

MINUTES

MONTANA HOUSE OF REPRESENTATIVES  
51st LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON NATURAL RESOURCES

Call to Order: By Chairman Gary Spaeth, on January 24, 1989, at  
8:00 a.m.

ROLL CALL

Members Present: All members of the committee were present.

Members Excused: None.

Members Absent: None.

Staff Present: Evan McKinney, LFA  
Jane Hamman, OBPP  
Donna Grace, Committee Secretary

HEARING ON DEPARTMENT OF COMMERCE

List of Proponents and Group they Represent 31:A (015)

Joan Bennett, Board of Housing  
Dick Kain, Board of Housing  
Mike Ferguson, Aeronautics Division  
Andy Poole, Department of Commerce  
Carolyn Doering, Department of Commerce  
Tom Clinch, Department of Commerce  
Fred Flanders, Department of Commerce

Board of Housing

Joan Bennett, Chairman of the Board of Housing, testified relative to the activities of the Board of Housing. She stated that their mission was to provide decent, safe, sanitary and affordable housing for lower income individuals and families in the State of Montana. An outline of Ms. Bennett's comments are contained in Exhibit 1. Mr. Dick Kain also appeared and answered questions relative to the Board of Housing.

Executive Action:

Mr. McKinney provided copies of the LFA analysis for this division. Exhibit 2.

Issue No. 1. The LFA budget includes \$392,280 of authority for trustee fees relating to Board of Housing bonds that are not included in the executive budget since the Board does not consider these fees to be a part of the appropriation

process.

Mr. McKinney stated that these have traditionally been appropriated through the appropriation process; however, the Board of Housing looked at the issue and determined that they did not think they needed that authority. The LFA left it in the current level budget. Ms. Hamman stated that she had reviewed Sections 90-6-107, 90-6-112 and 90-6-116 as part of her analysis and she concurred with the Board of Housing that it was not necessary to include this in the appropriation process.

MOTION: Senator Iverson made a motion to adopt the LFA recommendation.

VOTE: MOTION PASSED. All present voted in favor.

Chairman Spaeth stated that he would contact the Attorney General's office and ask for an official opinion on this matter.

Issue No. 2. The LFA budget includes \$10,000 more for private legal counsel than is included in the executive budget.

MOTION: Senator Devlin made a motion to accept the executive recommendation.

VOTE: MOTION PASSED. All present voted yes.

Issue No. 3. The executive budget includes \$7,804 more for travel than is included in the LFA budget. The travel is for out of state travel.

MOTION: Senator Jergeson made a motion that the executive recommendation be adopted.

VOTE: Chairman called for a roll call vote. Kimberley and Jergeson voted yes; all others voted no. MOTION FAILED.

MOTION: Senator Devlin made a motion to accept the LFA.

VOTE: MOTION PASSED.

Issues 4 and 5. The executive budget includes \$30,965 more for maintenance contracts and \$99,350 more for equipment than is included in the LFA. Mr. Kain stated that the additional money for equipment was for enhancement of the inhouse computer system to be able to run the cash flow certificates.

MOTION: Representative Iverson made a motion to accept the executive recommendation.

VOTE: MOTION PASSED. All present voted yes.

Issue No. 6. The executive budget recommends including language in the general appropriations act to the effect that if bonding activity increases in the 1991 biennium, a budget amendment may be requested to cover the additional bonding costs.

MOTION: Senator Devlin made a motion to accept the executive.

VOTE: MOTION PASSED. All present voted in favor of the motion.

Issue No. 7. Budget Modification - Accounting Support. This modification would provide one FTE and would be associated with operating costs for single-family mortgage loan pool accounting. This would be a grade 9 or 10 who would work with the existing FTE's in processing approximately 11,000 mortgage payments monthly. They now have a backlog in this area.

MOTION: Senator Jergeson made a motion to accept the executive.

VOTE: MOTION PASSED. All present voted yes.

Issue No. 8. Budget Modification - Foreclosures. This modification would continue for each year of the biennium, \$493,000, for increased foreclosure fees and property management expenses in connection with foreclosures. Mr. Kain stated that approximately 75% of the amount requested would be reimbursed to the state.

MOTION: Representative Swift made a motion to accept the executive.

VOTE: MOTION PASSED. All present voted yes.

Issue No. 9. Budget Modification - Tax Exempt Multifamily Bonds. This is a new program intended to increase the number of low income rental units for elderly citizens. The Division is asking for \$12,500 over the biennium to work with the seven public housing authorities in the state to increase the supply of housing for the elderly.

MOTION: Representative Kimberley made a motion to accept the executive.

VOTE: MOTION PASSED. All present voted in favor.

Issue No. 10. Budget Modification - Assistance for Elderly Homeowners. This modification will be considered after action has been taken on Senate Bill 115 which would provide for reverse mortgages.

Issue No. 11. Budget Modification - Home Improvement Loan Program. This modification would enable the Board of Housing to fund qualified improvements of owner-occupied single family structures. The department asked \$34,000 over

the biennium to provide for servicing of these loans.

MOTION: Representative Swift made a motion to accept the executive recommendation.

VOTE: Chairman requested a roll call vote. MOTION PASSED.  
Senator Devlin voted no; all others voted yes.

Aeronautics Division (540)

Mike Ferguson, Administrator of the Aeronautics Division, gave an overview of the Division's area of involvement and responsibility. The division is user-funded with one cent per gallon tax on aviation fuel. They have a nine-member board and each person, with one exception, represents some facet of aviation and organizations that are directly related to aviation. They are two bureaus in the division, Safety and Education Bureau and the Airport and Airways Bureau.

While discussing the Airport and Airways Bureau, Mr. Ferguson went into some detail regarding the West Yellowstone Airport. The 50th Legislature, in the passing of the Oil Overcharge Distribution Bill, included an amendment which appropriated \$65,000 for repair of the roof at the West Yellowstone Airport. The bill also included a direction to the Department of Commerce to take the steps necessary to transfer ownership of the West Yellowstone Airport to the City of West Yellowstone or another local public authority willing to own and operate the airport. If no public entity was willing to take over the airport, the Department of Commerce was to present a plan to the 51st legislature for closure of the airport. (Exhibit 3)

Mr. Ferguson said that the city was not interested. Subsequently, a proposal from Pan Am World Services was received. However, after review it was determined that the company would receive all the profit from operation and the state would still have the responsibility for upkeep and capital improvements.

Funding for this division was discussed at length. Senator Jergeson asked if it would be possible to act on this budget prior to the time a bill now under consideration which deals with additional revenue for the Aeronautics Division is acted upon. Mrs. Doering pointed out that revenue projections that they have done based on the current fuel tax show that the division will show between \$50,000 and \$100,000 deficit at the end of 1991. The division, however, has some plans for cutting back should there not be an increase in revenue. She urged the committee to adopt the executive budget recommendation. If the revenues aren't received, the division could not spend more than they receive; however, they are not eligible for a budget amendment since the funds are special revenue accounts and

if the executive budget was not approved, they would not have enough appropriation to carry on the program should the revenue come in. In view of this, Chairman Spaeth suggested that the committee proceed with executive action.

LFA Analysis - Exhibit 4.

Issue No. 1. The executive budget includes one FTE that was excluded from the LFA budget because the position had been vacant since September 1987. Mr. Ferguson stated that they could continue to operate without this position.

MOTION: Senator Devlin made a motion to accept the LFA recommendation.

VOTE: MOTION PASSED. All present voted yes.

Issue No. 2. Printing Costs. The executive budget includes \$24,689 in printing expenses for costs associated with printing new aeronautical charts. These are reprinted every four years so for that reason they did not appear in the current level.

MOTION: Representative Kimberley made a motion to approve the executive recommendation.

VOTE: MOTION PASSED. All present voted yes.

Issue No. 3. Travel. The executive budget includes \$11,082 more in travel expense than is included in the LFA budget. Mr. Ferguson explained that the reason for the increased expenses is that he was elected Vice President of the State Aviation Officials Group and he will be serving as President of the group next year. This position requires traveling to Washington, D.C., on occasion to meet with the DOT, FAA, ASHTO and other aviation related organizations.

Ms. Hamman stated that even though this is an increased request, the budget for this item was still less than what was budgeted for 1989.

MOTION: Representative Swift moved the adoption of the executive.

VOTE. MOTION PASSED. Senator Devlin voted no. All others voted yes.

Issue No. 4. The LFA budget includes \$10,000 more grant authority than is included in the executive budget. Ms. Hamman indicted that there was an error in her figures and she recommended that the committee adopt the LFA recommendation.

MOTION: Senator Iverson made a motion to accept the LFA.

VOTE: MOTION PASSED. All present voted yes.

Issue No. 5. The program is funded primarily through state special revenue which is generated through a one cent per gallon on aviation fuel. This special revenue account will become insolvent in the 1991 biennium if the current budget is approved. In view of the fact that there is a bill under consideration which would increase the tax on aviation fuel by one-half cent per gallon, this issue will be addressed at a later date.

Issue No. 6. Mr. McKinney advised that operating expenses associated with the statutory appropriation of aircraft registration fees used for local distribution should be approved by the committee for inclusion in the general appropriations bill. 10% of the registration goes to administration and 90% is returned to the respective counties.

MOTION: Representative Kimberley made a motion to accept the executive recommendation.

VOTE: MOTION PASSED. All present voted in favor.

Coordinator of Indian Affairs (605)

Andy Poole, Deputy Director of the Department of Commerce, stated that the current coordinator, Louie Clayborn, would not be reappointed to that position and a new coordinator had not yet been named by the Governor; therefore Mr. Poole proceeded to present the budget for the Coordinator's office. Mr. Poole stated that the Indian Affairs Coordinator identifies problems confronting the Indians of Montana, advises the legislature and the executive branch of those problems and makes recommendations for their alleviation. The Coordinator also serves the Montana Congressional Delegation as an advisor and Indian intermediary in the field of Indian Affairs and acts as spokesman for representative Indian organizations and groups, both public and private.

Executive Action:

LFA Analysis - Exhibit 5.

Issue No. 1. The executive budget includes \$4,600 more for contracted services than is included in the LFA budget. This relates to some contracted secretarial services and printing related to a newsletter prepared by the Coordinator.

MOTION: Representative Swift made a motion to accept the executive recommendation.

VOTE: MOTION PASSED. Spaeth voted no; all others voted yes.

Mr. Poole stated that the administrative assistant who works in this office had been upgraded by the Department of Administration and funds should be appropriated to cover the cost involved.

MOTION: Representative Swift made a motion to accept the LFA recommendation for personal services which included the funds for this increase.

VOTE: MOTION PASSED. All committee members voted yes.

Financial Division

Mr. Fred Flanders, Administrator of the Financial Division, presented testimony relative to the budget for this division. Mr. Flanders comments are contained in Exhibit 6.

Announcements/Discussion: Chairman Spaeth stated that the meeting on January 25 would begin with Executive Action relative to the Department of Commerce' Financial Division.

ADJOURNMENT

Adjournment At: 10:45 a.m.

  
\_\_\_\_\_  
REP. GARY SPAETH, Chairman

GS/dg

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## Board of Housing - Legislative Update

**Mission Statement:** To provide decent, safe, sanitary and affordable housing for lower income individuals and families in the State of Montana.

### Current Programs

#### Homeownership Programs

##### Single Family Bond Program:

- Initiated in 1977 to assist lower income Montanans purchase homes via the issuance of tax-exempt mortgage revenue bonds
- 13,400 mortgage loans financed in 177 communities
- The Board sold four bond issues in 1987 and 1988, with 1,200 mortgage loans financed to date
- Only viable secondary mortgage market available to many rural lenders in Montana

##### Mortgage Credit Certificate Program

- Implemented in July, 1987, as another mechanism to assist lower income Montanans in the purchase of homes through the issuance of federal tax credits
- Benefits homeowner by either reducing their federal tax liability, or by providing more disposable income to assist in making monthly mortgage payments
- 1,000 tax credit certificates issued in 1987 and 1988, in conjunction with mortgage loans financed by Montana lenders

EXHIBIT 1  
DATE 1-24-89

## Multifamily Programs

### Multifamily Bond Program:

- Initiated in 1978 to provide construction funds and to purchase permanent multifamily mortgage loans for projects that provide rental housing occupied by persons and families of lower income and the elderly
- 668 housing units financed in eleven projects

### Low Income Housing Tax Credit Program

- Implemented in November, 1987, to promote the retention of existing and the provision of new low income rental housing through the use of federal tax credits
- Credit offers a straight dollar-for-dollar reduction in tax liability to owners and investors in eligible housing
- Allocated \$830,000 of the credits in 1987 and 1988 to thirteen projects containing 282 units of low income rental housing

### Summary

- Bond rating on outstanding single family and multifamily bonds is AA
- Funds to operate the current programs are generated through either the issuance of bonds or administrative fees
- Staff size is 13



## Modified Requests

- Establish a 501 (c)(3) non-profit to issue tax-exempt multifamily bonds to help meet the needs for new low-income elderly and handicapped rental housing via partnerships with local public housing authorities
- Establish and operate a reverse annuity mortgage program to enable lower income elderly homeowners to use the accumulated equity in their homes to receive a monthly tax free cash payment for a period of ten years
- Establish and operate a home improvement loan program for lower income homeowners by providing funds to mortgage lenders at below market rates for the purchase of notes evidencing qualified residential improvements to owner occupied single family homes.
- Add one FTE to assist in the monthly reconciliation of 10,500 plus mortgage loan payments
- Increase in spending authority for mortgage loan foreclosure expenses paid to servicing lender, and to provide spending authority for the payment of property management expenses incurred on real estate owned. All mortgage loans are either FHA insured or VA guaranteed. Therefore, approximately 75% of the foreclosure expenses paid to the servicing lender by the Board are reimbursed by FHA and VA

BUDGET ITEM	Executive	Fiscal 1990 LFA	Difference	Executive	Fiscal 1991 LFA	Difference
FTE	13.00	13.00	0.00	13.00	13.00	0.00
Personal Services	\$345,705	\$324,757	\$20,948	\$346,439	\$325,446	\$20,993
Operating Expenses	893,945	1,076,887	(182,942)	896,384	1,077,063	(180,679)
Equipment	111,247	14,516	96,731	2,619	0	2,619
Non-Operating	1,499	1,499	0	1,499	1,499	0
<b>TOTAL EXPENSES</b>	<b>\$1,352,396</b>	<b>\$1,417,659</b>	<b>(\$65,263)</b>	<b>\$1,246,941</b>	<b>\$1,404,008</b>	<b>(\$157,067)</b>
<b>Other Revenue</b>	<b>\$1,352,396</b>	<b>\$1,417,659</b>	<b>(\$65,263)</b>	<b>\$1,246,941</b>	<b>\$1,404,008</b>	<b>(\$157,067)</b>
<b>TOTAL FUNDING</b>	<b>\$1,352,396</b>	<b>\$1,417,659</b>	<b>(\$65,263)</b>	<b>\$1,246,941</b>	<b>\$1,404,008</b>	<b>(\$157,067)</b>

Issue	FTE	Gen Fund	Total Funds
Issue 1. The LFA budget includes \$392,280 of authority for trustee fees relating to Board of Housing bonds that is not included in the executive budget since the Board does not consider these fees part of the appropriation process.	0.00	0	392,280
Issue 2. The LFA budget includes \$10,000 more for private legal counsel than is included in the executive budget	0.00	0	10,000
Issue 3. The executive budget includes \$7,804 more for travel than is included in the LFA budget	0.00	0	7,804
Issue 4. The executive budget includes \$30,965 more for maintenance contracts than is included in the LFA budget	0.00	0	30,965
Issue 5. The executive budget includes \$99,350 more for equipment than is included in the LFA budget	0.00	0	99,350
Issue 6. The executive budget recommends including language in the general appropriations act to the effect that if bonding activity increases in the 1991 biennium, a budget amendment may be requested to cover the additional bonding costs.	1.00	0	45,530
Issue 7. Budget Modification (92011) - Accounting Support This modification would provide 1.00 FTE and associated operating costs for single-family mortgage loan pool accounting.	0.00	0	986,000
Issue 8. Budget Modification (92012) - Foreclosures This modification would continue for each year of the 1991 biennium \$493,000 for increased foreclosure fees and property management expenses.	0.00	0	986,000

Issue 7. X  
 Issue 8. X  
 DATE: 1-24-89  
 100

Issue 9. Budget Modification (92013) - Tax-Exempt Multifamily Bonds  
multifamily bond issues.

Issue 10. Budget Modification (92014) - Assistance for Elderly Homeowners  
This modification would provide administrative costs to establish  
a reverse annuity program for lower-income elderly homeowners.

Issue 11. Budget Modification (92015) - Home Improvement Loan Program  
This modification would enable the Board of Housing to fund qualified  
improvements of owner-occupied single family structures.

FTE	Gen Fund	Total Funds
0.00	0	12,500
0.00	0	48,600
0.00	0	34,100

YELLOWSTONE AIRPORT  
SUMMARY REPORT TO THE 51st LEGISLATURE

The 50th Legislature (1987) in the passage of their Oil Overcharge Distribution Bill (HB 621) included an amendment which appropriated "from the Stripper Well Payment contained in the Federal Special Revenue Fund to the Department of Commerce \$65,000 for repair of the roof at West Yellowstone Airport." Included in the amendment is language directing the Department of Commerce "to take the steps necessary to transfer ownership of the West Yellowstone Airport to the City of West Yellowstone or another local public authority willing to own and operate the airport. If no public entity is willing to take over the airport, the Department shall present a plan to the 51st Legislature to close the airport."

The Yellowstone Airport and the Grand Canyon Airport are the only two airports in the United States built entirely with federal funds, specifically for the purpose of providing for convenient close public air transportation to these two national parks. The Montana and Arizona Aeronautics Commissions (the state aviation agencies) were designated as the logical state agencies with the expertise to operate and maintain these national park gateways.

The Montana Aeronautics Commission, now the Aeronautics Division of the Department of Commerce, has operated the Yellowstone Airport since its inaugural opening in 1965, and in response to the legislative directive in HB 621 has solicited both the City of West Yellowstone and the Gallatin County Commission offering them the airport. In both cases they have declined, as explained in the enclosed written responses. Additionally, the Aeronautics Division administrator has, on more than one occasion, personally met with West Yellowstone city officials, the Chamber of Commerce, community business people, and other interested persons, explaining the situation and offering them the airport.

The administrator has also solicited a proposal from a professional airport management firm (Pan Am World Services, Inc.) and met (along with Department of Commerce officials) with the vice president of Pan Am World Services at both the Yellowstone Airport and in Helena to discuss the possibility of contracting their firm to manage the airport. It was felt that there may be some validity in exploring this possibility and, if such an arrangement were successful, it may provide an incentive and off-set the city's major concern of not having the necessary resources to provide

EXHIBIT 3  
DATE 1-24-89  
HB 100

the professional airport management capability. Pan Am World Services was interested in entering into a management contract and did make a formal proposal. Upon careful consideration and review by the Aeronautics Division, Management Services Division, and the Department director, it was felt that Pan Am World Services would take all of the profits and the responsibility for the necessary airport upkeep and capital improvements would remain that of the Aeronautics Division without any revenue resource. The Pan Am World Services proposal was, therefore, not acted upon.

Having been unsuccessful in turning the Yellowstone Airport over to either the City of West Yellowstone or Gallatin County, the Aeronautics Division of the Department of Commerce is proposing the following two alternative closure proposals:

1. Close the airport July 1, 1989, revert the property back to the U.S. Government, and risk numerous legal actions for default. There are several existing airport vendor lease agreements, also, which will be affected. Pay back the federal government the AIP grant money amounting to over \$2.3 million. Additionally, West Yellowstone has been determined as an Essential Air Service point under the Federal 1978 Airline Deregulation Act which guarantees air service to that community through September 1988. Congress has extended this provision for an additional ten years.
2. Continue to operate the airport in a safe and efficient manner open to the public until 2008 when all of the legal federal grant contractual agreements have been fulfilled. In this case, the Division would not be able to receive additional grants (each grant comes with a twenty-year operational assurance) from the Federal Aviation User Trust Fund for necessary capital improvements and safety related upkeep. This money would be sought from the Montana Legislature, as the Yellowstone Airport does not generate sufficient revenue nor does the Aeronautics Division have adequate earmarked revenue to meet this requirement. During the past 15 years, the Yellowstone Airport has received over \$1.3 million from the Federal Aviation User Trust Fund, which averages about \$80,000 per year. The Division would, additionally, assure that several other existing and ongoing airport vendor contractual lease agreements do not exceed the 2008 time frame.



U.S. Department  
of Transportation  
**Federal Aviation  
Administration**

Northwest Mountain Region  
Colorado, Idaho, Montana,  
Oregon, Utah, Washington,  
Wyoming

17900 Pacific Highway South  
C-68966  
Seattle, Washington 98168

NOV 23 1988

Mr. Mike Ferguson  
Administrator, Aeronautics Division  
Department of Commerce  
P.O. Box 5178  
Helena, MT 59604

Dear Mr. Ferguson:

In reference to the potential closure of Yellowstone Airport, West Yellowstone, Montana we find:

1. There is a demonstrated aeronautical need as reflected by the annual enplanements, general aviation operations, and the firefighting use during the long summer of 1988.
2. The State of Montana has grant obligations to operate and maintain the airport for some twenty years (last grant agreement was FY-87).

Based on these two facts, this office will recommend that legal action be pursued by the Federal government to prevent the closure of Yellowstone Airport. If we are unsuccessful in preventing closure, we will recommend action against the state of Montana with the objective of recovering all Federal funds expended at the airport.

In summary, there is a continuing need for the Yellowstone Airport. The critical need for the airport was demonstrated by the heavy use for firefighting this past summer.

Sincerely,

Edward G. Tatum  
Manager  
Airports Division

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NOV 23 1988



United States  
Department of  
Agriculture

Forest  
Service

Rocky  
Mountain  
Region

11177 W. 8th Avenue  
Box 25127  
Lakewood, CO 80225-0127

Reply to: 5100

Date: NOV 14 1988

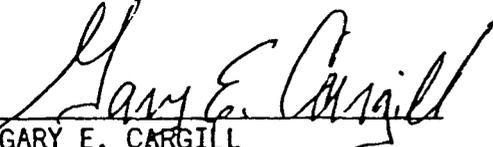
Keith Colbo, Director  
Montana Department of Commerce  
Aeronautics Division  
2630 Airport Road  
Helena, MT 59620

Dear Mr. Colbo:

The Greater Yellowstone Area Coordinating Committee, which consists of Superintendents of Yellowstone and Grand Teton National Parks, the Regional Director of the Rocky Mountain Region of the National Park Service, the three Regional Foresters and six Forest Supervisors in charge of the Beaverhead, Bridger-Teton, Custer, Gallatin, Shoshone and Targhee National Forests, have just reviewed the fire activities from this past summer. Specifically we have noted the extremely important role which the West Yellowstone Airport played throughout the entire fire season. When looking at all the functions that it played, from the Area Command Headquarters to military staging area and flight center, as well as the focal point for all retardant drops, crew mobilization, demobilization and supply flights, it becomes obvious how critical the need for this facility really is.

We would jointly like to take this opportunity to express first our appreciation to you and your staff for the cooperation and support that you showed all through this year's fire season, and secondly, to express our support to the Department of Commerce, Aeronautics Division, for their continued operation of this facility and the critical need for this airport in West Yellowstone.

Sincerely,

  
GARY E. CARGILL  
Regional Forester  
Rocky Mountain Region  
U.S. Forest Service

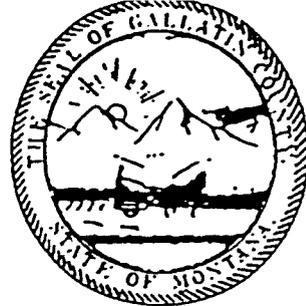
  
L. LORRAINE MINTZMYER  
Regional Director  
Rocky Mountain Region  
National Park Service



State of Montana

# County of Gallatin

Bozeman



March 17, 1988

Mr. Michael D. Ferguson, Administrator  
Aeronautics Division  
Department of Commerce  
PO Box 5178  
Helena, MT 59604

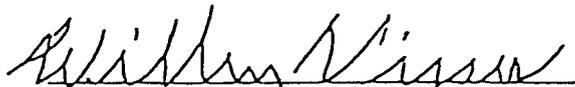
Dear Mr. Ferguson:

This is to inform you that Gallatin County cannot at this time assume the responsibilities of owning and operating the airport located in West Yellowstone, Montana as was suggested in your letter of March 14, 1988.

Thank you for your consideration.

Sincerely,

GALLATIN COUNTY COMMISSION

  
Wilbur Visser, Chairman

  
Jane Jelinski, Member

  
Ramon S. White, Member

RW:vj

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MAR 22 1988

COUNTY AERONAUTICS DIVISION  
HELENA, MONTANA

# TOWN OF WEST YELLOWSTONE

Box 579

WEST YELLOWSTONE, MONTANA 59758

Telephone 406 646-7795

April 12, 1988

Mr. Michael D. Ferguson, Administrator  
Montana Department of Commerce,  
Aeronautics Division  
P.O. Box 5178  
Helena, Montana 59604

Re: Yellowstone Airport

Dear Mr. Ferguson,

We are in receipt of your letter of March 14, 1988 regarding the Yellowstone Airport. The Town Council considered your request at its most recent meeting, April 7, 1988.

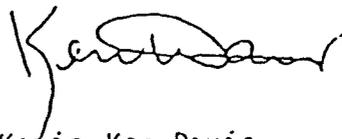
The Council has asked me to let you know they consider the airport a high priority issue for them and the upcoming Legislative session. The Town Council intends to lobby the Legislature for continued support of this vital service to Southwest Montana.

The Council invites you to come to West Yellowstone and discuss with them some strategies you feel might be used in this lobbying effort. Possibly a meeting with the local Chamber of Commerce Board of Directors could be arranged where members of the Town's business community could be encouraged to join the Town Fathers in this effort.

We recognize that the Legislatures intent is to divest itself of the airport and turn it over to the Town of West Yellowstone. The Town Father's sentiment at this time, would appear to be that operating the Yellowstone Airport would be considered only if all other efforts to keep the facility opened failed.

We look forward to hearing from you on this matter and meeting with you in the future to discuss the continued operation of the Yellowstone Airport.

Sincerely,



Kevin Ken Davis,  
Mayor

KKD/LWB

XC: Ken Takata, W.Y. Chamber Presic



AGENCY: DEPARTMENT OF COMMERCE

PROGRAM: AERONAUTICS DIVISION

BUDGET ITEM	Fiscal 1990		Fiscal 1991		Difference
	Executive	LFA	Executive	LFA	
FTE	12.99	11.99	12.99	11.99	1.00
Personal Services	\$354,692	\$332,971	\$356,098	\$334,338	\$21,760
Operating Expenses	367,901	337,410	345,296	340,035	5,261
Equipment	15,000	18,000	15,000	12,000	3,000
Non-Operating	20,000	25,000	20,000	25,000	(5,000)
TOTAL EXPENSES	\$757,593	\$713,381	\$736,394	\$711,373	\$25,021
FUNDING					
State Special Rev	\$631,266	\$587,054	\$610,013	\$584,992	\$25,021
Federal Revenue	75,000	75,000	75,000	75,000	0
Other Revenue	51,327	51,327	51,381	51,381	0
TOTAL FUNDING	\$757,593	\$713,381	\$736,394	\$711,373	\$25,021

BUDGET ITEM	Fiscal 1990		Fiscal 1991		Difference
	Executive	LFA	Executive	LFA	
FTE	12.99	11.99	12.99	11.99	1.00
Personal Services	\$354,692	\$332,971	\$356,098	\$334,338	\$21,760
Operating Expenses	367,901	337,410	345,296	340,035	5,261
Equipment	15,000	18,000	15,000	12,000	3,000
Non-Operating	20,000	25,000	20,000	25,000	(5,000)
TOTAL EXPENSES	\$757,593	\$713,381	\$736,394	\$711,373	\$25,021
FUNDING					
State Special Rev	\$631,266	\$587,054	\$610,013	\$584,992	\$25,021
Federal Revenue	75,000	75,000	75,000	75,000	0
Other Revenue	51,327	51,327	51,381	51,381	0
TOTAL FUNDING	\$757,593	\$713,381	\$736,394	\$711,373	\$25,021

EXHIBIT 4  
 DATE 1-24-89  
 HB \_\_\_\_\_

- Issue 1. The executive budget includes 1.00 FTE that was excluded from the LFA budget because the position had been vacant since September of 1987.
- Issue 2. The executive budget includes \$24,689 in printing expenses for costs associated with printing new aeronautical charts.
- Issue 3. The executive budget includes \$11,082 more in travel expenses than than are included in the LFA budget.
- Issue 4. The LFA budget includes \$10,000 more grant authority than is included in the executive budget.
- Issue 5. The program is funded primarily through state special revenue which is generated through a 1 cent per gallon tax on aviation fuel. The special revenue account will become insolvent in the 1991 biennium if the current budget is approved.
- Issue 6. Operating expenses associated with the statutory appropriation of aircraft registration fees used for local distribution should be approved by the Subcommittee. Operating expenses included in the statutory appropriation are:

	Fiscal 1990	Fiscal 1991
Executive	7,682	8,030
LFA	8,068	8,360
Difference	(386)	(330)

BUDGET ITEM	Fiscal 1990		Fiscal 1991		Difference
	Executive	LFA	Executive	LFA	
FTE	12.99	11.99	12.99	11.99	1.00
Personal Services	\$354,692	\$332,971	\$356,098	\$334,338	\$21,760
Operating Expenses	367,901	337,410	345,296	340,035	5,261
Equipment	15,000	18,000	15,000	12,000	3,000
Non-Operating	20,000	25,000	20,000	25,000	(5,000)
TOTAL EXPENSES	\$757,593	\$713,381	\$736,394	\$711,373	\$25,021
FUNDING					
State Special Rev	\$631,266	\$587,054	\$610,013	\$584,992	\$25,021
Federal Revenue	75,000	75,000	75,000	75,000	0
Other Revenue	51,327	51,327	51,381	51,381	0
TOTAL FUNDING	\$757,593	\$713,381	\$736,394	\$711,373	\$25,021

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AGENCY: DEPARTMENT OF COMMERCE

LEGISLATIVE ACTION

PROGRAM: COORDINATOR OF INDIAN AFFAIR

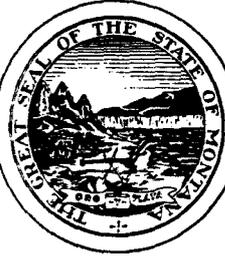
BUDGET ITEM	Executive	Fiscal 1990 LFA	Difference	Executive	Fiscal 1991 LFA	Difference
FTE	2.00	2.00	0.00	2.00	2.00	0.00
Personal Services	\$56,029	\$60,032	(\$4,003)	\$56,061	\$60,069	(\$4,008)
Operating Expenses	31,256	28,373	2,883	30,969	28,004	2,965
TOTAL EXPENSES	\$87,285	\$88,405	(\$1,120)	\$87,030	\$88,073	(\$1,043)
FUNDING						
General Fund	\$87,285	\$88,405	(\$1,120)	\$87,030	\$88,073	(\$1,043)
TOTAL FUNDING	\$87,285	\$88,405	(\$1,120)	\$87,030	\$88,073	(\$1,043)

FTE	Gen Funds	Total Funds
0.00	4,660	4,660

Issue 1. The executive budget includes \$4,660 more for contracted services than is included in the LFA budget.

EXHIBIT 6  
DATE 1-24-89  
HB 100

DEPARTMENT OF COMMERCE  
FINANCIAL DIVISION



Stan Stephens GOVERNOR

LEE METCALF BLDG., ROOM 301  
1520 EAST 6TH AVENUE

STATE OF MONTANA

(406) 444-2091

HELENA, MONTANA 59620-01

MEMORANDUM

Date: January 16, 1989

To: Appropriations Subcommittee

From: Fred Flanders - Financial Division Administrator

Subject: **BUDGET PRESENTATION**

The Financial Division supervises the operation of State chartered banks, trust companies, credit unions, savings and loan associations and consumer loan companies. Supervision is accomplished primarily through on-site safety and soundness examinations conducted by the division's examiners. Currently we are responsible for the supervision of 112 banks, four trust companies, 22 credit unions, one savings and loan association and 19 finance company offices. We have a staff of 14.5 field examiners and an office staff of 5 including the division administrator.

Statutorily we are required to examine banks at least once every 30 months. In practice, we examine banks according to a schedule that considers the bank's financial condition. Those banks that are considered problem banks are normally examined annually. With regard to credit unions, finance companies and savings and loan associations, the law requires that they be examined annually. Again, statutorily the objective of our supervisory function is to investigate the methods of operation and ascertain whether these institutions are operating in a safe and sound manner. This process is critical to the financial well being of the financial institution and for the protection of Montana citizens who invest in or deposit their funds in banks, credit unions or savings and loans.

Because of difficult economic conditions in Montana over the past several years we currently have a list of 37 problem banks and five problem credit unions. These institutions require a great deal of time, patience, and attention as we nurse them back to health. It is vital that we continue our program at the current level, particularly while the economy is in such a tenuous state. As you know we have been forced to close several banks in Montana during the past couple of years.

The financial division has just recently undergone a reorganization which will lead to improved effectiveness and productivity. Upon the recommendation of the October, 1982 Governor's Council on Management - Final Report we are opening an examination field office in Billings. Currently we travel to the far reaches

of the state to conduct bank examinations from our Helena office. Our examiners travel exclusively by automobile and log tens of thousands of miles and hundreds of hours of unproductive travel time. Six of our examiners will ultimately be assigned to the Billings office to supervise banks and credit unions in the Billings area and eastern Montana. We will be able to spend a great deal more time supervising and less time traveling as a result of this move. The reorganization of our division required the restructuring and upgrading of three positions. One of our senior examiners was upgraded from a grade 15 to a grade 16 and designated supervisor of the Billings field office. Another senior examiner was also upgraded to a grade 16 position, supervising examiner of the Helena office. The former examiner supervisor position has been expanded to cover overall management of the examiner staff and the position is now designated assistant administrator with the grade changing from a 16 to a 17. We reduced our staff by .5 FTE as a result of our reorganization and savings more than offset grade changes.

Again, I want to reiterate the importance of maintaining the current staffing level in this agency. It is an important key to maintaining a sound banking system in the State of Montana. The financial services industry has become much more complex and federal deregulation of interest rates has had a profound impact on banks and S&Ls. The debacle in the savings and loan industry that we are all hearing and reading about has resulted in part from this deregulation and the lack of supervision by federal and state regulators in those states where they've had problems. The FHLB Board and state supervisors were not provided adequate resources to properly supervise these institutions. I hope we don't let that happen in Montana.

Our agency is totally self funded through assessments and fees against banks, credit unions, S&L's and finance companies. We have not increased our assessments since May 1985. Currently our annual supervisory fees for a typical Montana bank are about 70% of fees charged national banks operating in Montana by the Comptroller of the Currency.

I'll be happy to answer any questions.

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