MINUTES

MONTANA SENATE
57th LEGISLATURE - REGULAR SESSION
COMMITTEE ON FINANCE

Call to Order: By **CHAIRMAN BOB KEENAN**, on February 6, 2001 at 5:00 P.M., in Room 405 Capitol.

ROLL CALL

Members Present:
Sen. Bob Keenan, Chairman (R)
Sen. Ken Miller, Vice Chairman (R)
Sen. Tom A. Beck (R)
Sen. Chris Christiaens (D)
Sen. William Crismore (R)
Sen. Greg Jergeson (D)
Sen. Arnie Mohl (R)
Sen. Linda Nelson (D)
Sen. Debbie Shea (D)
Sen. Corey Stapleton (R)
Sen. Bill Tash (R)
Sen. Jon Tester (D)
Sen. Mignon Waterman (D)
Sen. Tom Zook (R)

Members Excused: Sen. John Cobb (R)
Sen. Royal Johnson (R)
Sen. Bea McCarthy (D)
Sen. Jack Wells (R)

Members Absent: None.

Staff Present: Prudence Gildroy, Committee Secretary
Jon Moe, Legislative Fiscal Division

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

Committee Business Summary:
Hearing(s) & Date(s) Posted: SB 223, 2/4/2001; SB 336, 2/4/2001; SB 339, 2/4/2001

HEARING ON SB 233

CHAIRMAN KEENAN announced that the hearing would not be on the bill per se, but on the fiscal note for SB 233. The bill was re-referred to the committee by the committee of the whole.

Sponsor: **Pete Ekegren, SD 44, Choteau**

Proponents: **None.**

Opponents: **None.**

Opening Statement by Sponsor:

Pete Ekegren, SD 44, Choteau, asked the Department of Revenue Fiscal Analyst, Larry Fisk to present the fiscal note.

Informational Testimony:

Larry Finch, Research Office, Department of Revenue, stated that he prepared the fiscal note for the bill.

CHAIRMAN KEENAN said he recalled that **SEN. COCCHIARELLA** had some questions about the fiscal note on the floor of the Senate. She wondered how there could be no fiscal impact since tax years would be retroactively changed.

SEN. TOM BECK stated that a carry forward of seven years and a carry back of two years on the income and corporate tax credit of the public contractor's gross receipts tax, would have a negative impact on the general fund. **Mr. Finch** said that he agreed that the fiscal note and the bill would have a negative impact on the state general fund. Assumption #3 says that the Department of Revenue has no means of accurately identifying what the impact will be. It was further noted that contractors claimed, on average, about $1 million a year in credits. It was estimated that the impact on general fund revenues, on average, would be approximately $150,000 per year.

SEN. GREG JERGESON stated that item #3, with $150,000 being the best guess for a fiscal impact, was not reflected in the fiscal summary, which are the numbers that the Legislative Fiscal Division uses when they are tracking the general fund status sheet. He thought that those numbers need to be reflected in the fiscal summary in order for the general fund status sheet to be accurate. The legislature is obliged to adopt a balanced budget, and that balanced budget is reflected in the general fund status sheet. A bill can't be passed without those numbers being reflected. **Mr. Finch** stated he talked with **Curt Nichols**, from the budget office, who reviewed the fiscal note. He found out that fiscal notes are not put out by the Department of Revenue, but are put out by the budget office. After reading the assumptions from the DOR, it was the judgement of the budget office that a best guess was not firm enough for them, therefore indeterminable.

CHAIRMAN KEENAN asked **SEN. EKEGREN** to request a new fiscal note. **CHAIRMAN KEENAN** will talk to **Curt Nichols** and ask that the $150,000 from assumption #3 be put in the fiscal summary. **SEN. EKEGREN** commented that the tax credit should be set aside as a separate bookkeeping entry. Then even if it takes seven years, it should be pulled out of the extra account. **SEN. EKENGREN** and **SEN KEENAN** will see **Curt Nichols** together. **Jon Moe** will talk to **Terry Johnson** regarding the matter.

HEARING ON SB 336

Sponsor: **SEN. DALE BERRY, SD 30, Hamilton**

Proponents: **Alan Strange, Montana Primary Care Association**

Opponents: **None.**

Opening Statement by Sponsor:

SEN. DALE BERRY, SD 30, Hamilton, said that in Hamilton there is a group of retired physicians and some nurses trying to set up a volunteer clinic. Ravalli County is growing faster that any county in the state. With the growth, Ravalli County is becoming a county of haves and have nots. The cost of living has gone up, jobs have been lost. There are no resource jobs. Most jobs are seasonal minimum wage jobs. Montana is at 80% of national income levels and Ravalli County is at 80% of the Montana income level. Many people are uninsured, but not qualified for Medicaid. The hospital is overloaded. The clinic is in the organizational stage and will be staffed by volunteer doctors, nurses, social workers, and a dentist. Marcus Daly Hospital has offered space to the group. The hospital sees the need because the uninsured are coming to the emergency room when they are very sick, thus shifting the cost to the insured. The bill asks for $50,000 to come out of the interest in the tobacco trust fund in the second biennium to fund the volunteer clinic.

Proponents' Testimony:

Alan Strange, Montana Primary Care Association, spoke in favor of SB 336. The association believes in the type of community health center that is being organized and may be able to help leverage some federal funds. They believe that the funding is a good use of the tobacco fund monies. The clinic may serve as a model for getting health care into rural areas unable to support medical practice.

Opponents' Testimony: None.

Questions from Committee Members and Responses:

SEN. BILL TASH asked if licensing was done through Marcus Daly Hospital. **SEN. BERRY** said that the retired doctors are licensed. A bill was passed last session waving errors and omissions liability for volunteers. Everybody that is practicing will be licensed. The funds would be appropriated to the Department of Public Health and Human Services via a contract or grant.

Closing by Sponsor:

SEN. BERRY closed on SB 336.

HEARING ON SB 339

Sponsor: **SEN. DALE BERRY, SD 30, Hamilton**

Proponents: **Hank Hudson, Department of Public Health and Human Services**
Bill Kennedy, Yellowstone County Commissioner and Chairman of the Health and Human Services Committee of the Montana Association of Counties
Jane Jelinski, Montana Association of Counties

Opponents: **None.**

Opening Statement by Sponsor:

SEN. DALE BERRY, SD 30, Hamilton, opened on SB 339, an act generally revising the funding of public assistance, foster care, and protective services. A fiscal note will be forthcoming, and he urged holding the bill.

Proponents' Testimony:

Hank Hudson, Department of Public Health and Human Services, testified as both a proponent and an informational witness. Historically, counties have participated in the cost of welfare. In the mid-eighties, Montana developed a system of assumed and non-assumed counties. Assumed counties paid 13 mills to the state and the state ran the welfare programs in the counties.

Non-assumed counties continued to pay based on a portion of the welfare check and half of the cost of the administration of the program. There are 13 assumed counties and 43 non-assumed counties. The system began to break down. Many counties had declining property tax revenues and increasing costs. DPHHS did not know how much they would get from the counties. Some counties quit paying due to lack of resources. There was no stable, dependable, understandable source of income to operate the public assistance programs. The non-assumed counties did not have a stable amount of money that they could budget for. The human services subcommittee asked for a better plan from DPHHS working in association with the Montana Association of Counties. Two issues were identified: (1) designing a stable, dependable revenue source so the counties know how much they will pay for welfare and the state knows how much they're going to get and (2) make sure that counties have a meaningful role in the administration of these programs. The solution in HB 124 was to substitute general fund for all of the costs of welfare and return the taxing authority back to the counties. HB 124 takes the counties out of funding public assistance in a cost neutral way. Other costs are moved to the counties in exchange for the state assuming welfare costs. If HB 124 doesn't pass there would have to be another funding strategy devised. The non-assumed counties will pay the average of what they paid between 1995 and 1999 or what they paid in 2000. They can pick the lower amount. The assumed counties will be the average of what 9 mills generated in those years. If the counties pick something lower than the base there will be a cost to the state. Statutes that address the counties and state roles in managing public assistance will be repealed and language changed. County commissioners will serve on two of four seats on hiring committees that hire county directors of welfare. The department must submit plans of operation to county commissioners. There will be a dispute resolution process. SB 339 sets up a cooperative mechanism for the state and counties to work together. In its current form, it will cost about $3.1 million. If HB 124 does not pass, that will be the price tag.

Bill Kennedy, Yellowstone County Commissioner and Chairman of the Health and Human Services Committee of the Montana Association of Counties, said that SB 339 has been in the works for four years. There were some problems with coming from non-assumed to assumed counties. Assumed counties have met and exceeded the 9 mills. They did not have any more money and handed over the 9 mills to the state and the state took over those programs. The majority of counties are non-assumed counties. The are grateful to be running their own programs, but every county will have to decide what to do with their programs when the dollars run out. There is an apprehension about becoming assumed counties. The $3.1 million price tag will be assumed by the state sooner or later.

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SB 339 gives counties an opportunity to meet with the state to run the programs. County commissioners are actively involved in that plan each year with the directors who provide services to people in the community. The state cannot afford to assume all of the counties in the long run. The bill addresses a fair capped rate and sets up a partnership between counties and the state. If HB 124 doesn't pass, the fiscal issue in SB 339 will have to be addressed. SB 339 tries to correct problems and keep the counties involved. Parts of the bill will have to be addressed depending on the fate of HB 124. Last session a bill passed that capped counties' administrative costs. That bill sunsets at the end of this year. Counties had no say in the setting of administrative fees. Last year, after counties set their budgets, DPHHS sent a request for 14% indirect costs. Counties had been paying 9%. Both county and state budgets are tight. This bill will cure the problem.

Jane Jelinski, Montana Association of Counties, stated support for SB 339. She urged passing of the bill if HB 124 does not pass.

Opponents' Testimony: None.

Questions from Committee Members and Responses:

SEN. CHRIS CHRISTIAENS asked how the 9 mills computes statewide. There is a huge disparity in the value of a mill across the state and he wondered how that could become equal. **Mr. Hudson** acknowledged the large disparity across the state and said the disparity has shifted over the years. Some counties' property values have declined and some have increased. Those counties that are assumed are frozen at 9 mills. The nine mills that each county levys remains at least consistent with historic welfare spending. The information is available from his office on the various values of a mill across the state. What the bill tries to do, mostly for the non-assumed counties, is for county commissioners to budget for a set dollar amount every year. Assumed counties will also no longer have a mill amount, but a set dollar amount. There will be a certainty in budgeting that won't depend upon property values. There is somewhat of a gamble if the dollar amount is set and property values increase; there will be a benefit from a set dollar amount. If property values decline, there will be a difficulty in coming up with the dollars. Blaine County had declining revenues but a public assistance caseload that did not decline. **SEN. CHRISTIAENS** asked how the administrative fee that each county will pay will be determined and if it would vary by the size or class of the county. **Mr. Hudson** said that the administrative fee will be at a set dollar amount that will go on to perpetuity until the law is changed. It will be based on the average of what counties paid over the last five years or in the year 2000. That calculation will be done once and will remain stable as long as the law remains in effect. **Mr. Kennedy** stated that Cascade County is one of the assumed counties. Over the past few years the millage has decreased, so the actual dollar amount, with an average for the fiscal year 2000, would actually decrease the amount paid in by the county over what they have paid over the years. It will freeze at an amount, probably the lowest amount, that they have paid into the state. The other area that was looked at was the 9% to 14% indirect costs. Counties across the state did not pay that additional 5% and paid the 9% indirect costs. The counties are holding out paying that currently and if this bill gets passed, all indebtedness (about $325,000)is wiped clean. The reason for that is that a lot of the dollars owed by counties are indirect costs that have come forward in the last year. Counties understand that the state has financial problems, but counties have serious financial burdens too. If HB 124 passes, pieces of SB 339 will be needed to address how the welfare programs are administered in the counties.

<u>Closing by Sponsor</u>:

SEN. BERRY closed on SB 339, thanking the committee for their consideration.

SEN. JERGESON commented on SB 336, which suggests an allocation of the interest earnings. Article 8 Section 14 of the Montana Constitution prohibited "payments except for interest on the public debt. No money shall be paid out of the treasury unless upon an appropriation made by law and a warrant drawn." On the tobacco settlement trust fund, it refers to "appropriation" from interest income of the trust fund. This bill speaks to an allocation. It appears that money should be distributed by appropriation rather than allocation. Appropriation bills, according to rule 40-20 MCA, must originate in the House of Representatives. In order for **SEN. BERRY** to make timely adjustments to pursue the issue, he may want to review with counsel whether or not in fact the bill is an appropriation that ought to be re-introduced as an appropriation bill. **SEN. BERRY** agreed to review the issue.

ADJOURNMENT

Adjournment: 6:04 P.M.

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SEN. BOB KEENAN, Chairman

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PRUDENCE GILDROY, Secretary

BK/PG

EXHIBIT(fcs30aad)