

MINUTES OF THE MEETING
FINANCE AND CLAIMS COMMITTEE
MONTANA STATE SENATE

January 25, 1983

The third meeting of the Senate Finance and Claims Committee met on the above date in room 108 of the State Capitol. The meeting was called to order by Senator Himsel, Chairman at 4:10 p.m.

Roll call was taken with all members present except Senator Lane who was excused.

CONSIDERATION OF SENATE BILL 167: Senator Daniels, sponsor of Senate Bill 167 said he would refer testimony to Mr. Young who was much more familiar with the bill.

Mike Young, Attorney for the Department of Administration said they had asked Senators Daniels and Turnage to carry the bond validating act. He said this was a routine housekeeping act that needs to be done every session to ratify all bonds issued since last session. It must be done every session or the municipalities etc. would be in trouble; it does not cure any constitutional defects, it will only ratify from April 1981.

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

Senator Aklestad: Once it is on the statute it is not permanent and has to be renewed every year?

Senator Himsel: It is my understanding from what he testified that each session has to ratify it. It is a ratification of bond departments actions since the last session.

With no further questions from the committee the hearing for Senate Bill 167 was closed.

DISPOSITION OF SENATE BILL 167: Motion by Senator Story that Senate Bill 167 DO PASS. Voted, voice vote was unanimous for the motion of all those present. Time: 4:13 p.m.

CONSIDERATION OF HOUSE BILL 40: Representative Shontz, chief sponsor of the bill said it was introduced at the request of the Revenue Oversight committee. The bill repeals language in the 1981 HB 500. Part of the language deals with the operation of the liquor division. We placed the language in the bill to insure that they return \$13 million and also the 15% profit limit on proceeds of the operations. Due to the down turn of the economy they will not be able to meet this requirement. There was some question during the special session and it was decided to wait and introduce it early on in this session. They have reduced their inventory rather than to build it up,

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since this had been a concern of mine. That is not the question, it is the down turn of the economy which has also affected other business.

Mr. Howard Heffelfinger, Administer of the Liquor Division, Department of Revenue, spoke as a proponent of the bill. We are going to fall short of this because of the declining sales due to the economy, he said. Adjusted gross sales minus 5% discount for case lot, from previous sales are down .78%. During the past several years this has increased 4% or more every year, and it was assumed this trend would continue when the bill was passed. The bottle sales are down 4.8% as of December. About one year ago the Department head initiated steps to raise the prices. This met with a lot of oposition. We went into a rules hearing and the Attorney General rendered a decision against the price increase on the basis of the evidence and said the liquor division was running efficiently and it was declining sales due to the economy. We have tried to effect every cost cutting measure we could, and we cannot in any way, come up with this short cut. We hope to turn over at least \$10 million and possibly more. It is not possible to come up with the mandated amount. We are asking for the bill so we are not in violation of the law.

Bob Durkee, Montana Tavern Association said he had attended all of the revenue oversight committee hearings and asked them to relieve the Department of Revenue of this mandate. We do not feel it is good legislative business to legislate profits. We would urge the Finance and Claims Committee give this bill a do pass recommendation.

Dave Barnes, United Food and Commercial Workers spoke in favor of the bill. His testimony is attached.

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

Senator Dover: I would address this question to Mr. Heffelfinger. As I understand it, the net liquor sales was \$43.6 million for '82. What do you project for '83? That much or how much less? Heffelfinger: I haven't made a projection yet that I would care to give you.

Senator Dover: The \$43.6 is \$67,000 less. If you multiply that x 4 you will come up with close to \$13 million. Look at the language on page 2 lines 21,22. I was on this committee last time. At that time when we did the multiplication, it looked like a breeze and we gave them a \$2 or \$3 million dollar margin when we said \$13 million. I think there is more to be considered than just not meeting the \$13 million. If they drop down to \$10 million they will not meet it.

Mr. Heffelfinger: At the hearing in December the percentage of net profit was at 13.19 percent. It is true we will not meet the 15% for the same reasons we cannot meet the \$13 million. I do not know why this language was left in the bill.

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Senator Dover: Could I get Representative Shontz to respond to this? Shontz: The Senator is right. The reason I did not address this in the bill, and I would ask you to seriously consider leaving the 15% margin in there is that the Division is not going to put \$13 million in the general fund in profit. They are not going to have that volume of business but by cutting expenses they can probably come up very close to meeting the 15%.

Mr. Heffelfinger: If the sales to which the 15% is applied is less than what Senator Dover suggested it looks like it could be, then continuing to leave the 15% on this you think they could possibly meet it? Shontz: Yes.

Senator Keating: I would address this question to Mr. Heffelfinger. Do you have any idea what the operational expenses will be? Heffelfinger: I suspect we will hit close to 13%. We have cut costs every way we can think of. I don't know what more we can do without cutting service level.

Senator Keating: What I mean is, do you know what the total operating expense will be? Heffelfinger: I don't want to give you an estimated figure.

Senator Keating: On line 22 page 2 and line 1 page 3: "The operational expenses of the liquor merchandise system may not exceed 15% of net liquor sales", the projected sales from LFA is \$87 million and 15% of that is \$13 million. I am wondering if that will be able to stay below \$13 million in operational costs. Heffelfinger: As of December we were at 12.71%. We are well within it now.

Senator Himsel: Line 22--it says the profits may not be less than 15% of net liquor sales. Heffelfinger: Net is the gross minus discounts and taxes. It is defined on line 23 and 24.

In closing Representative Shontz said he would like to add that the \$13 million figure was carried over in the '81 bill from the '79 bill. We thought if we left it in they could easily meet it. They can probably reach the 15%, but not the goal.

DISPOSITION OF HOUSE BILL 40: Motion by Senator Dover that House Bill 40 BE CONCURRED IN. The motion was voted and passed unanimous of all in attendance. Time: 4:34 p.m., Senator Dover to carry the bill.

CONSIDERATION OF SENATE BILL 19: Senator Himsel said this bill had been heard before, he had thought it had an appropriation, but it is just the mechanism through which the relief will be given to the county for court over-rides in the event we appropriate the money. There will be an appropriation bill later. It sort of clears up the regulations. There is a section of law that limits the amount-- 76-2511 "expenses include but not

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limited to salary and benefits of court employees" and 7-6-2351 "costs of expenses as in 7-6-2511 no part to include construction or improvement of any county building".

Senator Thomas: What about expert witnesses, public defenders' fees, etc.? Himsl: Are they court employees? Thomas: No. Himsl: Then they can't be. The break down that Senator Stimatzi asked for is in your books just behind the bill.

Senator Etchart: I don't find anything on the Eastern part of the state here. According to the fiscal note this bill would cost \$1,640,905 in '84 and \$1,821,074 in '85.

Senator Himsl: The fiscal note must refer to the total amount if they find the over-ride. This bill does not refer to the appropriation itself. It is only the mechanism--whatever we appropriate is the amount they will have to pro-rate.

Senator Van Valkenburg: I would like to try to clear up one thing. You had a conversation with Senator Thomas as to what the bill would include. The statement was made that if not of the district court, the employee would not be paid. Under this bill, if I understand it, it would. On page 2, lines 15 and 16 we strike "the fees and litigation related expenses of attorneys appointed by a district court". It is my understanding of the testimony that we are including all this under the new language of the bill. Those are costs the counties occur in the operation of the district court.

Senator Himsl: Do you read that this opens it up more? Van Valkenburg: No. But I also do not read that it closes it more. Those were costs covered under the previous law and should still be covered under the law as we amended it.

Senator Aklestad: Those costs are covered under the mill levy. They would still be covered under the mill levy.

Senator Van Valkenburg: You use the maximum mill levy and everything after it is covered under the grant program. Everything is covered unless it is specifically excluded.

Senator Dover: I need a little clarification. On page 3 at the bottom of the page, "a--the product of the maximum mill levy authorized by law for district court purposes, whether or not assessed--" Are they going to be paid for that above even if they did not assess it?

Senator Aklestad: They are only paid for above what they could be assessed. They would not have to assess it all the time, but if they had a big emergency case they would be paid above and beyond what they would have assessed.

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Senator Thomas: The original intent was to take, and if a county had a large case like the River of Life one and then there could be some help to the counties.

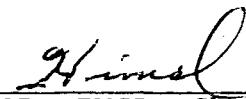
There was some discussion on how much might be appropriated, and how much used, etc.

DISPOSITION OF SENATE BILL 19: Motion by Senator Dover that Senate Bill 19 DO PASS. Roll call was taken and the bill passed committee 11 to 4. Roll call is attached.

CONSIDERATION OF SENATE BILL 24: Senator Himsel said this bill would pay $\frac{1}{2}$ of the salary of a county attorney, and he did not feel there would be a need for this since the Senate Bill 19 just passed by the committee will take care of it.

DISPOSITION OF SENATE BILL 24: Motion by Senator Dover that Senate Bill 24 DO NOT PASS. Roll call vote was taken and is attached. The motion passed 10-6.

The meeting was adjourned at 5:50 p.m.



SENATOR HIMSL, Chairman

ROLL CALL

FINANCE AND CLAIMS COMMITTEE

48th LEGISLATIVE SESSION -- 1983

Date 1/25/83

NAME	PRESENT	ABSENT	EXCUSED
Senator Etchart, VC	✓		
Senator Dover	✓		
Senator Keating	✓		
Senator Smith	✓		
Senator Thomas	✓		
Senator Van Valkenburg	✓		
Senator Stimatz	✓		
Senator Story	✓		
Senator Ochsner	✓		
Senator Haffey	✓		
Senator Jacobson	✓		
Senator Regan	✓		
Senator Lane			✓
Senator Aklestad	✓		
Senator Hammond	✓		
Senator Tveit	✓		
Senator Boylan	✓		
Senator Himsl, Chairman	✓		

COMMITTEE ON

F+C

DATE

1/25/83

BILL NO. 18340

VISITOR'S REGISTER

(Please leave prepared statement with Secretary)

1/25/83
HB 40

TESTIMONY ON HOUSE BILL 40, BEFORE THE SENATE FINANCE AND CLAIMS COMMITTEE,
TUESDAY, JANUARY 25, 1983, ON ADJOURNMENT

My name is Dave Barnes. I am here in behalf of the United Food and Commercial Workers Union to speak in favor of the passage of House Bill 40, which provides for the elimination of the \$13,000,000 profit goal set for the Liquor Division of the Department of Revenue.

In the past two years, we have experienced severe inflationary pressures which have increased costs for operations of retailers whether they are in the private or public sector.

In response to the inflationary pressures and deficits we have seen increases in interest rates and reduced government spending which has led to unemployment, economic recession, and reduced consumer spending.

The swing in economic conditions, which could not have been anticipated or fully appreciated by the legislature in 1981 has greatly changed the economic expectations of business, government and individuals, and, as we have observed, made it impossible for the Liquor Division in the face of pricing constraints to achieve the legally mandated profit goals.

A profit goal of \$13,000,000 was established by the 1981 legislature as an incentive for the Liquor Division to contain costs and to maximize efficient and effective operation. Establishing goals as an incentive and as a standard by which performance evaluations may be made is a sound management tactic provided the goals set are reasonable and achievable.

Surely, \$13,000,000 profit goal must have appeared most reasonable and easily achievable in view of the fact that in the preceding biennium the Liquor Division returned a \$13,000,000 profit and considering an annual increase in sales amounting to between 4% and 8% in recent years.

We see now, however, that the \$13,000,000 profit goal is no longer reasonable or achievable and it should therefore be eliminated.

House Bill 40

Page Two

January 25, 1983

We urge your support for passage of House Bill 40 and the elimination of the unreasonable profit goals established by the 1981 legislature.

Thank you.

DISTRICT FINANCIAL ASSISTANCE GRANTS AWARDED
1981

DATE 1/23/81
 COUNTY 5819
 CITY & L

<u>COUNTY</u>	<u>REQUESTED</u>	<u>AWARDED</u>
Broadwater County	\$ 35,175	\$21,795
Jefferson County	29,433	13,240
Lincoln County	64,351	35,277
Fergus County	38,309	21,043
Meagher County	12,403	7,587
Butte & Silver Bow County	155,017	98,075
Cascade County	155,013	56,575
Park County	18,804	11,663
Wheatland County	4,728	2,628
Lewis & Clark County	54,242	33,511
Powell County	21,690	13,563
Granite County	13,675	8,475
Treasure County	550	362
Total	\$695,131	\$374,297

$$\frac{374,997.00}{605,131.00} = 61.97\%$$

DISTRICT COURT
FINANCIAL ASSISTANCE GRANTS AWARDED
1982

<u>County</u>	<u>Amount Requested</u>	<u>Amount Awarded</u>
Anaconda/Deer Lodge	\$ 54,176.00	\$ 15,900.00
Beaverhead	12,349.00	3,624.00
Broadwater	3,606.00	1,053.00
Butte/Silver Bow	219,179.00	64,327.00
Carter	32,979.00	9,679.00
Cascade	264,187.00	77,536.00
Custer	6,970.00	2,045.00
Fergus	12,348.00	3,624.00
Granite	15,607.00	4,580.00
Jefferson	24,226.00	7,110.00
Lake	45,272.00	13,287.00
Lewis & Clark	124,582.00	36,563.00
Lincoln	104,825.00	30,765.00
Meagher	6,864.00	2,014.00
Mineral	15,165.00	4,450.00
Missoula	95,662.00	28,076.00
Park	36,711.00	10,774.00
Powell	33,202.00	9,744.00
Ravalli	150,309.00	44,114.00
Sweet Grass	5,317.00	1,560.00
Wheatland	<u>14,211.00</u>	<u>4,170.00</u>
 Total	 <u>\$ 1,277,747.00</u>	 <u>\$ 375,000.00</u>

$$\frac{375,000.00}{1,277,747.00} = 29.35\%$$

1442
Date

STANDING COMMITTEE REPORT

January 25

1983

MR. **PRESIDENT**

We, your committee on **Finance and Claims**

having had under consideration

Senate Bill No. **167**

Respectfully report as follows: That.....**Senate**.....Bill No. **167**.....

DO PASS

STATE PUB. CO.
Helena, Mont.

Senator Himsi

Chairman.

STANDING COMMITTEE REPORT

January 25

1933

MR. **PRESIDENT**

We, your committee on **Finance and Claims**.....

having had under consideration **House**..... Bill No. **40**.....

Shontz (Dover)

Respectfully report as follows: That..... **House**..... Bill No. **40**.....

BE CONCURRED IN

KODAK

722

..... **Senator Himes**

Chairman.

STANDING COMMITTEE REPORT

January 25 1983

MR. **President**

We, your committee on **Finance and Claims**

having had under consideration

Senate Bill No. 19

Respectfully report as follows: That

Senate Bill No. 19

DO PASS

mm

Senator Himsel Chairman.

SENATE COMMITTEE

FINANCE AND CLAIMSDate 1/25/83SBill No. 19Time 4:45

Name	YES	NO	ABSENT	EXCUSED
Senator Etchart, VC		✓		
Senator Dover	✓			
Senator Keating	✓			
Senator Smith			✓	
Senator Thomas	✓			
Senator Van Valkenburg	✓			
Senator Stimatzi	✓			
Senator Story	✓			✓
Senator Ochsner			✓	
Senator Haffey	✓			
Senator Jacobson	✓			
Senator Regan	✓			
Senator Lane		✓		✓
Senator Aklestad	✓			
Senator Hammond		✓		
Senator Tveit		✓		
Senator Boylan		✓		
Senator Himsel, Chairman	✓			

11 4 3

Sylvia Kinsey
SecretarySenator Himsel
ChairmanMotion: Do Pass

STANDING COMMITTEE REPORT

January 25.....19 83...

MR.**President**.....

We, your committee on**Finance and Claims**.....

having had under consideration**Senate**..... Bill No.**24**...

Respectfully report as follows: That.....**Senate**..... Bill No.**24**...

DO NOT PASS

~~DO NOT PASS~~

M.M.

.....**Senator Himsi**

.....**Chairman.**

SENATE COMMITTEE

FINANCE AND CLAIMSDate 1-25S BBill No. 24

Time

5:47

Name	YES	NO	ABSENT	EXCUSED
Senator Etchart, VC	✓			
Senator Dover	✓			
Senator Keating	✓			
Senator Smith			✓	
Senator Thomas	✓	✓		
Senator Van Valkenburg	✓			
Senator Stimatz	✓			
Senator Story	✓			
Senator Ochsner	✓			
Senator Haffey		✓		
Senator Jacobson		✓		
Senator Regan		✓		
Senator Lane			✓	
Senator Aklestad	✓			
Senator Hammond	✓			
Senator Tveit	✓			
Senator Boylan	✓			
Senator Himsel, Chairman	✓	6		

10 6

Sylvia Kinsey
SecretarySenator Himsel
ChairmanMotion: 1-6