

MINUTES OF THE MEETING
NATURAL RESOURCES SUBCOMMITTEE
50TH LEGISLATIVE SESSION
HOUSE OF REPRESENTATIVES

The meeting of the Natural Resources Subcommittee was called to order by Chairman Swift on January 20, 1987 at 8:00 a.m. in Room 317 of the State Capitol

ROLL CALL: All members were present. Also present were Carl Schweitzer, Senior Fiscal Analyst from the Office of the Legislative Fiscal Analyst (LFA) and Sib Clack and Carolyn Doering, Budget Analysts from the Office of Budget & Program Planning (OBPP).

Tape 28A:000

DEPARTMENT OF COMMERCE:

Milk Control Board:

Carl Schweitzer will work out the language for the main Milk Pooling bill and return it to the committee.

Business Assistance:

Carl Schweitzer gave an overview (EXHIBIT 1). He explained that the Business Assistance Program is financed primarily with general funds. They have almost \$700,000 in the current level base of general funds. The major difference is in advertising funds. There are some private funds that the Department feels are available at \$300,000 each year that were built into the LFA's current level because there was very little expended in 1986 towards advertising. There were some cuts in FY87 that the executive continued into FY88 and 89: \$7800 in contracted services, \$5600 in travel, and \$2000 in office equipment. Two budget modifications that were included in the executive recommendation didn't include any general funds. The Pacific Rim Trade Office had \$90,340 the first year for start-up costs and \$177,000 in the second year of the biennium. This would be financed by 1/3 wheat research money, 1/3 beef and pork money, and 1/3 from the accommodations tax. Basically, \$30,000 was from each one of the above sources in FY88 and \$60,000 was from the above in FY89. The last modification was small business development centers: one in Helena and one to be proposed in Glendive at the Dawson Community College. These were Federal funds for \$221,000 in each fiscal year.

Discussion:

Keith Colbo, Director of the Department of Commerce (DOC), stated that the objection is that there is approximately

Tape 28B

EXECUTIVE ACTION

Senator Story moved to accept the Executive budget on Item 1 (Advertising Funds). The motion PASSED unanimously.

Senator Story moved to accept the Executive budget on Items 2 and 3 (5% Cuts and Equipment). The motion PASSED unanimously.

Chairman Swift asked the committee to delay action on Item #4 until the status of HB 84 is known. Item #4 refers to MOD Pacific Rim Trade Office. (101)

Discussion

Chairman Swift had numerous questions regarding Item #5 (MOD Small Business Development Centers) and the matching of \$221,000 in Federal funds with General Funds, and the new program for the Glendive area.

Carol Daly said they were using existing general funds, not additional ones in the match; plus the in-kind services used to match the general funds had several other contributors helping them raise the money. The committee was concerned about where the general funds would go--to new or established business assistance.

Representative Devlin wanted to know how a 25% per year cut in general funds would affect the program.

Mr. Colbo said it would eliminate an entire function and would probably eliminate the ability to obtain federal funds and private contributions. He could report back, but the committee must choose between functions at this point, not an across-the-board cut.

Sib Clack said that a 25% cut would mean \$171,673 in FY88 and \$170,805 in FY89. From an executive point of view this devastates the program. She concluded by recommending that the committee not cut this budget.

Chairman Swift asked to delay a motion because not all members are present.

Transportation

In response to Representative Spaeth's successful motion yesterday requesting a Department report on the effects

of the 5% cut in the general fund, the Department submitted Exhibits 2, 3, and 4.

Bill Fogarty said the cuts will, in essence, impact 3 positions. (EXHIBIT 2)

Montana Promotion

John Wilson explained to the committee that funding for the entire staff/division would switch from the general fund to being funded by the accommodation tax.

Chairman Swift said the committee should have to delay action until they could see what happens to the House bills that affect this then.

Science and Technology

Chairman Swift said that legislation is pending on this division also.

Sam Hubbard clarified that the amount being discussed for this division was \$170,000 for the biennium, relating to administrative costs, and that the money is being generated by alternative energy funds, which is a branch of coal tax money.

Carl then gave an overview of the situation and recommended that Science and Technology be funded only by the portion of the coal tax money which goes to the alternative energy account. Discussion followed and then Sib mentioned that it would take a 3/4 vote to make the changes. Carl contradicted this, saying he thought this procedure applied only if you were to tap directly into coal tax money. A simple majority would change the funding from coal tax to repayment through loans for the DNRC.

Sen. Smith opposed supporting this project because it would be in competition with other out-of-state energy development programs, which he didn't feel Montana was capable of competing with.

Mr. Hubbard said that Science and Technology has only funded one energy-related project, but has funded 3 in agriculture, 3 or 4 in bio-technology, one of which relates to agriculture, and 2 that relate to the wood products industry. He felt that the program has a very strong orientation in trying to solve problems that afflict our basic industries. Very little is cutting-edge technology.

EXECUTIVE ACTION

Sen. Story moved to continue the program at the level of dollars available for the alternative energy fund, amounting to nearly \$2,250,000 for the biennium. This would include Items 1 and 2 funding at the LFA level. The motion PASSED, with Rep. Spaeth voting no by proxy, and Sen. Smith voting no.

Tape 29B

Ecnomic Analysis

Carl gave an overview of the situation. In this budget, there was quite a bit of money transferred into the program that was not part of the appropriated base that the legislature appropriated for this program in FY86. They made an exception in this case and used the appropriated amount as the basis of the current level budget for this program. The basic difference is approximately \$29,000 each year of general funds and \$20,000 of federal funds.

Sib pointed out that through legislation they had given 5% program transfer authority for flexible management decisions, and that this is a perfect example of the kind of flexibility they'd given to agencies in suing their appropriations authority.

Sen. Smith asked where the transfer came from and was told by Steve Huntington that \$12,500 came from the Business Assistance Division and the remaining came from Business Regulations.

Sib mentioned that she had made an Executive Budget error and understated the budget by \$3,500.

EXECUTIVE ACTION

Sen. Smith moved to accept Item #1 (Per Diem) and it PASSED, with Rep. Spaeth and Sen. Boylan absent.

Sen. Smith moved that the committee accept the Executive Budget and then reduce it by 10%.

Sib stated that, for the record, that 10% cut would be \$27,169 in FY88 and \$26,629 in FY89.

The motion PASSED, with Rep. Manuel voting no, and Rep. Spaeth and Sen. Boylan absent.

Natural Resources Subcommittee
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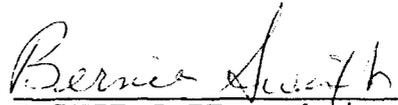
Health Facility Authority: (356)

Carl gave an overview (page c-181), and discussion followed. (466)

EXECUTIVE ACTION:

Senator Smith moved to accept the Executive Budget for Items 1-5. The motion PASSED, with Rep. Spaeth, and Sen. Boylan absent.

ADJOURNMENT: There being no further business, the meeting adjourned at 11:20 a.m.



BERNIE SWIFT, Chairman

Natural Resources Subcommittee
Exhibit 1

Agency: Commerce	Subcommittee Action			Program: Bus. Assistance		
	Fiscal 1988			Fiscal 1989		
	Executive	Current Level	Difference	Executive	Current Level	Difference
FTE	16.00	12.00	4.00	16.00	12.00	4.00
Personal Serv.	\$ 485,509	\$367,858	\$117,651	\$ 485,556	\$368,123	\$117,433
Operating Exp.	807,953	326,035	481,918	896,433	323,569	572,864
Equipment	<u>4,570</u>	<u>4,000</u>	<u>570</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Exp.	<u>\$1,298,032</u>	<u>\$697,893</u>	<u>\$600,139</u>	<u>\$1,381,989</u>	<u>\$691,692</u>	<u>\$690,297</u>
Funding						
General Fund	\$ 686,692	\$697,893	\$(11,201)	\$ 683,219	\$691,692	\$(8,473)
State Spec. Rev.	30,114	-0-	30,114	59,257	-0-	59,257
Federal	<u>581,226</u>	<u>-0-</u>	<u>581,226</u>	<u>639,513</u>	<u>-0-</u>	<u>639,513</u>
Total Funding	<u>\$1,298,032</u>	<u>\$697,893</u>	<u>\$600,139</u>	<u>\$1,381,989</u>	<u>\$691,692</u>	<u>\$690,297</u>

Differences	Add to (Subtract From) LFA Current Level		Subcommittee Action	
	Fiscal 1988	Fiscal 1989	Fiscal 1988	Fiscal 1989
1. Advertising Funding (Private Funds)	\$300,000	\$300,000	_____	_____
2. Continuation of 5% Cuts				
a. Contract Service	(7,847)	(7,565)	_____	_____
b. Travel	(5,633)	(5,633)	_____	_____
3. Equipment				
Office Equipment	(2,000)	(2,000)	_____	_____
4. MOD Pacific Rim Trade Office (Private & Accomodations Tax)	90,340	177,770	_____	_____
5. MOD Small Business Development Centers (Federal Funds)	221,000	221,000	_____	_____

Subcommittee Action

Agency: Commerce

Program: Montana Promotion

	----- Fiscal 1988 -----			----- Fiscal 1989 -----		
	<u>Executive</u>	<u>Current Level</u>	<u>Difference</u>	<u>Executive</u>	<u>Current Level</u>	<u>Difference</u>
FTE	14.00	11.00	3.00	14.00	11.00	3.00
Personal Serv.	\$ 350,120	\$ 275,178	\$ 74,942	\$ 349,857	\$ 275,040	\$ 74,817
Operating Exp.	3,364,106	1,171,523	2,192,583	3,440,449	1,168,487	2,271,962
Equipment	3,900	329	3,571	1,100	329	771
Non-Operating	<u>1,211,169</u>	<u>-0-</u>	<u>1,211,169</u>	<u>1,235,607</u>	<u>-0-</u>	<u>1,235,607</u>
Total Exp.	<u>\$4,929,295</u>	<u>\$1,477,030</u>	<u>\$ 3,482,265</u>	<u>\$5,027,013</u>	<u>\$1,443,856</u>	<u>\$ 3,583,157</u>
Funding						
General Fund	\$ -0-	\$1,447,030	\$(1,447,030)	\$ -0-	\$1,443,856	\$(1,443,856)
State Spec. Rev.	4,579,295	-0-	4,579,295	4,677,013	-0-	4,677,013
Federal	<u>350,000</u>	<u>-0-</u>	<u>350,000</u>	<u>350,000</u>	<u>-0-</u>	<u>350,000</u>
Total Funding	<u>\$4,929,295</u>	<u>\$1,447,030</u>	<u>\$ 3,482,265</u>	<u>\$5,027,013</u>	<u>\$1,443,856</u>	<u>\$ 3,583,157</u>

Add to (Subtract From)

LFA Current Level

Subcommittee Action

Differences

Fiscal 1988

Fiscal 1989

Fiscal 1988

Fiscal 1989

1. Budget Contingent Upon
Legislation on Accomodations
Tax

Subcommittee Action

Agency: Commerce

Program: Science and Technology

	Fiscal 1988			Fiscal 1989		
	<u>Executive</u>	<u>Current Level</u>	<u>Difference</u>	<u>Executive</u>	<u>Current Level</u>	<u>Difference</u>
FTE	5.00	0.00	5.00	6.00	0.00	6.00
Personal Serv.	\$ 162,888	\$ -0-	\$ 162,888	\$ 190,020	\$ -0-	\$ 190,020
Operating Exp.	89,373	-0-	89,373	99,869	-0-	99,869
Equipment	4,449	-0-	4,449	2,290	-0-	2,290
Non-Operating	<u>1,178,260</u>	<u>-0-</u>	<u>1,178,260</u>	<u>1,240,269</u>	<u>-0-</u>	<u>1,240,269</u>
Total Exp.	<u>\$1,434,970</u>	<u>\$ -0-</u>	<u>\$1,434,970</u>	<u>\$1,532,448</u>	<u>\$ -0-</u>	<u>\$1,532,448</u>
Funding						
State Spec. Rev.	\$1,362,421	\$ -0-	\$1,362,421	\$1,427,388	\$ -0-	\$1,427,388
Federal	72,549	-0-	72,549	1,362,421	-0-	1,362,541
Proprietary	72,549	-0-	72,549	1,362,421 105,060	-0-	1,362,421 105,810
Total Funding	<u>\$1,434,970</u>	<u>\$ -0-</u>	<u>\$1,434,970</u>	<u>\$4,152,230</u>	<u>\$ -0-</u>	<u>\$4,152,230</u>

Add to (Subtract From)

LFA Current Level

Subcommittee Action

<u>Differences</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
1. Continuation of Current Level	\$1,345,000	\$1,410,000	_____	_____
2. MOD Secretarial Position	17,421	17,388	_____	_____
3. MOD Seed Capital				
2 FTE in 1988				
3 FTE in 1989	72,549	105,060	_____	_____
4. Difference in Alt. Energy Rev.				
5. Language on commerce getting the portion of the Coal Severance Tax apportioned to Alternative Energy and DNRC gets loan repayments				

Subcommittee Action

Agency: Commerce

Program: Economic Analysis

	----- Fiscal 1988 -----			----- Fiscal 1989 -----		
	<u>Executive</u>	<u>Current Level</u>	<u>Difference</u>	<u>Executive</u>	<u>Current Level</u>	<u>Difference</u>
FTE	7.00	7.00	0.00	7.00	7.00	0.00
Personal Serv.	\$192,578	\$196,125	\$(3,547)	\$192,374	\$195,926	\$(3,552)
Operating Exp.	114,200	58,641	55,559	109,230	57,096	52,134
Equipment	<u>1,411</u>	<u>2,131</u>	<u>(720)</u>	<u>1,188</u>	<u>1,908</u>	<u>(720)</u>
Total Exp.	<u>\$308,189</u>	<u>\$256,897</u>	<u>\$51,292</u>	<u>\$302,792</u>	<u>\$254,930</u>	<u>\$47,862</u>
Funding						
General Fund	\$268,189	\$236,897	\$31,292	\$262,792	\$234,930	\$27,862
State Spec. Rev.	<u>40,000</u>	<u>20,000</u>	<u>20,000</u>	<u>40,000</u>	<u>20,000</u>	<u>20,000</u>
Total Funding	<u>\$308,189</u>	<u>\$256,897</u>	<u>\$51,292</u>	<u>\$302,792</u>	<u>\$254,930</u>	<u>\$47,862</u>

<u>Differences</u>	Add to (Subtract From)		Subcommittee Action	
	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
1. Governor's Council Per Diem	\$(3,500)	\$(3,500)	_____	_____
2. Operating Expenses LFA used 1986 appropriated as base. Executive used 1986 expenditure as base	49,323	49,323	_____	_____
Difference is \$29,323/yr general fund and \$20,000/yr federal funds				
3. Additional LFA Gen. Fund Reductions 2,500		2,500	_____	_____
4. Indirect Charges	3,570	3,540	_____	_____

Subcommittee Action

Agency: **Commerce**

Program: **Indian Affairs**

	----- Fiscal 1988 -----			----- Fiscal 1989 -----		
	<u>Executive</u>	<u>Current Level</u>	<u>Difference</u>	<u>Executive</u>	<u>Current Level</u>	<u>Difference</u>
FTE	2.00	2.00	0.00	2.00	2.00	0.00
Personal Serv.	\$55,339	\$55,346	\$ (7)	\$55,396	\$55,408	\$ (12)
Operating Exp.	<u>38,693</u>	<u>32,273</u>	<u>6,420</u>	<u>34,835</u>	<u>32,020</u>	<u>2,815</u>
Total Exp.	\$94,032 =====	\$87,619 =====	\$6,413 =====	\$90,231 =====	\$87,428 =====	\$2,803 =====
Funding						
General Fund	<u>\$94,032</u> =====	<u>\$87,619</u> =====	<u>\$6,413</u> =====	<u>\$90,231</u> =====	<u>\$87,428</u> =====	<u>\$2,803</u> =====

<u>Differences</u>	Add to (Subtract From) LFA Current Level		Subcommittee Action	
	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
1. Indian Profile Printing				
Printing	\$2,840	-0-	_____	_____
Mailing	550	-0-	_____	_____
2. Newsletter				
Printing	\$1,126	1,126	_____	_____
Mailing	600	600	_____	_____
3. Answering Service	200	200	_____	_____

Impacts of Legislative Action on the Transportation Division

The Transportation has incurred the following reductions for FY 88 and FY 89:

Loss of \$50,000 in Federal Rail Planning monies
Loss of \$16,267 due to vacancy savings of 4%
Loss of \$29,107 due to 5% budget reduction by subcommittee

Total reduction of \$95,374 for the Transportation Division

Impacts of this reduction are as follows:

Eliminate one Planner position in Intermodal Commodities Bureau

Eliminate either the Cost Specialist or the ICC Practitioner in the Litigation and Analysis Bureau - the result of this would be an increase in Consultant Services due to the loss of in-house expertise

Loss of some federal funds in the Transit Program due to a cut in the matching monies necessary for federal grants

The impacts in FY 89 would be the same, including the loss of an additional FTE in the Intermodal Commodities Bureau due to further loss of Federal Rail Planning monies



TED SCHWINDEN, GOVERNOR

STATE OF MONTANA

STATE OF MONTANA

(406) 444 3494

HELENA, MONTANA 59601

MEMORANDUM

TO: Bill

FROM: Patricia Saindon

DATE: January 19, 1987

SUBJECT: Passenger Bureau Biennium Statistics

To get a better picture of the impact the Passenger Bureau has on the state's population, I am submitting the following statistics.

The number of rides provided by equipment purchased through the Passenger Bureau for the 1986-87 biennium:

Elderly	658,304
Handicapped	287,848
General Public	422,600

The number of rides provided by Billings, Great Falls and Missoula for '86-87 is 3,523,918. These programs cannot operate or be eligible for federal funding without first conducting the planning activities that are subsidized by Section 8, which is administered by the Passenger Bureau.

The following communities have requested equipment for Fiscal 1988:

Baker
Belt
Billings
Bozeman
Browning
Butte
Chester
Chouteau

Dillon
Eureka
Ft. Belknap
Great Falls
Hardin
Havre
Helena
Jordan
Kalispell
Lame Deer
Lewistown
Libby
Missoula
Plentywood
Poplar
Whitehall

New Railroads Focusing on Short Lines

Lightly Used Track Bought From Big Carriers

By DANIEL MACHALABA

Staff Reporter of THE WALL STREET JOURNAL

About 20 years ago, A.J. Murphy became fed up with the railroad. Irrked by high rates and poor service, Mr. Murphy, who owns a grain elevator in Winthrop, Iowa, switched to trucks.

But now, after a group of entrepreneurs bought the local rail line from the Illinois Central Gulf Railroad last year, he again steps by rail. The new owner, Chicago, Central & Pacific Railroad, "wants your business, and they'll bend over backwards to help you," Mr. Murphy says.

Chicago, Central & Pacific is one of a slew of new railroads that are being created as major railroads sell lightly used tracks. More than 150 of them have been formed since 1960, compared with 47 during the 1970s, the Federal Railroad Administration says. Most are short lines with fewer than 100 miles, and some are much longer regional lines of more than 500 miles.

In addition to track, short line sales often include locomotives and equipment. The transactions have ranged from less than \$1 million to \$125 million.

The new railroads are jostling that by sustaining costs and boosting service, they can pump life into rail lines considered lousy by their previous owners.

Most of the track now being operated by short lines once might have been abandoned. But after the federal government deregulated the railroad industry in 1980, "we were amazed at how many people came forward to buy these lines," a Consolidated Rail Corp. official says.

Major railroads say the line sales are part of the industry's restructuring. Illinois Central Gulf, which has sold large chunks of track, is leading the trend, soon to be followed by Burlington Northern Inc. and CSX Corp., which are planning big divestitures of their own. Increasingly, major railroads are concentrating on their high-density core routes while turning to low-overhead carriers to feed them local freight. "If these new railroads are successful, it will help the whole railroad industry," says Peter Gilbertson, a Chicago, Central & Pacific vice president.

Neglected Track

But other railroad executives have misgivings. Some of the new companies operate track long neglected by the former owners and face big repair costs. Others lack the financial strength to weather economic downturns. Labor unions have attacked short lines, many of which are non-union.

The new railroad often offers jobs to crews that had worked for the railroad that is selling the track, but in fewer numbers and with less-restrictive work rules.

The new short lines are "whittling away wages and conditions of work that we built up over 100 years," says Daniel Collins, assistant general secretary and treasurer of the United Transportation Union. That union and others are lobbying Congress for legislation, fiercely opposed by the railroads, to protect jobs lost when short lines are created.

Nevertheless, railroads hail the benefits of the new companies. "This line doesn't have to support a big, bureaucratic organization, and we can respond quickly to customers," said J.C. McIntyre, president of Dakota, Minnesota & Eastern Railroad Corp., which last August bought 965 miles of track and trackage rights from CNW Corp.

For example, Dakota, Minnesota & Eastern recently dispatched a train crew 60 miles to Aberdeen, S.D., to help a grain elevator there get freight cars a day ahead

Ten Largest Short-Line Railroads

RAILROAD	MILES	ACQUIRED
Dakota, Minnesota & Eastern Railroad	965	9/86
Chicago, Central & Pacific Railroad	772	12/85
Gulf & Mississippi Railroad	713	7/85
Chicago, Missouri & Western Railroad	682	Pending
Iowa Interstate Railroad	552	11/84
Washington Central Railroad	430	10/86
MidSouth Rail	414	3/86
Paducah & Louisville Railway	311	8/86
Otter Tail Valley Railroad	176	10/86
Eureka Southern Railroad	166	11/84

Source: Wenzel, McClellan, Brudney & Kaplan P.C.

of schedule. Mr. McIntyre, who previously was a division manager for CNW's Chicago & North Western Transportation Co. unit, says that by the time the former owner would have decided to send the crew, it would be "two or three days, or never."

Flexible Use of Labor

Just as important are the new railroads' flexible use of labor, which has become the envy of the major railroads. They don't have the rigid craft distinctions that the big railroads have, and they often run trains with two-man crews, half the industry average. Aided by the labor savings, the new railroads have reduced rates and increased service. "You can do all sorts of wonderful things if you're a little railroad and you don't have all the work rules," says John Hall, assistant vice president, business development, of Burlington Northern Railroad.

It is too early to tell how the new owners will fare, but some of them point to early successes. Gulf & Mississippi Corp., which bought track from Illinois Central Gulf, has cut rates to lure back wood fiber and other freight that had been lost to trucks. And Chicago, Central & Pacific has rebuilt track and boosted service, much to the delight of Mr. Murphy, who owns the Iowa grain elevator.

The line's previous owner, Illinois Central Gulf, "had priced itself out of the market," Mr. Murphy says, "and you couldn't get the cars you needed." But he says such problems stopped after the line changed hands.

Illinois Central Gulf, a unit of IC Industries Co., shakes off the criticism. In the past few years, the company has generated more than \$400 million by selling 3,000 miles, or about half its railroad routes. "I'll take the cash," Harry Bruce, the rail unit's chairman, says. "They can have the credit" for improving service.

Some Lack Experience

The new railroads face problems, though. Some owners lack experience. "What I know about railroads, you could put in a thimble," says Nick Temple, formerly a Navy test pilot who owned convenience stores before becoming president of the Washington Central Railroad.

Others have borrowed heavily to buy the lines and don't have money to make track

repairs. On some lines, says John Riley, head of the Federal Railroad Administration, "the weeds have grown so high that you almost need a metal detector to find the rails." Recently, Gulf & Mississippi raised \$8 million from a public stock offering and plans to use much of it to repair 200 miles of track over which its trains have been held to a maximum speed of 10 miles an hour.

Major railroads are preparing to sell even more of their systems to short lines. Burlington Northern, for example, is seeking buyers for as much as a third of its 25,000 miles of tracks, and CSX may dispose of a quarter of its 25,000-mile route system. John F. Kawa, a first vice president and railroad analyst at Dean Witter Reynolds Inc., estimates that during the next five years, major railroads may sell between 20% and 30% of their track.

Big railroads say the public will benefit. The new short lines are providing "cheap, innovative transportation," says Mr. Hall, the Burlington Northern assistant vice president. "They have been quite successful with the small and medium size customers we weren't doing well with." He said Burlington Northern also benefits because it reduces overhead but still retains freight traffic. "We're not going to be a single system."

'A Single System'

Some railroads are resisting the trend. Norfolk Southern Corp. believes that its extensive network of branch and mainlines give it a marketing advantage. Though it is trying to sell some track in Georgia, Norfolk Southern currently isn't planning major divestitures. "Customers like to deal with one railroad, a single system," says James McClellan, Norfolk Southern's director, corporate development.

Labor unions want to exert their influence on future sales to short lines. The unions are clamoring for legislation that would compel the Interstate Commerce Commission to impose labor protection in short line sales. The commission orders such protection for workers who lose their jobs when railroads abandon lines or sell them to other railroads, but not in cases when the purchaser is a new short line.

Naturally, railroads are worried that the unions may get their way. If required by legislation, such severance obligations would boost the costs of selling surplus track and "severely curtail the short line movement," Mr. Hall says.

Another problem is that short lines fear that they will be in competition with major railroads for some shipments. More and more big railroads are turning to containers or truck trailers hauled on flat cars, and some are buying their own truck companies, allowing them to invade markets that once would have been captive to short lines.

Container Trains

But some short lines have won freight business from the big railroads. Several years ago, Delaware Otsego Corp., based in Cooperstown, N.Y., acquired track and trackage rights from Conrail. Last year, the railroad began to haul container trains for Sea-Land Corp. that previously had been handled by Conrail.

"Every small railroad dreams about landing the big one," said Walter Rich, president and chief executive officer of Delaware Otsego. Nevertheless, Mr. Rich acknowledges problems. His hilly, curvy stretch of lightweight track through northern New Jersey can't beat Conrail's track for speed, and on a couple of occasions Sea-Land's trains have derailed.

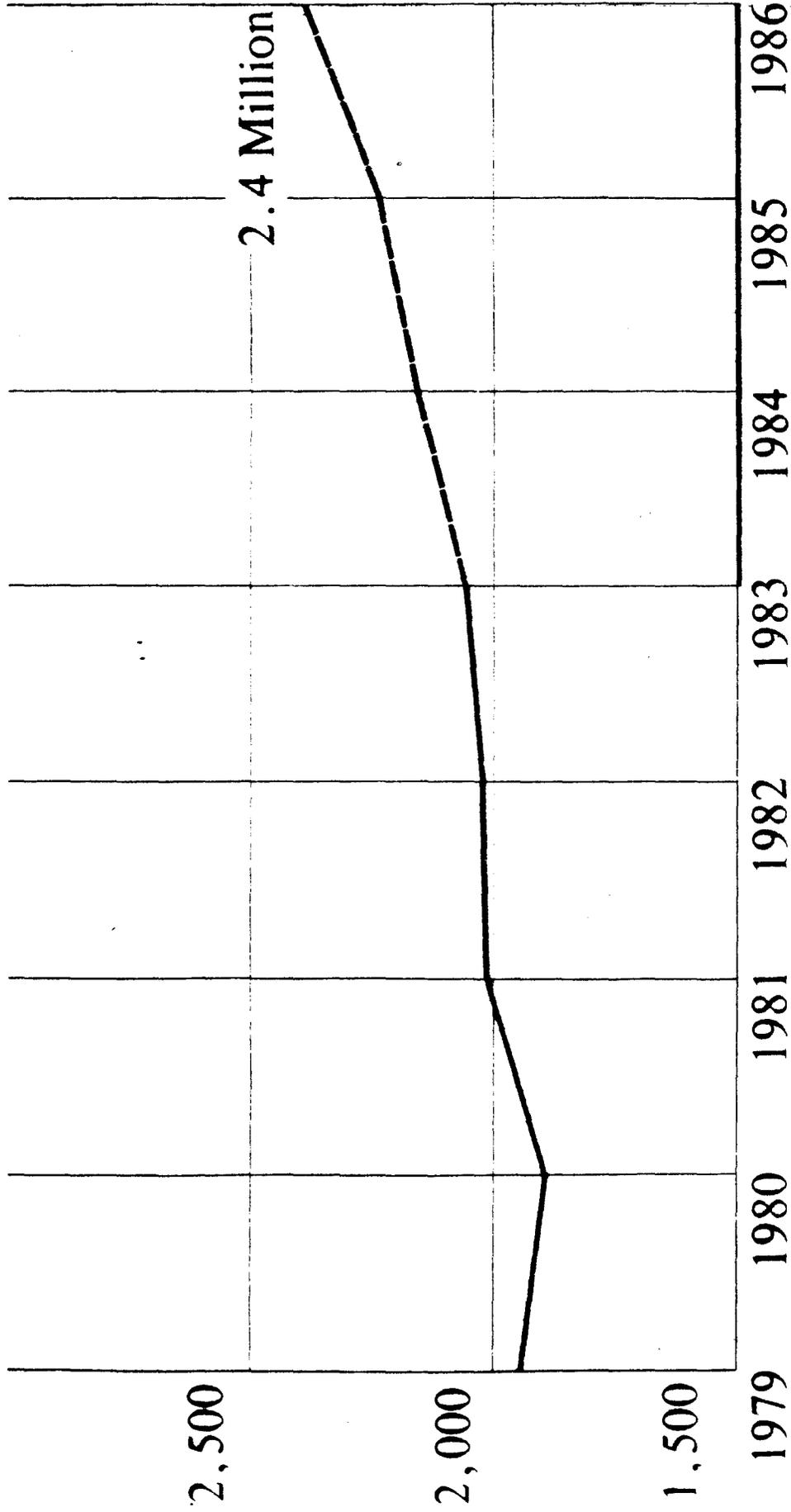
MONTANA PROMOTION DIVISION

BUDGET REQUEST

	<u>FY '88</u>	<u>FY '89</u>
General Fund	-0-	-0-
State Special Revenue Fund	\$4,579,295	\$4,677,012
Other (Private \$ spending authority)	<u>350,000</u>	<u>350,000</u>
TOTAL	\$4,929,295	\$5,027,012

NUMBER OF NONRESIDENT VISITORS, Montana 1979-1986

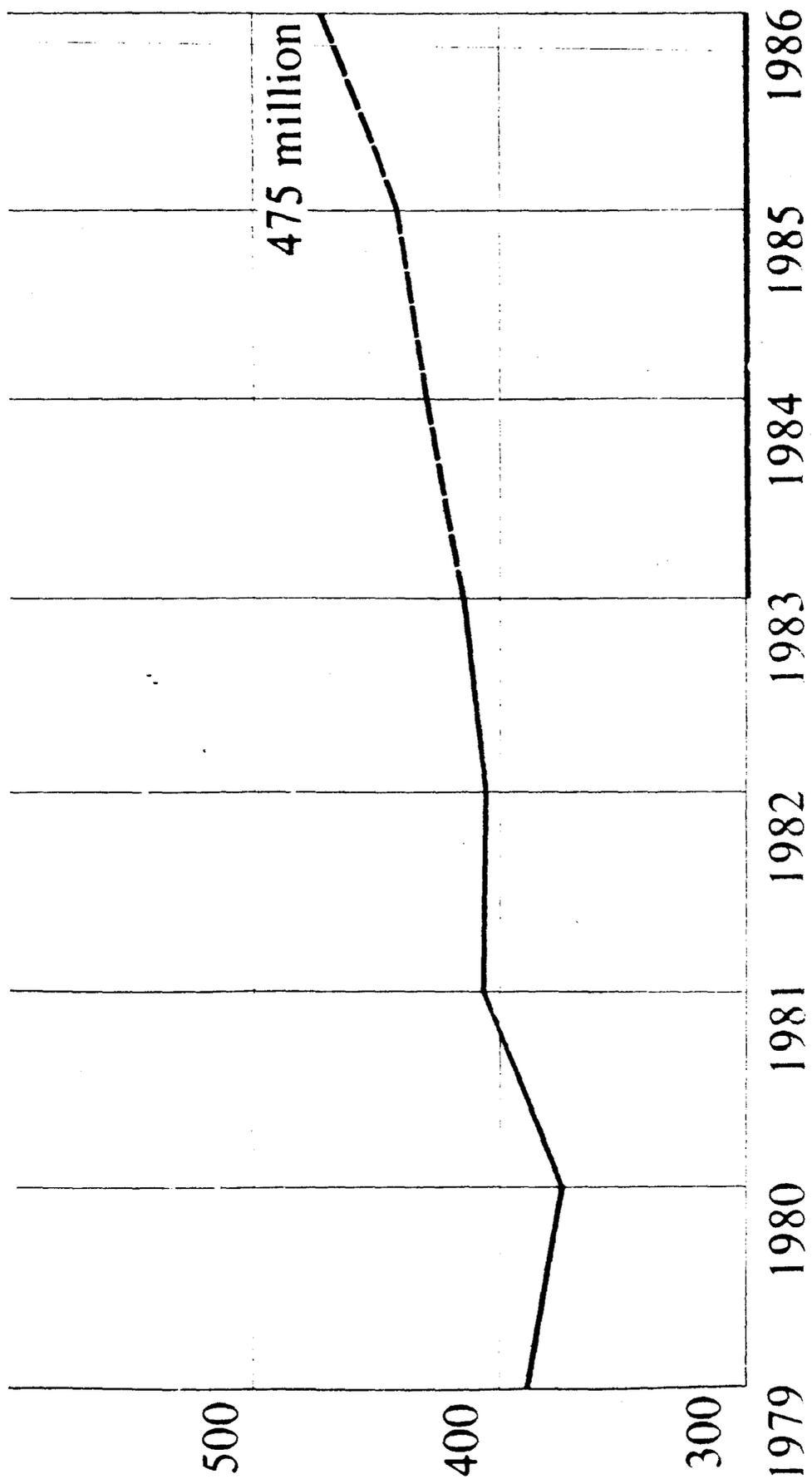
(In thousands)



Source: University of Montana, Bureau of Business and Economic Research. ——— estimated

VISITORS, MONTANA 1979-1986

(In Millions of Constant 1983 Dollars)



Source: University of Montana, Bureau of Business and Economic Research. ----- estimated

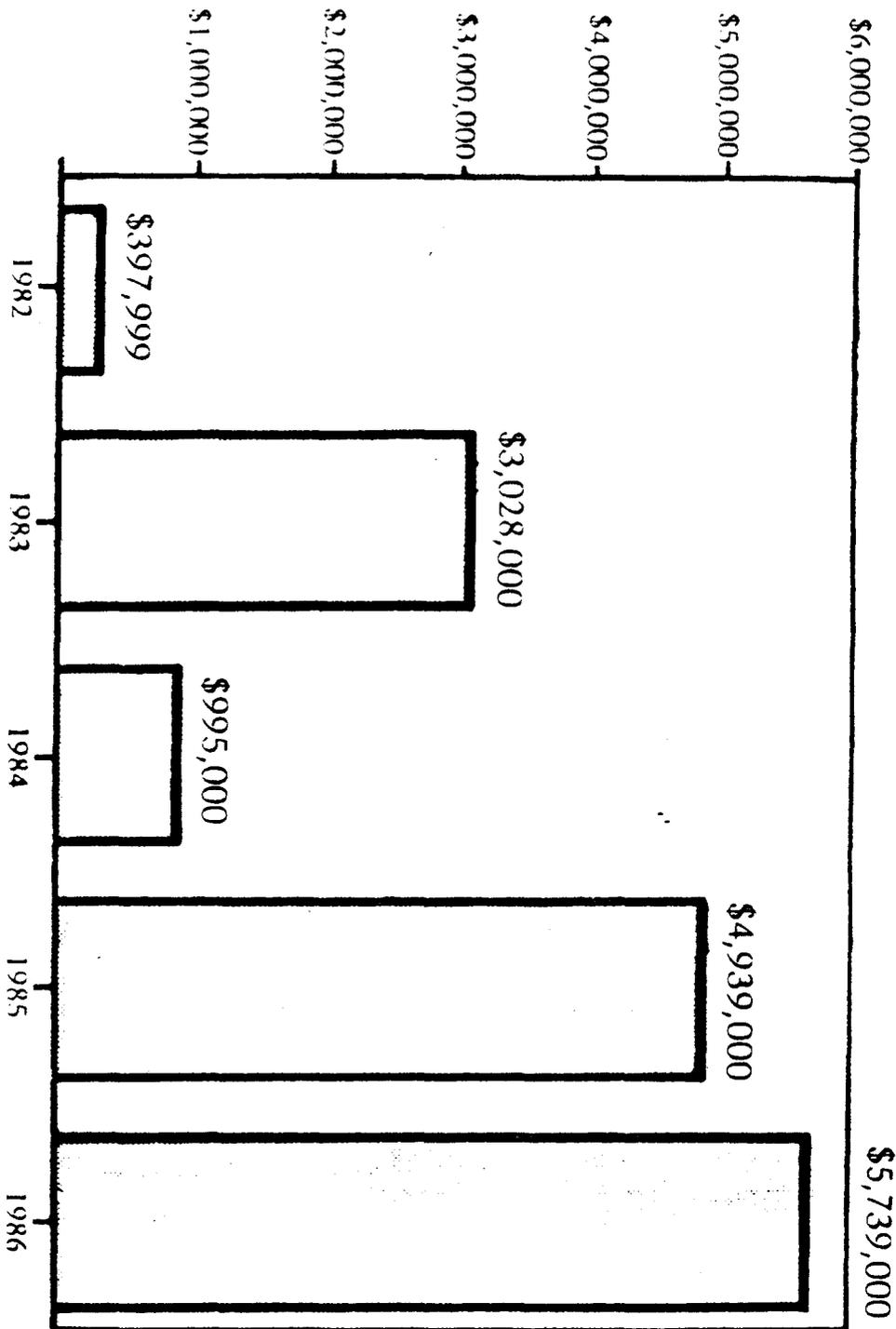
ESTIMATE OF TAXES ATTRIBUTABLE TO NONRESIDENT
TRAVEL IN MONTANA IN 1983.*

Gasoline Tax	\$ 8,600,000
State Income Tax	14,300,000
Property Tax	<u>22,500,000</u>
TOTAL	\$45,400,000

*Source: Bureau of Business & Economic Research
University of Montana

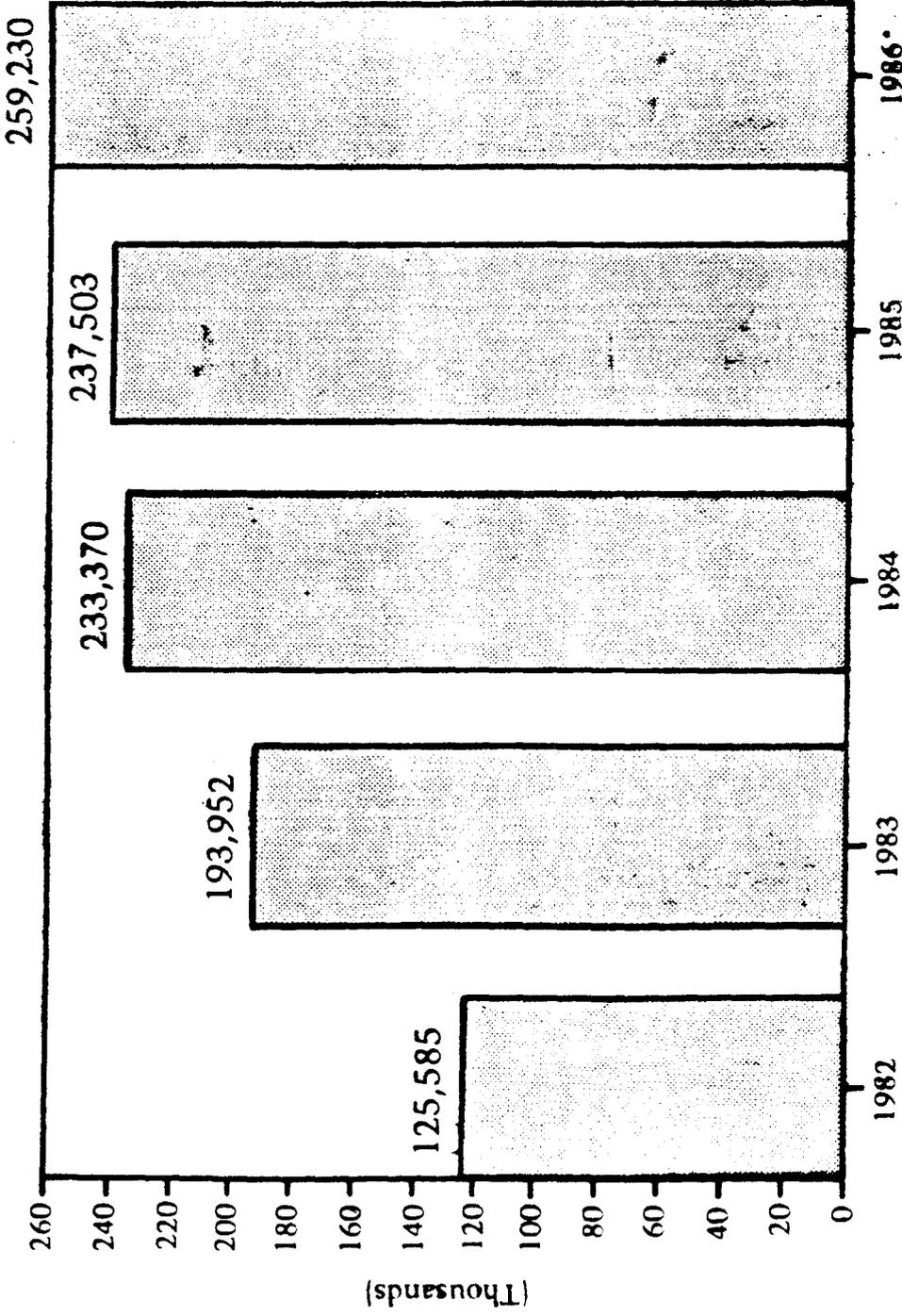
OFFICE OF THE ATTORNEY GENERAL
MONTANA
HELMUTH
1983

**Motion picture production dollars spent in Montana
Estimated gross expenditures**



- Other titles exist
 - 1985 - that same totals no call out made
 - 1986 - FTE

Inquiries for Montana Travel Information



*Through September, 1986

PLEASE OVER 1,000 INQUIRIES / DAY

POSTAGE COST COMPARISON

Vacation Planning Packets -- 1983 vs. 1986

1986 -- 50¢ average per packet x 259,230 packets:	\$130,380
1983 -- 32¢ average per packet x 193,952 packets:	<u>\$ 62,029</u>
Cost Differential	\$ 68,351
% Cost Increase	110.19%

Can cost for the budget

This cost for the budget comes from the

(P)

Q. ISN'T \$4.8 MILLION A LOT OF MONEY FOR TOURISM PROMOTION?

A. Not really, when you size up our competition and growth potential.

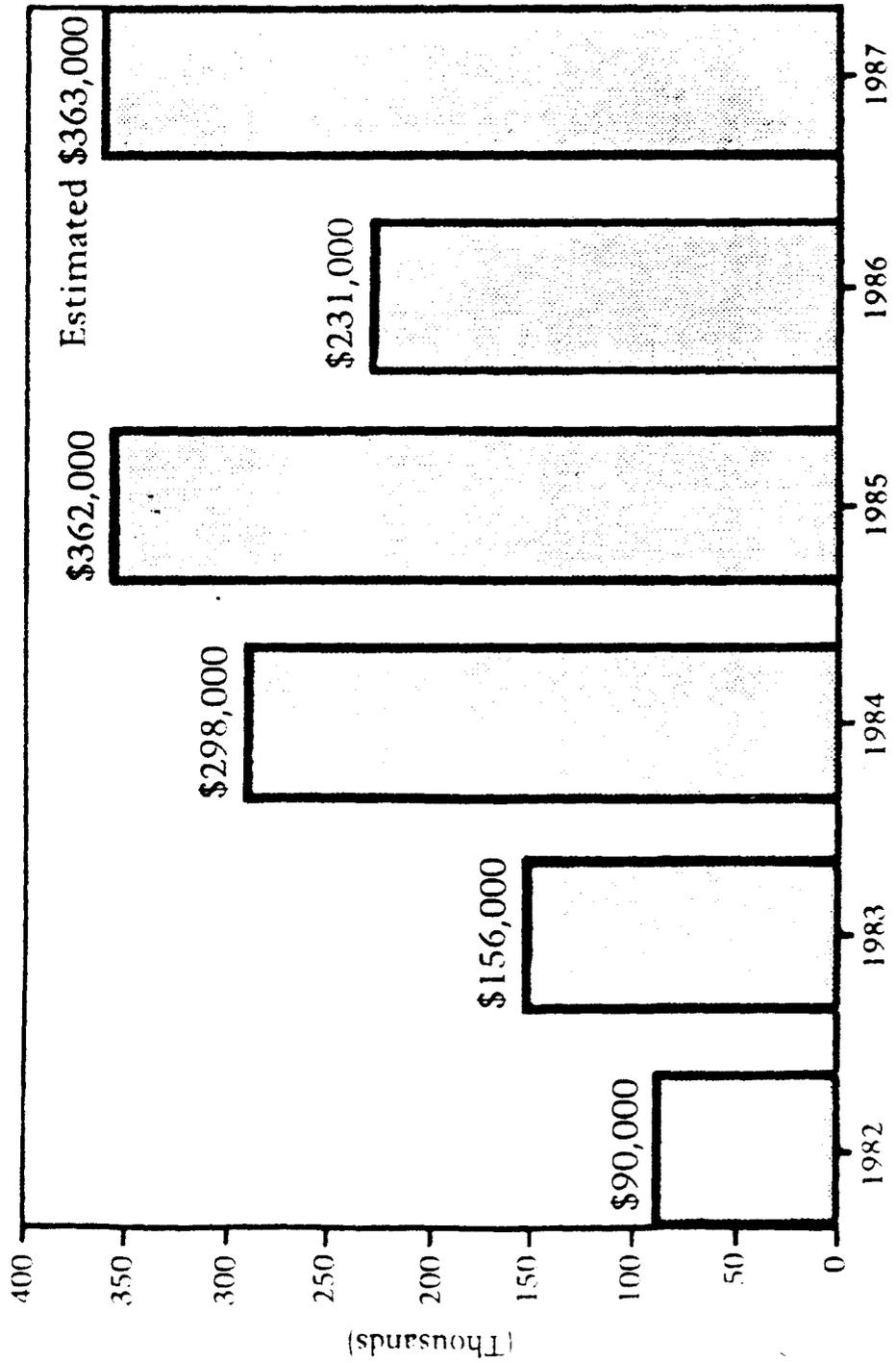
EXPENDITURES TO ATTRACT TOURIST DOLLARS, 1985-86

Montana	\$ 1,180,000
Alaska	\$ 8,274,000
Colorado	\$ 4,500,000
Utah	\$ 3,993,800
South Dakota	\$ 2,100,000
Minnesota	\$ 5,181,300
British Columbia	\$19,277,438

1. Middle of the Hill
2. Historic Buildings

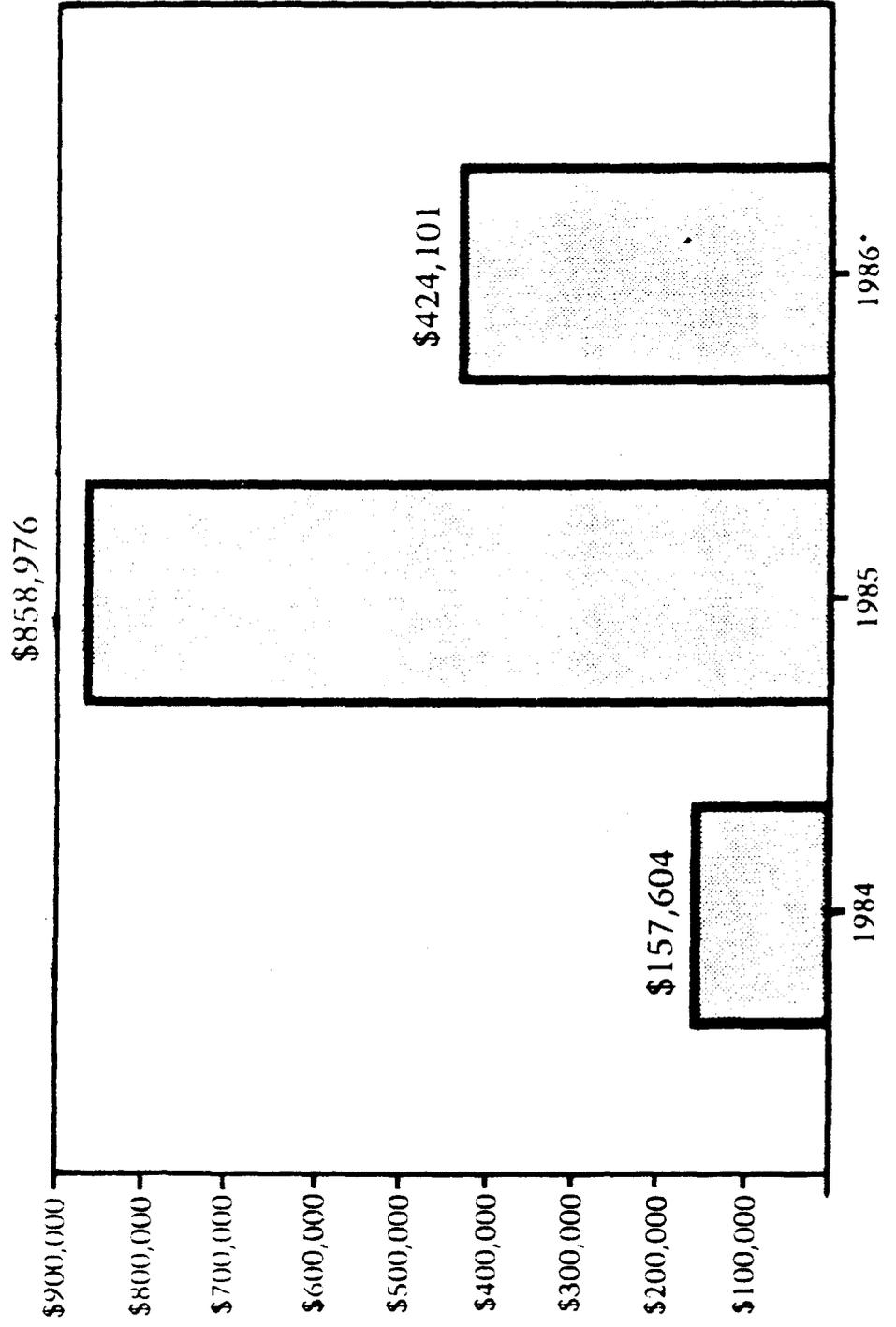
2/1/82

Private Sector Joint Promotion Contributions



90

Dollar value of national magazine and newspaper publicity



*Through June, 1986

MONTANA PROMOTION DIVISION BUDGET

<u>Program/Center</u>	<u>General Fund FY '87</u>	<u>Proposed FY '88</u>
Tourism Advertising (summer, fall, winter)	\$ 496,570	\$2,100,858
Motion Picture Promotion	57,041	117,041
Group Travel Promotion	59,121	76,096
Printing	185,133	330,000
Publicity	44,301	70,000
Travel Exhibiting	9,500	24,000
Convention Promotion	-0-	61,000
Administration	235,073	330,300
Postage, 800# phone, freight	99,100	270,000
Local/Regional Promotion	<u>-0-</u>	<u>1,200,000</u>
TOTAL	\$1,185,839	\$4,579,295

DEPARTMENT OF COMMERCE

IMPACT OF 4% VACANCY SAVINGS

	4% FY 88	4% FY 89
FINANCIAL DIVISION	\$ 24,077	\$ 24,077

21.00 FTE

Bank examiner position will remain vacant. Statutory requirements for examinations are not being met.

AERONAUTICS DIVISION	\$ 14,049	\$ 14,102
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11.99 FTE

- *Reduce or eliminate grants
- *Reduce or eliminate communications equipment purchases
- *Close, because of liability insurance, some or all of state owned airports with the exception of West Yellowstone.
- *Make other program reductions through prioritization

TRANSPORTATION DIVISION	\$ 16,115	\$ 16,136
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12.00 FTE

Elimination of one additional FTE. The Division has already lost 3.00 FTE from current level.

BUSINESS ASSISTANCE DIVISION	\$ 15,323	\$ 15,333
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12.00 FTE

Reduction in program operations should a vacancy not occur.

MONTANA PROMOTION DIVISION \$ 14,589 \$ 14,589

11.00 FTE

Reduction in advertising budget.

BUSINESS REGULATION SUPPORT \$ 2,089 \$ 2,103

1.00 FTE

Reduction in operations which are already at a minimum.

WEIGHTS AND MEASURES BUREAU \$ 12,586 \$ 12,623

12.00 FTE

One inspector position will remain vacant, statutory requirements are not being met.

MILK CONTROL BUREAU \$ 7,866 \$ 7,858

8.00 FTE

One auditors position will remain vacant, numerous complaints may go unchecked.

BUILDING CODES BUREAU \$ 33,042 \$ 33,073

29.00 FTE

One plan reviewer position will remain vacant extending the turnaround time for plan reviews to 2 or 3 months.

One electrical inspector position will remain vacant.

PROFESSIONAL & OCCUPATIONAL LICENSING \$31,636 \$ 31,623

30.43 FTE

Reduction of temporary help which is essential during peak licensing periods.

HOUSING BUREAU

\$ 7,624 \$ 7,487

7.00 FTE

Reduce operations - this is not reasonable because the Bureau is experiencing a 25% increase in housing leases between FY 86 and FY 88.

COMMUNITY DEVELOPMENT BUREAU

\$ 10,359 \$ 10,152

13.00 FTE

2.50 - Coal Board- reduce board meetings.

2.00 - Hard Rock Mining Board - reduce board meetings.

8.50 - Community Development - discontinue automated infrastructure report for local government;
reduce local government applicant training workshops.

LOCAL GOVERNMENT AUDIT

\$ 31,586 \$ 31,583

28.20 FTE

Eliminate staff and travel equivalent to amount.

LOCAL GOVERNMENT SYSTEMS

\$ 8,411 \$ 8,411

7.00 FTE

Eliminate staff and travel equivalent.

LOCAL GOVERNMENT ADMINISTRATOR

\$ 3,521 \$ 3,523

2.00 FTE

Operating budget is at a minimum and is not sufficient in the discretionary categories to take the cut. Operations will be reduced to the extent it can - personal services will have to be reduced for the rest.

OFFICE OF ECONOMIC ANALYSIS

\$ 8,024 \$ 8,016

7.00 FTE

Reduction in data production and analysis projects.

INDIAN AFFAIRS COORDINATOR \$ 2,306 \$ 2,308

2.00 FTE

This budget has already lost one position from the Governor's budget cuts. Operations are at a minimum. Operations would be further reduced.

HEALTH FACILITY AUTHORITY \$ 2,941 \$ 2,940

3.00 FTE

Operating would be further reduced jeopardizing the MHFA's ability to meet outstanding obligations and accomplish stated objectives.

MONTANA ECONOMIC DEVELOPMENT BOARD \$ 9,604 \$ 9,597

7.00 FTE

Loan Officer Review position will remain vacant. This position is necessary for the taxable bond program to be implemented in June, 1987.

SCIENCE AND TECHNOLOGY ALLIANCE \$ 3,460 \$ 3,469

2.00 FTE

Operating budget will be reduced.

BOARD OF HOUSING \$ 15,793 \$ 15,819

14.00 FTE

Operating budget will be reduced.

DIRECTOR/MANAGEMENT SERVICES \$ 27,842 \$ 27,829

24.20 FTE

This Division is broken down to very small bureaus which would be severely impacted by a vacancy savings factor. Operating budgets are at a minimum. They are:

Public Contractor's Licensing - 1.00 FTE
Consumer Protection - 2.50 FTE
Legal - 1.50 FTE
Programmers - 1.20 FTE

The other two segments are:

Director's Office - 4.00 FTE
Management Services - 14.00 FTE

Operating budgets will be reduced.

