

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON INCOME/SEVERANCE TAX

Call to Order: By BOB REAM, CHAIR, on March 20, 1991, at 8:00 a.m.

ROLL CALL

Members Present:

Rep. Dan Harrington, Chairman (D)
Rep. Bob Ream, Vice-Chairman (D)
Rep. Mike Foster (R)
Rep. Bob Gilbert (R)
Rep. Marian Hanson (R)
Rep. Jim Madison (D)
Rep. Bea McCarthy (D)
Rep. Tom Nelson (R)
Rep. Bob Raney (D)
Rep. Barry Stang (D)

Members Absent: Jim Elliott (D)

Staff Present: Lee Heiman, Legislative Council
Lois O'Connor, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Subcommittee Discussion on HB 693

REP. THOMAS provided answers in reference to questions the committee had on March 18, 1991. **EXHIBIT 1**

REP. REAM asked what the \$57 means. **REP. THOMAS** said it was the target price calculated on what the plan would cost for a single employee.

REP. MCCARTHY asked what is meant by "minimum lifetime". **REP. THOMAS** said it means more can be offered but one cannot offer less. "Maximum lifetime" means no more can be offered. He suggested the language be left as is. **REP. GILBERT** asked if "lifetime" meant the life of a particular policy. **REP. THOMAS** said yes. **REP. MCCARTHY** asked if the "minimum lifetime" was per policy and person. He said the policies are for an individual person, but that it was not specifically adopted in HB 693.

REP. REAM asked if the numbers under #1 and #2 assumes \$1,000 per person in a family and if the numbers are the same for the first \$1,000 required. REP. THOMAS said yes. In the areas of mental, alcohol, and chemical treatments; one should think about not buying this health care plan. They should buy a regular plan which falls within the constraints of current mandates; therefore, higher coverage.

REP. STANG asked if he were an employer who decided to cover his employees through an insurance trust, would he be eligible for the credit. REP. THOMAS said no. It is limited to keep the costs down.

REP. REAM asked if lifting "lifetime" and inserting "annual" would cost one fourth more than the figures in Exhibit 1. REP. THOMAS said he was unsure whether that could be deducted because not everyone will use the policy to the maximum.

REP. REAM asked if REP. THOMAS would object to striking "lifetime" and inserting "annual". He felt that a 25% increase was a small increase for the coverage one gets. REP. THOMAS said he would rather it be left as is. The compromise language is "minimum" versus "maximum". Bob Frazier, Montana University System said the committee must weigh the whole package. In talking about affordability, the rest of the policy for utilization would not increase. The increase of 25% would not drive people out of the market, but those conclusion cannot be made at this point. Will the maternity or well child areas go up through utilization? REP. REAM asked what maternity has to do with it. Mr. Frazier said it is a component of the plan. If businesses utilize that part a great deal, it cost more money just because of the utilization of employees.

Julie Robinson, Social and Rehabilitation Services, said she knows nothing about the costs. When the insurance companies started adopting this program, they did not want well child or maternity; they wanted no mandates. She felt that was wrong because how does one justify a tax credit if you don't have some kind of basis to cover it. She committed to amending HB 693 if SRS did not have the right figures.

Motion/Vote: REP. STANG RECOMMENDED HB 693 DO PASS. Motion carried unanimously.

Subcommittee Discussion on HB 868

REP. STEPPLER, Sponsor of HB 868, explained the bill. He said HB 868 was adopted to address a problem on the redistribution of the coal flat tax. It sets up the definition of unit value and will calculate the tax based on the unit value. The amendments would assure that there would be no impact on the General Fund if there was a loss in production. If there is a loss of production, which ever county or school district in which that loss occurs,

they will have to take the loss. If there is an increase in production, the school district and county would receive any increases generated.

Informational Testimony:

Madelyn Quinlan, OPI, said she had come from a meeting which involved the players in the distribution of the local government severance tax and full gross proceeds. HB 868 addresses full gross proceeds. The people present were **SENS. HAMMOND** and **GAGE, REPS. M. HANSON** and **STEPPLER**, people from the Westby, Plentywood, and Harding school districts, and people from Bighorn County. They were trying to address the distribution of full gross proceeds and the local government severance tax that is received by the counties. The existing law distributes those flat taxes according to mills that were set in August of 1989. They would like to see the proceeds distributed on mills that were set in fiscal 1990 and that a mechanism be found that allows for changes in priority from 1989 into the future. **REP. M. HANSON** introduced HB 793 which would be the appropriate bill to amend into HB 868 or just strip the distribution section of HB 868. The agreement is that they distribute revenue across mills set in August of 1989 and create a mechanism where the County Commissioners can reallocate the money.

Discussion/Questions from Committee:

REP. REAM asked why HB 793 and HB 868 be kept separate when they both deal with coal. **REP. MCCARTHY** said because one deals with school districts and the other County Commissioners which are two different governing bodies.

REP. GILBERT said under HB 868 losses will be absorbed by the district if production goes down; but if the production goes up they will get all of the gain and asked how that addresses equalization. You are allowing any increase in a natural resource rather than being distributed equally. **Ms. Quinlan** said they would be capped and carried over from year to year until needed. **REP. GILBERT** said he would like to make the distribution language very explicit to avoid lawsuits.

SEN. NATHE stated he would like to keep all three bills separate because they deal with different things. If you try to amend all three bills into one, you will be mixing coal distribution with local government severance taxes. It is a very complex problem and would be simpler if coordination clauses were placed on the three bills. It is essential that all three bills pass.

REP. RANEY asked what if the production skyrocketed, does all the new production go into those specific counties. **Ms. Quinlan** said school districts are capped at 4% of the previous years budget. Any new mines created after December 31, 1989, the counties get to keep all the revenue they generate on a 5% flat tax.

Rod Svie, Hardin Superintendent of Schools said the issue that created the need for the bill is when the flat tax was figured, they would take all the production state wide, and multiply it by a percentage factor. The percentage would equal revenue neutrality back to 1989. That was fine, except revenue neutrality for Rosebud County was 3% and the Hardin school district was 10%. Rosebud and Colstrip gained a tremendous benefit. The other two entities lost money. The intent is to bring those that lost up to the revenue neutrality of 1989. Any excess production is taken care of locally first, then comes to Helena and redistributed back to the other two entities. Anything above that goes to the full producing area. All three of the coal producing counties are in agreement on the bill. They helped draft it and had meeting through the year on it.

REP. REAM asked why a coordinating clause needs to be put between HB 793 and HB 868. REP. M. HANSON said her bill deals with how the money is distributed within counties and HB 868 deals with unit values. The coordinating clause is needed so the unit value would work with the county.

REP. STEPPLER said his amendments would insure that the state would not pick up any loss if there was a loss in production. The county and school district would absorb the losses.

EXHIBIT 2

Angie Quinlan said on Page 3, Subsection 5, on the distribution of funds, needs to be coordinated with REP. M. HANSON'S bill.

REP. REAM stated he was willing to give approval of HB 868 on the basis of the discussion and have Ms. Quinlan work with Jeff Martin on both bills to make sure the coordinating clauses are included.

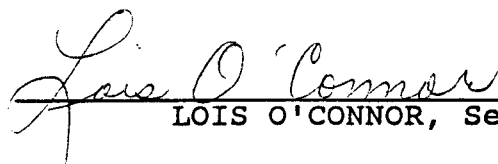
Motion/Vote: REP. GILBERT RECOMMENDED THAT HB 868 DO PASS AS AMENDED. Motion carried unanimously.

ADJOURNMENT

Adjournment: 9:00 a.m.



BOB REAM, Chair



LOIS O'CONNOR, Secretary

To: Representative Fred Thomas

From: Bob Frazier

Re: Committee questions on HB693

Several questions were asked by House Taxation Committee members on 3/18/91. Those questions and answers are as follows:

1. What is the cost of each additional \$1000 of coverage for mental illness?

In returning to the original baseline information that the Committee on the Uninsured utilized the figures would be:

To increase mental health coverage for an individual aged 40-49 at the rate of \$1000 the cost per month is shown below.

Single	Two Party	Family	Employee&Child(2)
\$.94	\$1.88	\$3.76	\$2.82

2. What is the cost of each additional \$1000 of coverage for chemical dependency?

Single	Two Party	Family	Employee&Child(2)
\$.50	\$1.00	\$2.00	\$1.50

3. Could the verbage "lifetime benefit" be removed from the bill?

The issue for insurers revolves around repeated utilization of the benefit. On average 25% of the users will need to reuse the benefit the following year. If the term "lifetime benefit" is removed, the policy holder could expect that the reuse factor would have an average increase of 25% added to the cost of providing the aforementioned services.

Amendments to House Bill No. 868
First Reading Copy

Requested by Rep. Stepler
For the Committee on Taxation

Prepared by Lee Heiman
March 6, 1991

Preceding Year

1. Page 3, line 13.

Following: "(5)"

Insert: "(a)"

Following: "in"

Insert: "this subsection (5) and"

2. Page 3, line 17.

Strike: "(a)"

Insert: "(i)"

3. Page 3, line 19.

Following: "same"

Strike: "manner"

Insert: "proportion"

4. Page 3, line 20.

Strike: "fiscal"

Insert: "the preceding"

5. Page 3, line 21.

Strike: "1990"

6. Page 3, line 22.

Strike: "(b)"

Insert: "(ii)"

7. Page 3, line 25.

Strike: "manner"

Insert: "proportion"

8. Page 4, line 2.

Strike: "1990"

Insert: "preceding"

Strike: "fiscal"

9. Page 4.

Following: line 3

Insert: "(b)(i) The mill levies in effect for county elementary and high school equalization in fiscal year 1990 must be used in computing the distribution to county elementary and high school equalization.

(ii) The distribution may no include mills levied for state school equalization aid pursuant to 20-9-360."