MATERIAL I HAVE LISTED SOME QUOTES REGARDING THE NECESSITY FOR EXPENDITURE LIMITATION LEGISLATION FROM MILTON FRIEDMAN, NOBEL LAUREATE IN ECONOMICS. THESE QUOTES ARE FROM A CONFERENCE HELD ON STATE EXPENDITURE LIMITATION WITH FRIEDMAN AS ONE OF THE TOP SPEAKERS AND CONSULTANTS. HE EXPLAINS WHY EXPENDITURE LIMITATION IS SO IMPORTANT AT THE STATE LEVEL.

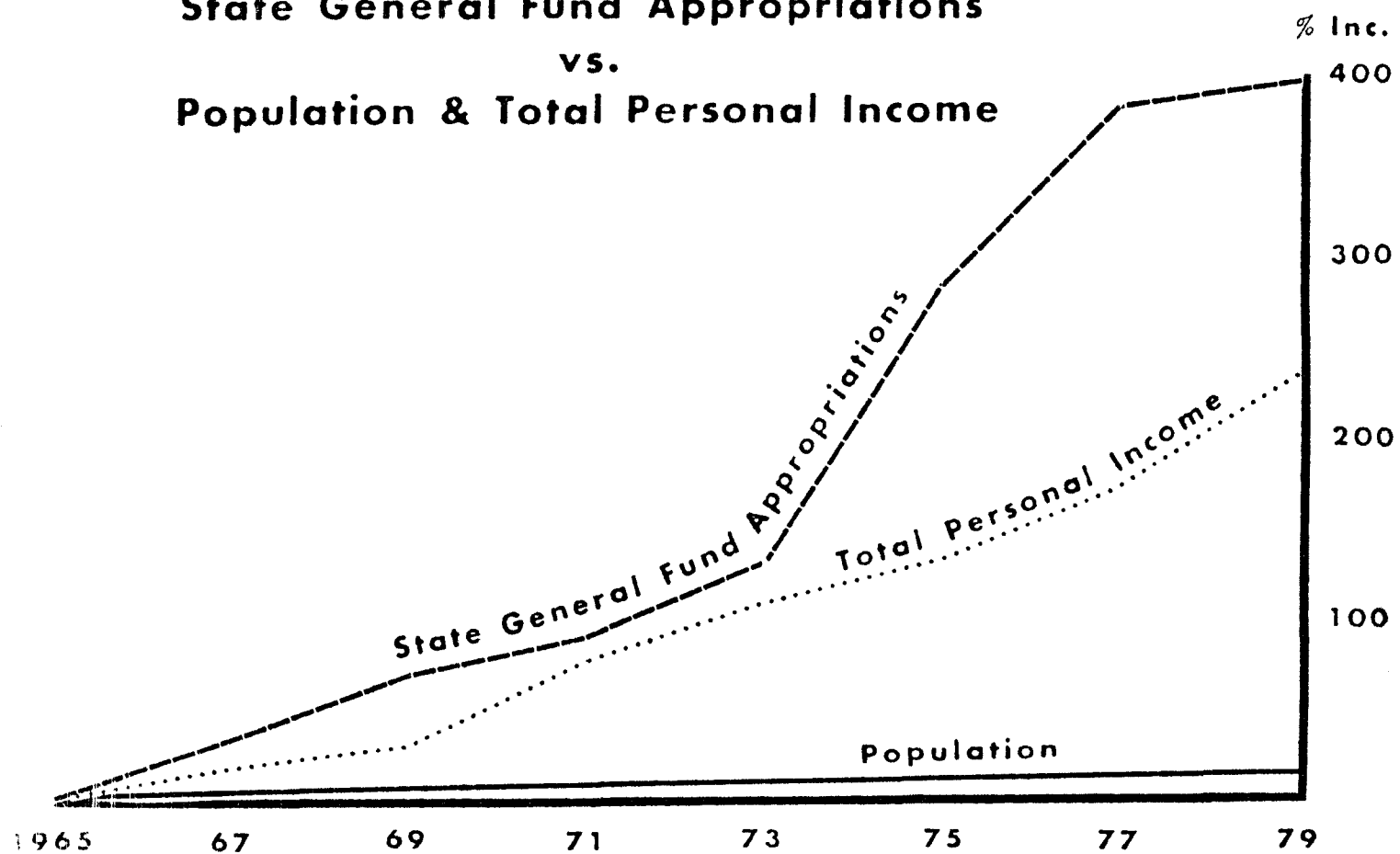
I URGE YOUR ADOPTION OF H. B. 653 IN AN EFFORT TO BRING STATE EXPENDITURES IN LINE WITH ECONOMIC GROWTH IN THE STATE. THE BILL ALSO INCLUDES AN INNOVATIVE PROVISION TO PROVIDE PROPERTY TAX RELIEF IF REVENUE EXCEEDS AUTHORIZED EXPENDITURES AND TO PREVENT EXCESSIVE SURPLUS REVENUES FROM ACCUMULATING.

THIS BILL DESERVES YOUR SUPPORT AND PASSAGE BY THE LEGISLATURE.

The Total Tax Picture
% Increase of Montana Taxes
vs.
Personal Income & Population



**Growth of
State General Fund Appropriations
vs.
Population & Total Personal Income**



Personal Income vs. State Level Taxes - Property Taxes

	Personal Income (Billions)	State Level Taxes (Millions)	% of Personal Income	Property Taxes (Millions)	% of Personal Income	Total Taxes % Personal Inc.
1950	\$ 957	\$ 26,288	2.75 %	\$ 45,193	4.72 %	7.47 %
1955	1,037	37,245	3.60 %	61,751	5.95 %	9.55 %
1960	1,318	58,621	4.45 %	90,011	6.83 %	11.28 %
1965	1,587	74,185	4.67 %	108,488	6.84 %	11.57 %
1970	2,172	120,733	5.56 %	159,264	7.33 %	12.89 %
1975	3,643	222,108	6.10 %	232,310	6.37 %	12.47 %
1980	6,040	417,622	6.91 %	367,245	6.08 %	12.99 %
% Increase						
30 years	531 %	1,489 %		713 %		
20 years	358 %	612 %		308 %		
10 years	178 %	246 %		130 %		
5 years	66 %	88 %		58 %		

Source: U.S. Department of Commerce
Governmental Finance Series - Mont. Dept. of Revenue.

2/15/81 Montax

Support Musters For Spending Limitation

"It is very hard to find any movement of major importance which has developed so rapidly over so short a period of time."

— Friedman

"Inflation is the worst kind of tax. It does more harm than other taxes. But the bottom line, the problem, is spending. And that's why our emphasis has to be on spending limitation."

— Friedman

"The total is never added up. The purpose of tax limitation is to remedy that defect. It is to enable us to say to the legislature, 'We assign you a budget. Now it is your job to spend that in the most effective way.'"

— Friedman

"The actual political situation is that Congress or any legislature will spend and on the federal level Congress is going to spend whatever the tax system produces plus some more."

— Friedman

"There no longer is the wide spread belief that the way to solve every problem is to have the government throw money at it."

— Friedman

"In the same light what we are fighting for is to enact the principles that government shall have a budget and that it will have to stay within that budget and that the people, the voters, you and I in our capacities as citizens shall decide what that total budget shall be."

— Friedman

"It was said this morning that expenditure was a proxy for taxes. That's wrong. Taxes are a proxy for taxes. The real tax is expenditures. The total tax imposed upon the American people is what government spends."

— Friedman

"I believe if we are going to be effective in producing tax limitation, we must understand and we must make other people understand, that very far from being undemocratic it is quite the opposite."

— Friedman

"One thing is clear. This country cannot continue on the road it has been going. If we keep on going on that road of ever bigger government not long down the road is going to be an end to our freedom and an end to our prosperity. That's for sure."

— Friedman