

## MINUTES

### MONTANA HOUSE OF REPRESENTATIVES 54th LEGISLATURE - REGULAR SESSION

#### COMMITTEE ON TAXATION

**Call to Order:** By CHAIRMAN CHASE HIBBARD, on January 25, 1995,  
at 8:00 A.M.

#### ROLL CALL

**Members Present:**

Rep. Chase Hibbard, Chairman (R)  
Rep. Marian W. Hanson, Vice Chairman (Majority) (R)  
Rep. Robert R. "Bob" Ream, Vice Chairman (Minority) (D)  
Rep. Peggy Arnott (R)  
Rep. John C. Bohlinger (R)  
Rep. Jim Elliott (D)  
Rep. Daniel C. Fuchs (R)  
Rep. Hal Harper (D)  
Rep. Rick Jore (R)  
Rep. Judy Murdock (R)  
Rep. Thomas E. Nelson (R)  
Rep. Scott J. Orr (R)  
Rep. Bob Raney (D)  
Rep. John "Sam" Rose (R)  
Rep. Roger Somerville (R)  
Rep. Robert R. Story, Jr. (R)  
Rep. Emily Swanson (D)  
Rep. Jack Wells (R)  
Rep. Kenneth Wennemar (D)

**Members Excused:** None.

**Members Absent:** Rep. William M. (Bill) Ryan (D)

**Staff Present:** Lee Heiman, Legislative Council  
Donna Grace, Committee Secretary

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

**Committee Business Summary:**

Hearing: HB 202  
HB 206  
HB 209

Executive Action: None

{Tape: 1; Side: A.}

HEARING ON HB 202

Opening Statement by Sponsor:

REP. TOM NELSON, House District 11, Billings, explained that this bill would allow an individual income tax deduction for premium payments for medical care insurance made directly by the taxpayer, or made by an employer for the taxpayer that are attributed as income to the taxpayer under federal law. He provided an example of taxation of premiums paid by a corporate or government employer versus taxation of premiums for a self-employed person, or an employee who pays all of his own medical insurance premiums. A comparison of out-of-pocket costs was provided in EXHIBIT 1 between a private or government employer, a self-employed individual and an employee who personally pays premiums. This bill is similar to a bill introduced by Rep. Raney with the exception that his bill goes one step further in allowing a deduction for unreimbursed medical expenses. REP. NELSON explained that this bill is a matter of fairness and it is also an affordability issue. Health care costs are inflating at a rate twice that of the rest of our economy and if it continues, statistics indicate that by 2010, health care will take 25% of the gross domestic product. This tax deduction is important because it would help make health care more affordable. REP. NELSON advised that the Department of Revenue had recommended a technical amendment to correct an error made when the bill was drafted.

Informational Testimony:

Bob Turner, Income Tax Division, Department of Revenue, explained that the way the bill was written, a person could take a deduction for personal expenses which are over 7.5% of the Montana Adjusted Gross Income. The bill allows for this deduction twice, once under the federal law and again under the state law. The technical amendment would correct this. The text of the amendment is attached as EXHIBIT 2.

Proponents' Testimony:

Dennis Burr, Montana Taxpayers' Association, said this bill is a matter of equity and would do quite a bit to ease the burden of being privately employed in Montana. It is a matter of balancing the equitable treatment of citizens with the needs of the government for revenue. This bill would correct an inequity in the tax laws.

Larry Akey, Montana Association of Life Underwriters and the Independent Insurance Agents of Montana, representing over 1,500 insurance professionals selling health insurance to Montana consumers, supports this legislation because it is good tax policy and good health care policy. There is no reason an

individual working for a corporation should have a different tax treatment of insurance premiums than an individual working for himself or for a sole proprietorship. It is also good health care policy because passage of this legislation would encourage Montanans who are currently uninsured or under-insured to take another look at the sources of health insurance policies. **Mr. Akey** did question the figures in the fiscal note. He referred to similar legislation in the 1993 session at which time the fiscal note indicated a \$700,000 cost compared with the \$4 million cost in the current fiscal note. This sort of discrepancy raises questions as to what the real cost of the legislation might be. It was his opinion that \$700,000 was low and \$4 million was high. He encouraged the Committee to try to tie the figure down and give serious consideration to passage of this bill.

**Riley Johnson, National Federation of Independent Business**, testified that following a survey of members, they estimate that this legislation would affect 67% of their 8,900 members in Montana. These people represent sole proprietorships, S-corporations, and partnerships that do not get the advantage of employee-type deductions. He urged the passage of HB 202.

**Laurie Ekanger, Governor's Office**, spoke in favor of the concept contained in this legislation. The fiscal impact is not built into the Governor's budget but the Governor's Office is interested in working with the Legislature in a select committee on a package of bills that would make health care more affordable and accessible to Montana residents.

**David Hemion, Montana Association of Churches**, stated that this legislation would correct an existing tax inequity and the position of the Association is to support both tax fairness and access to affordable health care.

**Sam Hubbard, Montana Health Care Authority**, urged the Committee to support HB 202. This would correct an inequity in the tax codes and also create an incentive for many people who are uninsured or under-insured to secure health care coverage.

**Tom Hopgood, Health Insurance Association of America**, said his organization had long been involved in the study of health care reform and had been active in preparing legislation. Part of the equation on curing the problem which affects the state and country is embodied in Rep. Nelson's bill. He said it would be good tax policy and good public policy to pass this bill.

**Lorna Frank, Montana Farm Bureau**, testified that farmers and ranchers have felt for a long time that they should have the same advantages as the people working for them, therefore, they support this bill.

**Tanya Ask, Blue Cross and Blue Shield of Montana**, stated that BCBS Montana has been on record for a number of years in support of tax deductibility of insurance premiums, helping individuals

receive the same tax benefit that other employees do if the employer is providing health insurance.

**David Owen, Montana Chamber,** said he would support the bill for many of the same reasons already mentioned.

**Don Allen, Montana Medical Benefits Plan and the Montana Agency on Aging, and a small businessman,** stated that he was testifying in favor of this legislation.

**John Flink, Montana Hospital Association,** spoke in support of the bill.

**Arlette Randach, Eagle Forum,** rose in favor of the bill because it represents a fairness issue and the proponents who have spoken before have addressed the issue very well. She reported that the *National Review*, in its May, 1993 issue had said that it is highly indicative that more than 67% of individuals to whom tax free insurance is available are insured, while only 33% who are buying health insurance without a tax deduction are insured. She also stated that third party payers don't provide an incentive to curb health care consumption and she urged that this bill be used as a beginning point to consider the taxation issues involved with medical savings accounts. That is where the incentive to curb consumption would be realized. In reference to the fiscal note, she said it would be necessary to find some other place in the budget to offset what this was going to cost but this is something that families in Montana want. She urged support of HB 202.

**REP. BOB RANEY, Livingston,** said that fairness was the issue in this bill. He questioned whether it was good and reasonable tax policy to tax health care. He advised that his bill would have twice the fiscal impact that this bill does, amounting to about \$16 million per biennium and he had identified \$17 million in cuts which are basically part of the expansion in government. He felt it would be possible to cut the \$25 million being refunded to taxpayers out of the next biennium's budget to keep government from growing.

**Tom Harrison, Montana Society of Certified Accountants,** said he wanted to go on record as having no position on the bill but would be in favor of the proposed Department of Revenue amendment. This would be an integral part of the legislation and for the bill to go forward, it would have to be amended as suggested.

**Opponents' Testimony:**

None.

Questions From Committee Members and Responses:

**REP. HANSON** asked if the amount shown on the fiscal note indicated the double exemption requiring an amendment which was mentioned during testimony. **Bob Turner, DOR**, responded that the technical note on the fiscal note addressed this matter. The amount given is the correct amount, provided the bill is amended as suggested.

*{Tape: 1; Side: B.}*

**REP. REAM** asked why this wasn't included in the Governor's budget. **REP. NELSON** said he didn't know, but he had discussed this bill with leadership and they were aware of the need for it. He also commented that this bill would probably be re-referred to the Select Committee on Health Care.

**REP. HARPER** referred to the assumption contained in the fiscal note which indicates that no additional families would be covered by health insurance as a result of this legislation. **Mr. Turner** said the DOR made that assumption because insurance premiums can be very expensive and a person in a lower income bracket could not afford this out-of-pocket expense. **REP. HARPER** said he thought the purpose of the legislation was to encourage people to purchase insurance as well as to give a tax break to those who are covered. He asked if the fiscal note was low or whether the legislation would not encourage additional purchasers of insurance. **Mr. Turner** said it might be low but, since he was not sure exactly how much the insurance would cost, it would still come down to whether it was affordable or not.

**REP. REAM** said there were a wide variety of health insurance policies available and prices vary considerably. To be really fair, direct out-of-pocket expenses should also be included.

**REP. NELSON** agreed that it would be a good idea to keep this bill, as well as Rep. Raney's bill, alive with the idea that both would pass and be signed into law, and, if there wasn't enough money, perhaps at least one would pass. **REP. REAM** suggested that possibly a percentage of the cost could be deductible. **REP. NELSON** agreed with that option.

**REP. ARNOTT** said she had real concerns about the rising costs of medical care and the rising costs of insurance. She said she had an insurance person tell her that when computers came into existence, they were able to look through and determine those who were high risk. A constituent had told her that his insurance agent had told him that if he did not smoke, drink, or do drugs and went to church once a month, his policy would cost \$65 and he would be covered for all medical expenses. **REP. NELSON** commented that, as an insurance agent, he gives a 40% discount to non-smokers, indicating how much smoking adds to the cost of health insurance. **REP. ARNOTT** asked if that meant that a high risk individual would be entitled to a larger deduction. **REP. NELSON** said that was probably true.

**CHAIRMAN HIBBARD** asked if this bill went beyond Rep. Raney's proposal and what the overlap would be. **REP. NELSON** said the bills are similar except that Rep. Raney's bill includes a deduction for unreimbursed medical expenses. His suggestion was that the deductible for premiums be amended out of Rep. Raney's bill and the Legislature would then have the option of passing either of the bills or both of the bills. The obvious need would be to find the offset in the budget so that both bills could be passed.

**REP. BOHLINGER** said he would like further clarification of Item 11 on the fiscal note which states there would be no additional individually purchased health insurance as a result of the legislation because the information presented by Ms. Randash would suggest otherwise. **Ms. Randash** said she was disturbed by that statement and she would be glad to provide copies of the article from which she quoted. She agreed that only a certain portion of an individual's income could be devoted to buying insurance, but she also thought that if the situation was marginal, the deduction might be the item to tip the scales.

**REP. REAM** said the idea that people at high risk pay larger premiums and therefore get a greater deduction was pertinent to the discussion. He said he thought the two bills should be combined rather than kept separate because the deduction of direct medical expenses is just as important as the deduction for insurance premiums, partly because of the great discrepancy in the kinds of policies available.

**REP. ROSE** asked if the actuarial tables used would cover the high risk people. **REP. NELSON** said that between three and four percent are in that category and would have little effect. **REP. REAM** said his point was that someone who is a smoker is putting himself at a higher risk and should not be entitled to a greater deduction. **REP. NELSON** said he would justify it because he didn't think any additional policies would be sold because of this tax deduction. What the legislation will do is encourage people to keep the policies they already have. For those who pay larger premiums because of their lifestyle, it is for social good that they stay insured. If someone with a \$200,000 bill drops their health insurance policy because they can't afford the premium, the taxpayers would pick up the bill through Medicaid.

Closing by Sponsor:

**REP. NELSON** said he had closed.

HEARING ON HB 206

Opening Statement by Sponsor:

**REP. JOHN JOHNSON, House District 2, Glendive,** said that HB 206 would allow the Board of Trustees of a school district to impose,

by resolution, a permissive levy to pay for the allowable costs of a day treatment center for severely emotionally disturbed children. The bill specifies that a day treatment fund be created and identifies very clearly what costs could be charged to that fund. There would be no impact on state funds. Several schools are currently using general funds to support their programs. **REP. JOHNSON** distributed a list of schools which currently conduct day treatment centers. EXHIBIT 3.

**Informational Testimony:**

**Robert Runkel, Director of Special Education, Office of Public Instruction**, advised that he was appearing before the Committee to provide some background information on day treatment programs in public schools. During the past few years, human service agencies have held a value that it is important to serve children in their home communities based on the desire to maintain and support families, to serve children in the most cost effective manner, and to spend Montana taxpayer dollars in Montana. The biggest single act that resulted in implementing this value occurred by action of the 1993 legislature. During that session, funding for children in in-patient psychiatric hospitals (known as the Medicaid Family of One provision) was eliminated. This reduced both the options for services and the number of children eligible for residential Medicaid services. It had the effect of bringing these children home. It dramatically reduced the number of children placed out of state. According to the Department of Family Services, Medicaid placement in residential treatment centers in March of 1993 was 72 children. Today there are less than ten. When these children come home, they come back to the public schools. The schools cannot refuse these children and do what they can to serve them.

Day treatment programs are intensive and are designed to serve children with emotional disturbance which are community based and have a very heavy treatment component. A typical program would involve mental health services and counseling services for as much as half of a school day with the balance of the day spent in traditional academic or instructional programs. Day treatment program costs are split between mental health services for the treatment aspect and the public school system for education costs. It is important to note that programs have expanded substantially to fulfill the need of bringing these children back to their home communities. Not only have they been brought home to Montana which increases the need for services, but the number of children with emotional disturbances is increasing. **Mr. Runkle** distributed a chart entitled "An Unduplicated Child Count of the Number of Children with Emotional Disturbance." EXHIBIT 4. The chart includes all children in Montana who have been identified by public schools as having an emotional disturbance as the primary disability. He pointed out that in the last couple of years there has been a dramatic increase in the number of day treatment centers. Two years ago there were six programs, today there are fifteen programs.

{Tape: 2; Side: B.}

Proponents Testimony:

Dan Martin, Glendive Schools, testified that Glendive is one of the communities that has a day treatment program. He provided examples of what is happening in his school district. One student spent the first two months lying on the floor. Teachers can now get him into his seat. Two weeks ago this same student broke the teacher's glasses, and one week ago he struck an aide requiring stitches. The student is six years old. This student does not qualify for the day treatment program because the program was designed for children aged 12 through 18. Another student had to be kept away from other students so he was placed in the school's "time-out" room and, with an aide watching, managed to tear the room apart before they could get him stopped. That student was eleven years old and a week ago that student threatened a teacher with a pair of scissors, and last week the student twice assaulted the aide and the school was forced to file charges. Mr. Martin said they had been working for four months to get this student placed somewhere where he could be cared for. They have been forced to accept these two students, as well as others, into the school system where they are placed in a self-contained classroom next to children that have a chance to learn. They have been negotiating with a home in Idaho that will cost \$70,000. That is mandatory tuition and the taxpayers must pay for it. They would rather serve these children locally because it is more cost effective. They now serve ten children in the 12 to 18 age group at a cost of \$40,000. School boards do not like to levy permissive mills and the taxpayers don't like to pay them, but school districts do not have a choice because they must serve these children.

Mr. Martin referred to the fiscal note and stated that they would mill only the amount needed to run the program which in their case would not amount to \$56,000 because they would be able to apply for a Managing Montana Resources (MRM) grant. Continuing to refer to the fiscal note, Mr. Martin commented that it is not true that MRM is funding these programs. The districts are picking up the costs of the program locally. The fiscal note also assumes that the MRM grants will continue to be used to fund day treatment. He explained that a program has to be established before it can complete the MRM process. His district received notice of MRM grants in August, after children were already in school. There has to be a place to put these children on the first day of school. It is not practical to wait for the MRM group to decide who has the best proposal and will get funding. He explained that there were six children in his district who required one-on-one aides at a cost of \$10,000 per child. After application for MRM money, he received enough for two students. Again he emphasized that the school districts don't have choices -- they must serve these children. He commented that it wouldn't be long until the regular education people would be coming to the school and saying, "What about my student who is in that self-



contained classroom alongside the student who is going after the teacher with the scissors." It is difficult for other students to learn in these situations.

**Mr. Martin** said that since 1989 the enrollment of emotionally disturbed children in his district has increased by 14, while at the same time funding for special education has decreased. Their budgets have been capped and they find they cannot take children requiring special programs and do it for less money. These children cannot be put into regular education programs and they cannot be kept in self-contained classrooms. What is needed is an aftercare program for the 12 - 18 age group and a detailed therapeutic program for ages 4 - 12 because there is a chance with the younger age group because changes can be made at the younger age. After age 15, it is very difficult.

**Mr. Martin** closed his testimony by remarking that the schools continually take a beating over taxes and he would prefer that the Legislature would appropriate money to cover these expenses; however, something has to be done and this bill would give communities an option.

**Robert Richards, Miles City Unified School District**, said this issue is a difficult one and he was dumbfounded when the Legislature returned these children to the school system. The schools are asking for a permissive levy to be able to fund a program to help the children who have been returned to their local communities. Since Eastern Montana is such a vast area with small communities having no services for emotionally disturbed children, he and Mr. Martin had discussed the problem, and today there are programs in Miles City and Glendive that accept children from the rest of the area. Miles City also found it necessary to use the only mechanism they had available, which is to file charges, against a child they could not handle. At that point the Department of Family Services and the Youth Court took over and placed the child at Pine Hills. The federal government subsequently did a review of the Pine Hills program and one of the citations they received was that the environment and the level of care was not adequate for treatment of emotionally disturbed children. Therefore, the child again returned to the local school district, following which he molested another child in a classroom. **Mr. Richards** told the Committee that they urgently need help. The school trustees are charged with responsibility for handling these difficult children and feel it should be the state's responsibility; however, if they can't have that, they would like the option to be able to have a permissive levy to provide funds for day care programs.

**David Hemion, Montana Mental Health Association and the Montana Association of Churches**, said these children are not bad kids -- they have mental illnesses, have been victims of sexual or physical abuse, and the result is very complex. There is now a crises in the system and there are people who are trying to work with these children but their resources have been cut. If

passed, this bill would increase those resources and, if not, the problems will remain. The districts need flexibility at the local level to meet the needs of these children. Intervention at an early age can help. If they are not treated, in 20 years these same children will account for a larger prison population because that is what happens to these children -- they graduate from a system that doesn't have resources for a treatment program. As time goes on treatment becomes more expensive. This bill would give the local schools some flexibility and he urged the Committee's support of the bill.

**Larry Fasbender, Great Falls Public Schools**, said the Great Falls School system has a day treatment program. The cost to people involved in treating these children is high. The Human Services Committee is looking for ways to cut programs so things of higher priority can be funded. He felt this priority is very high. If MRM is cut, which could occur, there will be even less funding than there is now and the need to do something is critical. If something is not done now, future costs will be immense.

**Jim Smith, Montana Association of Homes and Services for Children**, said his organization serves 25 group homes, treatment centers and organizations that serve abused and neglected or emotionally disturbed children. They fought the changes in 1993 because they could see a tragedy in the making and subsequent events have proved this to be true. He said that Assumption 6 on the fiscal note assumes there would be increased money for MRM but the current level of funding for this program might not be sustained. HB 206 is a constructive response to the changes made in 1993. If a district is willing to impose a permissive levy to deal with these children, they should be allowed to do so. The other children in the school trying to get an education also need this legislation.

*{Tape: 3; Side: A.}*

**Eric Feaver, Montana Education Association**, said he represented the teachers and other school personnel who deal with these children as well as all the other children in schools in Montana. This is a very emotional issue and it will not go away. He said that caring for these children represents an unfunded mandate. In terms of traditional, normal, regular self-contained classrooms of today, adjusted for inflation, it costs more than it did 25 years ago, and when needs of special students are added, the costs which have never been met by this Legislature or the federal government, have grown exponentially beyond belief. He said the needs of the children are not being met, and diminishing revenue sources for regular education are being robbed. This bill would allow the Legislature to address unfunded mandates and also empower local governments to do their job. He said he would look forward to the Committee's positive action on this bill.

**Loren Frazer, School Administrators of Montana**, said this is a situation that is frustrating for administrators and trustees who are trying to administer budgets when there are unfunded mandates to care for emotionally disturbed children. He urged support of this bill.

**Calvin Moore, Superintendent of Schools, Medicine Lake**, testified that his community does not have a day treatment center so they utilize the program at Glendive. In order for them to do that, Glendive must have a program. This bill would allow them to maintain their program. The cost for Medicine Lake students is covered by a tuition payment. Passage of this bill is extremely important to the day care program which is needed in all areas of Montana. In small rural schools, there is no way that these students can be served and they must have a place for them.

#### Opponents' Testimony:

**REP. PEGGY ARNOTT, House District 20, Billings**, spoke neither as an opponent or a proponent of this bill. As a teacher, she said she can understand the needs of school boards and teachers in the classroom dealing with these children because she works with a special education pre-school and, as a high school teacher, has also worked with special needs students. She said she also understands what is happening in public education. A disproportionate amount of money is being allocated to special needs students. At the present time health insurance will not cover these costs and perhaps that should be considered as an option to relieve the taxpayer of one more burden. This matter does need to be addressed but she did not think that asking for more money, from a public already dissatisfied with the way public education is being handled, was the appropriate approach. The day care treatment programs are needed but another permissive levy is not the way to provide for it.

#### Questions From Committee Members and Responses:

**REP. ELLIOTT** said he did not remember the mandate in the 1993 session to return these children to local communities. He asked for clarification. **Mr. Richards** explained that before the elimination of the "Rule of One," during the 1993 session, these children were placed in residential treatment centers. The problem was that when the centers were closed, the children were returned to the community, and, under federal and state laws regarding special education students, the children must be served. When the legislature cut off funding, the students had to go somewhere because the state could not send students out-of-state to emotionally disturbed treatment centers, the ones available in Montana were closed, so the children went back home. A conscious decision was not made to say "you will treat them in your community," but in effect, that is what happened. If a child lived in Medicine Lake or Circle and came back to the community, the district had a responsibility to take care of that child. The school district could send a child to Kansas, but

there would be no money for that purpose. In Miles City the district was aware that they would be receiving these children and instituted the day care treatment center. In a smaller community there would be no resources and it would not be possible.

**REP. SOMERVILLE** asked why the number of emotionally disturbed students has doubled in ten years. **Mr. Runkle** said he didn't know if he had the answer but the total number of children in special education in Montana has remained relatively stable at 11.2% of students enrolled in public schools. This particular category is the most rapidly growing group and he thought that issues pertaining to societal factors, people moving in from out of state, and things inherited from outside of education were probably important variables. The estimate of the number of children in this category in the public schools is low because only the emotionally disturbed children who are so severe that they need special education help were included. The frequency of neglect and abuse, and other problems facing children these days, also contribute to the growing number.

**REP. ROSE** said the perception in his community is that there is duplication of services. He referred to a foster child who came into the district and cost the district \$90,000 for installation of an elevator because a ramp was unacceptable. Mental health clinics, the Department of Family Services, juvenile officers and District Judges are all involved. These things cause frustration and he wondered where the responsibility should lie. **Mr. Smith** said he shared the frustration because the systems are fragmented and the way children are dealt with reflects this fragmentation. The Appropriations Sub-committees also share that frustration. He then provided a brief outline of how the different systems interact. The cuts made in 1993 were approximately \$10 million. The MRM, at a cost of \$2 million, was designed to help those children who fit the category of emotionally disturbed. The Governor's Task Force has now brought forward some suggestions to bring together some of the fragmented services and programs into a more coherent whole.

**REP. MURDOCK** said she assumed that this proposal would be a permanent tax and some school districts would use it. She asked if what is occurring now is the best situation for the schools and the children, or whether the problem could be dealt with better in some other fashion. **Mr. Richardson** said it has been very difficult for the schools to deal with and it does affect all schools but it is only the larger schools that will have the resources to try to treat these kids. He said the best hope would be to develop programs for these children at a lower age. This bill would give trustees the option to fund programs at an age when these children can be helped. When they get older, it's just a matter of housing them. **REP. MURDOCK** then asked if this was the best situation for both the children and the schools, for both the mainstream children and the emotionally disturbed children. **Mr. Richardson** said this would not be the choice the

schools would make, but it is what they are responsible for.

**REP. MURDOCK** said she was asking for Mr. Richardson's expertise as an educator, and not an explanation of what the schools are responsible for. **Mr. Richardson** said that personally he thought the state should not have removed the safety net from under these kids. A better solution would have been some type of treatment center. That is what Rivendell in Billings was set up for but, before a child was ever sent there, the state decided it was too expensive. He said he wished the state would re-visit the problem, put enough money up front to establish a state center that could take care of these children, and not send them back to the local communities because of the difficult situation it presents for the schools.

**REP. REAM** asked for clarification of the term "Rule of One." **Mr. Smith** said that Medicaid is the source of payment for many medically necessary services. The federal government established an eligibility classification which provided that a child's eligibility for services could be considered apart from the income and resources of the rest of the family. The rest of the Medicaid program has strict income limits. That eligibility classification was eliminated by the legislature in 1993.

{Tape: 3; Side: B.}

**REP. REAM** asked about the differentiation between the 12 - 18 age group and younger children. **Mr. Martin** replied that the Miles City program was originally funded with some money from the Office of Public Instruction on the basis that they would address the 12 - 18 age group. They have now recognized the need for treatment at a younger age, but it isn't appropriate to put a six-year-old in with eighteen-year-olds. If treatment could be started by age six, behavior could possibly be changed. In the older age group, they try to get them to the point where they can function in a classroom with an aide. **REP. REAM** said he was in the 1993 legislature and not proud of what was done then or in the special session when \$30 million was cut from the School Equalization Fund. This was a "double whammy" in treating these children. **Mr. Martin** agreed.

**REP. SWANSON** said these issues don't often come before the Taxation Committee so she didn't understand what the MRM program was. **Mr. Smith** said that in the 1993 session a Sub-Committee voted to eliminate the "Rule of One" and the Medicaid option for freestanding psychiatric hospitals. That sent shock waves to the people dealing with these problems and a group met to discuss that decision. The Sub-Committee had left a \$2 million line item in the budget to take care of these children which would not be matched with Medicaid money or federal money. Because the group recognized the fragmentation problem, representatives from Social and Rehabilitation Services, Mental Health Division of Corrections and Human Services, group home providers, Office of Public Instruction, the Department of Health and Environmental Sciences, and the Office of Public Instruction who all have

programs dealing with this group of individuals, decided to pool funds from the different agencies and collaborate in serving these children. The result of those discussions was the Managing Resources Montana program which officially went into effect in July of 1994. This was an attempt to manage the resources that were available with a substantially reduced appropriation.

**REP. SWANSON** asked what the total amount of funds available was and how a school would apply for them. **Mr. Smith** stated that over the past biennium it was approximately \$6 million. In the case of an individual child, the application and decisions are made by community mental health centers; if it is a special program application, a school could go to the Department of Corrections and Human Services. **Mr. Martin** said their application was made to a regional mental health committee. Glendive Schools received \$14,000. **REP. SWANSON** requested more information on the amount available in the pool, how much was expended and how it was distributed. **Mr. Runkle** said the Department of Corrections and Human Services had recently made a presentation at a hearing on this issue. He offered to obtain a copy of the presentation for the Committee's information. He reported that MRM grants cover therapeutic treatment costs of children at day treatment centers while schools pay for the teachers and aides and provide facilities.

**CHAIRMAN HIBBARD** indicated that it was clear to him that there were some tax policy implications in this bill and the Committee was getting into an area in which it had little expertise. There is an overlap of tax policy and human services. He questioned the appropriateness of making a tax policy decision overlying a series of programs and decisions, as well as the reorganization, that is going on currently.

**REP. STORY** asked if the students coming to the day treatment center from smaller communities were paying tuition. **Mr. Martin** said they are paid from the county-wide tuition fund. **REP. STORY** said he thought it was clear that school districts are required to serve these students in some manner. He then asked if funding were available through a permissive levy, would every district that had a qualifying student be forced to set up a program, possibly because some parents would not want to transport a child to a program in another community. **Mr. Martin** said that, although it could be a possibility, he did not think so.

**REP. ARNOTT** asked if these students wouldn't be better served by mental health services than in a school system. When they are in a better position to receive school services, they could be brought back to the schools. **Mr. Martin** said his response would be similar to that of Mr. Richards, but a three-month stay in a treatment center is not enough. These children are difficult to handle, but if the schools were given the resources, they could take care of the problem.

**CHAIRMAN HIBBARD** asked if this bill were to pass, and school districts were able to levy a permissive levy, what effect it

would have on the present equalization scheme. **Mr. Feaver** said he did not have an answer but a question of equality would probably be raised.

Closing by Sponsor:

**REP. JOHNSON** thanked the Committee for an excellent hearing and distributed a letter from the supervisor of the day treatment center in Glendive. **EXHIBIT 5.** In closing, **REP. JOHNSON** read statements made by students at the day treatment center.

HEARING ON HB 209

Opening Statement by Sponsor:

**REP. JOHN COBB**, House District 50, said HB 209 bill would provide for a minimum standard deduction when filing annual income tax and would remove a number of low income individuals from the tax roles. The Department of Revenue helped write the bill and it was their suggestion that a minimum standard deduction should be set at \$1,650 for a single person and \$3,300 for a couple which would take approximately 14,000 households off the tax roles and would cost \$1 million a year. **REP. COBB** said the Department had also furnished technical amendments to the bill which are necessary to provide for indexing of the minimum standard deduction. He said the way he understood the contingency voidness clause, he would have to identify \$1 million in savings somewhere else in the budget to accommodate this bill. He advised that he had already been able to identify a half million dollars of "government waste" money.

Informational Testimony:

**Bob Turner**, Department of Revenue, explained the amendments to the bill. **EXHIBIT 6.** The first and second amendments would change the effective date contained in the bill and conform the title to the effective date. The third amendment is a "housecleaning" issue to conform the non-resident filing requirements. The balance of the amendments clarify the standard deduction and tie it to the inflation factor and revise the figures if the fiscal note is reduced to \$500,000.

Proponents' Testimony:

**David Hemion**, Montana Association of Churches, rose in support of the bill because one of the basic principles the Association of Churches holds is to look to those most in need. This will raise the threshold and deal with those people at the bottom end of the scale.

**JIM ELLIOTT**, House District 72, said he was not an expert on social issues but he felt he was an expert on taxation. He supports the bill because it costs the DOR more to do the paper

work on one of these forms than the tax collected. Dropping the low end people off the list is a service to those people and would also expedite business for the DOR.

**Opponents' Testimony:**

None.

**Questions From Committee Members and Responses:**

REP. REAM asked if dropping off the people at the lower end would actually save money for the DOR. Judy Paynter said it probably would not save administrative money because the tables are set so that when people work, they have withholding. They might fall into the category of not having to pay any taxes because they work seasonally, but they would still want to file to get their refund. If the withholding tables could be changed so there would be no withholding, there would be savings.

REP. ROSE asked if the sponsor had any idea how much is paid out through welfare programs these same people qualify for. REP. COBB said he did not.

CHAIRMAN HIBBARD asked if he understood correctly that there would be no savings to the DOR initially but eventually there would be. Ms. Paynter said she would hope that it would resolve "down the road" with less people filing, but it would not take the entire 14,000 off the tax roles because some of them will work and have withholding.

REP. REAM asked if the Department had any way of adjusting for seasonal jobs in the withholding tables. Ms. Paynter said there was a way for people to adjust for that by reporting on the W-4 form that they are a seasonal worker and take more exemptions to get down to where there would be no withholding.

**Closing by Sponsor:**

REP. COBB asked the Committee to add the first amendments to the bill. The second amendment would exempt those people with incomes of less than \$6,300 rather than \$8,200 as stated in the original bill. This would give another \$70 to \$80 to a lot of people and, even though it is not much, it would help.

\* \* \* \* \*

At this point in the meeting, SPEAKER OF THE HOUSE JOHN MERCER addressed the Committee regarding the contingent voidness provision. EXHIBIT 7.

SPEAKER MERCER said the concept of contingent voidness is something that is optional and not required by the rules. It is a question that the Taxation Committee must decide and then the



entire House and Senate will have to decide if it is something they wish to put into a bill. The intention of the rule is that when something is put into a bill which would reduce revenue, there should be adequate reduction in spending to offset that reduction. **SPEAKER MERCER** said, for example, when a bill comes to the Taxation Committee asking for a cut in income tax there will be a reduction in the amount of money that state government has. Instead of spending it, we tell the taxpayer that he doesn't have to send it in the first place. Another issue would be where taxes are currently being paid and some goes to the general fund and some goes somewhere else. If the Committee does not actually reduce the tax, but reallocates where the money goes, that would also be an expenditure of general fund money because it takes it from the general fund and places it somewhere else.

In dealing with these issues, **SPEAKER MERCER** said there is a concept of materiality that should be determined by the Committee. **REP. MERCER** said that, in his mind, if there wasn't a \$300,000 or \$400,000 impact to the general fund, it might not need a contingent voidness clause but this would be a Committee decision. He referred to the bill presently in Committee that would take \$160,000 from the general fund and distribute it to District Court Clerks for preservation of records. The Taxation Committee will have to decide if they want to spend that money. If the Committee makes the decision to approve the bill, and the contingent voidness provision is added, the bill would go directly to the floor to be voted on. Another alternative would be to send it to the Appropriations Committee and let them decide if it will fit into the mix of all other things required in state government. What it eventually boils down to is that any time the Committee reduces state revenue through the reallocation of tax dollars or by reducing taxes, based on the Committee's definition of materiality, the Committee must decide if they wish to add the clause.

**SPEAKER MERCER** said he would encourage the Committee to put the clause on because spending must be reduced to match reductions. The rule says that if the clause is added to a bill, it won't go to the Governor, even if it passes the House and Senate, unless there is an identified budget deduction to offset the tax cut.

*{Tape: 4; Side: A.}*

When the bill comes to the floor with a large fiscal note, a decision will have to be made on where to reduce the funding.

**REP. ELLIOTT** said that what he understood was if the bill requiring \$160,000 from the general fund is passed out of the Committee, when House Bill 2 comes up, the sponsor of the bill must point out where \$160,000 can be removed from HB 2 to make this expenditure. **SPEAKER MERCER** said that was correct -- if the clause was on the bill.

**REP. STORY** asked if the Taxation Committee passes a bill, it could still be sent to Appropriations with an adjustment already made. **SPEAKER MERCER** said it could, but they might just kill the bill. He said he thought the Taxation Committee should be setting tax policy for the State of Montana and, if the Committee wants to reduce taxes, that should be the Committee's business, but at the same time, it is not fair to reduce taxes without reducing spending. He said if the Committee decides something is a good idea, he would urge the Committee to add the contingency voidness clause and then, when HB 2 comes up, the House floor will have the option of determining where the allocations will be made and where reductions will be made.

**REP. SOMERVILLE** asked if there would be a hearing on a bill sent to Appropriations. **SPEAKER MERCER** said, speaking frankly, a bill is usually sent to Appropriations to get rid of it. He said he did not think the Appropriations Committee was trying to link any bills with what they do, and he anticipated that, for the first time, most action would occur on the House floor.

**REP. SWANSON**, using Rep. Nelson's bill as an example, asked how a bill that had passed all the way through the process except for the Governor's signature, could be brought back to the floor for meaningful debate. **SPEAKER MERCER** replied that, first of all, he hoped the Committee was not going to put this clause on every bill, and he expected the Committee would make responsible decisions on what was practical. He said he had no idea how much money would be available for tax deductions this session. He asked the Committee to narrow it down to what it felt was important. He said the true debate would be "are you willing to give up some part of state government spending." It's possible that a list will have to be printed together with the bill's fiscal impact. He admitted that this process is an experiment.

**REP. ELLIOTT** said his question was what would happen to HB 2 when it goes to the Senate after the House has worked hard to take some spending out in order to pass bills they think are important and the Senate disagrees. Since HB 2 always goes to a conference committee, he wondered if it would be their responsibility to make the decision. **SPEAKER MERCER** said the old way would have been to take the various tax bills and send them to a conference committee together with HB 2 and, in the last couple of nights of the session, try to figure out how everything would fit. The Senate can change things all they want, but if the House does not agree, they won't become law. The conference committees, who represent the caucus and not their own personal agendas, simply recommend to the House of Representatives.

**REP. RANEY** suggested that a lot of bills going out of the Committee might be shifting funds because the Committee is not willing to raise taxes. He said, for instance, he has had an amendment prepared on a bill before the Committee which would take money presently going to the general fund and send it to the District Courts for record preservation. Therefore, he wondered

if the Appropriations Committee would identify the corresponding cut or would the Taxation Committee try to identify specific cuts. **SPEAKER MERCER** said that would be a question for the Committee to decide. He felt that when taking money from the general fund to give to local governments, it is the same as appropriating money because the impact on the general fund is the same as if taxes were being lowered so there would have to be an offsetting cut. The first decision the Committee would have to make is whether the amount is material.

**REP. SOMERVILLE** said he thought a tracking system should be developed in the Committee to identify these bills. **SPEAKER MERCER** replied that the bills would be tracked. He suggested that a special report could be prepared for the Taxation Committee of all bills containing the contingent voidness provision.

**REP. HARPER** asked if it was the intent of the contingent voidness clause that no tax bills be transmitted until after HB 2 is in its final form. **SPEAKER MERCER** said only those bills containing the clause would not be transmitted to the Governor. **REP. HARPER** asked if the cut had to be identified in HB 2 when this language is included in the bill. He also asked if it would be possible to add language to provide for across-the-board cuts or language that would give the Governor authority to make line item vetoes equal to the amount that would allow the bill to be effectuated. **SPEAKER MERCER** said that would be a good idea. He said, for example, that if HB 2 was complete but everyone wanted a health care deduction which was not in the bill, the conference committee would have to add language that identified where spending could be reduced in certain categories, or across the board, in a sum adequate to fund the health care deduction.

**REP. HARPER** then referred to the issue of surplus, and said he assumed that meant any amount over the ending fund balance. If part of that had already been claimed, **REP. HARPER** asked how the prioritization would be addressed and who would make that decision. **SPEAKER MERCER** said it would be done on the House floor. He also said that he would anticipate that the Appropriations Committee would not identify anything and, for example, if HB 2 is \$20 million under the Governor's budget, and \$44 million is identified in revenue reductions with the contingent voidness clause, the \$20 could be allocated towards these bills and the other \$24 million would have to be identified for cutting in HB 2 on the floor. **REP. HARPER** then asked if, during the prioritization at the end of the session, it would be a fair approach to hold all bills with contingent voidness until the end and pass out a list and allow all House members to arrive at a decision which would ordinarily be made by two members from each of the houses in a conference committee. A decision could then be made on which bills to vote for and which ones to vote against and everyone would be involved in the decision. **SPEAKER MERCER** stated that this would be an excellent idea and it could be used both in the House on the first time through, and also in

the conference committee. When the budget bill comes up prior to second reading, a list could be prepared together with a price list and members could prioritize the items on the list. House members would have the information prior to the floor debate and they could deal with the "surplus" and also identify areas in the budget to be cut in order to finance the bills passed out of committee with the contingent voidness clause. After it goes to the Senate and ends up in a conference committee, the process could be repeated.

**REP. HARPER** said this information went a long way to ease his fears about concentration of power and he thanked the Speaker for providing information. **SPEAKER MERCER** said the way he would analyze it from the battle line standpoint, was if a bill with a \$4 million price tag is sent to the floor, that is where the battle would be because someone would either try to put this amendment on it or send the bill to Appropriations. The Appropriations Committee has done their job and, in this particular session, there won't be a battle with people who want to spend more because the votes won't be there. **SPEAKER MERCER** said, in his opinion, he expected to see only about 15 or 20 of these bills during the entire session.

**REP. REAM** referred to a bill presented by Rep. Cobb earlier in the meeting which would remove a number of people at the low income end of the scale from the tax roles with a price tag of \$1.1 million. During the hearing he indicated that he knew where he could find half of this amount. **REP. REAM** said he thought that, considering Rep. Cobb's position, he would have an advantage in determining where cuts could be made. **SPEAKER MERCER** said he did not think an identified cut should be tied to a specific reduction because that should be done in HB 2. If Rep. Cobb were to find \$500,000, that would be everyone's money and wouldn't belong specifically to one legislator.

*{Tape: 4; Side: B.}*

**REP. REAM** said he thought the revenue reduction bills should be tracked within the Committee and no action should be taken on them until the Committee had heard them all, at which time the contingent voidness clause could be added.

**CHAIRMAN HIBBARD** asked if the suggestion was being made that the Committee hold all these bills. **REP. REAM** replied that if the Committee is going to prioritize them, all bills with the clause attached should be held in the Committee.

**REP. WELLS** suggested that a list could be attached to the Committee's daily status sheet. The bills could be passed out but the Committee would keep track.

**REP. RANEY** asked if the Appropriations Committee members would have an advantage over everyone else because that Committee might kill Taxation Committee bills and it would take a 60% vote to get

it back out of that Committee. **SPEAKER MERCER** said that he would not send bills to Appropriations; he would add the contingent voidness provision and they would go directly to the floor.

**SPEAKER MERCER** indicated his only concern would be that the Taxation Committee might kill every tax cut bill on the grounds that there would be no money. He would like the Committee to make decisions based on, "Is this good tax policy?" because the Taxation Committee has just as much right to spend state money as the Appropriations Committee does.

**REP. RANEY** said if he understood correctly, a bill the Tax Committee decided was important tax policy could be debated on the floor and not be sent to Appropriations. **SPEAKER MERCER** said that was correct.

**REP. SWANSON** asked if the Appropriations Committee was keeping a similar tracking of where it was cutting from the Governor's budget. **SPEAKER MERCER** said they were.

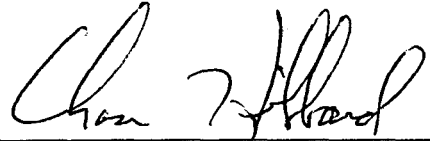
**REP. HARPER** asked if the contingent voidness provision would apply to tax changes that affect local governments. **SPEAKER MERCER** said it did not; it was intended to keep the state budget down.

**REP. STORY** asked if the Taxation Committee would keep a running balance of where spending cuts were made as well as where more money would be expended. **SPEAKER MERCER** replied that if the Committee was brave enough to raise taxes, it should have the right to spend the money.

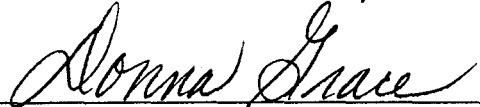
**CHAIRMAN HIBBARD** advised the Speaker that the Committee would probably determine a materiality test and bills below the amount decided upon would be passed out of the Committee on their own merit. Bills containing the contingent voidness provision would probably be held in the Committee so that they would come to the floor at the appropriate time. **SPEAKER MERCER** said he thought it would also be appropriate for the Committee to pass bills and then hold them until just prior to action on HB 2.

ADJOURNMENT

Adjournment: 11:50 a.m.



CHASE HIBBARD, Chairman



DONNA GRACE, Secretary

CH/dg

# HOUSE OF REPRESENTATIVES

## Taxation

ROLL CALL

DATE 1/25/95

NAME	PRESENT	ABSENT	EXCUSED
Rep. Chase Hibbard, Chairman	✓		
Rep. Marian Hanson, Vice Chairman, Majority	✓		
Rep. Bob Ream, Vice Chairman, Minority	✓		
Rep. Peggy Arnott	✓		
Rep. John Bohlinger	✓		
Rep. Jim Elliott	✓		
Rep. Daniel Fuchs	✓		
Rep. Hal Harper	✓		
Rep. Rick Jore	✓		
Rep. Judy Rice Murdock	✓		
Rep. Tom Nelson	✓		
Rep. Scott Orr	✓		
Rep. Bob Raney	✓		
Rep. Sam Rose	✓	<del>AK</del>	
Rep. Bill Ryan	<del>AK</del>	✓	
Rep. Roger Somerville	✓		
Rep. Robert Story	✓		
Rep. Emily Swanson	✓		
Rep. Jack Wells	✓		
Rep. Ken Wennemar	✓		

Issue: FAIRNESS

By Rep. Tom Nelson

Example: Taxation of premiums paid by corporate or government employer, vs. xa  
versus taxation of premiums for a self-employed person or an  
employee who pays all of his own medical insurance premiums.  
Assume \$24,000 gross income in each case.

I. Gov't or private employee:

A.	Adj. Gross Income	\$24,000.00
	FICA paid by employer	\$1,800.00
	Medical premiums paid by employer	\$3,600.00
		-----
	Total compensation	\$29,400.00
B.	Adj. Gross Income	\$24,000.00
	Federal withholding	\$3,000.00
	State withholding	\$960.00
	FICA	\$1,800.00
		-----
	Net (or disposable) income	\$18,240.00
		=====

II. Self-Employed:

	Adj. Gross Income	\$24,000.00
	Self-employment tax	\$3,408.00
	Federal withholding	\$2,800.00
	State withholding	\$800.00
		\$7,008.00
		-----
	Net income	\$16,992.00
	less insurance premiums	\$3,600.00
		-----
	disposable income	\$13,392.00
		=====

III. Employee who pays own premiums:

	Gross Income	\$24,000.00
	FICA	\$1,800.00
	Federal withholding	\$3,000.00
	State withholding	\$960.00
		\$5,760.00
		-----
	Net income	\$18,240.00
	less insurance premiums	\$3,600.00
		-----
	disposable income	\$14,640.00
		=====



Issue: AFFORDABILITY

by Rep. Tom Nelson

Individual Major Medical Policy  
\$1000 deductible  
80/20% to \$5,000

Monthly Premiums: \$358.39

	Tom -----	Bernie -----
Yearly Medical expenses	\$2,960.00	\$897.00
Co-insurance factor	80.00 %	80.00 %
	\$2,368.00	\$717.60
less deductible	\$1,000.00	\$1,000.00
Insurance payment	\$1,368.00	\$0.00

Recap:

Tom's medical expenses	\$2,960.00
Bernie's medical expenses	\$897.00
	\$3,857.00
less insurance recovery	\$1,368.00
Out-of-Pocket	\$2,489.00
Monthly premiums	\$358.00
x 12 months	12
annual premium costs	\$4,296.00
total out-of-pocket cost	\$6,785.00
	=====
Gross income required	\$8,274.39
less FIT @ 15%	\$1,241.16
less SIT @ 3%	\$248.23
	\$1,489.39
net income	\$8,274.39
	=====

AMENDMENTS  
HOUSE BILL 202  
INTRODUCED VERSION  
PREPARED BY  
DEPARTMENT OF REVENUE  
January 24, 1995

1. The purpose of this amendment is avoid the problem of double deducting health and medical care insurance premiums.

Page 1, line 14,  
Following: "the Internal Revenue Code of 1954,"  
Insert: "except premium payments for health and medical insurance, provided for in subsection (7),"

2. The purpose of this amendment is to define the type of medical insurance premium payments which are deductible.

Page 3, line 12,  
Following: "(a)"  
Insert: "(i)"

Page 3, line 13  
Following: "under federal law;"  
Strike: "and"

Page 3,  
Following: line 13  
Insert: "(ii) for purposes of this subsection medical insurance premiums that provide payment for hospitalization, surgical fees, prescription drugs, replacement of lost or damaged eye glasses and contact lenses, membership in an association that gives cooperative or so called "free choice medical service" or group hospitalization and clinical care, and medical and dental expenses provided by licensed health care professionals are deductible, and"

STATE OF MONTANA  
DAY TREATMENT CENTERS

EXHIBIT 3  
DATE 1/25/95  
HB 206

BILLINGS PUBLIC SCHOOLS

Spring Creek Center  
1320 Grand Avenue  
Billings, MT 59102  
1 site

BITTERROOT VALLEY COOPERATIVE

Ravalli County  
PO Box 687  
Stevensville, MT 59870  
Multi-site

BOZEMAN PUBLIC SCHOOLS

Centerline  
PO Box 520  
Bozeman, MT 59715  
1 site

BUTTE PUBLIC SCHOOLS

Crossroads  
Webster Complex  
1050 South Montana  
Butte, MT 59701  
2 sites

GLENDIVE PUBLIC SCHOOLS

New Pathways  
PO Box 701  
900 North Merrill Avenue  
Glendive, MT 59620-2501  
1 site

GREAT FALLS PUBLIC SCHOOLS

High Plains Adolescent Day Treatment  
330 3rd Street NE  
Great Falls, MT 59403  
1 site

HELENA PUBLIC SCHOOLS

Southwest Adolescent Treatment Program  
815 Front Street  
Helena, MT 59601  
1 site

EVERGREEN SCHOOL DISTRICT

Flathead Valley Day Treatment Program  
18 W Evergreen Drive  
Kalispell, MT 59901  
1 site

MILES CITY PUBLIC SCHOOLS

Custer County Youth Center  
1604 Main  
Miles City, MT 59301  
1 site

MISSOULA PUBLIC SCHOOLS

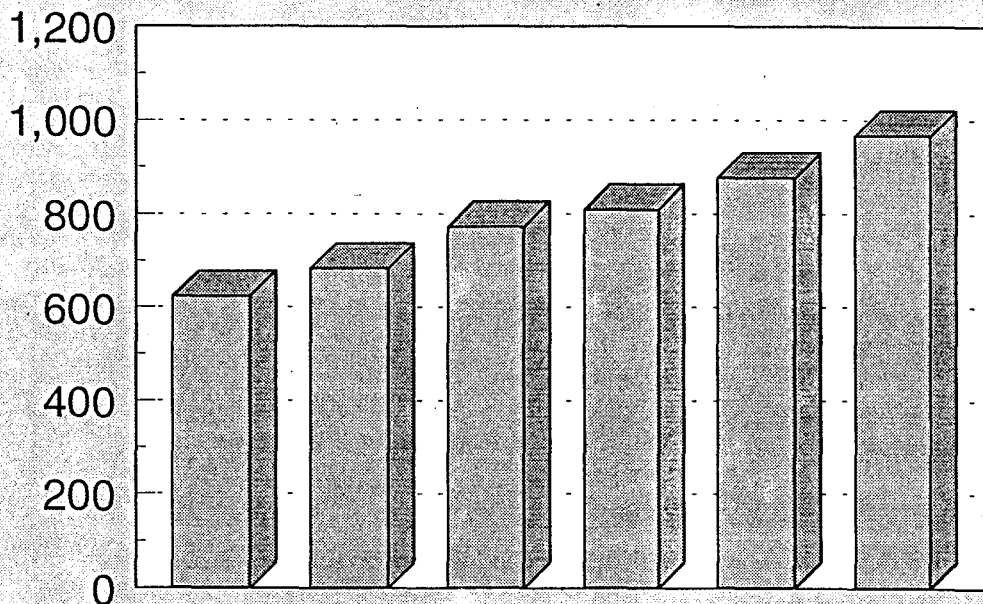
Children's Day Treatment  
337 Stephens  
Missoula, MT 59801  
4 sites

MISSOULA AREA EDUCATION COOPERATIVE

301 W Alder  
Missoula, MT 59802  
Multi-site

## Special Education Disability Count 1988-1992

### Emotional Disturbance (ED)



	88-89	89-90	90-91	91-92	92-93	93-94
ED Count	623	683	772	808	875	966

DATE

1/25/95

HB

206

# NEW PATHWAYS

P.O. BOX 701  
900 NORTH MERRILL AVENUE  
GLENDIVE, MONTANA 59330  
(406) 365-2031

January 23, 1995

Representative John Johnson  
Capitol Station  
Helena

Representative Johnson:

I am writing this letter in regards to House Bill 206. I believe it is imperative that this bill pass, for without it numerous parties will suffer. To begin with, the children who are currently being served in day treatment programs will be affected drastically, to a negative extent. Without the services of a day treatment, many of our students would, so to speak, fall through the cracks. These students may drop out of school, or possibly commit crimes that may result in incarceration. Students who do not drop out of school may fail academically, act out within the classroom and become a chronic discipline problem, or at the other extreme, withdraw to the point that they view suicide as their only option in life. Day treatment programs help deter the aforementioned scenarios from becoming tragic case studies.

Teachers within our schools would also be impacted by losing our day treatment program. Services must be provided to students with special needs under federal law. Services not provided in special programs will then have to be met within the mainstream. As the population of Montana increases, so do the numbers of students within the classroom. Larger numbers of students means greater discipline problems. Placing students who inherently have discipline problems, like those served in day treatment programs, in the regular classroom adds stress to an already difficult situation. Likewise, students in our mainstream classes will be impacted should we lose day treatment programs, in that instructional time will be reduced dramatically as discipline time increases.

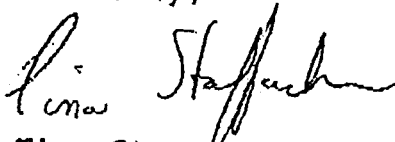
The community as a whole will also be adversely affected should day treatment programs not be available to serve students. Students who do not receive the services that day treatment provides are at risk of dropping out of school. This has numerous implications. Students would thus have greater opportunities to commit crimes within the community. Without the educational opportunities that day treatment provides, students may not have the skills to get a job; this increases the likelihood that these students may become dependent on welfare programs for financial support. In looking at it from this perspective, it appears that Montana as a state would be adversely affected should day treatment services no longer be available.

Day treatment programs provide services similar to inpatient facilities such as Yellowstone Treatment Center, but at a fraction of the cost. Should these services become unavailable at a local level, it will cost taxpayers in our community nearly \$80,000 per year to provide the same services out of district vs. \$14,040 in-district tuition.

Day treatment facilities provide a number of services to students that would not be available to them in any shape or form within the mainstream. To begin with, day treatment programs provide therapeutic services. Students involved in day treatment engage in individual and group therapy on a daily basis. Additionally, students receive one-to-one academic support within the day treatment programs. Every student that has been served in Glendive's day treatment thus far has shown improvements behaviorally and academically. Without these types of services, students may not experience success within the mainstream. Additionally, these students may be ill-prepared for the challenges life presents them, if not for the services that day treatment provides them. As the director of the Glendive Adolescent Day Treatment Program, I have served 18 students in the past year. Of these 18 students, a number of them have transitioned successfully back into the mainstream at Dawson County High School. I am happy to report that these students are doing well academically and personally. Without the services that day treatment has provided them, who can be certain as to where these students may be. I do know the day treatment is a successful program, for it has made a tremendous difference in the lives of 18 students. I am asking for your support in allowing us to continue to provide services to a countless number of students who desperately need day treatment. With your help, we can provide Montana's youth the second chance that they are entitled to in life.

Thank you for your support and consideration.

Sincerely,



Tina Stauffacher, Clinical Director  
New Pathways Adolescent Day Treatment Center

PS: I would like to see if it is possible for me and one of the students in my day treatment program to speak before the legislature on HB 206 on Wednesday, January 25. Please contact me at New Pathways(365-2031). Thank you very much for your time and consideration.

EXHIBIT 6  
DATE 1/25/95  
HB 209

Amendments to House Bill No. 209  
First Reading Copy

Requested by Department of Revenue  
For the Committee on Taxation

Prepared by Lee Heiman  
January 24, 1995

1. Title, lines 4 and 5.

Following: "AN ACT"

Insert: "REVISING THE MONTANA STATE INCOME TAX BY"

Strike: "OF \$1,590" on line 4 through "HOUSEHOLD RETURN" on line  
5

2. Title, line 6.

Following: "FACTOR"

Insert: ", AND BY INCREASING THE MINIMUM INCOME FILING  
REQUIREMENT"

The purpose of amendment 3 is to provide that nonresidents are not required to file an income tax return if the taxpayer's Montana source income does not exceed the amount of the personal exemption.

3. Page 2, lines 12 and 13.

Strike: "based" on line 12 thorough "residents" on line 13

Insert: "if the taxpayer's gross income for the taxable year derived from sources within Montana exceeds the amount of the personal exemption that the taxpayer is entitled to claim for the taxpayer and taxpayer's spouse under the provisions of 15-30-112(2) through (4) "

The purpose amendments 4 through 9 are to clarify that the minimum standard deduction is the greater of either \$860 or 20% of the taxpayer's Montana adjusted gross income, and that the amount of the minimum standard deduction is also adjusted by inflation (indexed) in the same manner as the maximum standard deduction is adjusted for inflation.

4. Page 1, line 14.

Strike: "and the"

Insert: "as adjusted under the provisions of subsection (2), or 20% of adjusted gross income, whichever is greater, to a"

5. Page 1, line 15.

Strike: "is"

Insert: "of"

Strike: ", except that"

Insert: ". However,"

6. Page 1, line 18.

EXHIBIT 7  
DATE 1/25/95  
HB       

NEW SECTION. Section A. Contingent voidness. In order to maintain a balanced budget, because [this act] reduces revenue, it may not be transmitted to the governor unless a corresponding identified reduction in spending is contained in House Bill No. 2. If a corresponding identified reduction in spending is not contained in House Bill No. 2, [this act] is void.



## HOUSE OF REPRESENTATIVES

## VISITOR'S REGISTER

Taxation COMMITTEE BILL NO. HB 202  
 DATE 1/25/95 SPONSOR(S) Rep Nelson

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
David Hemion	MT ASSOC. of Churches Mental Health Assoc.	202 <del>206</del>		✓
LARRY AKEY	MT ASSOC OF LIFE UNDERWRITERS INDEP INSURANCE AGENTS	202		✓
RILEY JOHNSON	NFIB	202		✓
DAN RITTER	MT CHAMBER	202		✓
DENNIS BURR	MONTAX	202		✓
Tom Harrison	MT Soc of CPAs	support of DOR Amendment		
Lorna Frank	Farm Bureau			✓
Don Olsen	UMBP MT Area Agencies on Aging			✓
John Flink	MT Hosp. Ass'n			✓
Tom Hopgood	Health Ins. Assoc. America	202		✓
Arlette Randach	Eagle Forum			✓
Tringa Ask	Blue Cross & Blue Shield			✓

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 ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

HOUSE OF REPRESENTATIVES  
VISITOR REGISTER

Toxation COMMITTEE BILL NO. HB 206  
DATE 1/25/95 SPONSOR(S) Rep. J. Johnson  
PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Robert Runkel	OPI		
Garry Fasbender	A F S	✓	
Robert Richards	Miles City Public School	✓	
Don Martin	Blendine School	✓	
Calvin Moore	Wood Lake Schools	✓	
Eric Plaver	MEA	X	
Jim Smith	MAHSE	X	
Louise Frayn	S Am	X	

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**HOUSE OF REPRESENTATIVES  
VISITOR REGISTER**

**COMMITTEE**

**BILL NO.**

**BILL NO.**

**SPONSOR (S)**

**SPONSOR (S)**

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[illegible]

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