

MINUTES

**MONTANA SENATE
57th LEGISLATURE - SPECIAL SESSION
COMMITTEE ON TAXATION**

Call to Order: By **CHAIR BOB DEPRATU**, on August 8, 2002 at 9:00 A.M., in Room 152 Capitol.

ROLL CALL

Members Present:

Sen. Bob DePratu, Chair (R)
Sen. Alvin Ellis Jr., Vice Chair (R)
Sen. John C. Bohlinger (R)
Sen. Mack Cole (R)
Sen. Pete Ekegren (R)
Sen. Jon Ellingson (D)
Sen. Bill Glaser (R)
Sen. Dan Harrington (D)
Sen. Emily Stonington (D)

Members Excused: None.

Members Absent: None.

Staff Present: Lee Heiman, Legislative Branch
Deb Thompson, Committee Secretary

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

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 23, SB 20, SB 21,
SB 22, SB 28, 8/8/2002
SB 24 - withdrawn
Executive Action: HB 4 - Pass 5-4
SB 12 - Pass 5-4
SB 23 - Pass 5-4
SB 28, SB 22, SB 21, SB 20,
SB 16, SB 8, SB 4 - All
Tabled
SB 7 - Tabled as Amended

EXECUTIVE ACTION ON HOUSE BILL 4

Senator Glaser moved do pass. **Senator Bohlinger** said he had reviewed his notes and that Lance Melton, the opponent from the school board group, supported technology as a core of the learning experience in schools. This bill would be a reduction of funding for this area. Dave Puyer represented the rural education association also said this was a growth area in the learning experience. People involved said this is not the area to make reductions - there are other alternatives. He did not support HB 4.

Senator Harrington stated there were some serious constitutional questions when it came to cuts in education. Technology was an integral part of the school districts now.

Senator Ellis supported the bill. He felt it was a good way to save some money. He pointed out these were difficult choices and he sympathized with those affected, however he supported this legislation.

The question was called. HB 4 passed 5-4 on a roll call vote.

{Tape : 1; Side : A; Approx. Time Counter : 0 - 8.4}

EXECUTIVE ACTION ON SENATE BILL 12

Senator Bohlinger pointed out the revenue was needed in Montana and this would be a simple yes or no vote. He moved do pass. He pointed out this revenue measure would provide \$40 million dollars a year of new revenue that would address the budget shortfall. He broke down each tax measure and the revenue that could be expected. *{Tape : 1; Side : A; Approx. Time Counter : 8.4 - 11.7}*

Senator Harrington said he supported the motion. He pointed out the deep cuts that had occurred in education which was devastating on K-12 and the university system. There would be 120-150 job cuts and this was only the tip of the iceberg. This bill would provide an answer instead of making these cuts. This would provide an alternative. He had never seen a Session with only cuts. The cuts had affected programs for children and developmentally disabled adults. These people were not represented. **Senator Ellingson** said he was in favor of the bill as it presented new revenue sources. He called on the Governor to show leadership. He was astounded that the Governor would not consider this proposal. He pointed out the tax base of the state had been decimated in the last 10-15 years and it was time to

institute tax measures. **{Tape : 1; Side : A; Approx. Time Counter : 11.7 - 20.9}**

Chairman DePratu pointed out the state would have still be in the same financial shape. \$80 million dollars would have been spent and there would still have been a loss of income and capital gains tax collections. **Senator Cole** noted the need to see the bill debated as it needed to have an open discussion.

The question was called on the motion. The bill passed 5-4 on a role call vote.

HEARING ON SENATE BILL 23

Sponsor: **Senator Jim Elliott, SD 36 Trout Creek**, explained the bill. He said the bill would allow leverage of federal money and provide \$6 million dollars to the General Fund. He distributed a handout which described the rationale for taking money from the Workers' Comp surplus. **EXHIBIT(tas04a01) {Tape : 1; Side : A; Approx. Time Counter : 20.9 - 30}**

Proponents' Testimony: **Jerry Driscoll, AFL-CIO**, explained how the employers and employees over the years had put \$350 million dollars into the Workers Comp system. He described the interest earned in the fund and felt the excess should go to the General Fund. He had called the Board of Investments and as of April, 2002 the old fund had \$154 million dollars and the new fund had \$522 million dollars, most of which was invested in bonds. He pointed out the law said that over 10% above a certain amount could be considered excess. He described the amount of money in each fund and felt the excess could be used. **{Tape : 1; Side : B; Approx. Time Counter : 0 - 6.5}**

Mary Caferro, WEEL, supported the bill. She pointed out the number of people who had sacrificed to come to this hearing. Most of these people could not come back after the break to testify. There were twenty people who raised their hands in the audience who supported the bill, but could not testify.

Stella Bennett, spoke about the families and programs that were feeling the budget cuts. She discussed her grandson who was in and out of state programs. She said she especially appreciated the AWARE program in helping the families cope. She said this child would need support for him to be an asset. However, the cuts sent him home without any services. She felt six months without support he would loose ground. Thousands of families struggle to help children such as these. She asked for support to help these kids be productive. She did not want to see this

child in Deer Lodge or Warm Springs. She appealed for help.

{Tape : 1; Side : B; Approx. Time Counter : 6.5 - 12.2}

Kelly Newman and Chris, asked for support. She said she had three children and two of them were disabled. One child was with the AWARE program which was a godsend. She described the violent behavior and the autistic status of the children. She stressed the importance of the Family Outreach Program. The family found it impossible to deal with these children alone. She asked the committee to support SB 23.

Bill Davis, described himself as a retired military officer and school teacher plus an eligibility examiner. He said it should be a priority to help the poor and disabled. **{Tape : 1; Side : B; Approx. Time Counter : 12.2 - 15.4}**

Sh'Tarra Queen, representing Gias Gallery and Tea House, pointed out the need to help those with mental disorders. She described a well known individual that walked off the street and interacted with her business. He was a client at the Golden Triangle Mental Health Center. She pointed out this person would either get care or would not. He could possibly be dangerous when not on medication. There are other people in this situation that could be a danger to themselves or society that will be impacted by legislation or budget cuts.

Beth Sirr representing Leo Pocha Clinic, stood up in support of the bill.

Archie Nunn, MSCA, said he was in support of the bill.

Sharon Brockway, Montana Chapter of AWARE, was in support of the bill.

Christina Keller, mother of a child at ICH, was in support of the bill. **{Tape : 1; Side : B; Approx. Time Counter : 15.4 - 20.3}**

Vicki Powers Blair supported the bill.

The committee recessed at 10:02 a.m.
The committee reconvened at 3:52 p.m.

Wally Melcher, supported the bill. He represented people that were trying to access vocational rehabilitation. He talked about the 10% budget cut and the effect this had on these people. He explained the extended employment program that gave assistance in finding a job. He said the state cuts also impacted federal money. The program experienced a \$71 thousand dollar cut which

was no trivial amount. It also endangered the federal money. He described how this program had helped Mark Simpson who had a motorcycle wreck and a traumatic brain injury. **{Tape : 1; Side : B; Approx. Time Counter : 20.3 - 26.3}**

Lacy, talked about how the Intermountain Children' Home Day Treatment had helped her control anger and a bipolar problem. **{Tape : 1; Side : B; Approx. Time Counter : 26.3 - 30}**

Beth Satre, representing the Montana Coalition Against Domestic and Sexual Violence, described the difference the cuts had made. People lacked a voice. She supported the legislation. **{Tape : 2; Side : A; Approx. Time Counter : 0 - 1.6}**

Charlie McCarthy, Mental Health Association of Montana, supported legislation that would mitigate the cuts. People could not afford a co-pay. He distributed letters which supported reinstatement of services. **EXHIBIT(tas04a02)**

Betty Beverly, described the grassroots programs that had been hurt such as meals served to seniors. Many of those affected were in rural areas, descendents of homesteaders, who made \$136 dollars a month where even food stamps and assistance were not enough. The cost of energy was rising, prescription drugs and they were affected. Seniors and children would die due to no health care.

Eric Feaver, MEAMFT, supported the bill. He pointed out those affected may need attention at Boulder and Warm Springs when health care could not be delivered other ways or if money could not be found for these programs.

Helen Taffs, representing the board of WEEL, presented written testimony. She described her experiences with the health care cuts where there was no child support help with the close of the call centers. She pointed out the cuts would result in greater catastrophes and was immoral to balance the budget on the economically disadvantaged. **EXHIBIT(tas04a03)**

Mary Caroulis, representing a youth home, described the closing of homes and the problem this presented to runaways. She said many of these young people were desperate and had an opportunity to live safely in a youth home versus jail or dealing drugs or sex for places to live. These young people need to fit in and to bond. Advice should be from an adult and not those on the street. In the homes, they learn skills to live independently. She asked the committee members to help these displaced youth and prevent further cuts to the programs. **{Tape : 2; Side : A; Approx. Time Counter : 1.6 - 15.7}**

Judy Erickson, WEEL, talked about the cuts that would shut the centers. She talked about the PATH Program that was like a ticket for work. If these kids do not have employment training, no education, GED or job experience - they can't get hired. She asked for a positive vote for SB 23.

Linda Johnson, president of the League of Woman Voters, supported adequate state funding for mental health programs. She was alarmed by the cuts and they would hurt those who were vulnerable. Solutions were needed. **{Tape : 2; Side : A; Approx. Time Counter : 18.9 - 20.6}**

Lynn Crawford, representing Duran Caferro who was at work, read his testimony. He worked at a group home for 12 years and was devoted to the youth. He explained how the cuts impacted the children who came from broken homes. **EXHIBIT(tas04a04)**

Frank L. Johnson, a medical director from the Family Physicians Group, said the legislators needed to look at how Montana citizens were put at risk. There needs to be a reasonable source of funding for the citizens who were most in need.

Mike O'Neal, AWARE, said he witnessed the devastating impact of the mental health cuts. He pointed out the testimony made by those struggling under tremendous needs, which was disrupting families. The funding source provided opportunities for family relief. **{Tape : 2; Side : A; Approx. Time Counter : 20.6 - 26.8}**

Mary Caferro, WEEL, described those who had been waiting all day to testify and their extreme efforts to get here. She pointed out there was a human face to the budget cuts. The impact has been since November. She listed the cuts in the programs that affected the elderly, the mentally ill, and children with disabilities. She said the health policy of the state needed to be immediately addressed. **{Tape : 2; Side : A; Approx. Time Counter : 26.8 - 30}**

Bob Holmes, a retired minister, described his health and family were fortunately not a problem. However, there was an opportunity to restore the funding to those nearest the edge of disaster. He quoted President Bush who once said "There is no capitalism without conscious and no earth without character." He urged the committee to vote for the bill. **{Tape : 2; Side : B; Approx. Time Counter : 0 - 1.8}**

Opponents' Testimony: **Nancy Butler, Montana State Fund**, was against the bill. She pointed out the long term ramifications on the fund that would transfer money from the Montana State Fund. This fund was the contributions of the workers' compensation

insurance policies since 1990. There are 25 thousand insured policy holders who would oppose an increase on their premiums. She talked about the importance of an adequate surplus to maintain insurance obligations for injured workers. Catastrophic events can occur that would take years to recover funding. She noted the need for financial solvency through adequate surplus. She doubted this fund could be used for other purposes as it would raise legal issues. **{Tape : 2; Side : B; Approx. Time Counter : 1.8 - 10.8}**

Jackline Lennart, American Insurance Association, told the committee that **Roger McGlynn**, who represented insurance agents, was opposed to the bill. The AIA opposed the transfer. She pointed out this was not responsible insurance practice and would appear to be a quick decision with no factual information supporting it. The concern is over the 1980's and 1990's the Workers' Compensation was out of control. Solvency is the important issue here for stability of workers's compensation. She pointed out the insurance industry was highly regulated and there were good and valid reasons for this. It not only protects solvency but policy holders rely on protection. Any attempt to impair the solvency of insurance is not taken lightly or quickly. The funds are needed to protect workers that may be injured. **{Tape : 2; Side : B; Approx. Time Counter : 10.8 - 18.6}**

Riley Johnson, NFIB, said there were 7,000 members in his organization which had 2-3 employees with \$250 thousand dollars of gross sales per year. He asked the committee to remember the 1980's. It was now different as the state fund was stable. Employees have a stake, an ownership, in their health and safety on the job. The program works and no one wants to experience what happened to the fund in the 1980's.

Webb Brown, Montana Chamber of Commerce, urged a no vote on the bill.

Questions from Committee Members and Responses: **Senator Ellingson** asked **Nancy Butler** about the excess funds. **Butler** talked about the restructuring proposal for the state fund that would be considered in the regular session. **Senator Ellingson** asked about the consequences she had alluded to regarding an 18% policy increase for employers to replace the excess funds if they were transferred. **Butler** discussed the old fund and there would be no excess in the future. **{Tape : 2; Side : B; Approx. Time Counter : 18.6 - 28}**

Senator Glaser asked about the money that was obligated to service the old fund. He asked about the plans for the division to become privatized. **Senator Bohlinger** described the testimony

he heard earlier in the summer by **Mr. Swanson** offering the money. It did not impair the solvency of the state fund. He asked who had a claim to the money. **{Tape : 3; Side : A; Approx. Time Counter : 0 - 5.5}** He noted those opposed to the bill focused on the solvency of the fund. He asked how the bill would create this insolvency. **Butler** said the money would not be there for the future. The financial condition of the new fund would be tapped for \$14 million dollars. As an insurance company, it is mandated that the fund maintain solvency and a surplus against unexpected claims. It is important to the state that there not be any unfunded liabilities. **{Tape : 3; Side : A; Approx. Time Counter : 5.5 - 13.1}**

Senator DePratu asked why a dividend had been paid. **Senator Bohlinger** commented this was an enticement paid out to those employers who were performing well for providing safety. **{Tape : 3; Side : A; Approx. Time Counter : 13.1 - 19}**

Senator Glaser pointed out this was a tough decision to take money paid on payroll taxes and use it for other programs. The money belongs to the employers and employees. **{Tape : 3; Side : A; Approx. Time Counter : 19 - 23.4}**

Closing by Sponsor: **Senator Elliott** closed on the bill. He said the fund had a surplus that was larger than they needed. The state could rescue them if needed. Taking the money would not put them in jeopardy. He pointed out the state fund was in the state system and it was not a mutual insurance company. The money reverts to the state of Montana. **{Tape : 3; Side : A; Approx. Time Counter : 23.4 - 30}** He noted this was like a tax rebate as the money could be used for a greater good. He said the legislature had voted to cut funding for social programs but too much had been cut. The strength of Montana was not in building an excess surplus in the insurance fund but rather in taking care of people who need help. **{Tape : 3; Side : B; Approx. Time Counter : 0 - 6}**

HEARING ON SENATE BILL 20

Sponsor: **Senator Don Ryan** opened on the bill. **EXHIBIT(tas04a05)** He described the complexity of school funding. He noted that the Pendroy District had not complied with the spirit of the equalization system as they had refused to spend their full budget.

Proponents' Testimony: **Bob Vogel** said that the purpose was to spend the money locally and they should at the 80% level.

Tom Biladeau, MEAMFT, said education programs should be protected.

Opponents' Testimony: None

Informational Witness: **Madalyn Quinlan, OPI**, pointed out there was a reason why districts won't spend their budgets, perhaps their revenues fall short. Enrollment may be less than the A&B that is used to fund the budget.

Questions from Committee Members and Responses: **Senator Ellis** asked if the schools returned money to the General Fund if they did not spend all of it. He questioned the policy of the Montana School Board's Association about the 80-90 percent spending guidelines. **Vogel** replied they believed in equalization and the districts should all spend their budgets towards this end. He pointed out the problem was the declining enrollments. **{Tape : 3; Side : B; Approx. Time Counter : 6 - 20.1}**

Chairman DePratu asked about the effect on the property tax situation at the local level. **Quinlan** replied for every dollar of savings there would be that much property tax increase. **Chairman DePratu** asked if a one time sunset at the end of the fiscal year could be considered. **Senator Ryan** said no. He described the basis of the lawsuit was the equalization issue to allow a time table for every district to move to the 80% level. **{Tape : 3; Side : B; Approx. Time Counter : 20.1 - 27.8}**

Closing by Sponsor: **Senator Ryan** closed. **{Tape : 4; Side : A; Approx. Time Counter : 0 - 1.9}**

HEARING ON SENATE BILL 21

Sponsor: **Senator Ken Toole** presented the bill. He explained the tax on hydroelectric at .25 cents per kilowatt. He noted there was no fiscal note. The bill referred to the purchase of the dams and the funding study. He pointed out it would be difficult for PPL to pass through the tax. Avista Corporation would also be affected. They may be able to pass through the costs to customers in Washington or Idaho. The bill is difficult to pass to residential consumers. **{Tape : 4; Side : A; Approx. Time Counter : 1.9 - 7.5}**

A recess was taken at 5:52 p.m. and reconvened at 6:47 p.m.

Proponents' Testimony: None

Opponents' Testimony: **Neil Colwell, Avista Corporation,** opposed the bill. He read his testimony and distributed a copy to committee members. **EXHIBIT(tas04a06) {Tape : 4; Side : A; Approx. Time Counter : 7.5 - 18.8}**

David Hoffman, PPL of Montana, opposed the bill. He read his testimony and distributed a copy to committee members. **EXHIBIT(tas04a07)** He was concerned about the change of the tax structure that could encompass other Montana water users. He urged a no vote. **{Tape : 4; Side : A; Approx. Time Counter : 18.8 - 23.6}**

Mike Murphy opposed the bill. He stressed this bill was alarming and taxing a water right would produce very adverse effects. These rights were a constitutionally protected private property right. The tax would be passed to rate payers. He opposed the bill. He stated **John Youngblood, Montana Farm Bureau,** also was against this proposal.

Don Allen, Montana Wood Products Association and Western Environmental Trade Association, said this was a bad idea that would produce negative impacts. He pointed out there would be no end to the impact as it would effect agriculture and recreation. This would impact the economy overall. There were 22 other associations who could not be here that opposed this bill. They were concerned about the ripple effect. **{Tape : 4; Side : A; Approx. Time Counter : 23.6 - 26.8}**

Webb Brown, Montana Chamber of Commerce, opposed the bill.

Questions from Committee Members and Responses: **Senator Ellis** asked for clarification of the taxing environments of other states. **Colwell** talked about the general tax and wholesale transmission tax from the state of Idaho. He noted that the energy produced for manufacturing, mining and irrigation was exempt. Irrigators get a rebate for energy produced by hydroelectric. Avista needs to determine those exemptions in order to factor in an effective rate of tax. **Senator Toole** noted the concept was to benefit from the Montana Power System and the dams for a revenue source. He pointed out a tax burden would be passed on to customers in the form of rate changes. **Senator Bohlinger** referred to his opening comments that this would not be a pass through to present rate payers. **{Tape : 4; Side : B; Approx. Time Counter : 0 - 6.6}**

Senator Toole pointed out with Avista the ratepayers were in other states. Operation and maintenance costs were passed through. Most of these were not Montana customers. Pennsylvania

Power contracts with Northwestern Corporation. The price is already fixed through the term of their contract. The irony was there was a lower price in the market.

Closing by Sponsor: **Senator Toole** closed. He described the reasoning behind the legislation. He noted the Pennsylvania Power had record profits after purchasing our power. This means a tremendous benefit leaves the state. A look at taxing this is justified as this does not tax water but kilowatt hours.

HEARING ON SENATE BILL 22

Sponsor: **Senator Steve Doherty, SD 24 in Great Falls and Cascade County,** presented the bill. He talked about the importance of developing public policy to deal with corporations who award bonuses to their officers when their stockholders have lost money. Corporations should not be allowed to take a tax deduction for this expenditure. He pointed out this bill would bring \$250 thousand dollars to the state. **{Tape : 4; Side : B; Approx. Time Counter : 6.6 - 17.1}**

Proponents' Testimony: **Senator Glenn Roush, SD 43,** said he worked for Montana Power for 41 years, which is now Touch America. He described the number of Montana Power employees who owned stock. The stock price had fallen to .51 cents and many people were hurt. He said it was not acceptable when the board rewards the officers of the company with bonuses and thousands of employees were hurt by the impact. He noted concerns about the pension plan trust if bankruptcy occurred. **{Tape : 4; Side : B; Approx. Time Counter : 17.1 - 24.7}**

Opponents' Testimony: **Representative Joe Bayleat, HD 32,** pointed out there was no logic in putting the corporation, who was already suffering, responsible for action of the officers. The decline of the stock price was not their fault. The bill would drop the price further and would lower their net profit. He urged the committee to vote no on the bill.

Questions from Committee Members and Responses: **Senator Ellis** questioned if there was any way to get at the money after the fact. **{Tape : 4; Side : B; Approx. Time Counter : 24.7 - 30}** **Senator Glaser** talked about the hundreds of companies that had their stocks reduced over 50% this year. This was a bad situation in bad economic times. He said the boards could still give the bonuses but the deductions could not be written off. He noted the intent of the bill was to go after the bonuses.

Senator Ellingson questioned what was considered a deduction. **Lee Heiman** pointed out most of this was defined in the IRS code, for example there were ratios for retirement and ways to determine salary deductions. **{Tape : 5; Side : A; Approx. Time Counter : 0 - 21.2}**

Senator Ekegren questioned the difference between salaries and bonuses. **Bayleat** replied the salaries were paid through the year and bonuses paid at the end of the year or through some contractual agreement. He pointed out the private sector and the free market was very creative in the way they respond to bureaucracy.

Closing by Sponsor: **Senator Doherty** closed. He described the bill as an attempt to deal with the side effects of the situation. He said a crook was born every minute but the public sector needs to respond and begin to address the shenanigans. **{Tape : 5; Side : A; Approx. Time Counter : 21.2 - 25.4}**

HEARING ON SENATE BILL 28

Sponsor: **Senator Steve Doherty, SD 24**, presented the bill. He said the bill was an attempt to deal with the side effects of the Economic State Recovery Act, which had unintended consequences by reducing corporate income tax revenue. The National Governor's Association had opposed the concept and called it an assault on the revenue base. The solution was to decouple the Montana Income Tax from the federal. Thirty other states have done this. It is not a tax increase. He said information gathered from the Conference of State Legislatures talked about the benefits from decoupling from the federal schedules. This would bring in \$16 million dollars in the biennium. **{Tape : 5; Side : A; Approx. Time Counter : 21.2 - 30}**

Proponents' Testimony: **Tom Bilideau, MEAMFT**, described the need for revenue for schools.

Opponents' Testimony: **Rep. Joe Bayleat, HD 32**, opposed the bill. He said this was perceived as a tax increase but it would delay tax deductions and in the long run there would be no increase in revenue. It was borrowing from the future to pay for excess spending now. He pointed out the future could be worse with a \$250 million dollar difference in January. Montana's tax system does not follow the federal. There are some tax credits that are special to Montana. Decoupling makes it more complex. There would need to be two sets of books with capital assets. There are different asset bases and it would be a tracking nightmare. There would be two calculations for deferred tax expenses. It is

more complex. The fiscal note only reflects the cost to government not the private sector. It would increase costs to the private sector. He said this should be made simple rather than more complex. He described the various depreciation schedules. **{Tape : 5; Side : B; Approx. Time Counter : 9 - 12.4}**

Questions from Committee Members and Responses: Senator

Bohlinger pointed out there were 29 states who had adopted this decoupling and it seemed like a good policy. **Bayleat** replied those states were in a major crisis. It was not good policy - they were just desperate. He pointed out the depreciating assets were not kept but rather were traded in. It would be difficult to keep two sets of books to track this.

Senator Stonington asked if acceleration was taken on certain or all assets. **{Tape : 5; Side : B; Approx. Time Counter : 12.4 - 18.6}** **Larry Finch** described how the assets were deducted considering the life of the property and accounting procedures. He said he did not know if additional calculations would be necessary. **Senator Doherty** pointed out only certain investments could be depreciated. **Lee Heiman** discussed the new federal allowances. **{Tape : 5; Side : B; Approx. Time Counter : 18.6 - 30}**

Closing by Sponsor: Senator Doherty closed. He said the bill had merit now and would help address the shortfall. **{Tape : 6; Side : A; Approx. Time Counter : 2.3 - 5.4}**

Chairman DePratu announced that SB 24 had been withdrawn.

EXECUTIVE ACTION ON SENATE BILL 28

Senator Ellingson moved do pass. **Senator Bohlinger** noted this would add money today to help the budget crisis.

Senator Ellis opposed the bill. The federal government encouraged companies to stimulate the economy. This bill would send a bad signal. People are in tough times and they will look to recover some of their losses when they file their income taxes. They will need the deductions.

The question was called. The bill was tabled on a 6-3 vote.

EXECUTIVE ACTION ON SENATE BILL 22

Senator Glaser noted the desire to punish Mr. Gannon, MPC, and his misjudgments in paying out bonuses when the stockholders lost thousands of dollars. **Senator Ekegren** moved do pass.

Senator Glaser pointed out that everyone would be subject to this bill if they do business in Montana. Those affected would move to Wyoming or Idaho. This would represent a disincentive to corporations and would hurt the economy.

Senator Bohlinger said he understood the intent and he would like to punish the corporations director that effected the stockholders. But, the bill will not accomplish the desired result. He felt the only recourse to address the situation with MPC was a class act lawsuit. **Senator Ekegren** said he supported the bill. It needs work but also needed to be heard. **Senator Ellis** noted that with amendments he would support the bill. It makes a statement though it may not be effective. **Chairman DePratu** said this would not reach the board of directors. It sends a message but may also drive business out of the state. He pointed out other ways to reach such problems was through auditing. **Senator Stonington** suggested a statement be sent to Congress addressing accounting standards. **Senator Glaser** pointed out the real problem was an economic downturn in the technology market. It was an economic problem. The question was called. The motion failed 3-6.

A reverse vote was taken to table the bill. That motion passed 6-3. {Tape : 6; Side : A; Approx. Time Counter : 5.4 - 30}

EXECUTIVE ACTION ON SENATE BILL 21

Senator Ellis moved to table the bill. The vote was 6-3 in favor of tabling.

EXECUTIVE ACTION ON SENATE BILL 20

Senator Ellis moved do pass. **Senator Harrington** talked about the equalization process and how many teachers did not make tenure. **Senator Ellis** discussed the rate schedule. Those schools who were below the 80% should not be forced to spend money because of onerous regulation. He noted the Indian schools get two budgets. **Senator Glaser** reminded the committee about the Special Session that had been called in the past to punish schools for not spending equally. He pointed out schools with 12-15 students

with one or two teachers would have different reasons for not spending all their budgets. They may be frugal. Their communities may be too far from civilization and they would rather save the money for more needy times. The question was called. The vote failed 3-6.

Senator Ellis moved to table the bill. The vote was reversed 6-3 in favor of tabling.

EXECUTIVE ACTION ON SENATE BILL 23

Senator Bohlinger moved do pass. He pointed out the bill would bring in \$15 million dollars and it could be applied to the General Fund.

Senator Ellingson wondered about **Mr. Swanson's** presentation that had suggested this multimillion dollar inducement, "bribe", in exchange for becoming an independent entity. He felt the money was available anyway and would not affect policy holders, rates or obligations of the fund. *{Tape : 6; Side : B; Approx. Time Counter : 16.5 - 18.2}*

Senator Harrington noted the bill was designed to help the needy people. The legislature had given \$20 million dollars once to the workers compensation fund and paid the money back. It was the people's money. This is surplus money, the people's money - not individual contributors. A surplus is not legitimate in the face of heavy cuts faced by the whole. *{Tape : 6; Side : B; Approx. Time Counter : 18.2 - 30}*

Senator Bohlinger agreed the surplus in the state fund belonged to the state.

The question was called. The motion passed 5-4 on a roll call vote.

EXECUTIVE ACTION ON SENATE BILL 16

Senator Ekegren moved to table. The motion passed 7-2. *{Tape : 7; Side : A; Approx. Time Counter : 5.4 - 8.5}*

EXECUTIVE ACTION ON SENATE BILL 8

Senator Glaser said the cigarette tax would be addressed some day but now was not the time. **Senator Ellis** moved do pass. **Senator Stonington** said an increase would be seen in time. She moved to

table the bill. **Senator Bohlinger** said the bill did not go far enough. It was temporary and inadequate. He supported tabling the bill. **Senator Ellis** moved to table. The motion passed unanimously.

EXECUTIVE ACTION ON SENATE BILL 7

Senator Ellis said the borrowed money would need to be repaid and needed that amendment. **Senator Bohlinger** moved do pass. **Senator Ellis** moved the amendment. **Lee Heiman** read the revenues amendment on line 6. The question was called on the amendment. The motion passed unanimously.

Senator Ellis moved to table as amended. The motion passed unanimously.

EXECUTIVE ACTION ON SENATE BILL 4

Senator Harrington moved do pass. **Senator Bohlinger** said he was in favor of the bill. It would provide another option for increasing revenue for the state. The motion failed. **Senator Glaser** moved a substitute motion to table. The motion to table passed 6-3 on a roll call vote. {*Tape : 7; Side : A; Approx. Time Counter : 17.8 - 20.9*}

ADJOURNMENT

Adjournment: 9:42 P.M.

SEN. BOB DEPRATU, Chair

DEB THOMPSON, Secretary

BD/DT

EXHIBIT(tas04aad)