

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
52nd LEGISLATURE - 1st SPECIAL SESSION**

COMMITTEE ON BUSINESS & ECONOMIC DEVELOPMENT

Call to Order: By REP. BOB BACHINI, on January 13, 1992, at
10:20 A.M.

ROLL CALL

Members Present:

Bob Bachini, Chairman (D)
Sheila Rice, Vice-Chair (D)
Joe Barnett (R)
Steve Benedict (R)
Brent Cromley (D)
Tim Dowell (D)
Alvin Ellis, Jr. (R)
Stella Jean Hansen (D)
H.S. "Sonny" Hanson (R)
Dick Knox (R)
Don Larson (D)
Scott McCulloch (D)
Bob Pavlovich (D)
John Scott (D)
Don Stepler (D)
Rolph Tunby (R)
Norm Wallin (R)

Members Excused: REP. TOM KILPATRICK

Staff Present: Paul Verdon, Legislative Council
Jo Lahti, Committee Secretary

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

Announcements/Discussion: HB 19 was to be heard.

HEARING ON HOUSE BILL 19

Presentation and Opening Statement by Sponsor:

REP. HAL HARPER, HD 44, Helena, Sponsor of HB 19 which is a bill which would provide an endowment fund to fund both local government infrastructure projects. It is a mutual agreement between the Executive and the Legislature that the state should do more and should use some of the Coal Tax moneys to help local government fix local government build or fix infrastructure systems, especially drinking water systems. People do not have the money to pay for such projects. The objectives of the

Legislature and the Governor, although the same, specifics to accomplish this were not the achieved.

The Legislature did not want to break into the principal of the Coal Tax Trust Fund which requires a 3/4 vote of the whole Legislature to do so. This was a wise decision when the trust was first set up. The need for money is great everywhere. Why spend money on local government infrastructures? HB 19 proposes to use the interest off the Coal Tax Trust Fund to provide a separate endowment fund within the Coal Tax Permanent Trust Fund that will end up being an endowment that will fund ongoing problems existing now and in the future. This tries to provide a permanent 'fix', which is one difference between the Governor's version and this version.

This does not break into the Permanent Trust Fund, the interest is being used in a more creative way. It is not a temporary fix, but is a long-term solution and a fund endowment that will grow for 20 years and remain forever for use. Regardless of who is Governor, that person should never have the power to use this fund as a porkbarrel fund, so the Legislature is going to have some real power over this fund. It is structured in such a way that every bill would not have to come before the legislature. They should be lumped together as the water bond program is.

To try to balance the budget, some funds are being transferred from one account to another, in some cases robbing from one trust fund and putting it into another, all the time knowing the next session of the legislature will find the state budget in a greater deficit. HB 19 tries to look forward to eliminate funding from one crisis to another, and to provide long-term funding for recurring local government problems.

People in the 1970s had the foresight when the coal tax was imposed on coal mining in Montana to adopt a Constitutional Trust Fund to provide that a 3/4 vote of the entire legislature would be required to use principal funds from the permanent trust fund, and that the interest generated would be used on an ongoing basis. Right now if those people had not had the foresight to establish such a trust fund, Montana would be \$1 out of every \$10 poorer, and taxes would have to be raised 10% just to hold things where they are. Montana could not make it without the Coal Tax Permanent Trust Fund.

There is an opportunity right now to do the same thing to provide real economic expansion all across Montana. To provide a basis for an expansion and to maintain the economy. The process in the bill is this: fifty percent of the Coal Severance Tax money goes into the Permanent Trust Fund, 50% is skimmed. Now there is the coal tax bonding Program, and the water bonding program into which some of this money flows. Whatever is needed to service the debt is used and the rest of it will flow into the coal tax bonding fund for infrastructure. Last session the Clean Coal Technology bill was passed diverting \$5 Million a year until

1997. The rest of that money will flow directly into the Coal Tax Endowment Fund which will be infused with \$10 Million July 1, 1993 to get the Fund started. Half of the money that drops into the Treasure State Endowment Fund will be retained in that fund. Half will be transferred periodically by the State Treasurer into the Permanent Fund. After 20 years those payments will cease, the Endowment Fund will have arrived at approximately \$200 Million which could be a conservative estimate. That Fund will remain viable and permanent.

HB 19 will contain guidelines for use of that money by local governments. It will recommend the Coal Tax Bonding Program to also become an infrastructure bonding program. This will be a route for a community that does not have access to the capital market for the state to do the bonding for it. The thrust of this bill is to make it broad and flexible enough to meet the needs of all different kinds of local governments with all different kinds of financial needs.

Grants are going to be available. In terms of negotiations between the governor's office, the Department of Commerce, and a number of Democratic Legislators interested in seeing this problem solved, and the Cities and Towns, each gave a pitch for their program and proposals. However, no common ground was found on which a compromise agreement could be reached. Two principals differences were breaking open the Permanent Trust and having final approval of the Legislature.

There was a 20% loan cap in HB 795 that was eliminated. The provision for debt retirement assistance still remains in this bill, as does the loan provision similar to the water bonding program. This is a three-pronged approach to address the needs of every city and town, even the smallest and poorest.

There will be no fiscal impact from this bill this biennium. Both this bill and the Big Sky Dividend have a fiscal impact in the following biennium. The impact of HB 19 is about half what the governor's is. The governor's proposal diverts money that would otherwise be deposited in the Permanent Fund. The interest that would follow from that principal will be lost forever. The Treasure State Endowment Fund principal will eventually return to the Fund, the interest will go out. In the governor's Big Sky Dividend none of that principal money will ever be deposited in the Fund.

Local government problems should be prioritized, and the legislature and executive should agree on them before the campaign season rolls around, otherwise, that is going to divert attention from what is a very critical issue.

The Department of Commerce' list of priorities has been left out to keep the bill as concise as possible. That list of priorities is important and the DOC should begin prioritization so projects can be allocated in the next legislative session and the

available money can be spent in early 1993. This program should get going as quickly as possible. The Big Sky Dividend program cannot begin to help local governments before 1994.

REP. HARPER handed out proposed amendments to HB 19, EXHIBIT 1. He will address them as a whole or individually.

Proponents' Testimony:

Evan Barrett explained a chart showing available state money for infrastructure assistance, local government projected needs over a 30-year period from 1993 to 2022. The amount of money going into the endowment fund each year aggregates for a 20-year period and stops. It is capped at \$200 Million. It starts with \$13 Million plus because \$10 Million is transferred from the Permanent Trust Fund into the endowment fund. Five Million a year goes into the Coal Research Fund. When that ends, they assume about \$20 Million a year in coal tax moneys will be received, of which about \$10 Million will go into this endowment fund each year for 20 years. It gradually works its way up to a \$200 Million cap. Interest therefrom will be used forever for infrastructure assistance. This projection for the endowment for interest earnings is 90% accurate. In the first year there is only about \$.5 Million of interest earnings because no money is being collected until after halfway through the year. From then on the interest starts to grow - \$1.2 Million and works its way up to \$18 Million per year. That interest money is available to be spent. The interest generated over a 30-year period is estimated to be \$334 Million.

HB 19 uses bonds for the first two years. To jump start this process, it is assumed the legislature will allow issuance of \$5 Million bonds the first two years which are paid off in subsequent years. The bond payment includes 7% interest which will be paid every year. It could go as high as \$700,000 in bond payments which retire in 15 years. The principal payments are deferred for the first four years and are scheduled to be paid off on a graduated basis which allows money to go into infrastructure assistance to a maximum degree.

Funds available are a combination of the interest earnings on the endowment and any bonds that are issued, minus any interest and principal payments on the bonds. It starts out at \$5.5 Million, goes up to almost \$6 Million, slides back down once those two years of bonding work are done, then builds back up again. In the first year, because of the bonding, there would be \$5.5 Million available for projects. The second year there would be \$5.9 Million, then it slides back down to about \$1.2 and works its way up to \$1.8 Million, \$2.4 Million, and \$3.3 Million, etc. By the time it gets to \$4.2 Million it grows about \$1 Million a year and that goes on forever. These are considered conservative figures based on no growth in coal sales and no increase in coal severance taxes. The \$20 Million figure is accepted by everyone.

SEN. JOE MAZUREK supports the Treasure State Endowment. This idea is not new from either Party's perspective. It has been thought about for quite awhile. A lot of work has been done on this and a lot of ideas incorporated into HB 19. It incorporates a broader range of programs available in terms of loans, grants, etc. The most significant difference is that this is a fiscally sound long-term program that will serve Montana well into the future. It is very important to remember how important it is to maintain the integrity of the Trust to our long-term general fund needs.

The continued growth of money going into that Trust Fund and the interest earnings on it are desperately needed. It is important to look at a long-term solution like this that doesn't cap the Trust even for a period of time as suggested by the governor. He strongly urged favorable consideration of this bill as it is a good idea. It is one that has had a lot of work done on it and a lot of input from many different people is included, and the need is now. It should be passed out and put on the ballot.

SEN. TOM TOWE, SD 46, Billings, reiterated what previous proponents had said. He accentuated, this bill differs from the Big Sky Dividend in: 1. It preserves the integrity of the Trust Fund, the governor's doesn't. 2. It is not a porkbarrel. It requires screening and prioritizing by the Department of Commerce and has to have approval of the legislature for each project.

It is important that the Treasure State Endowment continues indefinitely; the governor's doesn't; his ends after 10 years and there is nothing left. No more endowment for interest to come out of. This program continues once the endowment builds up to \$200 Million. It costs less than the governor's bill because less is being taken out of any influx that would otherwise go into the Trust Fund. The governor's Big Sky Dividend would take the entire influx for 10 years, HB 19 takes half so it will cost less. It doesn't set a precedent for breaking into the Trust.

Some think there is not enough money in it, that it doesn't do enough for local governments. This bill will do more than the governor's will right from the very first day. It will make more money available on a more flexible basis and be better for small local governments. He explained by the use of an overhead there are three ways local governments are assisted. HB 19 is very skeletal. It just says an endowment fund will be created, and the water bond program will be expanded for infrastructure. The rest is largely left up to the legislature next session. There are not a lot of details which is why it is a short bill.

The three ways local governments can be assisted are: **EXHIBIT 2** debt retirement, assuming \$5 Million sewer bonds are issued. Everyone says they need grants rather than loans. If you take 6% interest for 15 years, that will retire it with about \$485,000. This means the state, under this program can pick up the entire \$485,000 if they went to a 100% subsidy for the entire project. It may make more sense to do that for the first five years, 50%

subsidies thereafter, and 25% subsidies after that; any combination for debt retirement assistance.

Grants are also authorized just like the governor's bill. Assume a \$5 Million project, 20% match would be \$1 Million, 60% bond, \$3 Million at 6% interest, that is \$209,000 a year which would be very good for that community for a \$5 Million project. If the entire \$6 Million interest were to be used for matching, \$30 Million worth of projects on a 20% match basis could be funded. On the debt retirement, if 100% subsidies were assumed, the \$6 Million would fund \$60 Million worth of projects.

Assume the same \$5 Million project: issue \$5 Million bonds at 6% interest for 15 years, that is \$485,000 a year, and the state would subsidize 3.5% of the interest on that, a local government would only be paying 2.5% interest which is \$175,000 a year; the city only has to pay \$310,000 a year on a \$5 Million project. If \$6 Million of interest were applied to that, you could have \$171 Million in one year of local government projects. The best thing to do may be to use a combination of these three things.

The new revenue resolution uses 8.5% this year and 9.5% next year. It has averaged between 9.5% and 10%. Using 9.5% in 1994 you will have \$1,662,000 available in interest. If you put \$1 Million in debt retirement, that will retire \$10 Million worth of projects. If you put \$.66 in bond subsidy that will fund \$18.9 Million in projects. You also have the water bond projects that are already available and approved for expanding, so they can be in the infrastructure, too. Another \$10 Million would make \$38.9 Million available in the second year. The governor's program would have a maximum of \$40 Million. Almost from day one this program will provide more money available to local governments than the governor's alternative.

Don Judge, Executive Secretary Montana State AFL-CIO, supports HB 19. EXHIBIT 2. It will create jobs. Montana's infrastructure desperately needs repair or replacement. It would provide an ongoing source of funds for local governments for years to come. It doesn't break the Trust Fund and it goes on forever. A short-term bandaid is not the way to approach assistance to local governments. If this goes on the ballot in June and it is adopted, they can begin to prepare proposals for the 1993 session. They don't have to wait until November to think about it. This proposal prevents porkbarrel projects, will send a positive signal to local governments that are badly in need of assistance, and a positive signal to Montana workforce, and creation of good paying jobs. He urged adoption of the amendments proposed by **REP. HAL HARPER** and to give this a 'Do Pass' recommendation.

Alec Hanson, Montana Association of Cities and Towns, supports HB 19. Cities have been caught in a withering political crossfire over the last 18 months. Something has to be done about the problem of deteriorating public works in Montana. Negotiations

have not been successful. Financial assistance for local governments funded by the Coal Tax Fund have been considered for many years. This problem is too big and too dangerous to ignore any longer. HB 795 last session was vetoed by the governor. He proposes to have a referendum to consider this problem. An initiative or referendum is probably the only way to settle this issue. Every day costs are increasing and it is becoming more difficult for cities and towns to fund infrastructure projects. The Association doesn't back either program, but something must be done. Each program has advantages. Hopefully, next January the legislature will put together a bill which truly represents their efforts to get on with the job that was started many years ago.

Chuck Brooke, Director of the Department of Commerce, although he had not intended to testify, after hearing some comments, appeared as a proponent. There is a definite need to focus on the infrastructure of the state, what the problems are, and who is going to be addressing this and how. The problem is over \$400 Million sewer, water and solid waste problems have already been identified in the state by the Health Department. Those are present problems right now and they need to be addressed immediately. The governor's program does that. In terms of negotiation and concessions regarding compromise bills, they are very comfortable in looking at a long-term solution, but an immediate short-term solution is necessary. Under this proposal, the Treasure State Endowment Fund would generate \$1.4 Million in interest the first year, and in 1994 \$2 Million, for a total of \$3.4 Million during the 1994-95 biennium that would be available in that special revenue account for the grants.

You have been presented with a proposal to use bonds to enhance the startup of the program. Anyone taking a close look at the governor's veto of HB 795 pointed to unsolved technical problems with the bonding program. Federal IRS regulations strictly prohibit the payment of interest on tax-exempt bonds when paid on a taxable investment. The Treasure State Endowment bonds could be subject to yield restrictions.

The Chairman questioned whether Mr. Brooke's position was as proponent or opponent. Proponents were to continue.

Jim Jensen, Montana Environmental Information Center, handed out some proposed amendments EXHIBIT 4. The MEIC has traditionally opposed the use of coal tax severance money which would increase the general fund burden on the Montana taxpayers, and HB 19 still does that, although it is substantially less than previous proposals. They continue to support the notion of both local government option taxes to help local governments deal with their most critical infrastructure problems.

They can support this legislation with the proposed amendments which are offered to save money in administration costs. Currently, the bill delegates the Montana Department of Commerce administration of this program. The first two amendments would

put administration of the program in the Department of Natural Resources and Conservation because of their engineering and bonding expertise. Commerce does not have environmental expertise in its local government bureau. Some of these programs will occur in areas where assistance from the DNRC can eliminate the potential for unnecessary environmental harm.

The third amendment requires a capital and maintenance reserve fund be established for each project funded so local governments in the future are able to have maintenance and replacement money available to them, and do not again have such a fiscal crisis. This allows them to be stronger and less dependent on the whims of federal government.

The agency governing administration of this program is going to have to propose rules in order to get started this summer if the referendum prevails, so that in 1993 there will be an opportunity to use some of this money.

George Ochenski, representing Waste Management National Association of Montana, agrees HB 19 is a stripped down version of the infrastructure bill. When shortening it, some important priority sections were left out. He passed out copies of HB 795, the old infrastructure bill, EXHIBIT 5. He referred to page 9, Section 9, 'Priorities for projects -- procedure', and the priorities list on page 10. Page 9 talks about procedures, page 10 talks about a priority list. Preference must be given projects based on the following order of priority shown on pages 10 and 11(2) and all subsections. This section needs to be included in HB 19. It provides balance, it gives direction, it includes local support, and it does not discourage expansion of tax base. The private sector must be able to provide a service at a reasonable cost that meets the needs of the community and continues to pay taxes. That alleviates, rather than exacerbates the problem of a continued revenue shortfall. He will support the bill providing the priorities section is included.

Evan Barrett, testified as an individual. He does economic development work at the local level. The issue isn't whether or not the state is going to help local government, the issue is how. Local governments had previously been fed by the federal government as far as this was concerned and weren't receiving any help from the state. This is a very responsible program and good for Montana, for the local governments, and for economic development. Economic development is directly related to infrastructure in many ways. If infrastructure is not in place, there is not much money available for economic development. The Department of Commerce on a small scale does provide some assistance for economic development. It is appropriate this program be placed in the Department of Commerce because they have expertise and mechanisms in place already. He supports HB 19. It is a long-term solution to a long-term problem. A 10-year quick fix is not a responsible answer.

HB 19 focusses on the right uses. It is important to focus on the right participants, the people who deal with the infrastructure. The bill is solid because of legislative review. The process has been established the same way the water bonding program works. The vehicle for funding is very important. This is not a loan program. Loans only come out of the water bonding program which is a secondary aspect of this bill. As far as the Endowment itself, it would fund grants and assistance with debt service. It has flexible vehicles enabling it to adjust properly. Although bonding is difficult and very complex, technicalities can be worked out.

It is a solid bill that jump starts the process and builds it up gradually to where it is meaningful. We are talking \$337 Million over the next 30 years, \$517 Million over the next 40 years, \$697 Million over the next 50 years in state assistance to local infrastructure. If that money, combined with the local government money is not sufficient to deal with the infrastructure problems of Montana, we are in very bad shape. This is responsible, and will have a significant impact on real problems.

Opponents' Testimony:

REP. BEN COHEN, solid waste contractor in the City of Whitefish, and is also a recycling contractor. He borrowed \$100,000 at present interest rates to provide recycling and solid waste services to his community. If this initiative passes as it is written, the local government will be able to get financing way below anything he could get. This would be unfair competition against him. If such a private enterprise is put out of business, a tax base would be lost. Jobs would be lost. Other prospective recycling contractors are watching how the state handles solid waste problems. He feels legislative action recommends private sector contractors should provide public services such as solid waste disposal. If this bill passes in its present form, these kinds of enterprises will not take place in the private sector.

He recommended striking 'solid waste recycling' and putting something in the bill saying local governments shall not be financed to compete with the private sector. That could be a problem because solid waste has been subsidized in some areas for so long there is no action by the private sector to go into that type of business. If there is no action in the private sector at all, as an alternative put something in the bill to smooth the financing of private sector activities which will compete with any projects in the local government area. If there are people in the private sector who are already engaged in an activity, Montana should follow its own public policy EXHIBIT 6 that says it will not finance a local government to compete with a provider of public services already in existence.

REP. JOHN COBB, HD 42, would have the referendums voted on in the general election in November rather than in a primary election so they could be compared at the same time rather than have them

separated by four or five months' time. The voters should be allowed to decide which program they prefer. EXHIBIT 7 proposes such an amendment.

Mr. Brooke continued his testimony. The administration supports the concept of the legislature for a long-term commitment. Right now there is a major short-term problem. HB 19 does address the long-term problem, and at the same time attempts to address a short-term problem, cannot actually do that. The need for the Big Sky Dividend will continue whether this bill is passed or not. He recommended a Do Not Pass.

Questions From Committee Members:

REP. SHEILA RICE was concerned about administrative costs by whichever agency has to get this process jump started. She asked what it would cost the DOC to administer HB 19. HB 2 allowed \$100,000 for engineering studies. One of the reasons HB 795 was vetoed was lack of administrative dollars. Mr. Brooke said the DOC estimated administrative costs to be \$234,265 in 1994, \$252,353 for 1995, \$486,618 for the biennium. If proposed amendments are passed, there could be a difference. There would be no fiscal impact in the 1991-92 biennium, it would be beyond that in 1994-95.

REP. LARSON asked about competitive effects of this bill. REP. COHEN explained, as a solid waste contractor, he contracts to haul other material from businesses to the landfill, and also provides recycling services. More facilities will be built that are essentially material reduction facilities where those materials that do not have to be landfilled are prepared for resale to the secondary market. Some local governments are already considering putting in such facilities. If the job is being done satisfactorily by a private provider, why finance a local government to compete with the private sector? More people will end up on the public payroll and less on the private payroll. There are more public landfills than private ones at this time in Montana. He suggested New Section 6 contain a statement 'no project can be financed if these services are being provided by the private sector'; or 'no project should be financed inconsistent with other Montana Public Policies'. This would maximize private sector use under the waste control laws.

REP. PAVLOVICH asked, why are you recommending this be voted on in the primary rather than the general election? REP. HARPER said there are eight possible combinations voters can make. It would cause confusion if both were to be held at the same time. It is necessary to move forward and get this process started before the campaign for governor gets in full swing. There is a \$100 Million deficit to be considered in the next session.

REP. NORM WALLIN thought this was not a loan program. Evan Barrett said, there is a small loan at the beginning primarily to subsidize local debtors to provide matching funds. The governor's

bill also provides matching state moneys to local moneys. The local government still has to come up with money either with cash, bond, or some other way under each program.

REP. LARSON asked if he concurred with the concerns REP. COHEN raised regarding potential competition with private sector providers. REP. HARPER will endorse a proposal made to HB 795 that none of this money can be used in competition with any private interests. If there is a large solid waste need in an area, and it is necessary to get a lot of different areas covered, and you have an existing small hauler who has a contract but can't handle the job, and the provisions in the bill say your county can't get any money to deal with that condition, but it has to be handled sooner or later, this committee should decide how to handle such a problem right now. EX 5 Page 10(h) says 'projects that do not discourage expansion of the tax base;' under the 'Priorities for projects Section 9', is the way this concern was handled last time. This says if you have a private person who can handle the project, you would be going into direct competition with that person. You would be definitely discouraged from doing that. That is a balancing act this legislature will have to make. He recommended adding a New Section 7 to replace Section 6 in HB 19. See page 2 of the Standing Committee Report EXHIBIT 8 for the proposed amendment.

In EX 4 page 9 Section 9 third line from the bottom 'In preparing grant recommendations for the 53rd legislature, the department shall recommend projects that do not exceed \$300,000.' That whole sentence could be stricken. If it is left in and you wish to make grants in smaller amounts, that would be inconsistent. Section 9 page 10(c), bracketed section 7-13 should read sections 1, 2, and 5 through 9. That would be the amendment.

REP. SONNY HANSON asked, if the figures he had presented had at any time been evaluated or the loss of purchasing value on those dollars been determined? Mr. Barrett said no, these are 1993 dollars. They are not discounted or figured for inflation. The Big Sky Dividend uses the same dollars.

REP. HANSON asked, when the \$5 Million for the Clean Coal Program ends and \$8.7 Million was generated and added together, you said this totalled \$10 Million. What happened to the difference? Mr. Barrett said the Clean Coal sweep is on a fiscal year basis, collecting at a \$7.5 Million rate in the first half of the calendar year, and at a \$10 Million rate in the second half of the calendar year; over the worst year, they collected \$8.75 Million.

MR. HANSON said state bonds are selling at 9%, but the bonds we are buying were only 8.7%. Mr. Barrett said those figures are not inappropriate. The money generated by this over the last decade has clearly averaged over 9%. If you sold bonds right now they would be below 7%. If it were 8% in 1993, those figures would be altered only slightly. The 9% is fairly defensible based on the

historic investments of the Trust Fund.

MR. HANSON said you are talking about 9% income, 7% expense. **SEN. TOWE** said that is correct. The revenue resolution was based on what **John Connors** of the Board of Investments said. New long-term investments are coming in at 8.5% this year and he projects 9.5% next year. Since the coal trust started in 1975, they have averaged between 9.5% and 10% on a regular basis, year in and year out. When 9% was projected that was probably too low and should be raised to 9.5%. State governments can borrow money at less than that because of the tax-exempt discount. Therefore, we can go out on the market and borrow a little above the 7% suggested by the bond counsel. What we borrow at and what we can invest at, is what is called 'arbitrage', and the federal government gets very nervous if very much of that is done. In this case we are alright because we are doing it with interest income which makes all the difference.

The numbers on these sheets are not adjusted for purchasing power of the dollar. They are assuming a flat interest rate, and since interest rates go up and down over a period of time. That is a reasonable way to go. These numbers are based on current coal production and coal prices. In that area both of those numbers are expected to go up because there is no inflation built in.

REP. HANSON said, in Section 9 at the bottom of page 1, it says 'projects that do not discourage expansion of the tax base'. Is that in effect a means of busting I-105? If they are allowed to start pushing additional bonds for various things, what are the limits of I-105? With an outright grant program there would be no problem, but if it were to go into a participation or combination as was just said, does it affect I-105? **REP. HARPER** said this is a grant program and you can either match money or get subsidies. So either way the local government is going to be facing the same problem. They are going to have to pay their part of the money and wherever that comes from they are going to have to live within current laws. There is no apparent difference between the approaches except this has more flexibility.

REP. HANSON asked where the money that would go into the endowment fund is going now? How much money is going into the Trust Fund? **REP. HARPER** answered, about \$20 Million a year goes in. \$5.5 Million goes into water bonding, part is used for Clean Coal.

REP. HANSON said, under the terms used in the bill the Department of Commerce and the governor will do the screen and review, the legislature will approve of. What if a project is desired by the governor, and the DOC says that it is not valid and not on their list to be considered by the legislature, but the legislators feel very strongly that it is a valid project? Is the concept that the legislature can only review what has been given approval by the governor? **REP. HARPER** said that was not his concept, but that fear has risen time and again. The same possibility is in

the water bonding program at the present time. There is no way to absolutely fix the influence of political pressure. He would choose the 150 elected legislators who have the ability to work and talk and protect themselves from such things going on. If any serious interference is seen locally in this bill, there will be an outcry. This bill does its best to try to eliminate that problem from occurring.

REP. BARNETT sat in on a hearing on school bonding where they were considering another 'bucket' EXHIBIT 9 because another bond will be floated. Would that in any way affect the money that would be coming into this program? REP. HARPER said that proposal is to try to use \$3 Million of the flow. If that happens it will have an impact that will tend to draw these figures down a bit, and would have exactly the same impact as the other programs that use that money. We are talking about competition for this money, which is a real concern for the people who really want to do something for local government. If this is allowed to hang around, there will be more competition for this money. They will not be the only ones.

REP. BARNETT said politics being what they are, he is more concerned about the small cities and the large cities being in conflict. If a small eastern Montana rural entity has a project and a large city, Billings for instance, has one, would Billings take preference because of its better representation in the legislature? Is there some better way of filing approval where the legislature would not be involved? REP. HARPER said if the decision were to be made by the governor on a pet project, that could affect his choice. There is no check that way. With 150 legislators it would seem that such a decision would be fairer. This legislation should be put on the same level as the water bonding program. When that list comes out of DNRC that is the one approved. It has the stamp of 'affordability standards' used in Congress. That is the way it ought to be. This program should be viewed with that same type of approach to legislation. If politics ever seizes control of this program, and it would if a governor has that power, that has to be stopped. The main thing is to get this process going. If there is something you don't like, it can be changed later.

REP. STEPPLER asked if these are the same moneys that would back the school funding bonds. REP. HARPER said, the schools are looking at \$3 Million of that flow. That would cut down the money going into the endowment fund.

REP. STEPPLER asked if the school bonding passes, how will that affect the state bond rating if this passes also? Mr. Brooke said the bond counsel would have to be consulted because of their adverse advice. The limits of bonding for the Coal Severance Tax Trust Fund are based on revenue flowing into that fund. In HB 795 fiscal note there was only \$12 Million bonding authority left. The administration is supporting SEN. BLAYLOCK's bill to back school bonding with the Trust money. Funding \$2.5 Million would

have at least a one time impact on both the Big Sky Dividend stream revenue flow and HB 19 programs. The Big Sky Dividend would require \$15 Million a year and this program would require \$7.5 Million to be passed through so their funds would start getting interest. In at least one fiscal year it would be reduced by that amount and would have an impact on both those programs.

Closing by Sponsor:

REP. HARPER explained there are three distinctions between the governor's Big Sky Dividend and the Treasure State Endowment Fund. Points raised: 1. The impact of the governor's money upfront vs the impact of this. Over the long run when you see the way this money builds and maintains its commitment to local governments, it is forever. The needs of local governments will continue.

There are two scenarios: one is for the jump start bond scenario to move the money upfront, the other allowing it to grow. Bonding is the way to move money upfront. This anticipates getting itself out of very tight cash flow problems. Bonds may be issued again, but will be on a much safer basis. The question was raised as to whether there are technical problems with bonding. The bond counsel wrote the amendments for HB 795. Those problems are minimized. It appears the arbitrage problems have been eliminated.

This needs to be organized and get going. It should be put on the primary ballot and not wait until the general election in November. If we don't do this at this point in time, the argument between the governor and the legislature will cause it to be delayed further. The time may slip by and the window of opportunity will be closed.

Amendments offered by Mr. Jensen take the entire administration of this bill out of the Department of Commerce and put it in the Department of Natural Resources. It is important to keep the administration of this program together. There is no intent for the DNRC to duplicate the bonding program that goes on in the DOC. There will be no duplication of effort.

He supports the amendments offered by Mr. Ochenski which is Page 9 Section 9 of HB 795. They have wrestled with REP. COHEN's comments. They have tried to balance that as best they could. Regardless of which program is used, that is a problem. They have rulemaking under the block grant program and they use that criteria.

Definitions of infrastructure and local government which were not included in HB 19 have to be added. References to the bracketed language that comes up on the computer and reference to Section 7 have to be stricken. Effective dates will have to be included exactly where they are, July 1, 1993, and June 30. These are not effective dates, they are initial transfer dates.

EXECUTIVE ACTION ON HB 19

Motion: REP. SHEILA RICE moved HB 19 DO PASS.

Motion: REP. STELLA JEAN HANSEN moved all five amendments on EXHIBIT 1 DO PASS.

Discussion: After discussion about the first amendment, and a motion by REP. LARSON to strike "and separation" in (iv) of Amendment 1, REP. STEPPLER thought the words should be left in case someone is already providing such a service or working on such provision so they could get a loan or grant. What does a local government do when they don't have the capability of providing such a service and no one else is interested? Mr. Ochenski thought someone interested in providing this type of service should be allowed to get a loan or grant. The state should not compete with a private sector provider who would be establishing a tax base as well as providing the service. It is a criteria the reviewers must look at. REP. HARPER withdrew the first amendment.

VOTE: Committee members approved each of the other four amendments unanimously by voice vote.

MOTION: REP. PAVLOVICH moved the language in Section 9 Pages 9, 10, and top 3 lines of Page 11 of HB 795 be included in HB 19. Mr. Verdon, Researcher, clarified the motion. He asked if that would strike Section 6 of the original bill and (1) of Section 7. The language of (2) Section 7 would be left.

MOTION: REP. DOWELL moved to include in the above proposed amendment in (h) following "that" the words "maintain the tax base or that".

VOTE ON AMENDMENT: REP. PAVLOVICH amendment including the REP. DOWELL amendment was unanimously adopted by voice vote.

MOTION: REP. WALLIN moved REP. COBB proposed amendment be adopted.

Discussion: After discussion re the merits of having both programs on the November ballot, since the Big Sky Dividend would not be on the primary ballot, committee members thought it would be confusing to the voters. Usually fewer people vote in the primary election. It takes 36,000 signatures to get a referendum on the ballot.

VOTE: Roll Call Vote showed five voted Aye for the Cobb amendment, 11 voted No. Amendment failed.

VOTE HB 19 DO PASS AS AMENDED: REPS. HANSON, BARNETT, WALLIN, KNOX, TUNBY, AND STEPPLER voted NO; other committee members voted Aye. Motion passes 10 Aye, 6 NO.

ADJOURNMENT

Adjournment: 1:00 P.M.



REP. BOB BACHINI, CHAIRMAN



JO LAHTI, Secretary

BB/jl

HOUSE OF REPRESENTATIVES

BUSINESS AND ECONOMIC DEVELOPMENT COMMITTEE

ROLL CALL

DATE 1-13-92

NAME	PRESENT	ABSENT	EXCUSED
REP. BOB BACHINI, CHAIRMAN	✓		
REP. SHEILA RICE, VICE-CHAIR	✓		
REP. JOE BARNETT	✓		
REP. STEVE BENEDICT		✓	
REP. BRENT CROMLEY	✓		
REP. TIM DOWELL	✓		
REP. ALVIN ELLIS, JR.			
REP. STELLA JEAN HANSEN	✓		
REP. H.S. "SONNY" HANSON	✓		
REP. TOM KILPATRICK			✓
REP. DICK KNOX	✓		
REP. DON LARSON	✓		
REP. SCOTT MCCULLOCH	✓		
REP. BOB PAVLOVICH	✓		
REP. JOHN SCOTT	✓		
REP. DON STEPPLER	✓		
REP. ROLPH TUNBY	✓		
REP. NORM WALLIN	✓		

HOUSE STANDING COMMITTEE REPORT

January 13, 1992

Page 1 of 3

Mr. Speaker: We, the committee on Business and Economic Development report that HB 19 (first reading copy -- white) do pass as amended .

Signed: Bob Bachini
Bob Bachini, Chairman

And, that such amendments read:

1. Page 2, line 4.
Page 2, line 5.
Page 5, line 16

Strike: "9"

Insert: "8"

2. Page 2, line 7.

Following: line 6

Insert: "(a) "Infrastructure projects" means:

- (i) drinking water systems;
- (ii) wastewater treatment;
- (iii) sanitary sewer or storm sewer systems;
- (iv) solid waste disposal and separation systems, including site acquisition, preparation, or monitoring; or
- (v) bridges.

(b) "Local government" means an incorporated city or town, a county, or a consolidated local government."

Renumber: subsequent subsections

3. Page 3, line 18.

Strike: "9"

Insert: "8"

4. Page 4, line 18.

Following: "on"

Strike: remainder of line 18 in its entirety

Insert: "July 1, 1993,"

5. Page 4, lines 19 and 20.

Following: "on" on line 19

Strike: "[

Following: "June 30"

Strike: remainder of line 19 through "]" on line 20
Insert: ", 2013"

6. Page 5, line 10.
Strike: "sections"
Insert: "section"
Strike: "and 7"

7. Page 5, line 22, through page 6, line 4.
Following: "6." on page 5, line 22.

Strike: remainder of line 22 and lines 23 through page 6, line 4
in their entirety

Insert: "Priorities for projects -- procedure. (1) The department of commerce must receive proposals for projects from local governments defined in [section 1(3)(b)]. The department shall work with a local government in preparing cost estimates for a project. In reviewing project proposals, the department may consult with other state agencies with expertise pertinent to the proposal. The department shall prepare and submit a list containing the recommended projects and the recommended form of financial assistance for each project to the governor, prioritized pursuant to subsection (2). The governor shall review the projects recommended by the department of natural resources and conservation under Title 85, chapter 1, part 6, and shall submit a list of recommended projects and the recommended financial assistance to the legislature.

(2) In preparing recommendations under subsection (1), preference must be given to projects based on the following order of priority:

(a) projects that solve urgent and serious public health or safety problems;

(b) projects that enable local governments to meet state or federal health or safety standards;

(c) projects that enable local governments to obtain funds from sources other than the funds provided under [sections 1, 2, and 5 through 8];

(d) projects that provide long-term, full-time job opportunities for Montanans;

(e) projects that provide public facilities necessary for the expansion of a business that has a high potential for financial success;

(f) projects that result in a benefit to the public commensurate with the amount of financial assistance;

(g) projects that reflect greater need for financial assistance than other projects;

(h) projects that maintain the tax base or that do not discourage expansion of the tax base; and

(i) projects that are high local priorities and have

strong community support."

Renumber: subsequent subsection and subsequent sections

8. Page 6, line 5.

Strike: "screening and"

9. Page 6, line 11.

Following: "on"

Strike: "["

10. Page 6, line 12.

Following: "following the"

Strike: "effective date of this act]"

Insert: "initial transfer to the fund, as provided in [section
10]"

11. Page 6, line 18.

Strike: "11"

Insert: "10"

12. Page 7, line 1.

Strike: "7(1)"

Insert: "6"

HOUSE OF REPRESENTATIVES

BUSINESS AND ECONOMIC DEVELOPMENT COMMITTEE

ROLL CALL VOTE

DATE Jan 13, 1992 BILL NO. HB 19 NUMBER 1

MOTION: Cobb amendment be adopted

Motion fails

NAME AYE NO

REP. BOB BACHINI, CHAIRMAN		✓
REP. SHEILA RICE, VICE-CHAIRMAN		✓
REP. JOE BARNETT	✓	
REP. STEVE BENEDICT		
REP. BRENT CROMLEY		✓
REP. TIM DOWELL		✓
REP. ALVIN ELLIS, JR.		
REP. STELLA JEAN HANSEN		✓
REP. H.S. "SONNY" HANSON	✓	
REP. TOM KILPATRICK		✓
REP. DICK KNOX	✓	
REP. DON LARSON		✓
REP. SCOTT MCCULLOCH		✓
REP. BOB PAVLOVICH		✓
REP. JOHN SCOTT		✓
REP. DON STEPPLER		✓
REP. ROLPH TUNBY	✓	
REP. NORM WALLIN	✓	
TOTAL	5	11

Tom Kilpatrick
Votes are on HB 19
& with the chair on
amends

Bew Kimberly

Amendments to House Bill No. 19
First Reading Copy

Requested by Speaker Harper
For the Committee on Business and Industry

Prepared by Greg Petesch
January 13, 1992

1. Page 2, line 7.

Following: line 6

Insert: "(a) "Infrastructure projects" means:

(i) drinking water systems;

(ii) wastewater treatment;

(iii) sanitary sewer or storm sewer systems; *remove*

(iv) solid waste disposal (and separation) systems, including site acquisition, preparation, or monitoring; or

(v) bridges.

(b) "Local government" means an incorporated city or town, a county, or a consolidated local government."

Renumber: subsequent subsections

2. Page 4, line 18.

Following: "on"

Strike: remainder of line 18 in its entirety

Insert: "July 1, 1993,"

3. Page 4, lines 19 and 20.

Following: "on" on line 19

Strike: "["

Following: "June 30"

Strike: remainder of line 19 through "]" on line 20

Insert: ", 2013"

4. Page 6, line 11.

Following: "on"

Strike: "["

5. Page 6, line 12.

Following: "following the"

Strike: "effective date of this act]"

Insert: "initial transfer to the fund, as provided in [section 11]"

Debt Retirement

EXHIBIT 2
DATE 1/13/92
HB HB 19

ASSUME \$5 million sewer project - Issue \$5 million of bonds

- 6% for 15 years = debt retirement annually of \$485,000
 - state agrees to pay entire \$485,000 for 5 years
 - state agrees to pay 1/2 or \$242,600 for 5 years
 - state agrees to pay 1/4 or \$121,500 for 5 years

For annual investment of \$485,000 - state could subsidize 100% of \$5 million project.

ASSUME \$6 million interest income available = \$60 million of projects at 100% subsidy - more if less than 100% subsidy.

Matching Grants

ASSUME \$5 million sewer project

- 20% matching funds from state = \$1 million
- 20% matching funds from federal grant = \$1 million
- 60% bond issue = \$3 million

At 6% for 15 years = \$290,000 per year payment

ASSUME \$6 million interest income available at 20% match = \$30 million of projects

Bond Subsidy

ASSUME \$5 million sewer project

- Bond issue at 6% for 15 years = \$485,000 yrly debt retirement
- State subsidizes the interest at 3.5% = 175,000
- Balance paid by local government = 310,000

ASSUME \$6 million interest income available at 3.5% subsidy = 171.4 million of projects

Combination

\$1,662,500 available

\$ 1.0 million of debt retirement	= \$10 million of projects
\$.6625 million of bond subsidy (3.5%)	= 18.9 million of projects
\$10 million water bond projects	= <u>10 million of projects</u>
	38.9 million of projects

\$6 million available

\$ 4.125 million at 20% matching grants	= \$20 million of projects
\$ 1 million of debt retirement commitment	= 10 million of projects
\$.875 million of bond subsidy (3.5%)	= 20 million of projects
\$10 million of water bond projects	= <u>10 million of projects</u>
	\$60 million of projects

Governor's Big Sky Dividend

\$20 million at 50% match = \$40 million of projects



Montana State AFL-CIO

DATE 1/13/92

HB HB19 Donald R. Judge
Executive Secretary

110 West 13th Street, P.O. Box 1176, Helena, Montana 59624

406-442-1708

TESTIMONY OF DON JUDGE ON HOUSE BILL 19, HEARING OF THE HOUSE BUSINESS AND ECONOMIC DEVELOPMENT COMMITTEE, JANUARY 13, 1992

Mr. Chairman and members of the House Business and Economic Development Committee, for the record, I am Don Judge, executive Secretary of the Montana State AFL-CIO. We are here today to support House Bill 19, which would help put Montanans back to work, help local governments rebuild their crumbling public works systems and provide an ongoing fund that invests in our state's economic future.

Labor supports House Bill 19 for three basic reasons:

- (1) It's obvious this bill will create jobs, something Montana desperately needs, as evidenced by the latest dismal unemployment statistics.
- (2) Montana's infrastructure -- water, sewer and solid waste systems and bridges -- desperately need repair or replacement to keep them from falling apart. Rebuilding Montana's infrastructure would be an asset that can be touted to not only lure business, industry and good-paying jobs to this state, but also to help businesses already here grow and prosper.
- (3) The bill would provide an ongoing source of funds for local governments to tap for years to come. It doesn't end in 10 years, like the governor's program. And it doesn't break the coal tax trust fund.

For years, the delegates to our Montana State AFL-CIO conventions have adopted resolutions favoring the investment of our coal tax trust funds in our own economy. Delegates at those conventions advocated using the funds without losing them. In other words -- no giveaway programs. Just use the funds as backing for low-interest loans and to attract additional capital through its use. This bill dovetails with the resolutions adopted at our conventions.

We need to put Montana back to work again. We need to invest in our state. We need to create jobs.

Just last week the state Labor Department reported Montana's unemployment rate had jumped to 7.4 percent in November 1991, up from 6.2 percent in October. That was the largest increase between those two months in 21 years! That means 29,300 Montanans were out of work in November, 4,800 more than in October, and 2,600 more than the same month a year before. That's a tragedy, and one that we must address soon.

No program, this one or the governor's Big Sky Dividend program, will create jobs immediately. But we've got to start now. This bill will get a jump on creating new jobs because the referendum would go on the primary ballot in June, five months before the governor's program could even be voted on by the people of Montana, if it even gets on the general election ballot.

Testimony of Don Judge
Page Two
House Bill 19, January 13, 1992

Putting this measure on the ballot would stop the political shenanigans evidenced in 1991, when a similar bill was overwhelmingly supported by lawmakers but was vetoed by the governor.

This bill forgoes waiting a whole year, and allows for the approval of the first grants in 1993. If House Bill 19 is approved by the voters in June, local governments can begin immediately to prepare to submit proposals to fix their crumbling public works.

Business and industry consider the adequacy of local governments' public works systems when they consider relocating or expanding. A quality infrastructure is a critical component in successful economic development. Every business survey we've ever seen says this. We need to reinvest not only in our workers but in our infrastructure if we aim to compete in the new global marketplace. No one else is going to do it for us.

The Treasure State Endowment Program provides an ongoing source of revenue, doesn't break the coal tax trust fund and doesn't end in 10 years. Local governments' needs will continue forever. This program will provide for those needs forever.

Because this program requires local governments to come up with some of their own money, there is little potential for pork-barrel projects. Each project would be screened and prioritized and approved by the Legislature.

In all deference to newspaper editorialists, who have criticized Democrats for attempting to get Montana working again, the newspapers are the ones who are making the issue difficult.

We want something done now. We have been working on this program for more than a year. We helped pass similar legislation in the last session. But the governor snuffed out the potential to create new jobs and help local governments with a stroke of his veto pen.

We're tired of putting off needed work.

House Bill 19 will send a positive signal to local governments badly in need of assistance for public works repairs and development; it will send a positive signal for businesses wishing to locate, expand or stay here in Montana; and it will send a positive signal to Montana's workforce that Democrats and Republicans both believe in the creation of good jobs and a sound economic future for our state.

Labor urges this committee to help move Montana forward by giving this bill a do pass recommendation.

Thank you.

EXHIBIT 4
DATE 1/13/92
HB HB 19



MONTANA ENVIRONMENTAL INFORMATION CENTER

House Business and Economic Development Committee
13 January 1992

Proposed amendments to House Bill 19 (Harper, et.al.)

Page 5, line 23, following "." strike:

~~department-of-commerce~~

Insert:

department of natural resources and conservation

Page 6, line 4, following "reviewed by the" strike:

~~department-of-commerce~~

Insert:

department of natural resources and conservation

Page 6, line 5. Insert new subsection (2):

(2) Each recipient of financial assistance under [sections 1, 2, and 5 through 9] for capital acquisition, maintenance or replacement projects shall be required to create a capital replacement and maintenance reserve fund for each project funded.

Renumber subsequent sections.

DATE 1/13/92
HB HB 19

HB 0795

HB 0795



AN ACT CREATING THE MONTANA COMMUNITY INFRASTRUCTURE ACT; CREATING AN INFRASTRUCTURE TRUST FUND WITHIN THE PERMANENT COAL TAX TRUST FUND; CREATING A SPECIAL REVENUE ACCOUNT FOR INTEREST EARNED ON THE COAL SEVERANCE TAX INFRASTRUCTURE FUND; MAKING INTEREST IN THE SPECIAL REVENUE ACCOUNT AVAILABLE FOR LOCAL INFRASTRUCTURE PROJECTS; AUTHORIZING THE ISSUANCE OF COAL SEVERANCE TAX BONDS FOR THE PURPOSE OF PROVIDING FINANCIAL ASSISTANCE FOR LOCAL GOVERNMENT INFRASTRUCTURE PROJECTS; PROVIDING FOR THE TERMS AND CONDITIONS OF FINANCIAL ASSISTANCE; PROVIDING A METHOD FOR RECOMMENDING PRIORITIES FOR PROJECTS; REQUIRING LEGISLATIVE AUTHORIZATION FOR PROJECTS; APPROPRIATING MONEY IN THE SPECIAL REVENUE ACCOUNT TO THE DEPARTMENT OF COMMERCE FOR USE BY LOCAL GOVERNMENTS FOR ENGINEERING STUDIES FOR LOCAL GOVERNMENT INFRASTRUCTURE PROJECTS; AMENDING SECTIONS 17-5-701, 17-5-702, 17-5-703, 17-5-704, 17-5-706, AND 17-5-719, MCA; AND PROVIDING AN EFFECTIVE DATE.

STATEMENT OF INTENT

A statement of intent is required for this bill because [section 1] delegates rulemaking authority to the department of commerce to administer the Montana Community Infrastructure Act. This bill is intended to provide local governments with cost-effective alternative methods of financing infrastructure projects that enhance the quality of life and protect the health, safety, and welfare of Montana's citizens and that support long-term, stable economic growth and job creation by keeping

Montana competitive with nearby states by providing for the public infrastructure necessary for economic growth.

This bill places the state of Montana in a position of partnership with local governments in meeting infrastructure needs. The primary emphasis of this bill is to assist local governments by:

- (1) providing an annual debt service subsidy on local debt created to finance local infrastructure projects;
- (2) providing a grant for up to 20% of the costs of local infrastructure projects; or
- (3) as a last resort, making loans to finance local infrastructure projects from the proceeds of coal severance tax bonds that may include an annual debt service subsidy on the loans.

The source of revenue to fund the assistance will be the investment income derived from the coal severance tax infrastructure fund.

Money currently transferred from the coal severance tax bond fund into the coal severance tax permanent fund would, under this bill, be transferred to a coal severance tax infrastructure fund within the coal severance tax trust fund. Fifty percent of the money flowing into the coal severance tax infrastructure fund will be retained in that fund, and 50% will be transferred to the coal severance tax permanent fund. The principal funds will be retained in the coal severance tax infrastructure fund; however, deposits



and dispose of solid waste for energy production purposes where economically feasible and to provide a coordinated state solid waste and resource recovery plan.

History: En. 69-4012 by Sec. 2, Ch. 575, L. 1977; R.C.M. 1947, 69-4012(part).

75-10-102. Public policies. (1) To implement this part, the following are declared to be public policies of this state:

(a) Maximum recycling from solid waste is necessary to protect the public health, welfare, and quality of the natural environment.

(b) Solid waste management systems shall be developed, financed, planned, designed, constructed, and operated for the benefit of the people of this state.

(c) Private industry is to be utilized to the maximum extent possible in planning, designing, managing, constructing, operating, manufacturing, and marketing functions related to solid waste management systems.

(d) Local governments shall retain primary responsibility for adequate solid waste management with the state preserving those functions necessary to assure effective solid waste management systems throughout the state.

(e) Costs for the management and regulation of solid waste management systems should be charged to those persons generating solid waste in order to encourage the reduction of the solid waste stream.

(f) Encouragement and support be given to individuals and municipalities to separate solid waste at its source in order to maximize the value of such wastes for reuse.

(g) The state shall provide technical advisory assistance to local governments and other affected persons in the planning, developing, financing, and implementation of solid waste management systems.

(h) Actions and activities performed or carried out by persons and their contractors in accordance with this part shall be in conformity with the state solid waste plan.

(i) When licensing a solid waste management system, the department shall consult with units of local government that have jurisdiction over the area encompassing the proposed system.

(2) This part is in addition and supplemental to any other law providing for the financing of a solid waste management system and does not amend or repeal any other law.

History: En. 69-4012, 69-4019 by Secs. 2, 9, Ch. 575, L. 1977; R.C.M. 1947, 69-4012(part), 69-4019; amd. Sec. 1, Ch. 215, L. 1991; amd. Sec. 2, Ch. 643, L. 1991.

Compiler's Comments

1991 Amendments: Chapter 215 inserted (1)(i) requiring Department to consult with local governments when licensing solid waste management systems.

Chapter 643 inserted (1)(e) providing that management and regulation of solid waste management systems costs be charged to persons generating waste to encourage reduction of solid waste stream. Amendment effective July 1, 1991.

Retroactive Applicability: Section 10, Ch. 643, L. 1991, provided: "[This act] applies retroactively, within the meaning of 1-2-109,

to all applications provided for in 75-10-221 received after January 1, 1990."

Cross-References

Beauty of the state, Preamble, Mont. Const.

Right to clean and healthful environment, Art. II, sec. 3, Mont. Const.

Duty to maintain a clean and healthful environment, Art. IX, sec. 1, Mont. Const.

Refuse disposal districts, Title 7, ch. 13, part 2.

Regulation of cesspool, septic tank, and privy cleaners, Title 37, ch. 41.

EXHIBIT 7
DATE 1/13/92
HB HB 19

Amendments to House Bill No. 19
First Reading Copy

Requested by Representative Cobb
For the Committee on Business and Industry

Prepared by Greg Petesch
January 11, 1992

1. Page 7, line 8.
Strike: "July"
Insert: "January"

2. Page 7, line 15.
Strike: "primary"
Following: "in"
Strike: "June"
Insert: "November"

EXHIBIT 8
DATE 1/13/92
RE HB 19

1/12/92
4:35 PM
[Signature]

HOUSE STANDING COMMITTEE REPORT

January 13, 1992

Page 1 of 3

Mr. Speaker: We, the committee on Business and Economic Development report that HB 19 (first reading copy -- white) do pass as amended.

Signed: Bob Bachini
Bob Bachini, Chairman

And, that such amendments read:

1. Page 2, line 4.
Page 2, line 5.
Page 5, line 16

Strike: "9"

Insert: "8"

2. Page 2, line 7.

Following: line 6

Insert: "(a) "Infrastructure projects" means:

(i) drinking water systems;

(ii) wastewater treatment;

(iii) sanitary sewer or storm sewer systems;

(iv) solid waste disposal and separation systems, including site acquisition, preparation, or monitoring; or

(v) bridges.

(b) "Local government" means an incorporated city or town, a county, or a consolidated local government."

Renumber: subsequent subsections

3. Page 3, line 18.

Strike: "9"

Insert: "8"

4. Page 4, line 18.

Following: "on"

Strike: remainder of line 18 in its entirety

Insert: "July 1, 1993,"

5. Page 4, lines 19 and 20.

Following: "on" on line 19

Strike: "[

Following: "June 30"

RT

Strike: remainder of line 19 through "]" on line 20
Insert: ", 2013"

6. Page 5, line 10.
Strike: "sections"
Insert: "section"
Strike: "and 7"

7. Page 5, line 22, through page 6, line 4.
Following: "6." on page 5, line 22.
Strike: remainder of line 22 and lines 23 through page 6, line 4
in their entirety

Insert: "Priorities for projects -- procedure. (1) The department of commerce must receive proposals for projects from local governments defined in [section 1(3)(b)]. The department shall work with a local government in preparing cost estimates for a project. In reviewing project proposals, the department may consult with other state agencies with expertise pertinent to the proposal. The department shall prepare and submit a list containing the recommended projects and the recommended form of financial assistance for each project to the governor, prioritized pursuant to subsection (2). The governor shall review the projects recommended by the department of natural resources and conservation under Title 85, chapter 1, part 6, and shall submit a list of recommended projects and the recommended financial assistance to the legislature.

(2) In preparing recommendations under subsection (1), preference must be given to projects based on the following order of priority:

(a) projects that solve urgent and serious public health or safety problems;

(b) projects that enable local governments to meet state or federal health or safety standards;

(c) projects that enable local governments to obtain funds from sources other than the funds provided under [sections 1, 2, and 5 through 8];

(d) projects that provide long-term, full-time job opportunities for Montanans;

(e) projects that provide public facilities necessary for the expansion of a business that has a high potential for financial success;

(f) projects that result in a benefit to the public commensurate with the amount of financial assistance;

(g) projects that reflect greater need for financial assistance than other projects;

(h) projects that maintain the tax base or that do not discourage expansion of the tax base; and

(i) projects that are high local priorities and have

Ex. 8
H-13-92
HB 19

January 13, 1992
Page 3 of 3

strong community support."

Renumber: subsequent subsection and subsequent sections

8. Page 6, line 5.

Strike: "screening and"

9. Page 6, line 11.

Following: "on"

Strike: "["

10. Page 6, line 12.

Following: "following the"

Strike: "effective date of this act]"

Insert: "initial transfer to the fund, as provided in [section
10]"

11. Page 6, line 18.

Strike: "11"

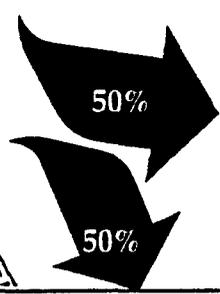
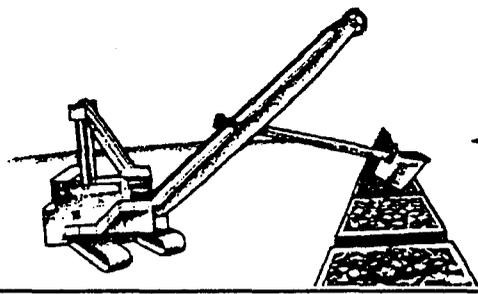
Insert: "10"

12. Page 7, line 1.

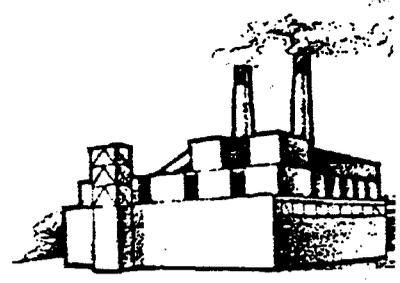
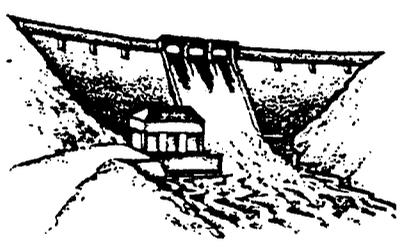
Strike: "7(1)"

Insert: "6"

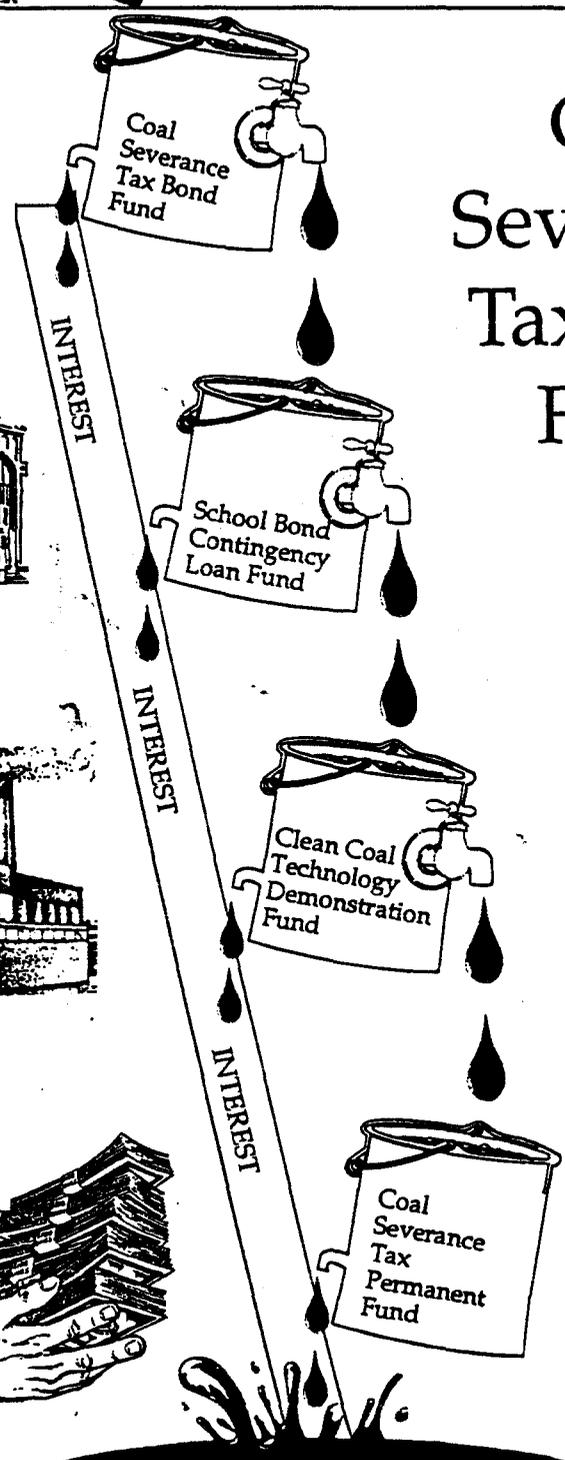
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Current Operations
of State Programs



Coal Severance Tax Trust Fund



Coal Severance Tax Income Fund



HOUSE BILL NO. 19
 INTRODUCED BY *Stanley* *Michael* *Don*
 A BILL FOR AN ACT ENTITLED "AN ACT CREATING A TREASURE STATE ENDOWMENT PROGRAM; CREATING THE TREASURE STATE ENDOWMENT FUND WITHIN THE COAL SEVERANCE TAX FUND; PROVIDING THAT ONE-HALF OF THE ANNUAL REVENUE THAT WOULD OTHERWISE BE DEPOSITED IN THE COAL SEVERANCE TAX PERMANENT FUND BE DEPOSITED IN THE ENDOWMENT FUND; AUTHORIZING THE USE OF INTEREST FROM THE ENDOWMENT FUND FOR GRANTS, DEBT RETIREMENT, AND LOANS TO LOCAL GOVERNMENTS; TRANSFERRING \$10 MILLION FROM THE PERMANENT FUND TO THE ENDOWMENT FUND; EXPANDING THE COAL SEVERANCE TAX BOND PROGRAM; SUBMITTING THE CREATION OF THE PROGRAM TO THE QUALIFIED ELECTORS OF MONTANA; AND AMENDING SECTIONS 17-5-701 AND 17-5-703, MCA."
Robert L. Brown
Bob Ream
Mark

1 from proceeds of the sale of bonds under 17-5-701(2) may be
 2 used to provide financial assistance for local government
 3 infrastructure projects under (sections 1, 2, and 5 through
 4 9).
 5 (3) AS used in (sections 1, 2, and 5 through 9), the
 6 following definitions apply:
 7 (a) "Treasure state endowment fund" means the coal
 8 severance tax infrastructure endowment fund established in
 9 17-5-703(1)(b).
 10 (b) "Treasure state endowment program" means the local
 11 government infrastructure investment program established in
 12 subsection (1).

13 NEW SECTION. Section 2. Purpose. The purpose of the
 14 treasure state endowment program is to assist local
 15 governments in funding infrastructure projects that will:
 16 (1) create jobs for Montana residents;
 17 (2) promote economic growth in Montana by helping to
 18 finance the necessary infrastructure;

19 (3) encourage local public facility improvements;
 20 (4) create a partnership between the state and local
 21 governments to make necessary public projects affordable;
 22 (5) support long-term, stable economic growth in
 23 Montana;
 24 (6) protect future generations from undue fiscal
 25 burdens caused by financing necessary public works;

18 NEW SECTION. Section 1. Treasure state endowment
 19 program created -- definitions. (1) There is a treasure
 20 state endowment program that consists of:
 21 (a) the treasure state endowment fund established in
 22 17-5-703; and
 23 (b) the infrastructure portion of the coal severance
 24 tax bond program provided for in 17-5-701(2).
 25 (2) Interest from the treasure state endowment fund and



1 (7) coordinate and improve infrastructure financing by
 2 federal, state, local government, and private sources; and
 3 (8) enhance the quality of life and protect the health,
 4 safety, and welfare of Montana citizens.

5 **Section 3.** Section 17-5-701, MCA, is amended to read:
 6 "17-5-701. State of Montana coal severance tax bonds.
 7 This part provides for the issuance of state of Montana coal
 8 severance tax bonds (also referred to as coal severance tax
 9 bonds in this part) to:

10 (1) finance water resource development projects and
 11 activities in the state designed to provide, during and
 12 after extensive coal mining, a healthy economy, the
 13 alleviation of social and economic impacts created by coal
 14 development, and a clean and healthful environment for
 15 present and future generations; and

16 (2) finance loans to local governments for
 17 infrastructure projects under sections 1, 2, and 5 through
 18 9]."

19 **Section 4.** Section 17-5-703, MCA, is amended to read:
 20 "17-5-703. Coal severance tax trust funds. (1) The
 21 trust established under Article IX, section 5, of the
 22 Montana constitution shall be composed of the following
 23 funds:

24 (a) a coal severance tax bond fund into which the
 25 constitutionally dedicated receipts from the coal severance

1 tax shall be deposited;
 2 (b) a treasure state endowment fund;

3 (c) a clean coal technology demonstration fund;
 4 (d) a coal severance tax permanent fund; and
 5 (e) a coal severance tax income fund.

6 (2) The state treasurer shall determine the amount
 7 necessary to meet all principal and interest payments on
 8 bonds payable from the coal severance tax bond fund on the
 9 next two ensuing semiannual payment dates and retain that
 10 amount in the coal severance tax bond fund.

11 (3) Beginning on July 1, 1991, and ending on June 30,
 12 1997, the state treasurer shall from time to time transfer
 13 from the excess amount in the coal severance tax bond fund
 14 \$5 million a year to the clean coal technology demonstration
 15 fund and, except as provided in subsection (4), shall
 16 transfer any remaining amount to the coal severance tax
 17 permanent fund.

18 (4) (a) Beginning on [the effective date of this act]
 19 and ending on [June 30 of the 20th year following the
 20 effective date of this act], the state treasurer shall:

21 (i) from time to time transfer to the treasure state
 22 endowment fund all money in the coal severance tax bond fund
 23 except the amount necessary to meet all principal and
 24 interest payments on bonds payable from the coal severance
 25 tax bond fund on the next two ensuing semiannual payment

1 dates; and
 2 (ii) from time to time transfer to the coal severance
 3 tax permanent fund 50% of the principal transferred from the
 4 coal severance tax bond fund to the treasure state endowment
 5 fund in the preceding year.
 6 (b) The state treasurer shall annually transfer to a
 7 treasure state endowment special revenue account the amount
 8 of interest earnings required to meet the obligations of the
 9 state that are payable from the account in accordance with
 10 [sections 6 and 7]. Interest earnings not transferred to the
 11 treasure state endowment special revenue account must be
 12 retained in the treasure state endowment fund."

13 NEW SECTION. Section 5. Types of financial assistance
 14 available. The legislature shall provide for and make
 15 available to local governments the following types of
 16 financial assistance under [sections 1, 2, and 5 through 9]:
 17 (1) matching grants for local infrastructure projects;
 18 (2) annual debt service subsidies on local
 19 infrastructure projects; and
 20 (3) loans from the proceeds of coal severance tax bonds
 21 at a subsidized interest rate.

22 NEW SECTION. Section 6. Eligibility and priority of
 23 projects. The department of commerce shall determine those
 24 projects that are eligible for financial assistance under
 25 [sections 1, 2, and 5 through 9] and shall establish a list

1 of priorities for eligible projects.
 2 NEW SECTION. Section 7. Project screening, review, and
 3 approval. (1) Each project must be individually screened and
 4 reviewed by the department of commerce and by the governor.
 5 (2) After the screening and review required by
 6 subsection (1), the projects must be approved by the
 7 legislature.

8 NEW SECTION. Section 8. Infrastructure endowment fund
 9 to continue. The treasure state endowment fund created in
 10 17-5-703 must be maintained even though transfers to the
 11 fund from the coal severance tax bond fund cease on [June 30
 12 of the 20th year following the effective date of this act].
 13 Interest earnings from the treasure state endowment fund
 14 must continue to be paid annually to the treasure state
 15 endowment special revenue account as provided in
 16 17-5-703(4)(b).

17 NEW SECTION. Section 9. Coal severance tax trust fund
 18 to remain inviolate. [Sections 1, 2, and 5 through 11] do
 19 not authorize or permit the expenditure of any part of the
 20 coal severance tax trust fund created by Article IX, section
 21 5, of the Montana constitution.

22 NEW SECTION. Section 10. Legislative implementation
 23 required. (1) The legislature shall implement [this act] by
 24 amending or enacting all legislation necessary to carry out
 25 the intent of [this act].

1 (2) If the process required under [section 7(1)] has
2 occurred, the 53rd legislature may approve projects.

3 (3) The 53rd legislature may authorize the issuance of
4 bonds to be repaid from the interest from the treasure state
5 endowment fund in order to provide the maximum amount of
6 initial funding for the treasure state endowment program.

7 NEW SECTION. **Section 11.** Transfer of coal severance
8 tax money to treasure state endowment fund. On July 1, 1993,
9 \$10 million is transferred from the coal severance tax
10 permanent fund to the treasure state endowment fund and is
11 dedicated for the purposes provided in [this act].

12 NEW SECTION. **Section 12.** Submission to electorate. The
13 question of whether this act will become effective shall be
14 submitted to the qualified electors of Montana at the
15 primary election to be held in June 1992 by printing on the
16 ballot the full title of this act and the following:

17 FOR creating the treasure state endowment fund to
18 provide local governments coal severance tax trust
19 fund interest for water, sewer, solid waste, and
20 bridge projects.

21 AGAINST creating the treasure state endowment fund
22 to provide local governments coal severance tax
23 trust fund interest for water, sewer, solid waste,
24 and bridge projects.

-End-

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

BUSINESS AND ECONOMIC DEVELOPMENT COMMITTEE

BILL NO. HB 19

DATE 1-13-92 SPONSOR(S) REP. HAL HARPER

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
<i>Bon Chen</i>		19	X	
<i>Jim Jensen</i>	MEIC	HB 19		X w/AMEND.
<i>Dee Huns</i>	MLCT	19		✓
<i>Evan Barrett</i>	self	19		✓
<i>A. Prose</i>	Dept of Commer	19	—	
<i>GEORGE DCHENSKI</i>	WMNA	19	<u>Amend</u>	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.