

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 59th LEGISLATURE - REGULAR SESSION**

#### **JOINT APPROPRIATIONS SUBCOMMITTEE ON GENERAL GOVERNMENT AND TRANSPORTATION**

**Call to Order:** By **CHAIRMAN JOHN SINRUD**, on February 9, 2005 at  
8:00 A.M., in Room 317-B Capitol.

#### **ROLL CALL**

**Members Present:**

Rep. John Sinrud, Chairman (R)  
Sen. Lane L. Larson, Vice Chairman (D)  
Rep. Rosalie (Rosie) Buzzas (D)  
Sen. Mike Cooney (D)  
Sen. Rick Laible (R)  
Rep. Jon C. Sesso (D)  
Sen. Corey Stapleton (R)  
Rep. Janna Taylor (R)

**Members Excused:** None.

**Members Absent:** None.

**Staff Present:** Marilyn Daumiller, Legislative Branch  
Greg DeWitt, Legislative Branch  
Christi Moyer, OBPP  
Jamie Mickelson, Committee Secretary

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

**Committee Business Summary:**

Hearing: State Auditor  
Executive Action: Department of Revenue &  
State Auditor

**EXECUTIVE ACTION ON Department OF REVENUE**  
**LANGUAGE APPROPRIATION EXHIBIT 2**

**CHAIRMAN SINRUD** asked the Committee to turn to Page A-164. He commented that the Department of Revenue is appropriated up to \$475,000 from general fund for the 2007 Biennium. He clarified that the Department of Revenue is requesting funding of \$262,203 for the biennium to continue collection efforts currently assigned to an outside collection agency. In addition to the funding request, the Department proposed the following language amendment to HB 2:

"Funds are not appropriated or otherwise made available to the Department to support continuation of individual income tax debt collection contracts entered onto before July 1, 2005."

**EXHIBIT(jgh32a01)**

**Discussion:**

**Greg DeWitt, LFD**, further explained that the language appropriation would only affect HB 2 for the 2005 Biennium.

**Dan Bucks, Director of the Department of Revenue**, stated that the language was requested for HB 2, so that it is applicable to the next fiscal year. The Department wants to close the contract with the commission on bad debt collection agencies by July 1, 2005.

**Mr. DeWitt** stated that the Department needs a non-appropriation clause to get them out of the contract.

**REP. SESSO** commented that it is his experience in contracts with government agencies, that there is always a clause that may allow for early termination. This is a pretty good tool to assure the Department that they will get out without a penalty.

**CHAIRMAN SINRUD** asked Mr. Bucks what the tax delinquency collections were in FY 2004 and what the projection would be for FY 2006 and FY 2007. **Mr. Bucks** replied that he was unsure what the projection would be.

**Neil Peterson, Department of Revenue**, stated that by taking a look at the gross amounts, the Department is averaging in the range of \$100,000 per month, and a rough estimate of \$1.2 million a year.

**REP. BUZZAS** expressed that putting a great deal of language in HB 2 makes her nervous.

**SEN. LAIBLE** stated that he does not think that putting in this language appropriation is too much.

**Mr. DeWitt** suggested putting a target in the language narrative. He asked **SEN. LAIBLE** to give him the numbers that he would like to see put into the target. **SEN. LAIBLE** stated he thinks putting a target in the narrative is an excellent idea. He commented that he would like to see the number \$2.4 million for the biennium for three FTE a year.

**Motion/Vote:** **SEN. LAIBLE** moved LANGUAGE AS STATED IN EXHIBIT 1 FROM THE Department OF REVENUE BE ADOPTED. Motion carried unanimously by roll call vote.

**Motion/Vote:** **SEN. LAIBLE** moved TO APPROVE THREE FTE AND \$262,203 GENERAL FUND FOR THE BIENNIUM AS STATED IN EXHIBIT 1 BE ADOPTED. Motion carried unanimously by roll call vote.  
{Tape: 1; Side: A; Approx. Time Counter: 0 - 20}

#### COLLECTION RATES FOR DEBT CODE 043 AND 044 EXHIBIT 2

**Mr. Peterson** explained that Debt Code 043 represents money that is owed by a custodial parent. For these types of debt, the amount is required to be collected in full in all cases and therefore, the collection service fee is added onto the debt. He explained that Debt Code 044 represents money that is owed by the non-custodial parent. For example, if the Department collects \$100, the collection agency keeps \$10 and they send \$90 to Child Support Enforcement. The non-custodial parent pays the full \$100 to their account and the custodial parent receives \$90 with the debt collection fee being \$10.

#### [EXHIBIT\(jgh32a02\)](#)

#### Discussion:

**CHAIRMAN SINRUD** stated that if another fee is added on top of the child support payment, then it will create a lot of problems with individuals not paying their child support. He requested that the Department of Revenue not collect the 10% collection fee from child support and find another way to fund the 10% charge.

**CHAIRMAN SINRUD** asked **Mr. Peterson** where the federal law came from that the Department has to collect the 10%. **Mr. Peterson** stated that there is no federal law that states there has to be a 10% collection fee. He commented that the function of offsetting debts with state warrants is something that came to the Department of Revenue in 1999.

**CHAIRMAN SINRUD** commented that the 10% is a policy issue. The custodial parent doesn't receive 100%, they only receive 90% of the money and that is unethical.

**SEN. COONEY** stated if the Department can figure out a way to offset the 10% collection fee then they need to do it.

**Mr. Bucks** explained that there is a cost for doing the collection work and the objection is doing it at the cost of the parents. If the Department shifts the rates, they shift the cost of child support to other entities, such as: the university system, teacher retirement, and Fish Wildlife and Parks. He urged the Committee to consider legal issues when there are shifts in the funding.

**SEN. COONEY** stated that he does not want to vote on this until he has more information on how to effectively shift the costs of Debt Code 043 and 045 efficiently and effectively.

**CHAIRMAN SINRUD** requested a handout from the Department of the past few years of child support collection costs. He then commented that the Committee can appropriate the general fund into the Departmental budget to make it whole. He informed the committee that executive action on debt codes 043 and 044 will be taken on Friday 2/11/05.

*{Tape: 1; Side: B; Approx. Time Counter: 0 - 6}*

### **New Proposals**

#### **DP 111 INCREASE FUNDING FOR THE Department OF REVENUE** **EXHIBIT 3**

**CHAIRMAN SINRUD** stated that the Department of Revenue is requesting to hire six additional auditors, one additional attorney, and one support person who will concentrate on four areas where other states have found a significant non-compliance with personal income tax and corporate license tax. Personnel and operating costs for the new compliance unit are projected to be \$500,000 general fund each year. One-time-only costs for training and consulting services, including expert witnesses, are projected to be \$40,000 general fund in FY 2006 and \$80,000 general fund in FY 2007.

**EXHIBIT** (jgh32a03)

**REP. BUZZAS** made a motion to approve DP 111.

**Discussion:**

**Mr. DeWitt** stated that the LFD issue on this DP was generated because last session there were requests for the operating costs for FTE added during the 2002 special session. The Department said the new FTE were going to collect more money than it was going to cost them. The language stated that the Department was supposed to report to the committee last interim, and there was no report.

**Mr. Bucks** expressed that he is concerned about language that may suggest separately tracked taxes. He thinks that the FTE and operating costs should be kept together. He suggested that language be implemented, and that he would be glad to report to a committee.

**REP. BUZZAS** amended her motion to include the language that the Department will implement a process to identify revenues generated by the additional FTE and report to the Finance Committee.

**SEN. STAPLETON** expressed that he strongly opposes this decision package, because the Committee gave the Department 13.3 auditors during the 2002 special session and they are asking for more.

**SEN. COONEY** commented that the auditors that were approved last session were working in different areas of the Department.

**SEN. LAIBLE** supported SEN. STAPLETON'S strong opposition of this DP. He stated that if no one is working on this compliance, then he questions the direction of the Department.

**SEN. STAPLETON** thanked SEN. LAIBLE for his opposition to this DP. He commented that the Department has had some tremendous changes in the past five years and that the Committee needs to slow down a little bit and allow the Department to walk before it runs.

**SEN. LARSON** stated that the Committee gave them three FTE to go after individuals who have a \$200 or \$300 tax that they haven't paid, but are unwilling to approve FTE for personal income tax and corporate license taxes.

**REP. BUZZAS** commented that it is the Department's job to see how they can find efficiencies. She pays her taxes and she expects everyone else to pay their taxes. The more resources the Department has the more revenue the Department will be able to generate. This DP is one-time-only and if it doesn't pay off then the Committee doesn't need to approve it next session.

***{Tape: 1; Side: B; Approx. Time Counter: 6 - 30}***

**Mr. Bucks** stated that the Department is expected to generate revenue for the State of Montana and it is his job to make sure that the Department has the staff and training to do that task.

**REP. SESSO** stated that if the Department has laws that they are not able to uphold, because of an absence of staff and training, then they need to approve adequate resources for the Department to enforce taxation laws.

**Motion/Vote:** **REP. BUZZAS** moved that MOVE DP 111 AS OTO \$40,000 IN FY 06 AND OTO \$80,000 IN FY 07 AND TO ADD THE LANGUAGE THAT THE Department WILL IMPLEMENT A PROCESS TO IDENTIFY REVENUES GENERATED BY THE ADDITIONAL FTE AND REPORT TO A FINANCE COMMITTEE BE ADOPTED. Motion failed 4-4 by roll call vote. **REP. SESSO, SEN. LARSON, SEN. COONEY, AND REP. BUZZAS** voting aye.

***{Tape: 2; Side: A; Approx. Time Counter: 0 - 9.2}***

**Present Law Adjustment**

**DP 801 FIELD OFFICE RENT Page A-171**

**CHAIRMAN SINRUD** explained that this is a request for an increase of \$770,919 general fund for the biennium is requested to fund increases to rent payments for office space occupied by Department personnel outside of Helena.

**Motion/Vote:** **REP. BUZZAS** moved that DP 801 FIELD OFFICE RENT INCREASE BE ADOPTED. Motion carried unanimously by roll call vote.

**DP 802 REQUEST FOR LEASED VEHICLES Page A-173**

**CHAIRMAN SINRUD** commented that this is a request for an increase of \$262,458 general fund for the biennium to replace Department owned vehicles with State Motor Pool leased vehicles.

**Motion/Vote:** **REP. BUZZAS** moved that DP 802 REQUEST FOR LEASED VEHICLES BE ADOPTED. Motion carried unanimously by roll call vote.

***{Tape: 2; Side: A; Approx. Time Counter: 9.2 - 13}***

**New Proposal**

**DP 804 PROPERTY TAX COMPUTER SYSTEM Page A-172**

**CHAIRMAN SINRUD** explained that this is a request for \$5.5 million general fund for the biennium to develop and implement a new property tax computer system that would interface with IRIS.

**Mr. DeWitt** stated that the Department is required to go through the CIO to sign off on IT procurement documents, and this agency is one that has worked well with the CIO's Office.

**SEN. COONEY** asked if this computer system would enhance the property tax system. **Rand Wilke, Department of Revenue**, stated that this is the property tax system and that it is a much more efficient property tax system than the Department currently has.

REP. BUZZAS left the meeting at 9:23 A.M.

**Motion/Vote:** REP. TAYLOR moved that DP 804 PROPERTY TAX COMPUTER SYSTEM as OTO, RESTRICTED, AND BIENNIAL BE ADOPTED. Motion carried 7-1 by roll call vote with SEN. COONEY voting no. REP. BUZZAS voting AYE by proxy.  
{Tape: 2; Side: A; Approx. Time Counter: 13 - 20.6}

**New Proposal**

**DP 805 AGRICULTURAL/FOREST LAND CLASSIFICATION SYSTEM**  
**Page A-173**

**CHAIRMAN SINRUD** stated that there is a request for an increase of \$1.4 million general fund for the biennium to develop an agricultural/forest land classification and valuation system. The funding would add 12 FTE, contracted services, and operating expenses for the project.

**Discussion:**

**CHAIRMAN SINRUD** stated that there is a revision to the original DP. The Department is requesting an increase in funding of \$2,792,319, 24 FTE in FY 06, and 27.25 FTE in FY 07.

**SEN. COONEY** stated that this is a very large request, however, it is a proposal for the Department to classify land and find what is out there. He commented that it would then be up to the legislature to come up with a tax policy.

***{Tape: 2; Side: A; Approx. Time Counter: 20.6 - 30}***

**REP. SESSO** commented that he supports the motion and this particular DP needs to pass because there is a lack of good information about land classification.

**SEN. LAIBLE** stated that he is going to oppose this DP because there have been no projections that the State of Montana will get more revenue because of this. If the Committee takes the amount of FTE and add it up, the Department is asking for a 40% increase in FTE from the last session.

**SEN. LARSON** claimed that there are many people who have moved into the State of Montana and changed the use of the land. Since land classification has not been done in 40 years, the Committee needs to pass this DP.

**SEN. COONEY** commented that this has been a good discussion and that this DP has not stated that it will produce additional revenue for the State of Montana, that is a policy issue.

**Motion/Vote:** **SEN. COONEY** moved that DP 805 AGRICULTURAL/FOREST LAND CLASSIFICATION SYSTEM BE ADOPTED. Motion failed 4-4 by roll call vote. **REP. SESSO, SEN. LARSON, SEN. COONEY, AND REP. BUZZAS** voting no. **REP. BUZZAS** voting aye by proxy.

***{Tape: 2; Side: B; Approx. Time Counter: 0 - 9}***

**HEARING ON THE STATE AUDITOR'S OFFICE**

**Marilyn Daumiller, LFD**, gave a brief presentation on the State Auditor's Office. She explained that this Agency is not funded by general fund and explained how they are funded. She also directed the Committee to Page A-94 and explained the LFD issue and comment on that page.

**John Morrison, Montana State Auditor and Commissioner of Insurance and Securities**, explained that the objective of the Agency is to protect consumers while creating a regulatory environment that allows the industry to function in an efficient competitive way. He explained the handout labeled, "Stated Auditor's Office Comparative Budget Data." Some of the main points that were covered throughout the presentation were:

- Examinations General Fund Revenue Table
- Insurance Revenue Table
- Recoveries to Policy Holders

**EXHIBIT** (jgh32a04)

**Mr. Morrison** discussed that the division was having difficulty keeping up with the policyholder demands. He stated that he restructured the Department to speed up the policyholder demands, however, they are now behind in other areas of the Department. He informed the Committee that the Department has an overwhelming number of calls from Montanans looking for help from the agency. The Department receives over 100 calls a day.

**Mr. Morrison** explained the budget requests. He stated that there is a total funding increase of \$782,000 over the 2005 Biennium and this includes:

- Statewide Present Law Adjustments
- A request for 2.0 FTE in Rates and Forms, and Policyholder Services Divisions
- Increased funding for costs associated with contract examinations of insurance and investment companies, the Captive Insurance Program, and increased rent.

**Mr. Morrison** gave a brief presentation on the Montana Comprehensive Health Association. He explained that the Department is requesting funding from the tobacco settlement to pay for health insurance for individuals who cannot afford to be insured.

**{Tape: 2; Side: B; Approx. Time Counter: 9 - 30}**

REP. BUZZAS entered the meeting at 10:50 A.M.

**Tanya Ask, Board Chair of the Montana Comprehensive Health Association (MCHA)**, preceding the presentation distributed three handouts labeled:

- Montana Comprehensive Health Association
- Montana Comprehensive Health Association Fact Sheet
- Montana Health Insurance
- Memorandum

[EXHIBIT\(jgh32a05\)](#)

[EXHIBIT\(jgh32a06\)](#)

[EXHIBIT\(jgh32a07\)](#)

[EXHIBIT\(jgh32a08\)](#)

**Mrs. Ask** stated that the MCHA Program was initiated in 2001. Today MCHA helps 220 people and serves as a model to encourage other states to offer premium assistance plans. This particular program helps individuals with medical problems who are economically depressed.

*{Tape: 3; Side: A; Approx. Time Counter: 0 - 17}*

**Discussion:**

**REP. SESSO** questioned why the number of people who were receiving premium assistance dropped from 280 to 220 in the past year.

**Mrs. Ask** replied that in May 2004 the Association exhausted their federal grant and were not able to support as many individuals as previously.

**REP. BUZZAS** asked if the premium assistance includes people with aids. **Mrs. Ask** stated that the assistance program does support individuals with AIDS.

**REP. SESSO** asked her what she thinks the largest difficulty is for Montanans dealing with insurance. **Mr. Morrison** stated that the greatest challenge facing Montanans is affordable health insurance.

*{Tape: 3; Side: A; Approx. Time Counter: 17 - 30}*

SEN. COONEY left the meeting at 11:00 A.M.

**BASE STATEWIDE AND PRESENT LAW ADJUSTMENTS FOR  
STATE AUDITOR'S OFFICE**

**Mrs. Daumiller** provided the Committee with a State Auditor's Office executive action handout for this section of the meeting.

**EXHIBIT**(jgh32a09)

**Motion/Vote:** SEN. LARSON moved that BASE STATEWIDE PRESENT LAW ADJUSTMENTS FOR STATE AUDITOR'S OFFICE BE ADOPTED. Motion carried unanimously by roll call vote. SEN. COONEY voting aye by proxy.

**Present Law Adjustments**

**PROGRAM 01 CENTRAL MANAGEMENT**

**DP 101 RENT INCREASE Page A-90**

**CHAIRMAN SINRUD** explained that the State of Montana entered into a lease contract with Montana Children's Home and Hospital for office space for the State Auditor's Office. This is a 10-year lease starting on January 15, 2000. Per the contract, the annual rate shall escalate 2% per year. This request is for the 2% increase based upon FY 2004 rates. Rent for FY 04 will be \$27,387.

**Motion/Vote:** REP. BUZZAS moved that DP 101 FOR RENT INCREASE BE ADOPTED. Motion carried unanimously by roll call vote. SEN. COONEY voting aye by proxy.

**Present Law Adjustments**

**PROGRAM 03 INSURANCE**

**DP 301 OFFICE RENT AND SECURED STORAGE Page A-92**

**CHAIRMAN SINRUD** clarified that this is a request for an increase of \$6,532 in FY 06 and \$9,432 in FY 07 State special revenue to fund the scheduled 2% rent increase, and for additional secured storage space.

**Motion/Vote:** REP. SESSO moved that DP 301 OFFICE RENT AND SECURED STORAGE INCREASE BE ADOPTED. Motion carried unanimously by roll call vote. SEN. COONEY voting aye by proxy.  
{Tape: 3; Side: B; Approx. Time Counter: 0 - 16}

SEN. LARSON left the meeting at 11:15 A.M.

**DP 305 CONTRACT INSURANCE EXAMINATIONS Page A-93**

**CHAIRMAN SINRUD** explained that the Governor recommends State special revenue for insurance contract exams as implemented by the 2003 Legislature. The budget is based upon the examination schedule for the biennium. Insurance companies will reimburse the examination expenses.

**Motion/Vote:** REP. BUZZAS moved that DP 305 CONTRACT INSURANCE EXAMINATIONS BE ADOPTED. Motion carried unanimously. SEN. COONEY and SEN. LARSON voting aye by proxy.

**DP 306 CAPTIVE INSURANCE Page A-93**

**CHAIRMAN SINRUD** explained that this restricted State special revenue request is recommended by the executive to fund \$19,200 each year of the biennium for review costs of new captive insurance applications in the 2007 Biennium. An independent contract actuary reviews each application for financial viability at a cost of \$3,200, which is reimbursed by the applicant.

**Motion/Vote:** REP. BUZZAS moved that DP 306 CAPTIVE INSURANCE BE ADOPTED. Motion carried unanimously by roll call vote. SEN. COONEY voting aye by proxy.

**PROGRAM 03 NEW PROPOSALS**

**DP 303 RATES AND FORMS FTE Page A-93**

**CHAIRMAN SINRUD** clarified that this DP is a request for 1.00 FTE to expedite the review of insurance policy forms. The agencies goal is to approve or reject policy forms submitted to the State Auditor's Office within 20 days of submission and send insurance products to market more rapidly.

SEN. LARSON in at 11:25

**Vote:** Motion that DP 303 RATES AND FORMS FTE BE ADOPTED carried unanimously by roll call vote. SEN. COONEY voting aye by proxy. {Tape: 3; Side: B; Approx. Time Counter: 16 - 22.5}

**DP 304 POLICYHOLDER SERVICES FTE Page A-93**

**CHAIRMAN SINRUD** explained that this budget includes \$52,745 in FY 2006 and \$49,212 in FY 2007 of State special revenue funding and an additional 1.00 FTE.

**Motion/Vote:** REP. SESSO moved DP 304 RATES AND FORMS FTE. Motion carried 7-1 by roll call vote with SEN. STAPLETON voting no. SEN. COONEY voting aye by proxy.

**DP 401 OFFICE RENT & SECURED STORAGE INCREASE Page A-96**

**CHAIRMAN SINRUD** explained that the budget includes an increase of \$2,412 State special revenue in FY 2006 and \$3,193 in FY 2007 to fund the scheduled 2% rent increases and for additional secured storage space, based on a contract negotiated by the Department of Administration.

**Motion/Vote:** REP. BUZZAS moved that DP 401 OFFICE RENT AND SECURED STORAGE INCREASE BE ADOPTED. Motion carried unanimously by roll call vote. SEN. COONEY voting aye by proxy.

**DP 403 CONTRACT SECURITIES EXAMINATIONS Page A-96**

**CHAIRMAN SINRUD** clarified that the Governor recommends State special revenue for securities contract exams as implemented by the 2003 legislature. The budget is based upon the examination schedule for the biennium.

**Motion/Vote:** SEN. LARSON moved that DP 403 CONTRACT SECURITIES EXAMINATION BE ADOPTED. Motion carried unanimously by roll call vote. SEN. COONEY voting aye by proxy.

**Motion/Vote:** REP. SINRUD moved CLOSE EXECUTIVE ACTION ON THE STATE AUDITOR'S OFFICE BUDGET PROPOSALS. Motion carried unanimously by voice vote.

**CHAIRMAN SINRUD** informed the Committee that they will meet at 8:00 A.M. on 2/11/05.

***{Tape: 3; Side: B; Approx. Time Counter: 22.5 - 30}***

**ADJOURNMENT**

**Adjournment: 11:30 A.M.**

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**REP. JOHN SINRUD, Chairman**

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**JAMIE MICKELSON, Secretary**

JS/jm

*Additional Exhibits:*

*EXHIBIT ([jgh32aad0.PDF](#))*