

MINUTES

**MONTANA SENATE
52nd LEGISLATURE - REGULAR SESSION**

COMMITTEE ON TAXATION

Call to Order: By Senator Mike Halligan, Chairman, on January 25, 1991, at 8:00 a.m.

ROLL CALL

Members Present:

Mike Halligan, Chairman (D)
Dorothy Eck, Vice Chairman (D)
Robert Brown (R)
Steve Doherty (D)
Delwyn Gage (R)
John Harp (R)
Francis Koehnke (D)
Gene Thayer (R)
Thomas Towe (D)
Van Valkenburg (D)
Bill Yellowtail (D)

Members Excused: None

Staff Present: Jeff Martin (Legislative Council).

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

Announcements/Discussion: There were no announcements.

HEARING ON SENATE BILL 55

Presentation and Opening Statement by Sponsor:

Senator Crippen, District 45, sponsor, said the bill is a result of the "Build Montana" report to the legislature compiled by the Governor's task force on Montana's infrastructure. The report revealed a rapidly deteriorating infrastructure.

In 1984, the task force estimated it would cost \$8 billion to bring the infrastructure up to current standards. There has been 40 - 70 years of depreciation, both physical and fiscal on Montana facilities, some of which were built in the WPA era of the early 1930's. Adding to that problem were expanded federal and state quality standards for public facilities. The task force recommended a study be compiled on the infrastructure

problems and presented to the 1987 legislature. Senator Crippen said four years have passed and nothing substantial has been accomplished except some highway improvements. Financing the public infrastructure is an overwhelming task in a state the size of Montana with a population of only 800,000 to pay for it. It is difficult even to raise the seed money needed to qualify for matching federal dollars.

The bill is intended to meet the needs of the state collectively as they are too varied and expensive to meet individually. The bill is simple and flexible and is based on a comparison of how ten other states operate under the community block grant program. Senator Crippen reviewed the bill section by section. He pointed out a statement of intent would be necessary in order to implement the rules for administering the program. Section 2 of the bill establishes the grant program and states the purposes of the legislation.

Proponents' Testimony:

Charles Brooke, Director, Montana Department of Commerce, presented his testimony in support of the bill (Exhibit #1).

Don Driscoll, Mayor of the City of Havre, presented his testimony on behalf of the mayors of Chinook, Harlem, and Chester the Blaine County, Hill County, and Liberty County Commissioners, and the Bear Paw Development Corporation (Exhibit #2).

Dwight McKay, Chairman, Yellowstone County Board of Commissioners, presented his testimony (Exhibit #3).

Bob Deming, Great Falls City Commission, presented his testimony regard the significant sewer and water rate increase now pending before the Public Service Commission (Exhibit #4). He said help and support is desperately needed by the cities in the state.

Ken Dunham, Manager, Montana Contractors Association, said rebuilding infrastructure is a concern of the building industry. The rebuilding is an overwhelming task which needs to be accomplished and maintained. The project would create new business, jobs, and make a major economic impact on the state. He strongly endorsed the bill and urged the Committee to support it.

Jim Devenny, Mayor of Big Timber, said he represents small communities all across the state. They haven't the luxury of full time city officials or experts, he pointed out. Big Timber has taken five years to develop and pass the funding for a solid waste landfill project. He said the small rural communities in the state are desperate for help and urged the Committee to support this legislation.

Scott Anderson, Montana Department of Health and Environmental Sciences, presented his testimony in support of the bill (Exhibit #5).

Karen Barclay, Director, Department of Natural Resources, presented her testimony in support of Senate Bill 55 (Exhibit #6).

Newell Anderson, Administrator, Local Government Assistance Division, Department of Commerce, reviewed the application of the proposed Big Sky Dividend Program to a real life situation in St. Regis (Exhibit #7).

John Witt, President, Montana Association of Counties, and Choteau County Commissioner, said MACo and Choteau County support SB 55. All across Montana counties have problems and need a support system such as that offered in the bill.

Ron Mercer, Montana Airport Managers, said the legislation is sorely needed. Funds are available for airports on a 90% federal, 10% local match. He said the bill would be a great boost to communities and airports and urged support of the measure.

Tim Berry, AWWA (water association), said the bill should be amended to require local monies as match money rather than local monies that have been obtained from another grant source. He also suggested that county water and sewer districts in legal subdivisions be added to the bill as eligible applicants. He suggested establishing a sinking fund with local contributions for maintenance of facilities in the future.

Howard Gipe, Flathead County Commissioner, said there are a great many bridges in Flathead County that need to be replaced. Four a year could be repaired if money was available. He noted the adverse affect closed bridges have on tourism. He also pointed out the sewage problem at St. Regis is as bad or worse than the situation in St. Regis. There is raw sewage being dumped into Flathead Lake through the underground water system. He stressed the impact on taxpayers of the increased tax burden in order to maintain the infrastructure of the county. A property owner in Lakeside, who is a widow and has lived in her home since 1945, owed \$1800 a year in taxes on the Lakeside water project. She is paying a \$45 user fee, is the only person in the household, she pays \$195 a month, and is going to lose her property because she just can't afford it. He said the problem is 60% of the property owners in a district vote the projects in and they can afford to pay for them. Mr. Gipe expressed real concern for the 40% of the community which includes the low income property owner who cannot afford the increase. He said the crisis in the future is not the concern. The crisis is at hand.

Lorraine Gillies, Montana Farm Bureau Federation, presented

her testimony in support of the bill (Exhibit #8).

Jim Johnston, Director of Public Works, Butte/Silverbow Local Government Governing Board, agreed with testimony of previous proponents regarding water, sewage, and landfill concerns and problems. He urged the Committee to support the bill.

Al Sampson, City of Missoula, said a distribution formula should be established to enable cities to plan ahead for bonding.

Alec Hansen, Montana League of Cities and Towns, said cities are under extreme financial pressure, capital expenditure funds are depleted, and there are ever increasing regulations and decreasing dollars to meet them. Cities cannot afford to make the investment in public works needed to keep systems functioning optimally. The League did a survey 6 years ago that identified \$100 million in water quality improvements that needed to be made in order to comply with existing standards. Since that time there have been 6 years of inflation and new standards. He said he hadn't estimated the cost today - it would be frighteningly high. He noted the bill has several advantages: economical, environmental, advantages to the consumer/rate payer, and increased investment opportunities. The "how" is how to fund the program. The "why" is so critical that everyone must be united to find the "how".

James Tutwieler, Public Affairs Director, Montana Chamber of Commerce, said the Montana Chamber visited communities across the state several months ago and asked for input about the bill. The clear message they received was that we must invest in ourselves and Montana's future. He urged the Committee to give full and careful consideration to the bill and the advantages it offers to the communities of the state.

Shelly Laine, Director of Administrative Services, City of Helena, presented her testimony in support of the bill (Exhibit #9).

The following persons expressed support for the bill: Ron Klophoke, Missoula Economic Development; Jim Wysocki, City of Bozeman, Charles Brooks, Executive Vice President, Montana Retail Association, and Chris Dallas, Butte/Silverbow Economic Development.

Opponents' Testimony:

Richard Parks, Northern Plains Resource Council, presented testimony in opposition to the bill (Exhibit #10).

Senator Chet Blaylock, District 43, said he and Miles Romney were the originators of the referendum which was referred to the people of Montana to set up the coal tax trust fund. There is

now \$45 million in the fund and all communities in Montana benefit from it. If \$20 million is taken from the fund, he felt the procedure should not be based on a grant program principal. There is no room for politics in a grant program, but there will be political battles if funding is of that nature. He cited as an example the Veteran's home in eastern Montana and the battle for it among those communities.

Another concern Senator Blaylock voiced was the problem of the communities who have already assumed an indebtedness for infrastructure improvement, some in the many millions of dollars, and are paying for it themselves. He felt the state cannot just take the coal tax money and start paying for improvements in other communities. If the funding is to be the \$20 million coal tax, then a system needs to be established similar to water bonds or a system where the communities can apply for the money, but they pay it back and the money goes back into the trust fund.

Verner Bertelsen, cautioned the Committee about using the coal tax trust fund money for this program. He said, "if you dangle enough money before enough people, they are eventually going to go for it". The coal trust was established as a permanent fund, he emphasized. He said \$44,630,283 in interest has been earned on the \$470,206,908 in the fund. He said opening the trust up to a withdrawal of this nature will create a situation of political haggling and plotting which will have no fair benefit to anyone. In ten years the fund would lose over \$100 million in interest if only 10% of the fund was used. He said this year the coal trust will provide 10% of the income to the state general fund. He urged the Committee to find a more honorable answer to the problem.

Jim Jensen, Montana Environmental Information Center, said he agreed with Mr. Bertelsen's testimony. He said many say the coal trust is to be used for the "rainy day". He maintained that is not the case. The trust fund is an endowment that supports the state and will continue to do that forever if we resist the temptation to spend it on every project that comes along.

Representative Bardanoue, said, like Martin Luther King, we had a dream and we set up the all time trust to provide for Montana's present and future. He said the richest hill on earth has given us the world's largest arsenic filled swimming pool. The copper dollars from that richest hill endowed many projects in New York and California, in fact, all across the nation, but few are to be found in Montana. He noted Mr. Romney and Senator Blaylock established the trust to keep us from having a black hole in eastern Montana and it has worked well in that respect. "We have had more rainy days in Montana than the Amazon rain forest to hear the proponents of raiding the trust fund talk," he noted.

He said many extremely important projects are already being funded by the trust fund such as long range building, irrigation,

water and sewage projects, and loan projects. He violently opposed any use of the coal tax trust fund for projects other than those for which it was established.

Don Judge, AFL-CIO, expressed reluctant opposition to the bill in his testimony (Exhibit #10).

Tom Breitbach, McCone County Agricultural Preservation Organization, said, as taxpayers, we pay taxes as rent for the services we get and the land we own. He said if you cannot afford to pay for an object or reasonably expect to pay for it, you are not worthy of having it. He opposed the bill.

Senator Towe, District 46, vigorously opposed the bill, calling it the Big Sky Giveaway. He said once the coal is gone it will never come back and the treasure of the Treasure State won't return. He characterized the bill as a gigantic \$20 million pork barrel. He questioned how the legislature can justify discrimination against communities that have worked hard to develop programs and passed the necessary funding to support them. He said he wholly supports a loan program and investing money in Montana.

Questions From Committee Members:

Due to time constraints, a very brief question period was held. Senator Halligan said the Committee would have time to ask questions at the next meeting of the Taxation Committee.

Closing by Sponsor:

Senator Crippen closed by saying this bill represents quite a change in the coal tax trust fund. He said the "Build Montana" program was initiated by Governor Schwinden and was passed, even though there were some concerns, because it would be good for the economy of the state. Senate Bill 55 is an extension of the "Build Montana" program. It is an honest and forthright approach toward solving the infrastructure problems in Montana. He said he respected and understood the opinions of those who opposed the bill on the basis of taking money away from the coal trust. He said he has fought every attempt to invade the coal trust corpus during his tenure as a legislator. However, he pointed out, time marches on, times change, and the problems loom ever larger. He said we may have a dream here in Helena, but across the state there are many towns and individuals who are having and living nightmares. He said the opponents did not offer any solutions to the problem before us. He likened the loss of the interest on the \$20 million to the loss of a dividend. When you use the dividend in another area, reinvest it in another area, you gain in that area. The Big Sky Dividend is enabling legislation for an honest and realistic attempt to develop a program that for too long has been swept under the carpet. We can no longer ignore

the problem of our deteriorating infrastructure. We must ignore the politics of the problem and attempt to solve the problem. He said the Big Sky Dividend is good program and he is proud to join Governor Stephens in presenting it to the legislature. He urged the Committee to look at SB 55 for what it really is and what it really contains.

ADJOURNMENT

Adjournment At: 10:00 a.m.



SENATOR MIKE HALLIGAN, Chairman



JILL D. ROHTANS, Secretary

MH/jdr

ROLL CALL

SENATE TAXATION COMMITTEE

DATE 1/25/91

52nd LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SEN. HALLIGAN	X		
SEN. ECK	X		
SEN. BROWN	X		
SEN. DOHERTY	X		
SEN. GAGE	X		
SEN. HARP	X		
SEN. KOEHNKE	X		
SEN. THAYER	X		
SEN. TOWE	X		
SEN. VAN VALKENBURG	X		
SEN. YELLOWTAIL	X		

Each day attach to minutes.

DATE

1/25/91

COMMITTEE ON

Taxation

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppos
Charles R. Brooks	MT Retiree Assoc	55	<input checked="" type="checkbox"/>	
Jim Wysocki	CITY OF BOZEMAN	55	<input checked="" type="checkbox"/>	
Robin Sullivan	CITY OF BOZEMAN	55	<input checked="" type="checkbox"/>	
Lorraine Gillies	MT Farm Bureau	55	<input checked="" type="checkbox"/>	
John Delachuk	Richland Co. Comm	55	<input checked="" type="checkbox"/>	
Jim DEVENNY	BIG TIMBER MT-	55	<input checked="" type="checkbox"/>	
Norman Korpik	MT LEAGUE OF CITIES	55	<input checked="" type="checkbox"/>	
Dennis Burr	MT TAXPAYERS ASSOC.	55	<input checked="" type="checkbox"/>	
John Lawton	CITY OF GREAT FALLS	55	<input checked="" type="checkbox"/>	
Jim Johnston	BUTTE / SILVER BOW	55	<input checked="" type="checkbox"/>	
Chris Kuller	" "	55	<input checked="" type="checkbox"/>	
Bob U. Cloz	EASTGATE VILLAGE WWS DIST.	55	<input checked="" type="checkbox"/>	
Tracy Lacy Sloan	County Commissioner	55	<input checked="" type="checkbox"/>	
John E. Witt	MACO Chouteau County	55	<input checked="" type="checkbox"/>	
Don Russell	League of Cities & Towns	55	<input checked="" type="checkbox"/>	
LeDarius Jelle	Mayor Glasgow	55	<input checked="" type="checkbox"/>	
Barbara Johnson	CITY CLERK TREASURER GLASGOW	55	<input checked="" type="checkbox"/>	
Jan Breitbach	MADP			<input checked="" type="checkbox"/>
Jim Jensen	MT. EDWARDS INFO CENTER	55		<input checked="" type="checkbox"/>
Bill Sprinkle	MT Home Sch Ass'n	140	<input checked="" type="checkbox"/>	
Jim Grant	Great Falls Public Schools	140	<input checked="" type="checkbox"/>	
Mike McGAATH	COUNTY ATTORNEY	140	<input checked="" type="checkbox"/>	
Ed Hall	MBCC	140	<input checked="" type="checkbox"/>	

(Please leave prepared statement with Secretary)

DATE

11/25/91

COMMITTEE ON

Legislation

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppos
Sharon S. Stratton	Ft. Co. Commissioners	55	✓	
Harold Robb	Roundup, mt.	55	✓	
Howard W. New	Flitford Co. Commissioners	55	✓	
Alyce Kushka	Eastern Plains RCD			
	E. Town of Etahala	55	✓	
Tom Kelle	City of Deery	55	✓	
Denis Adam	DOR			
DWIGHT MACKEY	Yellowstone		✓	
Ron Klephole	Missola Econ Dev.	55	✓	
Thomas S. Bestlake	Helena, Mt	55		✓
Bob Deming	H. Falls	55	✓	
Chuck Brode	Dpt. of Commerce	55	✓	
Shelley Laine	City of Helena	55	✓	
Kay Foster	Billings Chamber	55	✓	
RON MERCER	MONT AIRPORT MARS	55	✓	
JIM TUTWILER	MT CHAMBER	55	✓	
Richard C. Parks	NPRC	55		✓
Doris Judge	MT STATE AFL-CIO	SB 55		AMEND ✓
Al Sampson	Lg of C. L. & Missla	SB 55	✓	
Scott Anderson	MDHES-WQB	SB 55	✓	
William Leonard	Midwest Assistance Program	SB 55	✓	
Dennis Olson	NPRC			✓
Debbie Schlegel	MT LIB ASSOC.			
Kira Bura	Yellowstone County	SB 55	✓	
KEVIN DUNHAM	MT CONTRACTORS' ASSOC	SB 55	✓	
Novell Anderson	XOC	SB 55	✓	

(Please leave prepared statement with Secretary)

SENATE TAXATION 325
EVENT NO. 1
DATE 1/25/91
BILL NO. SB 55

DRAFT COPY OF CHARLES A. BROOKE'S TESTIMONY

ON BIG SKY DIVIDEND

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, MY NAME IS CHUCK BROOKE. I AM THE DIRECTOR OF THE MONTANA DEPARTMENT OF COMMERCE *Respectfully assuming ~~the position of~~ the Senate continues my appointment* AND I APPEAR TODAY TO SPEAK AS A PROPONENT FOR SENATE BILL 55.

AS YOU ARE AWARE, THE BIG SKY DIVIDEND PROGRAM HAS BEEN PROPOSED BY THE STEPHEN'S ADMINISTRATION AS A VITAL AND INDEED CRITICAL RESPONSE TO THE THREAT POSED TO OUR ECONOMY AND OUR ENVIRONMENT BY MONTANA'S CRUMBLING INFRASTRUCTURE.

OVER THE COURSE OF YOUR HEARING TODAY, YOU WILL LEARN OF THE GROWING MAGNITUDE OF THIS PROBLEM IN TERMS OF BOTH DOLLARS AND CENTS AND THE NUMBER OF MONTANA COMMUNITIES AFFECTED. YOU WILL ALSO HEAR FROM THOSE LOCAL GOVERNMENT OFFICIALS WHO GRAPPLE WITH THESE ISSUES ON A DAILY BASIS AND OF THEIR GROWING FRUSTRATION WITH ^{THEIR} INABILITY TO SOLVE THESE PROBLEMS AT THE LOCAL LEVEL.

AS YOU ARE WELL AWARE, SENATE BILL 55 IS NOT AN APPROPRIATIONS BILL. A SEPARATE APPROPRIATION BILL TO FUND THE PROGRAM AS OUTLINED IN SENATE BILL 55, HAS BEEN INTRODUCED IN THE HOUSE AND PROPOSES TO DIVERT UP TO \$20 MILLION DOLLARS PER YEAR OF THE ANNUAL COAL TAX REVENUE TO FUND THE BIG SKY DIVIDEND PROGRAM.

THE BILL YOU HAVE BEFORE YOU TODAY PUTS FORTH THE PROPOSED ORGANIZATION AND OPERATION OF THE BIG SKY DIVIDEND PROGRAM. IT IS OUR HOPE, THAT IN THIS WAY, THE NEED FOR THIS PROGRAM AND THE ORGANIZATION OF THIS PROGRAM CAN BE OBJECTIVELY ADDRESSED. WE ARE CONFIDENT THAT ONCE THE PROGRAM'S IMPORTANCE IS RECOGNIZED AND THE PROGRAM ACCEPTED, THAT ANY DEBATE OVER FUNDING WILL TAKE ON ITS PROPER PERSPECTIVE IN TERMS OF THE STATE'S PRIORITIES.

AS PROPOSED, THE BIG SKY DIVIDEND WILL MAKE AVAILABLE UP TO \$20 MILLION A YEAR TO BE DISTRIBUTED AS GRANTS TO LOCAL GOVERNMENT ENTITIES WHOSE PROPOSALS FOR ELIGIBLE PROJECTS HAVE COMPETED FOR FUNDING AGAINST THE ESTABLISHED RANKING CRITERIA.

AFTER NINE YEARS EXPERIENCE IN MANAGING FEDERAL GRANT FUNDING FOR PUBLIC FACILITIES, IT HAS BECOME CLEAR TO US AT THE DEPARTMENT OF COMMERCE THAT THERE IS A TREMENDOUS NEED FOR THIS FORM OF FUNDING.

SINCE 1982 OUR COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM HAS BEEN ABLE TO FUND 80 PUBLIC FACILITY PROJECTS. UNFORTUNATELY, AT THE SAME TIME WE HAVE HAD TO REJECT 76 PROJECTS PRIMARILY DUE TO A LACK OF FUNDING. IT IS ALSO IMPORTANT TO NOTE THAT ONLY 25 OF MONTANA'S 56 COUNTIES AND 53 OF OUR 124 CITIES ARE ELIGIBLE FOR CDBG FUNDING.

AS PROPOSED, THE BIG SKY DIVIDEND WOULD BE AVAILABLE TO ALL MONTANA COUNTIES AND CITIES AND WOULD MAKE AVAILABLE FOUR TIMES

AS MUCH IN FUNDING AS IS CURRENTLY AVAILABLE THROUGH THE CDBG PROGRAM.

THE MOST IMPORTANT INSIGHT WE HAVE GAINED FROM OUR CDBG EXPERIENCE IS AN UNDERSTANDING OF THE FINANCING PROBLEMS FACING LOCAL COMMUNITIES AND COUNTIES. IN MANY CASES WE FIND THAT THE COST OF LOCAL INFRASTRUCTURE PROJECTS HAVE EXCEEDED LOCAL COMMUNITIES ABILITY TO PAY. IN THOSE CIRCUMSTANCES THE AVAILABILITY OF LOW OR NO INTEREST LOANS ARE OF NO USE. WE CALL THE DIFFERENCE BETWEEN A COMMUNITIES ABILITY TO PAY AND THE COST OF THE PROJECT AN "AFFORDABILITY GAP." ^{OR FINANCING} THE BIG SKY DIVIDEND PROGRAM IS DESIGNED TO PROVIDE THE GRANTS NECESSARY TO FILL THAT GAP AND MAKE THOSE PROJECTS POSSIBLE. THE PRESSING ISSUE FACING INFRASTRUCTURE FINANCING IN MONTANA IS NOT THE AVAILABILITY OF LOANS. THE WATER DEVELOPMENT FUND ADMINISTERED BY THE DEPARTMENT OF NATURAL RESOURCE AND CONSERVATION IS AN EXAMPLE OF AN EXCELLENT LOAN PROGRAM THAT IS AVAILABLE BUT THAT IS UNDER-UTILIZED BECAUSE OF PROJECT AFFORDABILITY ISSUES IN ^{MANY} ~~SOME~~ CASES.

THE BIG SKY DIVIDEND IS DESIGNED TO ENCOURAGE THE UTILIZATION OF LOCAL FINANCING OPTIONS AND THE ATTRACTION OF AVAILABLE GRANTS AND LOANS FROM OTHER SOURCES. THE PROGRAM REQUIRES AT LEAST A ONE TO ONE MATCH OF LOCAL DOLLARS AGAINST BIG SKY DIVIDEND DOLLARS AND GIVES HIGHER PRIORITIES TO THOSE PROJECTS WITH EVEN GREATER MATCHES.

THE IMPORTANCE OF THIS PROGRAM BOILS DOWN TO FOUR BASIC

POINTS:

- 1) IT WILL PROTECT OUR QUALITY OF LIFE - THE LIST OF MONTANA COMMUNITIES, BOTH LARGE AND SMALL, THAT ARE FACED WITH SERIOUS HEALTH THREATS TO THEIR PRIMARY WATER SUPPLIES DUE TO INADEQUATE WATER DELIVERY SYSTEMS OR FAILING SEWER SYSTEMS IS GROWING EVERY DAY.

- 2) IT WILL CREATE NEW JOBS - THE BIG SKY DIVIDEND PROGRAM IS PROJECTED TO PROVIDE (BASED ON U.S. DEPARTMENT OF COMMERCE, BUREAU OF ECONOMIC ANALYSIS MULTIPLIER MODELS) 37.9 NEW CONSTRUCTION JOBS FOR EACH \$1 MILLION IN NEW CONSTRUCTION. THAT MEANS 758 NEW CONSTRUCTION JOBS PER YEAR BASED ON \$20 MILLION IN NEW CONSTRUCTION. LEVERAGING THE BIG SKY DIVIDEND PROGRAM FOR ADDITIONAL FUNDS COULD MEAN AS MANY AS 2,275 NEW CONSTRUCTION JOBS PER YEAR! THE STATE INCOME TAX FROM THESE WAGES ALONE WILL MORE THAN OFFSET ANY LOSS OF INTEREST INCOME FROM THE TRUST AS A RESULT OF THE PROGRAM FUNDING.

- 3) IT WILL PROMOTE ECONOMIC DEVELOPMENT - APPLYING THE MULTIPLIER MODEL FOR ECONOMIC ACTIVITY RELATED TO THE NEW CONSTRUCTION ASSOCIATED WITH THE PROGRAM INDICATES THAT A BASE OF \$20 MILLION IN CONSTRUCTION PER YEAR WOULD GENERATE AN INCREASE IN THE STATE'S ECONOMY OF ALMOST \$39 MILLION PER YEAR. THE LEVERAGED VALUE OF

THE PROJECTS COULD INCREASE THAT AMOUNT TO AS HIGH AS
\$116 MILLION PER YEAR.

LONG RANGE ECONOMIC DEVELOPMENT POTENTIAL FOR THE STATE
COULD ALSO BE ENHANCED THROUGH THE BIG SKY DIVIDEND
PROGRAM AS PUBLIC FACILITIES ARE GEARED UP TO ACCEPT
INCREASED DEMAND AND THE STATE'S "ECONOMIC DEVELOPMENT
REPORT CARD" IMPROVES TO REFLECT THE STATE'S INVESTMENT
IN THOSE FACILITIES AND SERVICES.

- 4) IT WILL SAVE COSTS FOR FUTURE GENERATIONS - WHEN IT
COMES TO MOST PUBLIC WORKS PROJECTS, IT IS GENERALLY A
CASE OF "PAY ME NOW OR PAY ME LATER." THE COST FOR
CAPITAL IMPROVEMENT PROJECTS INCREASE EACH YEAR AND THE
AVAILABILITY OF FEDERAL MATCHING FUNDS CONTINUES TO
DECLINE EACH YEAR. IT IS SIMPLY CHEAPER TO DO IT NOW
THAN LATER.

BY ACTING NOW, MONTANA STILL HAS A REALISTIC
OPPORTUNITY OF LEVERAGING THE BIG SHY DIVIDEND PROGRAM
AS MATCH MONEY AT A RATE AS HIGH AS THREE TO ONE. THAT
MEANS A \$20 MILLION A YEAR INVESTMENT COULD MEAN UP TO
\$60 MILLION IN PROJECTS.

THE IDEA OF "PAYING AS WE GO," AS OPPOSED TO COMMITTING
THE STATE TO A MASSIVE BONDED INDEBTEDNESS, IS ALSO
FISCALLY RESPONSIBLE. THE EXPENSE OF INTEREST RATES

STATE POSITION

ENR NO

1

DATE

1/29/91

BILL NO

8055

WILL BE AVOIDED AND, AT THE SAME TIME, WE WILL ENJOY
THE SATISFACTION THAT WE HAVE INDEED PROVIDED SOMETHING
OF VALUE AND IMPORTANCE FOR OUR CHILDREN WITHOUT
MORTGAGING THEIR FUTURE.

IN CLOSING I WOULD LIKE TO BRIEFLY QUOTE FROM THE 1984 REPORT OF
THE GOVERNOR'S TASK FORCE ON INFRASTRUCTURE.

(QUOTE FROM REPORT)

IF THEY WERE WORRIED THAT THE NEGLECT WAS CATCHING UP WITH US IN
1984 - THEY SHOULD SEE US NOW. I THINK WE ALL AGREE THAT MONTANA
HAS A PROBLEM AND I HOPE YOU WILL CONSIDER THE BIG SKY DIVIDEND
AS THE SOLUTION.

TESTIMONY IN SUPPORT OF
THE BIG SKY DIVIDEND

SENATE TAXATION
EXHIBIT NO. 2
DATE 1/25/91
BILL NO. SA 55

WE IN MONTANA ARE VERY PROUD OF OUR QUALITY OF LIFE. IN FACT IT IS THE MOST OFTEN USED PHRASE WHEN WE ARE ATTEMPTING TO LURE OUT-OF-STATE BUSINESSES TO RE-LOCATE OR EXPAND INTO THE BIG SKY COUNTRY. UNFORTUNATELY, THE QUALITY OF LIFE IN OUR STATE IS THREATENED. NOW IS THE TIME FOR STATE GOVERNMENT TO ADDRESS THE PROBLEMS OF OUR CRUMBLING INFRASTRUCTURE. THE U.S. CONGRESS HAS MANDATED STANDARDS RELATIVE TO CLEAN AIR, CLEAN WATER, SEWAGE TREATMENT AND SOLID WASTE DISPOSAL. UNFORTUNATELY, THEY HAVE NOT PROVIDED ADEQUATE FUNDS TO LOCAL COMMUNITIES FOR THESE PUBLIC FACILITY IMPROVEMENTS. IN MANY CASES, THE FEDERAL GOVERNMENT HAS PROVIDED PARTIAL FUNDING TO MEET THESE NEEDS. HOWEVER, LOCAL COMMUNITIES, FOR VARIOUS REASONS, SHRINKING TAX BASES, CONSEQUENCES OF I-105, AND ECONOMIC RECESSION, TO MENTION A FEW, DO NOT EVEN HAVE AVAILABLE THE LOCAL REQUIRED MATCH NECESSARY TO PARTICIPATE IN MANY OF THE FEDERAL PROGRAMS.

FOR MOST MONTANA COMMUNITIES THERE EXISTS A "FINANCING GAP" THAT NEEDS TO BE FILLED. IT IS TIME THAT STATE GOVERNMENT NOT ONLY RECOGNIZES THIS SITUATION, BUT THAT THEY TAKE IMMEDIATE DECISIVE ACTION TO BEGIN TO RESOLVE THE PROBLEM. IF CORRECTIVE ACTION IS NOT TAKEN BY THIS SESSION OF THE LEGISLATURE, THEN WE WILL NO LONGER BE ABLE TO HONESTLY CLAIM THAT OUR QUALITY OF LIFE IS FIRST CLASS. WE CANNOT CONTINUE TO FAIL TO MEET THE SERIOUS HEALTH THREATS IN OUR COMMUNITIES. WE CANNOT CONTINUE TO CLOSE OUR EYES TO THE INADEQUATE WATER SYSTEMS OR FAILING SEWER SYSTEMS. THE SERIOUS PROBLEMS OF UNRESOLVED PUBLIC FACILITY PROBLEMS PLAGUING MONTANA COMMUNITIES CONTINUES TO GROW EACH DAY. THE LONGER WE WAIT

THE MORE IT WILL COST; YOU MUST ACT THIS SESSION. UNLESS THESE SERIOUS INFRASTRUCTURE PROBLEMS ARE RECTIFIED, WE CANNOT CREATE NEW JOB OPPORTUNITIES; WE CANNOT EXPAND ECONOMIC DEVELOPMENT; WE CANNOT COMBAT THE THREATENING RECESSION. IN FACT, WE CANNOT MAINTAIN WHAT WE HAVE.

WE WANT TO STATE VERY STRONGLY THAT WE DO NOT NEED NOR DO WE IN ANY WAY ENDORSE A PROGRAM THAT RESULTS IN LOANS. THERE ARE ADEQUATE STATE AND FEDERAL PROGRAMS OFFERING LOAN PROGRAMS. THE PROBLEM IS LACK OF ABILITY BY LOCAL GOVERNMENTS TO REPAY THE LOANS. THESE MUST BE GRANT FUNDS MADE AVAILABLE IF WE ARE TO ARREST THE CURRENT DETERIORATION AND ENDEAVOR TO REPAIR AND EXPAND EXISTING PUBLIC FACILITIES. WHILE THE BEAUTY OF MONTANA'S LANDSCAPE CANNOT BE DENIED, THE INFRASTRUCTURE IN SEVERAL MONTANA COMMUNITIES IS A CATASTROPHY WAITING TO HAPPEN.

WE SINCERELY BELIEVE THAT THE FUNDING OF THIS PROGRAM MEETS THE INTENT AND PURPOSE OF THE COAL TAX LAW AS IT RELATES TO THE PERMANENT TRUST FUND. WE FURTHER BELIEVE THAT IT WAS THE EXPRESS INTENT OF THE PROPONENTS OF THE LEGISLATION THAT FUNDS SHOULD BE USED FOR THE PURPOSE OF INSURING THAT MONTANA REMAINS THE LAND OF THE SPLENDOR. THE RAINY DAY IS HERE!! WE STRONGLY REQUEST THE UMBRELLA OF THE COAL SEVERENCE TAX FUND BE USED TO COME TO THE RESCUE. THE BEST POSSIBLE USE FOR THE FUNDS IS TO INVEST THEM IN MONTANA'S FUTURE!!

PERHAPS THE MOST ENCOURAGING AND POSITIVE ASPECT OF THE CREATION OF THE BIG SKY DIVIDEND WILL BE THE AREA OF ADMINISTRATION. THERE WILL BE NO NEED FOR A NEW LEVEL OF BUREAUCRACY. THIS NEW PROGRAM CAN BE ADMINISTERED THROUGH THE LOCAL GOVERNMENT ASSISTANCE DIVISION

OF THE DEPARTMENT OF COMMERCE. THE EMPLOYEES OF THE AGENCY ARE OF THE HIGHEST QUALITY. THEY HAVE A WEALTH OF EXPERIENCE DUE TO THEIR ADMINISTRATION OF THE CDBG PROGRAMS. THEY HAVE THE RESPECT AND CONFIDENCE OF ALL WHO HAVE WORKED WITH THEM. WE ARE MOST FORTUNATE TO HAVE A SITUATION SUCH AS THIS AND WE SHOULD TAKE ADVANTAGE OF IT.

IN CLOSING, WE STRONGLY EMPHASIZE THAT **NOW** IS THE TIME TO MOVE FORWARD. IT IS TIME TO BRIDGE THE GAP; IT IS TIME FOR THE STATE GOVERNMENT TO RECOGNIZE LOCAL COMMUNITY NEEDS; IT IS TIME THAT A NEW BENEFICIAL PARTNERSHIP BE CREATED BETWEEN STATE AND LOCAL GOVERNMENT.

John Elias
John Elias, Mayor, City of Chinook

Donald X. Driscoll
Donald X. Driscoll, Mayor
City of Havre

Curtis C. Moxley
Curtis C. Moxley, Chairman
Blaine County Commissioners

Richard Mohr
City of Harlem rep.

Nora Nelson
Nora Nelson, Chairman
Hill County Commissioner

Wayne S. Wardell
Mayor Town of Chester

Tony Preite
Tony Preite, Executive Director
Bear Paw Development Corp.

Robert H. Moog
CHAIRMAN, LIBERTY Co. Comm.

*IT HAS RECENTLY COME TO OUR ATTENTION THAT RURAL COUNTIES REQUEST THAT LINE 22 PAGE 5 (TRANSPORTATION SYSTEMS) BE CLARIFIED TO INCLUDE THAT ASSISTANCE FOR ROADS AND BRIDGES BECOME AN ELIGIBLE ACTIVITY.

SENATE TAXATION

EXHIBIT NO. 3

DATE 1/25/91

BILL NO. SB55

November 15, 1990

Governor Stan Stephens
Room 204, State Capitol
Helena, Montana 59620

Dear Governor Stephens:

We, the elected representatives of Billings, Laurel, and Yellowstone County, and the area Economic Development Coordinating Council, Billings Area Chamber of Commerce, and the Montana TradePort Authority, express our support for the use of a portion of the Coal Trust Fund to help finance statewide, public infrastructure needs and as presently described as the Big Sky Dividend.

We collectively feel that such investment in our basic community improvements will help insure the future for which the Trust is designed. Unless we maintain our existing water and sewer systems, bridges, and similar facilities, the cost in the future to subsequent generations to repair or replace such improvements will exceed our State's and our communities' ability to finance them. We cannot, as a State, allow our community facilities to erode the quality of life we want to enjoy here nor to affect the environmental quality we cherish and hold as a standard for the rest of our Country.

Governor Stan Stephens
November 15, 1990
Page Two

We support the Big Sky Dividend program, and we urge the people of Montana to also support it.

BOARD OF COMMISSIONERS
YELLOWSTONE COUNTY, MONTANA

Dwight MacKay, Chairman

CITY OF BILLINGS

Grace M. Edwards, Member

CITY OF LAUREL

Mike Mathew, Member

BILLINGS AREA CHAMBER
OF COMMERCE

ECONOMIC DEVELOPMENT
COORDINATING COUNCIL

MONTANA TRADEPORT AUTHORITY

CC:mar

Community Domestic Water Systems:

The following chart lists actual Department of Health and Environmental Sciences(DHES) documented system problems. It is important to note that the undocumented but existing or near existing water system problems are not included and are believed to also be significant.

Type of Water System Problems:	Number of Communities
Treatment	32
Supply	19
Storage	12
Distribution	18
Source*	22

*Source and treatment numbers may overlap.

Total of 102 Projects

Estimated Water Problem Resolution Costs: \$357,710,000

.....

Community Domestic Sewer Systems:

The following chart lists actual DHES/EPA documented system problems. The sewer system problems are, with the exception of collector systems (neighborhood pipes), more precisely known and thus the impacts are more complete and reliable.

Type of Sewer System Problems:	Number of Communities
System Replacement and Major Rehabilitation	7
Add Secondary Treatment	34
New Collectors	26
New Interceptors	25

Total of 63 Projects

Estimated Sewer Problem Resolution Costs: \$67,305,000

.....

Community Solid Waste Management Systems:

The following shows estimated (DHES) solid waste disposal site problems. The individual community problem level is not quantified, but the total number of communities with existing or nearly developed problems is reasonably represented. (Time context - 1990 thru 1995)

Total Number of Solid Waste Site Problems: 50

Estimated Solid Waste Problem Resolution Costs: \$6 to \$10 million

**TOTAL IDENTIFIED RESOLUTION COSTS
 FOR THESE THREE AREAS ALONE \$429,515,000**

TESTIMONY ON SENATE BILL #55

I would like to testify today in regard to the need for financial assistance for Montana communities to funded needed and mandated water and wastewater facilities. More stringent regulatory requirements, declines in federal grant programs, poor economic conditions and high construction costs have imposed an extreme stress on many Montana communities. It is common in this state today where a town is being asked to construct a new water treatment plant, upgrade their wastewater system and find a new solid waste disposal site all during a concurrent time frame. The EPA is applying more enforcement pressure on these communities to upgrade their systems and is becoming less receptive to accepting economic hardship as an excuse not to build. The well-funded grant programs of the eighties have been, for the most part, eliminated with the best offer for financial assistance now being a low interest loan. While existing financial programs are suitable for many larger communities, it is the small town, which is so prevalent in Montana, that is finding itself in an unbearable financial condition.

Documented wastewater system needs for the state of Montana are conservatively estimated at around 70 million dollars. Most of these identified needs are for upgrades of existing systems in towns of all sizes and construction of new treatment and collection systems for small, unsewered communities where septic systems are not functioning properly. Replacement of decaying collection systems, which potentially could cost hundreds of millions of dollars, have not been included in this estimate of existing need because in many cases communities have not evaluated their systems and have no idea what their costs might be. Often the public works staff in small towns can not afford to expend their limited resources on preventative maintenance such as system replacement and must dedicate all their time to crisis response. From a regulatory perspective, most sewered Montana communities are in compliance with their permit requirements at this point in time. Much of our efforts in our department are directed towards maintaining this condition of compliance either through improved operation or facility upgrades. New regulatory requirements governing the treatment and disposal of sludge and the control of toxics will soon be imposed upon discharging systems resulting in some capital cost need.

The mainstay of federal wastewater grant programs, the EPA Construction Grants program, was terminated by Congress in FFY90 signally the end to the federal governments role in financing water pollution control facilities. This program is being replaced with the state revolving fund which is a federally capitalized revolving loan program which provides low interest loan. This program, capitalized at about 45 million dollars over 6 years, will address a portion of the identified needs yet in many cases will be unaffordable to small communities. Congress is considering a number of bills, include one introduced by Senator Baucus, to

STATE OF MONTANA
LEGISLATION
SENATE NO. 5
DATE 1/25/91
BILL NO. SB55

address the plight of small communities but the budget deficit problem has cast a very pessimistic outlook on the chances of this legislation passing. Clearly the BSD program could fill the gap between available and needed assistance.

Traditionally drinking water systems have been on the short end of the benefits from federal assistance programs with nothing comparable to the construction grants program available to communities. The high costs of estimated needs, approaching 400 million dollars, may be indicative of this lack of federal subsidies. These high costs also reflect the fact that all public water systems are now subject to extremely onerous new federal regulatory standards required to insure that drinking water meets current public health standards. The new surface water treatment rule, soon to be imposed, is predicted to result in the requirement for 24 new mechanical treatment plants for communities in Montana. A number of other standards designed to regulate organic chemicals and other pollutants threatening the safety of drinking water will be imposed within the next few years.

I am predicting a real crisis in Montana in the next few years when comparing the costs of needed systems against the supply of affordable financing. Ratepayers are going to be asked to pay-- not only more than they want to pay but in many cases, more than they are capable of paying. Rates for water and wastewater systems will exceed \$50 per month and I see rate payers rejecting these costs. The BSD program has the potential to go a long way in alleviating this crisis.

SENATE BILL 55

TESTIMONY OF THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

AN ACT TO CREATE THE BIG SKY DIVIDEND

Chairman, members of the Committee, my name is Karen Barclay and I ^{am} speak today as the director of the Department of Natural Resources and Conservation.

^{I am here in} The Department supports ^{of} the Big Sky Dividend. Currently the Department administers funds for ^{three} two programs that would be ^{supplemented} though not supplanted by the Big Sky Dividend; these are the State Revolving Fund for the construction and rehabilitation of waste water treatment facilities ^{and the} Water Development Bond Program ^{with grant provision} for water development projects.

Currently, the U.S. Environmental Protection Agency makes capitalized construction grants for the construction and rehabilitation of waste water treatment facilities. They will stop issuing grants in the federal fiscal year 1992 but will instead provide funds to each State to create a revolving loan program. Montana will receive about \$40 million federal dollars total. The state must provide a 20 percent match to receive these federal funds. We anticipate that general obligation bonds will be issued to fulfill the match requirement but, Big Sky Dividend dollars could be used, therefore avoiding the general obligation debt burden.

Under the State Revolving Fund some 69 applications representing project costs of about 65 million dollars have been received; the near-term need will far exceed the 40 million dollars available. Furthermore State Revolving Fund moneys are to be used exclusively for facility construction. Design and planning costs must be financed by other means. The Big Sky Dividend would fill this void.

^{The second program} Our Water Development Bond ~~program~~ was created in 1981 to provide for the up to \$250 million in Montana coal severance tax bonds. This program recognizes the importance of water to Montana's economic well-being and promotes the development and conservation of water. Our experience with the Bond program has shown that many rural communities ~~desperate to improve~~ ^{facilities} cannot reasonably afford to repay loans at the interests rates we can offer. Big Sky Dividend will bring facilities improvement projects into the reach of small communities by paying for half the costs.

In 1983 through 1989 there were 79 applications for ^{loans} loans over \$200,000. Municipal water projects typically make up the greatest percentage of project types; cities and water districts have been the most common applicants. In 1989 we received authorization to issue over \$20 million in coal severance tax bonds for loans to political subdivisions. This year we have applications for over \$8 million dollars in loans for projects; we anticipate that in just 3 to 4 years our bonding authority for these purposes will be depleted. Certainly the need will still exist.

^{This program} We will continue to contribute grant and ^{small} loan funding to projects

STATE TAXATION
FORM NO. 6
DATE 1/25/91
SB55

through our Water Development and Renewable Resource Development programs but funding under these programs is extremely competitive. This year under these programs we received applications for projects totalling \$3.5 million dollars, we hope to provide \$1.9 million. Many critical projects will go unfunded, including many that would protect community health, preserve the quality of our water resources and improve our water use efficiency; many "Master Plans" and feasibility studies will also go unfunded. We hope the Big Sky Dividend will take the pressure off our program so we can support communities in their planning efforts; this is a need that our program, unlike other programs, can address.

Finally, there is a growing trend in federal programs to require state match. The Big Sky Dividend will ensure that we continue to qualify for federal funding. If you provide us the funds I can promise you that we will work together with the Department of Health and Environmental Sciences and the Department of Commerce to make these funds effect the improvements needed by so many communities in Montana.

Thank-you.

increasing
infrastructure
increased
federal requirements
+ increasing
federal dollars.

to meet clean water & drinking water requirements

ST. REGIS, MONTANA

EXHIBIT NO. 1
DATE 1/25/91
BILL NO. 300
SR55

St. Regis, Montana (in Mineral County) is an unincorporated community of persons. The community badly needs a central sewage treatment system; currently the 150 homes and businesses are served by individual septic tanks on small lots. Many septic systems have failed and cannot be repaired. This situation threatens to pollute local drinking water wells and the nearby Clark Fork River. Raw sewage, with its potential for causing disease, has already reached the ground surface. The estimated cost of constructing a new sewage collection and treatment system is \$3 million.

With Conventional Private Financing:

Financing this sewer project with a conventional revenue bond at 7.5% interest for 20 years would result in a monthly per household cost of \$180 per month, including \$16 per month operation and maintenance (O & M) costs. A sewer charge of this magnitude would be clearly unaffordable for the residents of St. Regis.

With Best Case Existing Public Financing:

Assuming St. Regis could obtain a grant for \$100,000 under the current DNRC Water Development Grant Program, a 3% loan under the DHES Water Quality Bureau's newly created, federally funded State Revolving Fund (SRF), and a \$350,000 grant from the DOC Community Development Block Grant (CDBG) Program, the project would be financially structured as follows:

DNRC Grant	\$100,000	
DOC CDBG	350,000	
SRF Loan	<u>2,550,000</u>	(3% at 20 years)
	\$3,000,000	Total

Monthly sewer charges per household, including \$16 per month for O & M, would be \$111, a cost that would still be beyond the financial means of most families.

With Big Sky Dividend Assistance:

The Big Sky Dividend (BSD) Program would be used to make the project more affordable. By taking the same financing package as described above, adding a new BSD grant, and lowering the needed loan amount, the project could be structured as follows:

DNRC Grant	\$100,000	
DOC CDBG	350,000	
SRF Loan	1,050,000	(3% at 20 years)
BSD Grant	<u>1,500,000</u>	(1/2 of project)
	\$3,000,000	Total

Under this financing plan, St. Regis families would expect to pay a total monthly sewer fee of \$55.21 per month, including \$16 per month for O & M.

(over)

Conclusion:

- With conventional financing, St. Regis residents would expect to pay \$180 per month for total sewer charges.
- With the best possible combination of existing public financing programs, total sewer rates would be \$111 per month.
- With a BSD grant of \$1,500,000 matched by a \$1,050,000 SRF loan, combined with DNRC and CDBG grants, total sewer fees would be \$55.21 per month. While \$55.21 per month is still a high monthly sewer rate compared to other Montana communities, it is significantly less than the \$111 per month available under the most favorable possible combination of existing public financing programs.



MONTANA FARM BUREAU FEDERATION

502 South 19th • Bozeman, Montana 59715
Phone: (406) 587-3153

EXHIBIT NO. 8
DATE 1/25/91
BILL NO. SB55

BILL # SB-55 ; TESTIMONY BY: Lorraine Gillies

DATE Jan. 25, 1991 ; SUPPORT Yes ; OPPOSE _____

Mr. Chairman, members of the committee, I speak today on behalf of over 4,000 Farm Bureau members in Montana.

We support SB-55. Our policy which is set by the voting delegates supports ^{capping} ~~caping~~ the coal trust fund with the revenues to be distributed to counties and cities for property tax relief.

The improvement and maintenance of the counties infrastructure is a necessity, and we view the Bill as a wise use of coal tax monies. What better use of that tax fund than to encourage the growth of our secondary by investing in those counties to complement their efforts to maintain and improve their vital systems having to do with health, transportation, communication and other levels of concern to us and future generations.

I thank you.

SIGNED: Lorraine Gillies

EXHIBIT NO. 9
DATE 1/25/91
BILL NO. SB 55

MR. CHAIRMAN/MEMBERS OF THE COMMITTEE:

MY NAME IS SHELLY LAINE, AND I AM THE DIRECTOR OF ADMINISTRATIVE SERVICES FOR THE CITY OF HELENA.

THE HELENA CITY COMMISSION HAS IDENTIFIED THE BIG SKY DIVIDEND PROGRAM AS ONE OF SIX LEGISLATIVE PRIORITIES. GENERALLY, THE COMMISSION IS IN FAVOR OF THE PROGRAM. THEY RECOGNIZE THE NEED FOR ADEQUATE INFRASTRUCTURE ACROSS THE STATE AND ALSO THE DIFFICULTY IN ARRANGING FOR ITS FINANCING.

THEY ARE CONCERNED, HOWEVER, ABOUT ITS POTENTIAL IMPACT ON COMMUNITIES LIKE HELENA THAT HAVE ALREADY UNDERTAKEN VERY EXPENSIVE INFRASTRUCTURE IMPROVEMENTS WITHOUT THE LUXURY OF A PROGRAM SUCH AS THIS. THEY WOULD URGE THAT THE PROGRAM, IF ADOPTED, INCLUDE SOME PROVISION TO COMPENSATE COMMUNITIES SUCH AS OURS.

ONE OF THE STATED PURPOSES OF THIS BILL IS TO "ENCOURAGE LOCAL PARTICIPATION IN THE FUNDING OF PUBLIC FACILITY IMPROVEMENTS IN PROPORTION TO LOCAL FINANCING CAPACITY AND MAKE THESE IMPROVEMENTS AFFORDABLE TO MONTANA CITIZENS." THIS IS NOT THE CASE WITH THE CITY OF HELENA.

AT JUNE 30, 1990 OUR WATER SYSTEM FUND HAD OVER \$16 MILLION IN OUTSTANDING WATER REVENUE BONDS. NEARLY \$9.5 MILLION OF THAT WAS ISSUED AS RECENTLY AS 1988 AND 1989 IN ORDER TO FINANCE OUR TEN MILE WATER TREATMENT PLANT AND RELATED IMPROVEMENTS. THESE WERE IMPROVEMENTS THAT WE WERE FORCED TO MAKE IN ORDER TO COMPLY WITH EPA MANDATES ENFORCED BY THE STATE DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES HERE IN HELENA.

AS A RESULT, WE PRESENTLY HAVE THE HIGHEST WATER RATES OF ALL THE MAJOR CITIES IN MONTANA, AND HAVE ONE OF THE HIGHEST RATES STATE WIDE. ROUGHLY ONE-HALF OF OUR PRESENT WATER RATE IS DIRECTLY ATTRIBUTABLE TO MEETING DEBT SERVICE REQUIREMENTS ON OUR OUTSTANDING BONDS.

IT HARDLY SEEMS EQUITABLE THAT THE CITIZENS AND BUSINESSES OF HELENA BE REQUIRED TO CONTINUE TO PAY EXORBITANT WATER RATES WHEN OTHER MAJOR CITIES, THAT WERE NOT REQUIRED BY THE STATE TO BE THE FIRST TO COMPLY, WILL NOW BE ELIGIBLE FOR 50% GRANTS TO FUND SIMILAR IMPROVEMENTS.

THE HELENA CITY COMMISSION SIMPLY REQUESTS THAT THE PROGRAM, IF IMPLEMENTED, CONTAIN SOME PROVISION FOR COMPENSATING THE CITIZEN'S OF COMMUNITIES LIKE HELENA THAT HAVE ALREADY "BITTEN THE BULLET". SOME PROVISION FOR RETROACTIVE APPLICATION MUST BE INCORPORATED INTO THE PROGRAM IN ORDER TO MAKE IT EQUITABLE. SOME PROVISION SHOULD BE MADE TO HELP COMMUNITIES WITH DEBT SERVICE REQUIREMENTS ON EXISTING OUTSTANDING BONDS.

THANK YOU.

Northern Plains Resource Council

SENATE TAXATION

EXHIBIT NO. 10
DATE 1/25/91
BILL NO. SB55

January 25, 1991

Testimony for the Northern Plains Resource Council opposing Senate Bill 55

My name is Richard Parks. I own a sporting goods store and fishing outfitting service in Gardiner. I am also Vice-Chair of the Northern Plains Resource Council, a grassroots citizens' organization with about 6000 members and supporters statewide. NPRC recognizes that Montana and its local government units have serious infrastructure needs. We further recognize that well thought out investments in infrastructure are an important economic development tool. Unfortunately SB-55 is not well thought out and carries with it a huge cost all out of proportion to any expectable benefits.

Section 8 of the bill outlines the programs to be supported by the fund created by intercepting the revenue that would otherwise flow into the Coal Tax Trust Fund accounts. Most of these activities are currently supported by the Coal Tax one way or another already. Is the objective simply to liberate those funds so that they could be poured back into the General Fund? Some examples follow:

Section 8, part 1, sub-sections A and B duplicate what is already being done by the Water Development Program except that those communities like mine which have borrowed funds under this program will wonder why we didn't wait until a grant was available to buy down the local investment.

Sub-section C is a doublely bad idea because, by relieving the users of a solid waste disposal system of part of the cost we also reduce the incentive to develop effective waste management policies.

Sub-section D appears to be a replacement for the Highway Reconstruction Trust Fund program.

Sub-section E may be laudable but should be financed within the appropriate program budgets.

Sub-section F is a catch-all that allows spending the fund on just about anything without legislative oversight.

Part 2 of Section 8 duplicates what should already be done by the RIT program.

Our assesment is that the legislature should consider expanding the ways in which local government units may borrow from the Trust Fund accounts to accomplish worthwhile developments, as in sub-E. Grants should not be made.

Even if you assumed that all the serious issues discussed above could be dismissed we are left with the cost of this program. The popular conception is that we will spend \$18,554,480 annually to do good works and that this money is somehow "free". Such is not the case. I have not yet seen the Fiscal Note that should accompany this bill but it should give you at least some of the following information. To develop this discussion I have made some assumptions as follows:

1. The present statutory severance tax rate, dropping to 15% on July 1st will remain in effect.
2. Production will stay at the current 35 million ton per year level for the entire 10 years.
3. None of the investment income accrued by the funds will be re-invested during the 10 year period.
4. The Fiscal Note for HB-34 indicates that we can expect revenue from the Severance Tax at the annual rate of \$37,108,968 yielding a Trust Fund share of \$18,554,480.
5. A discussion with the Board of Investments indicates that the average annual investment income has been 16% but that the in-state fund is running at 8.73% and last fiscal year's overall income was 9.2%. Therefore, for the sake of the following discussion, I have used what I take to be a conservative estimate of 9% for the interest factor.

Montana apparently buys \$18.5 million dollars worth of infrastructure annually but in order to do so we forgo depositing that money in the Trust Fund. Governor Stevens has said that he has no intention of saddling future generations with the cost of infrastructure that we need now, but that is exactly what this program does. Over the 10 year period of the program it costs us \$91,844,671 of interest income to the fund. If that was the end of it we might be able to support this as an "investment" but it is not the end of it. Failure to deposit the income in the Trust continues to cost our children and their children without end at the rate of \$16,699,032 each and every year. They will not thank us. We ask that you give SB-55 a **DO NOT PASS** recommendation.

Thank you





SENATE TAXATION
EXHIBIT NO. 11
DATE 1/25/91
BILL NO. 3855

DONALD R. JUDGE
EXECUTIVE SECRETARY

110 WEST 13TH STREET
P.O. BOX 1176
HELENA, MONTANA 59624

(406) 442-1708

TESTIMONY OF DON JUDGE ON SENATE BILL 55, BEFORE THE SENATE TAXATION COMMITTEE, JANUARY 5, 1991

Mr. Chairman and members of the committee, for the record, I am Don Judge, and I'm representing the Montana State AFL-CIO. I'm here to testify in reluctant opposition to Senate Bill 55. Because individuals who testify have to declare either support or opposition to legislation, and understanding the legislative feelings regarding significant amendments offered by "so-called" supporters, our options are limited.

For years, delegates to the Montana State AFL-CIO's annual conventions have adopted resolutions regarding rebuilding of our state's infrastructure, including water, sewer, roads, highways, bridges and buildings. These same delegates have also adopted resolutions regarding the use of Montana's revenues for these purposes, as well as for economic development proposals.

Among those resolutions included a number which addressed the use of Montana's constitutionally-established coal severance tax. And each time the use of the severance tax was addressed, the delegates determined that the wisest use of this money would come from directing its investment into Montana. Montana trade unionists have recognized the need for rebuilding our infrastructure and investing in our future to provide jobs for ourselves and our children.

Proposals have ranged from using our coal severance tax and other public monies as collateral for bonding purposes, to investing these monies at below-normal interest rates to encourage additional private investment. The key to these proposals has always been "investment" of these revenues. In fact, at our conventions, our delegates have consistently opposed "spending" the coal severance tax money and public employee retirement system monies for these purposes.

The position of the trade union movement has always been to use these monies, but not to deplete them nor to cap the coal severance tax. At our 1990 annual convention, the delegates unanimously adopted a resolution requiring the Montana State AFL-CIO to defend the Montana coal tax trust account in its current form.

While we continue to support the use of these monies for upgrading our infrastructure and "investment" in Montana's economic development, we believe that it would be unwise to cap the Montana coal severance tax or to spend down the current trust.

TESTIMONY OF DON JUDGE
SENATE BILL 55
JANUARY 25, 1991

The Governor's Big Sky Dividend proposal offers much in the way of upgrading education facilities and repairing and maintaining our state's infrastructure. It also provides a mechanism for making money available for economic development purposes. Unfortunately, it would advocate spending the coal severance tax revenue rather than investing it in these projects.

There can be no doubt about the needs outlined in Senate Bill 55. And obviously, we are in favor of the jobs created through its proposals. However, it is the position of our organization that these same needs and jobs can be created through low-interest loans and guaranteed bonding efforts. At the same time, we can insure the integrity of the Montana coal tax trust account, which now provides a significant portion of the state's general fund operating revenues. If the trust is allowed to grow, it will continue to provide a significant share of this badly needed revenue, and will avert the need for higher taxes on individuals to recover losses incurred through capping the account.

The Big Sky Dividend concept is worthy of support by organized labor and all Montanans, but not as a one-time fix-it program as proposed by the Governor. Rather, it could be written as a carefully constructed investment program -- a program that would help provide long-term relief to infrastructure problems and support stable economic growth and job creation.

If this committee could see fit to amend Senate Bill 55 to provide for investments rather than grants, we could very well be testifying as proponents rather than opponents. Thank you.

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 25 day of January, 1991.

Name: Richard Poole

Address: Box 196

Gardiner MT

Telephone Number: 845-7314

Representing whom?
NPRC

Appearing on which proposal?
SB-55

Do you: Support? Amend? Oppose?

Comments:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 25 day of Jan, 1991.

Name: Alec Hansen

Address: Box 1704 Helena 59621

Telephone Number: 2 - 8768

Representing whom?
LEAGUE OF CITIES

Appearing on which proposal?
SB-55

Do you: Support? Amend? Oppose?

Comments:

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 25 day of Jan, 1991.

Name: Nowell Anderson

Address: Dept of Commerce

Telephone Number: 444-3757

Representing whom? DOC

Appearing on which proposal? SB 55

Do you: Support? Amend? Oppose?

Comments:

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 05 day of Jan, 1991.

Name: John E Witt

Address: Carter Court

Telephone Number: 734-5451 or 622-3631

Representing whom?

Chouteau County & Montana Assoc of Counties

Appearing on which proposal?

SP 55

Do you: Support? Amend? Oppose?

Comments:

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 25 day of JAN., 1991.

Name: DON DRISCOLL

Address: BOX 231 CITY OF HAVRE

Telephone Number: 265-6719

Representing whom? CITY OF HAVRE

Appearing on which proposal? BIG SKY DIVIDEND

Do you: Support? Amend? Oppose?

Comments:

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 25 day of Jan, 1991.

Name: Al Sampson

Address: 828 Rollin
Missoula

Telephone Number: 549 0131

Representing whom?
City of Missoula

Appearing on which proposal?
SB 55

Do you: Support? X Amend? Oppose?

Comments:
The distribution method
should be changed so that a
formula could be used so that
cities could plan and budget
for the money and thus could use
it to much better advantage
than with competitive grants

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 25 day of JAN, 1991.

Name: RON MERCER

Address: Box 2 Helena

Telephone Number: 442-2821

Representing whom?
MT. AIRPORT MANAGERS

Appearing on which proposal?
SBS

Do you: Support? Amend? Oppose?

Comments:

