

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 54th LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON NATURAL RESOURCES

Call to Order: By **CHAIRMAN ROGER DEBRUYCKER**, on February 6, 1995, at 8:00 a.m. in Room 402 of the State Capitol.

ROLL CALL

Members Present:

Rep. Roger DeBruycker, Chairman (R)
Sen. Thomas F. Keating, Vice Chairman (R)
Sen. Loren Jenkins (R)
Rep. John Johnson (D)
Rep. William R. Wiseman (R)

Members Excused: Sen. Judy H. Jacobson (D)

Members Absent: none

Staff Present: Roger Lloyd, Legislative Fiscal Analyst
Florine Smith, Office of Budget & Program
Planning
Debbie Rostocki, Committee Secretary

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

Committee Business Summary:

Hearing: Department of Commerce
- Economic Development Division
- Board of Housing
- Community Development Bureau (Local Government Assistance Division)
Executive Action: Department of Commerce
- Economic Development Division

Mr. Roger Lloyd, Legislative Fiscal Analyst (LFA), distributed an updated General Fund/SEA Status sheet **EXHIBIT 1** and a General Fund Appropriation Summary sheet **EXHIBIT 2** as well as a hearing schedule for the Department of Commerce programs. **EXHIBIT 3** He pointed out that this subcommittee handled only about 8% of the total state budget.

HEARING ON Department of Commerce Economic Development Division

Mr. Lloyd gave an overview of the Division's budget. Funding for the division includes monies from the Growth Through Agriculture Program due to an increase in grant authority which this

committee gave to the Department of Agriculture, in anticipation of removing the funding from this division's budget. FTE in the division have increased by 6.83 and \$310,000 in general fund each year due to the incorporation of the Office of Research and Information Services (ORIS) into this division. In addition, one FTE has been moved from the Milk Control Division into this one as well as two auditors from the Local Government Services Program.

SB 83 eliminates the statutory appropriation for the Microbusiness Finance Program. This bill has passed the Senate and **Mr. Lloyd** suggested the committee might put the spending authority for this program into **HB 2**.

Mr. Andy Poole, Deputy Director of the Department of Commerce, then spoke. He distributed an overview of all the programs in the Economic Development Division. **EXHIBIT 4** He explained that the Air Quality Small Business Assistance Program was actually part of the Department of Health's budget, but one employee had been moved from that department to the Department of Commerce.

The administrative position for the Economic Development Division has been eliminated. Also in the past two years the Regional Development Program was created using existing FTE. The division used to have an International Trade Program but that program has been merged with the Marketing Program to create the Trade Program. The International Trade Program Manager position was eliminated and the Protocol Officer position, which used to be in the Governor's office, has been moved to the Trade Program. Domestic Marketing was combined with International Trade. In the last Legislative session, the department closed the Tokyo trade office as well as the Calgary trade office. The Census and Economic Information Center (CEIC) was officially moved into this division. In essence it had already been in this division for some time. The Economic Development Division is the new name for this division: it used to be the Business Development Division. This new name reflects the equal emphasis between business development and community development which the division embraces.

Mr. Poole then discussed the Regional Development Program. There has been a change of focus from selling technical assistance to going into the field and helping individuals, businesses and communities accomplish objectives that have been self-defined and to find the resources to carry them out. Five existing employees were each given responsibility for a region of the state. The underlying philosophy of the program is that the state should not dictate to any local entity what they should do to improve their own well-being.

Services provided by the division fall into five categories: technical assistance to business and community development groups; maintaining a central depository of information and serving as a clearinghouse for information and data;

administering several lending programs including the Community Development Block Program and the Microbusiness Finance Act; business recruitment and promoting the means of expanding the markets of Montana products.

Regional Development Officers don't get involved primarily in small business start-ups. They focus their attention on projects which are expected to have a major impact on a community.

Tape No. 1:B:000

One of the things the Small Business Development Center (SBDC) does is to help businesses get into business. **EXHIBIT 5** SBDC's are located in Havre, Kalispell, Helena, Sidney, Billings, Bozeman, Butte, Missoula and Great Falls. The Great Falls office is being funded by a \$125,000 federal grant so it can become permanent. About 47.6% of the businesses assisted are start-up businesses. The other major source of assistance to small businesses is in the form of capital.

The Census and Economic Information Center (CEIC) is the lead agency in the state Data Center Program and the Business Industry Data Center Program. Both are federal/state cooperative programs operated by the U.S. Bureau of the Census. CEIC is the conduit of information to the 27-member network of libraries, local development organizations, Tribal agencies, Chambers of Commerce and trade organizations throughout the state. To date this year the CEIC has had 1,650 requests for information.

The Community Development Block Grant Program (CDBG) funds are intended to be used in situations where a funding gap exists and alternative sources of financing are inadequate. Only local governments may receive grants. Typically they then use the funds to make loans to businesses. The maximum grant amount is \$500,000. As loans are repaid the local governments via a revolving loan fund are able to re-lend the monies, which do not revert back to the state. Great Falls and Billings get their own CDBG allocations directly from the federal government. **Mr. Poole** reviewed the process which takes place if a business defaults on its loan.

There are 12 Microbusiness Development Centers throughout the state. Loans made under this program are typically \$20,000 or less. The majority of the loans have been made in the areas of manufacturing, retail trade and services. The main job Department of Commerce staff do in this program is to find funding for the Centers.

Tape No. 2:A:000

Regarding the Business Recruitment Program, the department receives approximately one telephone call per day from interested businesses from out-of-state thinking of locating in Montana. Without a business recruitment program, probably 90% of companies wouldn't come to Montana because they don't want to contact each local community. They want to go to one source for information. This program has about 1.5 FTE.

The Trade Program is geared towards promoting the means of expanding markets for Montana products via marketing both within the U.S. and Montana and internationally. Included in the Trade Program's activities is participation in trade shows for producers of Made in Montana Program products. In the coming summer the "QVC" (world's largest electronic retailer) will attend a trade show hosted by the Department of Commerce. Out of the 20 products which will be chosen to be broadcast on national TV, those companies may well increase their sales four or five-fold overnight.

Copies of the Montana Consumer Products Directory **EXHIBIT 6** and the Montana Manufacturers Directory **EXHIBIT 7** were distributed.

Regarding overseas representation, the department does a great deal of work with the media, especially in Taiwan and Japan, getting publications and television exposure for Montana. He pointed out that Japanese and Far Eastern visitors who come to Montana spend approximately five times as much money per day in the state as domestic travelers do. The \$200,000 in accommodations tax dollars spent in this program is used primarily to support the overseas offices in the Far East in their travel promotion efforts.

Questions: **REP. WILLIAM WISEMAN** compared the \$15 million spent in the Block Grant Program which generated 211 jobs vs. the Microbusiness program which generated 222 jobs for \$2 million and wanted to know why there was such a discrepancy. **Mr. Poole** said the Microbusiness program has only been operating for a few years. Many of the businesses which have received loans are new enough that the default rate is still low whereas in the CDBG program, which has been ongoing since 1982, the department has experienced failures. Jobs generated by the businesses which have failed were not included in the numbers of jobs created under the program. **Mr. Jon Noel**, Director of the Department of Commerce, said the two programs were inherently different in nature. The Microbusiness Program is predominantly geared towards financing sole proprietorships with little capital investment whereas the CDBG Program is utilized as a part of "mezzanine financing."

CHAIRMAN ROGER DEBRUYCKER wanted to know how many of the projects which the Economic Development Program had financed were still in business. **Mr. Poole** replied that the state of Montana, in all the audits it has gotten from the federal Department of Housing and Urban Development (HUD), has the best record for economic development lending of almost any state in the country. Especially over the past five to six years it has been a highly successful program not only in creating jobs but in funding the local revolving loan funds. **Mr. Noel** stated the total dollar default rate on this portfolio since its inception was 13%, and of loans made since 1991, not one is even delinquent. **Mr. Poole** submitted that there were a lot of companies in business today which would not exist if it weren't for the CDBG Program.

EXECUTIVE ACTION ON Department of Commerce
Economic Development Division

Discussion: Mr. Poole reviewed the Present Law (PL) Adjustments and New Proposals on pp. C-157-159 of the LFA Budget Book.

Regarding PL No. 4, in the past two years they have been successful in getting federal grant funds which they have passed through to the Microbusiness Development Centers. This money is used for training people who often have never been to college or in business. The department also received a SBDC grant for \$125,000. They are getting higher CDBG allocations from the federal government in the last few years as well. The current allocation is about \$1 million more per year than the previous biennium. With this money they are planning on helping those local organizations which are operating revolving loan funds with management training. He reiterated that the grants are pass-through money from the department to local entities and they have been assured these funds are forthcoming.

Tape No. 2:B:000

\$8,000 of the contracted services money is general fund and will be used to create the department's business recruitment package, which is done every two years.

PL No. 5 provides spending authority for U.S. West dollars to fund the FastTrac programs. **EXHIBITS 8 and 9**

Regarding PL No. 6, up until recently the department received office space in the Taipei World Trade Center free as part of its set-up phase. However, the original agreement has expired and additional money is being requested for increased rent costs.

The CEIC would have been allowed to charge more to the users of the program under a bill which has died. However, this does not prevent CEIC from charging users but they have to do it at a grade 10 instead of a grade 14 rate. The revenue has been going into the general fund but the department would like to keep it to use as outlined in New Proposal No. 2.

Questions: SEN. KEATING wanted to know what the division spent its general fund on. Mr. Poole said it was primarily used in the CEIC Program, Business Recruitment and the Regional Development Officer Program. SEN. KEATING wanted to know the source of the state special revenue funding for the division. Mr. Poole replied it included the FastTrac Program (U.S. West), the accommodations tax, and Growth Through Agriculture funding.

The Department of Commerce used to have the Growth Through Agriculture program and much of what that program requires overseas is still provided by this division. The department has gone and will continue to go before the Growth Through Agriculture Council for this funding because it is assumed that the council is the final authority. He added the department has

no problem with the appropriation level this committee set in the Department of Agriculture budget.

The Montana Capital Company Act was passed in 1986 or 1987. There are seven Montana Capital companies in Montana. The act provides for a 50% tax credit for capital companies which were formed and invested in new jobs in Montana. The division administers the program and the reason for the request is that the department is in a hearing with one of the companies who got tax credits. The department feels they shouldn't have gotten the tax credits and is trying to recover about \$500,000. Capital companies pay the department a fee based on the amount of tax credit they receive.

CEIC charges for the information it provides and this amounts to about \$15,000 in state special revenue.

REP. WISEMAN wanted to know the extent of U.S. West grants to the division (PL No. 8). **Mr. Poole** said it was about \$175,000. **REP. WISEMAN** wanted to know if the Public Service Commission was aware of what U.S. West was doing and **Mr. Poole** said he was not sure.

REP. WISEMAN wanted to know if the department passed on information regarding the lack of education school children seem to have in the subject of economics to the Office of Public Instruction. **Mr. Noel** said they did. There have been many meetings recently with the Job and Work Program, but the focus has been on post-secondary. There is growing awareness that there are very few jobs in Montana that require a college education. There are a lot of jobs which require technical training which is not offered in the state. The results of a recent Montana Ambassadors retention survey of the 100 largest employers in the state indicate the biggest problems Montana businesses have concern hazardous waste disposal and the fact that Montana people are good employees, but the education they are receiving in the school system is irrelevant to the business world.

SEN. KEATING wanted to know the source of funding for the Microbusiness Finance Act. **Mr. Poole** said the state special revenue in this area is a continuation of the funding received from the federal government through the Job Training Partnership Act. It is interest that is earned by the MBDC from U.S. West Foundation grants given at the beginning of the Microbusiness Program. **Mr. Noel** explained there was an appropriation from the coal tax trust for the department to loan to the Microbusiness Development Corporations. They are required to pay interest back to the Department of Commerce, part of which is used for administrative expenses. U.S. West also provides money to the MBDC's for training.

Tape No. 3:A:000

Discussion took place regarding the redistribution of FTE within the department, which resulted in a net change of "0." **Mr. Poole**

said that later in its presentation the department would be proposing to cut a program, which would eliminate 16 FTE.

In response to **SEN. JENKINS, Mr. Lloyd** said the department could come in for a budget amendment on federal funds but state special funds would have to meet the statutory criteria, one of which states that the funding was not to have been under consideration by the Legislature. However, even if a budget amendment does not meet statutory criteria the Office of Budget and Program Planning (OBPP) has the final say. **Mr. Poole** said there was one FTE that should be removed in the Personal Services section (PL No. 1): a local government audit position which should be given up is in the present law base for this division.

Motion/vote: **SEN. KEATING** moved to amend PL Adjustment No. 1 on p. C-157 to remove one FTE auditor position as well as the funding for it; **REP. WISEMAN** seconded the motion. The motion carried unanimously.

Discussion: **Mr. Lloyd** pointed out that when the committee considered the budget for the Local Government Services - Audit program, there was a New Proposal to eliminate 16 FTE, and the FTE just removed was one of that 16.

Motion: **SEN. KEATING** moved to accept PL Adjustments No. 4, 5 and 6; **REP. WISEMAN** seconded the motion.

Discussion: In response to **SEN. JENKINS, Mr. Lloyd** said \$90,000 was added to the Department of Agriculture's budget as grant authority to give to the Department of Commerce, anticipating that when the committee considered this budget, the \$90,000 would be removed from the base.

Vote: The question was called for on **SEN. KEATING'S** motion. The motion carried unanimously.

Motion/vote: **SEN. KEATING** moved and **REP. WISEMAN** seconded, to remove \$90,000 per year from the executive budget in funding for the Growth Through Agriculture Program. The motion carried unanimously.

Motion/vote: **SEN. JENKINS** moved to accept PL Adjustment No. 9 and **REP. WISEMAN** seconded the motion. The motion carried unanimously.

Discussion: **SEN. KEATING** asked how necessary the maintenance contracts were (PL No. 7). **Mr. Poole** said he had been exploring the possibility of buying new computers instead of having maintenance contracts as a means of cutting costs. In any event, the money under this proposal is needed.

Motion/vote: **SEN. KEATING** moved to accept PL Adjustments No. 7 and 8, with the stipulation that the money in PL No. 7 be used in the most cost-effective way to provide for computers and their

maintenance. REP. WISEMAN seconded the motion. The motion carried with SEN. JENKINS and CHAIRMAN DEBRUYCKER opposed.

Motion: SEN. JENKINS moved to accept New Proposal No. 3 on p. C-158.

Substitute motion/vote: REP. WISEMAN made a substitute motion to accept New Proposals No. 1, 2 and 3 on p. C-158; SEN. KEATING seconded the motion. The motion carried with SEN. JENKINS opposed.

Tape No. 3:B:000

HEARING ON Department of Commerce
Board of Housing

Mr. Lloyd gave his overview. PL Adjustment No. 6 is the largest request, and totals \$418,380 over the biennium. The increases are estimated to occur in the following areas: appraiser fees, refunding bond issues, legal fees and foreclosure fees.

Mr. Andy Poole, Deputy Director of the Department of Commerce, gave the presentation for the Board of Housing. The prior administrator resigned recently and Mr. Poole is the acting administrator until the position is filled. He distributed a copy of the Board of Housing's 1994 annual report. **EXHIBIT 10**

The Board administers three different kinds of programs: Single Family Programs, Multifamily Programs, and the Reverse Annuity Mortgage Loan Program.

Under the Single Family Programs, in the calendar year ending 12/31/94, the Board purchased 902 mortgages under the program and there were three different bond issues, 94A (\$25 million), 94B (\$40 million) and 94C (\$25 million). These proceeds were used to purchase mortgages. At present the Board has about \$477 million in bonds outstanding. He referred the committee to P. 17 in the annual report's blue section, and explained that the figures did not include the 94C issue. The Recycled Single Family Mortgage Program, the Mortgage Credit Certificate Program, and the Homebuyers Cash Assistance Program are also single family programs (pp. 7 - 12, Annual Report). He pointed out that the table on P. 12 did not include the mortgages that had been purchased from the 94B and 94C bonding funds that were still outstanding (but which did close during the last six months of 1994), and the total number closed for 1994 was 902.

Under Multifamily Programs, the Board has either totally or partially financed 1,700 multifamily housing units through June 30, 1994. Programs within this category include the Multifamily Bond Program, Pilot Program, Multifamily Rental Housing, and the Low Income Housing Tax Credit Program.

Under the Reverse Annuity Mortgage Loan Program, senior citizens are actually mortgaging their houses to the Board of Housing.

The Board of Housing pays them a monthly income. The Board recovers the funds when the house is sold.

The Infrastructure Financing Program was intended for development associated with mobile homes only for site acquisition and/or improvement. Through September 1994 no eligible proposals were received by the Board.

Questions: **REP. WISEMAN** wanted to know how widely known the Reverse Annuity Mortgage Loan Program was. **Mr. Poole** said they had been doing some marketing of the program over the past several months and people are finally beginning to understand how the program can benefit them. At present the department is receiving about one application per month. **Tape No. 4:A:000**

Discussion took place about the misgivings some senior citizens have about mortgaging their homes. In response to **REP. WISEMAN**, **Mr. Poole** said this program may have been the first one in the country like it.

Ms. Maureen Rude, a program officer for the Board of Housing, explained that HUD has a similar program which is run through lending institutions but it is done at whatever the market interest rate is. The HUD program has made 13 of these loans statewide.

SEN. KEATING wanted to know what happened if the senior citizen outlived the loan. **Mr. Poole** said this had not happened as yet. The Board has publicly stated that it will never force an individual out of his or her home.

HEARING ON Department of Commerce
Community Development Bureau
Local Government Assistance Division

Mr. Lloyd gave a brief overview of the program. This bureau includes the Coal Board, Hard Rock Mining Impact Board, Community Assistance Program, County Land Planning, Housing Investment Partnership (HOME) Program, Section 8 Housing, CDBG's and the Treasure State Endowment Program. Funding is equally as diverse. General fund is contained in the Community Assistance Program and the CDBG Program.

Mr. Newell Anderson, Administrator of the Local Government Assistance Division, then gave an overview. **Mr. Anderson** distributed handouts outlining the current documentable deficiencies in Montana's infrastructure. **EXHIBIT 11** He suggested that there were more unknown deficiencies than known. He added that all the states in the nation are in the same situation as Montana.

Approximately 93% of the Treasure State Endowment Program (TSEP) funds are passed through to local governments. This state-funded

program is set up on the basis of splitting the revenue between the permanent trust for the coal tax and the Treasure State Trust.

Tape No. 4:B:000

The Montana Community Technical Assistance Program staff has gone from 13 FTE in the early 1980's to less than three at present. They have found the only way to keep up with the demand for training is to develop technical assistance journals and how-to manuals.

The Hard-Rock Mining Impact Board is a quasi-judicial board and has sat one time in the history of its existence in that capacity. The situation involved two counties in a dispute about what the impact plan called for in tax base sharing. Ultimately the Board's actions were ratified by the State Supreme Court. The committee needs to addressing funding the reserve account for this board because the OBPP overlooked putting an appropriation in the budget. The reserve account was set up in 1987. Prior to that time, 33% of all the Hard Rock Mining Impact Act funds came to the Board. Operating expenses were deducted and an annual transfer to local governments was made from the remaining funds. The mining industry had a bill passed in 1987 which changed the formula and now 25% of the Metal Mines License tax revenues go directly to the counties and 1.5% of the revenues fund the administrative costs of the Board. This is not sufficient funding anymore, especially when the Board gets involved in disputes. A reserve account of up to \$100,000 was chosen as the mechanism to utilize in case of a need for additional funds. Up until FY94 this account hadn't been used. In FY95 \$350 was used. He assured the committee that the reserve account does not take away any expected money from the local governments. He suggested the committee add to the executive budget the authorization for the appropriation of the \$100,000 reserve account.

Mr. Anderson then reviewed the Montana Housing Assistance Program. **EXHIBIT 12** The department spends some \$16 million per year in providing rental assistance through the Section 8 Program. It is anticipated that in the future the federal government may block grant all rental assistance funds. Since 1985 there has been about a 25% increase in federal participation in rental assistance and every year the waiting list grows.

Regarding the Home Program, in 1993 Montana was the only participating jurisdiction in this federal program. Since then both Billings and Great Falls have become entitlement participating jurisdictions and receive their own federal allocations. 95% of all the funds in this program are pass-through funds. A written copy of **Mr. Anderson's** presentation was distributed. **EXHIBIT 13**

Tape No. 5:A:000

Mr. Anderson reviewed the New Proposals for the Community Development Bureau (p. C-167). The CDBG consolidated plan is the mechanism by which the department determines what it has and quantifies and prioritizes its needs for the federal government.

Surveys of local governments are needed to determine their capacity to meet standards for the continuation of their water and sewer systems. They are proposing to do these surveys but need additional staff. In addition they plan to work in conjunction with several other state agencies. He added that if the state does not do a consolidated plan it could lose up to \$36 million worth of current federal fiscal assistance. **Mr. Noel** clarified that it was a case of the federal government mandating how its money be spent.

The Section 8 program has become a "paper blizzard" and difficult to manage. The division is proposing to purchase an integrated computer system (New Proposal No. 2) and put a terminal in each agent's field office to help increase efficiency.

Questions: **REP. WISEMAN** asked if there had been any activity to build low-cost pre-manufactured, Montana-made housing. **Mr. Noel** said at the end of this fiscal year, the department is going to create a Housing Division which will pull some of these programs together for better interaction. He submitted **REP. WISEMAN** had hit on the key to the housing problem. At present housing is being made affordable via subsidizing, which is not a long-term solution. They are looking at techniques to reduce the cost of housing which include using styrofoam concrete forms, changes in zoning requirements and working to increase the average wage.

REP. WISEMAN wanted to know if the department had considered combining its Community Development and Economic Development functions. **Mr. Noel** pointed out that they are in the same building and work together on a daily basis. He would be opposed to combining them, however, because the economic development portion of the CDBG Program is the only area where similar work is done. The process used for housing and infrastructure is of necessity a competitive process and is a once-a-year event. In economic development it is a target opportunity and the department sometimes needs to move very quickly.

Mr. Dave Cole, Community Development Bureau chief, spoke up. They have just published a new model municipal zoning ordinance for communities with the focus of trying to reduce regulations to make housing more affordable.

SEN. JENKINS requested an update on the activities of the Coal Board. **Mr. Anderson** said since 1993 projects they had funded included a solid waste system in Hardin, a heating system in the Ashland school, a refuge truck for the Northern Cheyenne Indian Tribe, a fiberoptic network for the Broadus public schools, a rural design plan for Powder River County, a patrol car for the Treasure County Sheriff's Department, chip and sealing of the coal hauling road in Richland County, water system analysis at Roundup, and ongoing partial funding of the Eastern Counties Coal Task Force and the Drug Awareness Resistance Education (DARE) Program in Eastern Montana. The "coal counties" still feel there is a lingering impact from coal in their areas.

CHAIRMAN DEBRUYCKER asked if any loans had been made under the Treasure State Endowment Program. **Mr. Anderson** said all the applications they have received have been for grants. In the first round in 1993 four applications were received for loans and 28 were received for grants. In the most recent round, every application was for a grant. The Treasure State Endowment Program has the authority to provide grants, loans and debt service subsidy. No one has ever applied for subsidy. Although the loans have been approved they have never been taken out. The funding mechanism is that 50% of each year's net coal tax receipts go into the permanent trust and 50% go into the Treasure State Endowment Trust. Only the earnings from the Endowment Trust can be spent for projects. The concept is that the Endowment will grow for 20 years after which time the 50% for that program will start going back into the permanent trust.

REP. WISEMAN wanted more information on the CDBG Consolidated Plan. **Tape No. 5:B:000**

Mr. Cole said he thought it would include any unincorporated community that has either housing or public facility needs. The basic definition for regulation is 15 units.

CHAIRMAN DEBRUYCKER wanted to know how it was determined who could afford the Treasure State Endowment and how the ratings were determined. **Mr. Anderson** explained there was a two-phased analysis of applications. There are ten statutory criteria which need to be met, with the highest criterion being health and public safety. The "gap finance" analysis determines the capacity of the local government to either pay for the project itself or not. If utility rates would be higher than the state's target a grant is appropriate to "gap fund" the project down to an affordable rate.

CHAIRMAN DEBRUYCKER submitted that the communities which tax themselves and keep their infrastructure up are penalized. **Mr. Cole** said this wasn't really the case because the target rate is relative to the household income in a community. User charges reflect whether or not a community has indebted itself to maintain its infrastructure; therefore a community that has been doing this carries a higher burden and this is reflected in the target rate. Two communities which are in the current competition were not recommended for funding because it was determined they had failed to bring their rates up to the target rate. The Treasure State Program requires that every community match dollar for dollar the grant request that they submit, also. **Mr. Noel** added that the analysis that is done is geared to specifically prevent what **CHAIRMAN DEBRUYCKER** brought up.

CHAIRMAN DEBRUYCKER wanted to know if the money was already there for the increases being requested in PL Adjustments No. 8 and 9. **Mr. Anderson** replied that the HOME Program grants 1994 base was the first year of the program and in that year only \$1.9 million was put under contract. During FY96 the number is larger because

two federal fiscal awards will be transacted: FY96 is an anomaly. He added that the federal government strongly advocated using funds without any delays and this is why both federal years' worth of grants will be issued in the state's FY96.

ADJOURNMENT

Adjournment: 12:00 noon.



ROGER DEBRUYCKER, Chairman



DEBBIE ROSTOCKI, Secretary

RD/dr

This meeting was recorded on five 90-minute audiocassette tapes.

Office of Legislative Fiscal Analyst
 General Fund/SEA Status Sheet
 1997 Biennium (Figures In Millions)

DATE 2/6/95

HB

02/04/95

12:18 PM

30 th Legislative Day

Status #4

Revenue Bills

	HB0002 General Appropriations Act—DOR Interest Earnings	0.105
Passed House	HB0050 Revise State Lands Timber Sale Account And Timber Appraisal And Bi	0.093
Passed House	HB0097 Allow Personalized License Plates For Veterans	0.028
Passed House Tax	HB0143 Revise Certain District Court Fees; Create New County Fund For Clerk	(0.324)
Passed House	HB0199 Make Permanent Tax Credit For Contributions To U-System And Priva	(0.107)
Passed House	HB0219 Special Vehicle Registration For Montana Residents On Active Military	(0.012)
Passed House	HB0274 Expedite State Timber Sales In Emergency And Limited Access Situati	0.537
Passed House	HB0294 Increase Penalty For Passing In No-Passing Zone	0.023
Passed Senate	SB0049 Revising Certain Gvw Fees And Fleet Licensing Laws; Tax Exemption	0.072
Tabled Bus. & Labor	SB0065 Application And Fee Required For Out-Of-State Attorney Court Appear	0.000

Total Revenue Bills **\$0.415**

Miscellaneous Appropriations

Passed Both Houses	HB0020 Raise Veterans' Headstone Allowance	(0.096)
Transmitted To Gov	HB0171 The Excess Tax Refund Agreement (Extra); 1995 Refund Of Excess Fun	(0.300)
Transmitted To Gov	HB0171 The Excess Tax Refund Agreement (Extra); 1995 Refund Of Excess Fun	(9.800) *

Total Miscellaneous Appropriations **(\$10.196)**

Potential Appropriations

Passed State Adm.	HB0306 Increase Benefits; Provide 20 Yr Retirement In Sheriffs' Retirement Sy:	(0.004)
Passed House	HB0312 Provide Voter Registration Form When Applying For Hunting/Fishing I	(0.003)
Signed By Governor	SB0016 Eliminate Special Legislative Review Of Jtpa Unless Funded With Jtpa	0.005
Passed Senate	SB0020 Legislative Council To Assist In Orientation For Legislators	(0.018)
Passed Senate	SB0055 Clarify Dfs Payment Of Protective Services Administrative Costs	(0.615)
Passed Senate	SB0076 Make Permanent Postsecondary Education Policy And Budget Committ	(0.015)
Passed Natural Res.	SB0128 Surcharge On Certain Residential Improved Land To Defray Fire Supp	(0.067)
Passed Senate	SB0156 Restructure University System By Consolidating Vo-Techs	0.124
Passed Senate	SB0192 Prosecutor Services Coordinator'S Salary Same As Full-Time Attorney'	(0.032)

Total Potential Appropriations **(\$0.625)**

* Net refunds are estimated to be \$9.8 million (\$10 million less \$0.2 million bad debt offset). Refunds are estimated to be less than \$25 million primarily because of the revenue estimates adopted by the Revenue Oversight Committee on November 30, 1994, and the \$10.0 million general fund transfer to the capital projects fund specified in House Bill 5 of the 53rd Legislature.

Office of Legislative Fiscal Analyst
 General Fund/SEA Status Sheet
 1997 Biennium (Figures In Millions)

02/04/95

12:18 PM

30 th Legislative Day

Status #4

Projected Fund Balance Before Legislative Action (See Below For Detail)				\$178.806	*
	Fund Balance Adjustments			0.000	
House Taxation	HJR 9 Revenue Estimate Resolution Adjustments			0.000	
	Revenue Bills (See Attached For Detail)			0.415	
Action Thru 2/3/95	HB0002 Action Compared To Base	Present Law	New Proposal		(39.840)
	General Government & Transportation	(5.280)	0.906		
	Human Services	(2.071)	0.007		
	Natural Resources & Commerce	(2.533)	0.453		
	Institutions & Public Safety	(3.405)	(0.780)		
	Education	(27.918)	0.781		
	Totals	(\$41.207)	\$1.367		
	Adjustments				(0.666)
Signed By Governor	HB0001 1995 Session Cost Change	(\$5.275-\$4.691)	0.584		**
Passed House	HB0035 Authorize Appropriation Transfer From First		(1.250)		
	HB0017 Employee Pay Proposal			0.000	
	Miscellaneous Appropriations (See Attached For Detail)			(10.196)	
Passed Senate	School Equalization Aid (SEA)			0.194	
	SB0112 Revise School Transportation Laws		0.194		
Projected Ending Fund Balance With Above Legislative Action				\$128.713	
Total Potential Appropriations Not Included In The Above Total				(\$0.625)	***

* The projected balance before legislative action is based on revenue estimates as adopted by the Revenue Oversight Committee in November 1994, agency base budgets for fiscal 1994 applied to fiscal 1996 and 1997, LFA estimates of all statutory appropriations, fund balance adjustments, and residual equity transfers, and the Executive Budget recommendations for supplemental appropriations. (See below for details.)

** Change to the amount shown in LFA Budget Analysis.

*** Potential appropriations result from legislation changing the duties and functions of state agencies without corresponding appropriation adjustment. These adjustments will be considered in House Bill 2 conference committee towards the end of the legislative session.

*	Projected Beginning Fund Balance 1997 Biennium	\$34.065
	Revenue Oversight Committee 1997 Biennium Revenue Estimates	1,953.462
	Using 1994 Base, 1997 Biennium Appropriations	(904.051)
	LFA Estimates, 1997 Biennium Statutory Appropriations	(905.274)
	LFA Estimates, 1997 Biennium Adjustments & Residual Transfers	0.604
	Projected Fund Balance Before Legislative Action	\$178.806

**Office of Legislative Fiscal Analyst
General Fund Appropriation Summary By Agency**

Run Date and Time: 02/04/95 10:55 AM

Clayton Schenck
Director, Rm 105

Present Law Only *	Executive Present Law Fiscal 1996		Legislative Action Fiscal 1996		Legislative Ov(Un) Base Fiscal 1996		Executive Present Law Fiscal 1997		Legislative Action Fiscal 1997		Legislative Ov(Un) Base Fiscal 1997		Legislative Ov(Un) Base 97 Biennium	
	Base Budget	Base Budget	Base Budget	Base Budget	Base Budget	Base Budget	Base Budget	Base Budget	Base Budget	Base Budget	Base Budget	Base Budget	Base Budget	Base Budget
Natural Resources & Commerce														
4201 Public Service Regulation	273,777	288,024	284,777	(3,247)	264,840	288,024	275,836	(12,188)	275,836	(15,435)				
5201 Dept Of Fish, Wildlife & Parks	9,313,345	8,175,664	9,348,352	1,172,688	9,228,183	8,175,664	9,252,102	1,076,438	9,252,102	2,249,126				
5501 Department Of State Lands	485,004	357,963	485,004	127,041	487,673	357,963	487,636	129,673	487,636	256,714				
5603 Department Of Livestock	4,868,027	3,072,825	3,072,825	30,437	4,855,201	3,072,825	3,072,825		3,072,825					
5706 Dept Nat Resource/Conservation	467,120	467,821	498,258		450,282	467,821	480,151		480,151	42,767				
6201 Department Of Agriculture	1,723,216	1,429,263	1,429,263		1,699,112	1,429,263	1,429,263		1,429,263					
6501 Department Of Commerce	17,130,489	13,791,560	15,118,479	1,326,919	16,985,291	13,791,560	14,997,813	1,206,253	14,997,813	2,533,172				
Totals	3.40%	3.05%	3.18%	5.55%	3.31%	3.05%	3.20%	6.98%	3.20%	6.15%				
Percent of Total General Fund														

EXHIBIT 2
DATE 2/6/95
HB _____

Office of Legislative Fiscal Analyst

All Funds Appropriation Summary By Agency

Run Date and Time : 02/04/95 10:58 AM

Present Law Only *	Executive Present Law Fiscal 1996		Base Budget Fiscal 1994		Legislative Action Fiscal 1996		Legislative Ov(Un) Base Fiscal 1996		Executive Present Law Fiscal 1997		Base Budget Fiscal 1994		Legislative Action Fiscal 1997		Legislative Ov(Un) Base Fiscal 1997		Legislative Ov(Un) Base 97 Biennium	
Natural Resources & Commerce																		
4201 Public Service Regulation	2,334,371	2,099,407	2,128,478	29,071	2,175,415	2,099,407	1,967,069	(132,338)	2,175,415	2,099,407	1,967,069	(132,338)	2,175,415	2,099,407	1,967,069	(132,338)	2,175,415	(103,267)
5201 Dept Of Fish, Wildlife & Parks	38,342,994	32,085,892	37,309,698	5,223,806	36,200,975	32,085,892	34,868,351	2,782,459	36,200,975	32,085,892	34,868,351	2,782,459	36,200,975	32,085,892	34,868,351	2,782,459	36,200,975	8,006,265
5501 Department Of State Lands	26,286,955	19,628,217	22,710,255	3,082,038	22,367,879	19,628,217	21,762,026	2,133,809	22,367,879	19,628,217	21,762,026	2,133,809	22,367,879	19,628,217	21,762,026	2,133,809	22,367,879	5,215,847
5603 Department Of Livestock	5,815,311	5,387,924	5,815,311	427,387	5,829,863	5,387,924	5,825,417	437,493	5,829,863	5,387,924	5,825,417	437,493	5,829,863	5,387,924	5,825,417	437,493	5,829,863	864,880
5706 Dept Nat Resource/Conservation	13,411,663	11,244,829	11,244,829	101,984	13,341,173	11,244,829	11,244,829	100,723	13,341,173	11,244,829	11,244,829	100,723	13,341,173	11,244,829	11,244,829	100,723	13,341,173	202,707
6201 Department Of Agriculture	8,154,123	8,142,139	8,244,123	8,864,286	8,155,912	8,142,139	8,242,862	5,322,146	8,155,912	8,142,139	8,242,862	5,322,146	8,155,912	8,142,139	8,242,862	5,322,146	8,155,912	14,186,432
6501 Department Of Commerce	71,631,135	57,157,633	57,157,633	8.32%	63,723,193	57,157,633	57,157,633	-20.48%	63,723,193	57,157,633	57,157,633	-20.48%	63,723,193	57,157,633	57,157,633	-20.48%	63,723,193	17.60%
Totals	165,976,552	135,746,041	144,610,327	8.35%	151,794,410	135,746,041	141,068,187	8.82%	151,794,410	135,746,041	141,068,187	8.82%	151,794,410	135,746,041	141,068,187	8.82%	151,794,410	14,186,432
Percent of Total Funds	8.87%	8.35%	8.35%	8.32%	8.14%	8.35%	8.35%	8.82%	8.14%	8.35%	8.35%	8.82%	8.14%	8.35%	8.35%	8.82%	8.14%	17.60%

**Office of Legislative Fiscal Analyst
General Fund Appropriation Summary By Agency**

Run Date and Time : 02/04/95 10:56 AM

Clayton Schenck
Director, Rm. 105

New Proposals Only *	Executive	Base	Legislative									
	New Proposal Fiscal 1996	Budget Fiscal 1994	Action Fiscal 1996	New Proposal Fiscal 1997	Budget Fiscal 1994	Action Fiscal 1997	New Proposal Fiscal 1997	Budget Fiscal 1994	Action Fiscal 1997	New Proposal Fiscal 1997	Budget Fiscal 1994	Action Fiscal 1997
Natural Resources & Commerce												
4201 Public Service Regulation												
5201 Dept Of Fish, Wildlife & Parks	12,000		12,000	20,000		20,000	20,000		20,000		20,000	32,000
5501 Department Of State Lands	(121,057)		(236,120)	(307,482)		(191,357)	(307,482)		(191,357)		(191,357)	(427,477)
5603 Department Of Livestock	(28,607)		(28,607)	(28,616)		(28,616)	(28,616)		(28,616)		(28,616)	(57,223)
5706 Dept Nat Resource/Conservation	(139,493)			(166,627)								
6201 Department Of Agriculture	(446)			(66.3)								
6501 Department Of Commerce												
Totals	(277,603)		(252,727)	(483,388)		(199,973)	(452,700)		(199,973)		(199,973)	(452,700)
Percent of Total General Fund	-1.64%		37.73%	-2.30%		28.75%	33.16%		28.75%		28.75%	33.16%

Chairperson Rep. DeBruycker

Office of Legislative Fiscal Analyst

General Fund Appropriation Summary By Agency

Run Date and Time: 02/04/95 10:57 AM

Clayton Schenck
Director, Rm 105

Present Law & New Proposals	Executive		Base		Legislative		Executive		Base		Legislative		Legislative	
	Total Budget Fiscal 1996	Total Budget Fiscal 1996	Budget Fiscal 1994	Budget Fiscal 1994	Ov(Un) Base Fiscal 1996	Ov(Un) Base Fiscal 1996	Total Budget Fiscal 1997	Total Budget Fiscal 1997	Budget Fiscal 1994	Budget Fiscal 1994	Ov(Un) Base Fiscal 1997	Ov(Un) Base Fiscal 1997	Action Fiscal 1997	Ov(Un) Base 97 Biennium
Natural Resources & Conservation														
4201 Public Service Regulation	285,777	285,777	288,024	288,024	8,753	8,753	284,840	284,840	288,024	288,024	7,812	7,812	295,836	16,565
5201 Dept Of Fish, Wildlife & Parks	9,192,288	9,192,288	8,175,664	8,175,664	936,568	936,568	8,920,701	8,920,701	8,175,664	8,175,664	885,081	885,081	9,060,745	1,821,649
5501 Department Of State Lands	456,397	456,397	357,963	357,963	98,434	98,434	459,057	459,057	357,963	357,963	101,057	101,057	459,020	199,491
5603 Department Of Livestock	4,728,534	4,728,534	3,072,825	3,072,825	30,437	30,437	4,688,574	4,688,574	3,072,825	3,072,825	12,330	12,330	3,072,825	42,767
5706 Dept Nat Resource/Conservation	467,120	467,120	467,821	467,821			450,282	450,282	467,821	467,821			480,151	
6201 Department Of Agriculture	1,722,770	1,722,770	1,429,263	1,429,263			1,698,449	1,698,449	1,429,263	1,429,263			1,429,263	
6501 Department Of Commerce														
Totals	16,852,886	16,852,886	13,791,560	13,791,560	1,074,192	1,074,192	16,501,903	16,501,903	13,791,560	13,791,560	1,006,280	1,006,280	14,797,840	2,080,472
Percent of Total General Fund	3.24%	3.24%	3.05%	3.05%	4.62%	4.62%	3.09%	3.09%	3.05%	3.05%	6.07%	6.07%	3.16%	5.22%

EXHIBIT 2
DATE 2-6-95

Office of Legislative Fiscal Analyst

All Funds Appropriation Summary By Agency

Run Date and Time : 02/04/95 11:00 AM

Present Law & New Proposals	Executive		Base		Legislative		Legislative		Legislative		Legislative	
	Total Budget Fiscal 1996	Total Budget Fiscal 1996	Base Budget Fiscal 1994	Base Budget Fiscal 1994	Legislative Ov(Un) Base Fiscal 1996	Legislative Ov(Un) Base Fiscal 1996	Legislative Action Fiscal 1997	Legislative Action Fiscal 1997	Legislative Ov(Un) Base Fiscal 1997	Legislative Ov(Un) Base Fiscal 1997	Legislative Ov(Un) Base 97 Biennium	Legislative Ov(Un) Base 97 Biennium
Natural Resources & Commerce												
4201 Public Service Regulation	2,272,407	2,272,407	2,099,407	2,132,478	33,071	2,108,959	2,108,959	1,967,069	(132,338)	(99,267)		
5201 Dept Of Fish, Wildlife & Parks	40,144,036	40,144,036	32,085,892	38,803,145	6,717,253	37,948,110	37,948,110	36,368,423	4,282,531	10,999,784		
5501 Department Of State Lands	26,640,502	26,640,502	19,628,217	22,625,427	2,997,210	22,374,624	22,374,624	21,772,391	2,144,174	5,141,384		
5603 Department Of Livestock	5,762,510	5,762,510	5,387,924	5,762,510	374,586	5,693,733	5,693,733	5,689,287	301,363	675,949		
5706 Dept Nat Resource/Conservation	13,603,252	13,603,252	11,244,829	11,244,829	172,835	13,018,392	13,018,392	11,244,829	261,427	434,262		
6201 Department Of Agriculture	8,374,974	8,374,974	8,142,139	8,314,974	172,835	8,466,616	8,466,616	8,403,566	63,050	10,000		
6501 Department Of Commerce	72,453,835	72,453,835	57,157,633	57,157,633		64,094,569	64,094,569	57,157,633	6,936,936	10,000		
Totals	169,251,516	169,251,516	135,746,041	146,040,996	10,294,955	153,705,003	153,705,003	142,603,198	6,857,157	17,152,112		
Percent of Total Funds	8.67%	8.67%	8.35%	8.38%	8.82%	7.84%	7.84%	8.86%	-41.56%	17.10%		

EXHIBIT 3

DATE 2-6-95

HB _____

Natural Resources & Commerce Subcommittee

Department of Commerce Order of Program Hearings

1. Montana Science and Technology Alliance
2. Board of Investments
3. Montana Health Facilities Authority
4. Economic Development
5. Montana Board of Housing
6. Community Development
7. Local Government Services - Audit
8. Local Government Assistance Administration
9. Montana Promotion
10. Weights & Measures
11. Financial Division
12. Milk Control Bureau
13. Professional and Occupational Licensing
14. Building Codes Bureau
15. Board of Horse Racing
16. Montana Lottery
17. Indian Affairs Coordinator
18. Director/Management Services

EXH 4

EXHIBIT 4
DATE 2-6-95
II

**MONTANA DEPARTMENT
OF COMMERCE**

**ECONOMIC DEVELOPMENT
DIVISION**

The original of this document is stored at the Historical Society at 225 North Roberts Street, Helena, MT 59620-1201. The phone number is 444-2694.

54TH LEGISLATURE

EXHIBIT 5
DATE 2/6/95
HB _____

START -A- BUSINESS

Licensing Center

Montana Department of Commerce
Small Business Development Center

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CHECKLIST

Starting a business is risky at best. Your Chances of becoming successful and maintaining that success will be greater if you know which questions to ask, understand the potential problems you may encounter, and work those problems out before you "open your doors" for business. Use this *Start-A-Business Checklist* to organize those questions and find out where to get the answers.

1995-96 Montana Consumer — Products Directory —

EXHIBIT 6

DATE 2-6-95

1

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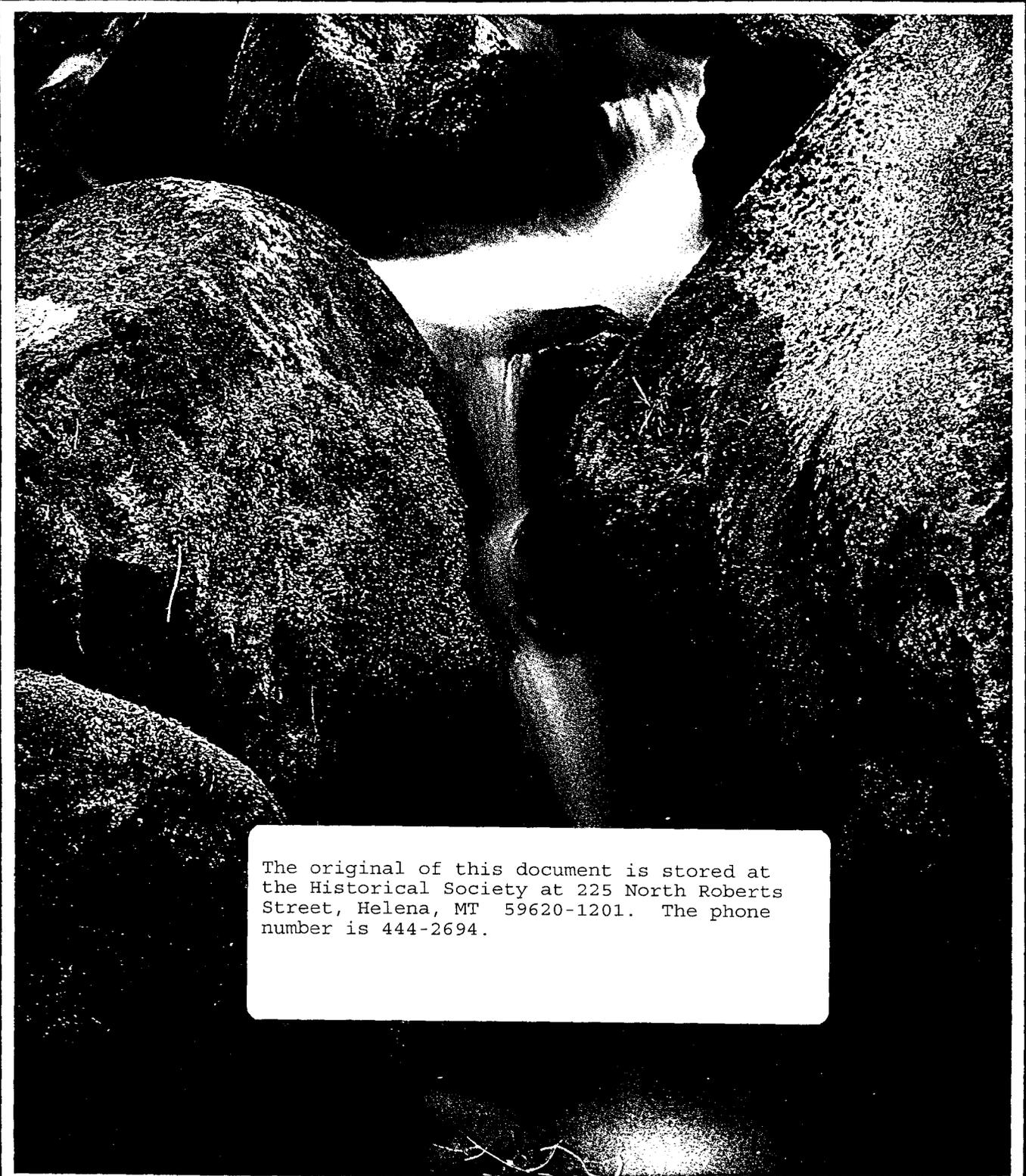
EXH 7
2-6-95

MONTANA

MANUFACTURERS

DIRECTORY

1994-1995



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Is FastTrac II For You?

DATE _____
FastTrac Sponsors

Have you been in business for more than a year? Do you need to change the direction of your business? Are you willing to devote over 40 hours to classroom participation and to the writing of a business plan? Do you like a challenge? Do you enjoy competition? If the answer is yes, then FastTrac II is for you.

FastTrac has been offered throughout the west for over ten years now. Data has proven time and again that those who complete this course increase sales and number of employees. Montana has recently joined the other states thanks to a generous grant of the U S WEST Foundation. Great Falls is one of the five Montana sites offering a FastTrac program.

FastTrac II's goal is to *complete* a business plan. Eleven sessions will focus on legal entities, marketing, market penetration, managing financials, traditional and alternative money sources, negotiations, mindset of the entrepreneur and the management team.

Participants will receive:

- * reduced cost (\$399/\$299) due to grants from the City of Great Falls, Cascade County and U S WEST
- * professional assistance in writing the plan
- * one-on-one confidential consulting sessions
- * tools to complete a business plan
- * opportunities to network with fellow entrepreneurs
- * information regarding business resources in the community and state
- * receive all course books (value \$90)
- * evening meal and break refreshments
- * all course materials and handouts
- * incentives and rewards throughout the course
- * opportunity to compete statewide for cash awards (\$500, \$300 and \$200 for cash awards for completed business plans)
- * use of video-taped sessions for *catch up and review*
- * partial scholarships, upon request

- U S WEST Foundation
- MSU Extension/Cascade Co.
- City of Great Falls
- Cascade County
- Network of Entrepreneurs
- GF Area Chamber of Commerce, Small Business Committee
- MSU College of Technology
- Business Improvement District
- MT Dept. of Commerce - SBDC

Sessions will meet at the MSU Extension Service

(backside of Westgate Mall):
 6:00 p.m. to 9:30 p.m.

Session I	Sept. 8	29
Session II	Sept. 15	
Session III	Sept. 22	
Session IV	Sept. 29	
Session V	Oct. 13	
Session VI	Oct. 20	
Session VII	Nov. 3	Dec 1
Session VIII	Nov 15	15
Session IX	Dec 1	Jan 5
Session X	Dec. 8	12
Session XI	Dec. 15	19

For more information about the course and application for partial scholarships, contact Mary Dunn at 454-6980.

Application is due Tuesday September 6th. Registration is limited. 29

Please detach and return: -----

Name of Business _____

Name _____ Daytime Phone _____ Evening _____

Mailing Address _____, MT ZIP _____

Enclosed is \$299 (\$399 for partners) for eleven week FastTrac II Course
 (Make checks payable to: Cascade County Extension, Community Development)

Application is due September 6th and enrollment is limited to first come, first served.

I am not able to attend this session, please keep me on your mailing list.

Mail to: Cascade County Extension, P.O. Box 5051, Great Falls, MT 59403

ADDRESS CORRECTION REQUESTED

OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE \$300

Extension Service
Cascade County Extension Office
1807 Third Street N.W.
Westgate Mall, P.O. Box 5051
Great Falls, Montana 59403
406-454-6980

MONTANA
STATE
UNIVERSITY

COOPERATIVE EXTENSION SERVICE
U.S. DEPARTMENT OF AGRICULTURE

BULK RATE
POSTAGE &
FEES PAID
USDA
PERMIT NO. G268

What past participants in the Great Falls FastTrac I course have said:

"It would have taken me a long time to get to where I am now if it hadn't been for the FastTrac I class...I have a complete change of marketing strategy."

"...explained what facts and details are needed to apply for financing...I will strive even harder to get the business started."

"The number crunching helped me understand where I am at, where I could go and where I want to be. FastTrac has enable me to sit back and look at the process of these areas objectively."

"Save me a seat in FastTrac II!"

Need help with your business? Find out how FastTrac II can help.....

The programs of the Montana State University Extension Service are available to all people regardless of race, creed, color, sex, handicap or national origin. Issued in furtherance of cooperative extension work in the agriculture and home economics, acts of May 8 and June 30, 1914, in cooperation with the US Dept of Agriculture, Andrea Pagenkopf, Associate Vice President of Extension, Director, Extension Service MSU, Bozeman, MT 59717.

EXHIBIT

9

DATE

2-6-95

MONTANA

FastTrac

BUSINESS

TRAINING

COURSE

Business Planning Skills for
Entrepreneurs

Responding to the Challenges of
Operating Your Small Business

January 18 - March 29
Billings, Montana

Sponsored By:

*Montana Tradeport Authority's
Small Business Development Center
S.C.O.R.E.*

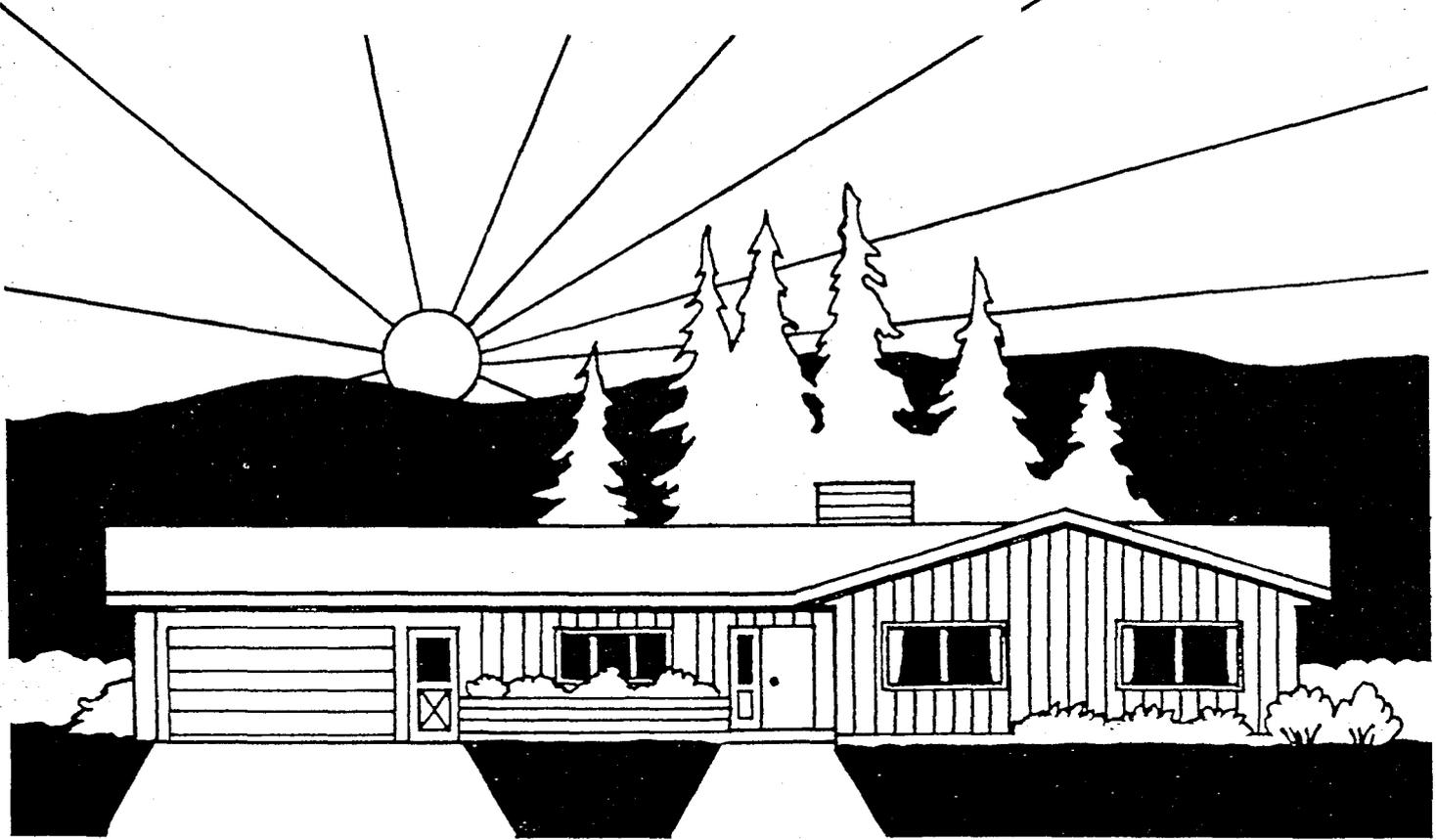
U S WEST Foundation

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EXHIBIT 10
DATE 2-6-95
HB _____

MONTANA BOARD OF HOUSING

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ANNUAL REPORT 1994

INFRASTRUCTURE IN MONTANA

- CURRENT DEFICIENCIES: (ESTIMATES)
 - ▶ IN DOMESTIC WATER, SEWER - \$ 350,000,000
 - ▶ IN SOLID WASTE - \$ 22,000,000
 - ▶ IN BRIDGES - \$ 250,000,000
 - ▶ IN STREETS & ROADS - \$ 10 BILLION
 - ▶ IN JAILS - \$ 50,000,000
 - ▶ STORM SEWERS - \$?????
 - ▶ PUBLIC SAFETY FACILITIES - \$?????
 - ▶ AIRPORTS - ?????
 - ▶ OTHER COMMUNITY FACILITIES - \$?????

EXHIBIT

DATE

HD

2/16/95

1990 Montana Housing

183,518 urban housing units

177,637 rural housing units

361,155 statewide total

205,938 units were owner occupied

100,225 units were renter occupied

54,046 units were mobile homes

Vacancy rates in 8 largest cities is less than 1%

Rent in 5 largest cities has increased over 100% since 1988

33% of all Montana households earn less than \$15,000 / year

LOCAL GOVERNMENT ASSISTANCE DIVISION

PROPOSED '97 BIENNIUM BUDGET

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, FOR THE RECORD MY NAME IS NEWELL ANDERSON AND I AM THE ADMINISTRATOR OF THE LOCAL GOVERNMENT ASSISTANCE DIVISION. I WOULD LIKE TO TAKE THIS OPPORTUNITY TO HIGHLIGHT SOME OF THE FACTS AND ISSUES THAT THIS '97 BIENNIUM BUDGET PRESENTS.

THIS DIVISION OPERATES 12 DIRECT SERVICE AND FINANCIAL ASSISTANCE PROGRAMS. A TEAM OF 45 DEDICATED STAFF (down from 61) CREDIBLY OPERATE THESE VARIOUS PROGRAMS EACH YEAR WITH A TOTAL OPERATING BUDGET OF \$2.5 MILLION (down from \$3.2 million) AND GRANT/PAYMENTS OF \$34.5 MILLION (up from \$30.5 million). THE DIVISION HAS PROPOSED TO OPERATE TWO PROGRAMS IN A MODIFIED MANNER WITH A NET OF 16 POSITIONS less AND A NET INCREASE OF NEAR \$4 MILLION IN NEW REVENUE AS COMPARED TO THE FY '92 BUDGET. THE TOTAL ANNUAL DIVISION'S BUDGET OF \$35.7 MILLION IN THESE 12 PROGRAMS CONTAIN REVENUE BY SOURCE AS FOLLOWS: FEDERAL FUNDS = 85%; STATE SPECIAL REVENUE FUNDS = 10%; PROPRIETARY FUNDS = 2% AND STATE GENERAL FUNDS = 3%. THE '95 BIENNIUM EXECUTIVE BUDGET FOR THIS DIVISION WHICH YOU HAVE BEFORE YOU, IS REALISTIC AND FACTUALLY DEFENDABLE. THE FOLLOWING HIGHLIGHTS WILL QUANTIFY AND PROJECT A FEW OF THE EXPECTED ACTIVITIES OF THIS DIVISION OVER THE '97 BIENNIUM.

MONTANA COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM:

Program Description: The program was established by the Federal Housing and Community Development Act of 1974. In 1981, Congress made available to the States, the option of state administration of the nonentitlement portion of the CDBG Program. The November 1981 Special Legislative Session authorized the Montana Department of Commerce to administer this program beginning in 1982. The program exists to receive, award, administer and monitor Federal HUD funds intended to assist local governments with their greatest public facility, housing and economic development needs by funding projects that will principally benefit low and moderate income families in their communities. In the past twelve years in Montana, this program has invested some 76 million CDBG dollars, leveraging over 150 million other dollars, in some 160 projects all across our state. 97% OF THESE FUND PASS THRU TO LOCAL BENEFIT - 3% ARE ADMINISTRATIVE

PROJECTED '97 BIENNIUM ACTIVITIES:

- * RECEIVE AND EVALUATE 30 CDBG APPLICATIONS
- * FUND 36 = 14 HOUSING REHAB & NEW CONSTRUCTION PROJECTS = \$ 5.2 MILLION = 500 UNITS
- = 22 PUBLIC FACILITY PROJECTS = \$ 7.9 MILLION
- * MONITOR 60 ACTIVE PROJECTS
- * CLOSE OUT 35 PREVIOUS YEAR GRANTEE'S PROJECTS
- * HOLD 16 STATEWIDE APPLICATION WORKSHOPS, 2 GRANTEE ADMIN. WORKSHOPS, AND 2 ADMINISTRATIVE RULE HEARINGS. RESPOND TO 230 FUNDING INQUIRIES
- * DISTRIBUTE 1200 PUBLICATIONS

TREASURE STATE ENDOWMENT PROGRAM (TSEP)

Program Description: This represents the operational budget for the new TSEP program, enacted by a public vote on June 2, 1992. This program is intended to provide state financial assistance to local governments for their local infrastructure projects. Commerce as the lead agency, in cooperation with the Department of Natural Resources, is missioned to establish administrative rules, provide technical assistance to applicant communities, review applications and recommend awards to the Legislature, issue contracts to awarded governments, and monitor those projects. For the '93 Biennium - \$ 4.2 million TSEP funds leveraged \$38 million in other funds on 24 projects.

PROJECTED '97 BIENNIUM ACTIVITIES:

- * PLACE UNDER CONTRACT THOSE 54th LEGISLATIVE SESSION APPROVED PROJECTS.
- * REVISE PROJECTS ADMINISTRATION MANUAL FOR COMMUNITIES.
- * HOLD GRANT ADMINISTRATION WORKSHOP FOR '95 GRANTEEES
- * MONITOR APPROVED PROJECTS.
- * PROVIDE 8 APPLICATION WORKSHOPS & OTHER ASSISTANCE TO FUTURE TSEP APPLICANTS.
- * HOLD STATEWIDE HEARINGS ON PROPOSED '99 BIENNIUM APPLICATION GUIDELINES
- * RECEIVE, REVIEW AND RECOMMEND '99 BIENNIUM AWARDS TO THE GOVERNOR AND THE '97 LEGISLATIVE SESSION.

MONTANA COMMUNITY TECHNICAL ASSISTANCE PROGRAM

Program Description: This program, mandated by statute, exists to provide technical assistance, analysis and other services to local governments, private developers and general citizens in the fields of community planning, land development, and local project / public works financing. The program policy is directed by existing law, available funding and contemporary technology. As an adjunct to the state CDBG Program, this program is extremely important to local governments in their community development capacity building.

PROJECTED '97 BIENNIUM ACTIVITIES:

- * RESPOND TO 550 PUBLIC FACILITIES FUNDING DATA SEARCHES
- * PROVIDE DIRECT TECH. ASSIST. 1375 TIMES TO LOCAL OFFICIALS & DEVELOPERS ON TECHNICAL LAND USE ISSUES
- * LEAD THE RESEARCH UNDER HUD 107 GRANT ON THE ISSUES OF HOUSING AFFORDABILITY AND CAPITAL IMPROVEMENT PLANNING AND MANAGEMENT.
- * DISTRIBUTE 1650 CURRENT CTAP PUBLICATIONS TO LOCAL OFFICIALS & DEVELOPERS. MAINTAINS A LIBRARY OF 30 CURRENT "HOW TO" PUBLICATIONS.
- * CONTINUE TO ENHANCE INFORMATION ON FUNDING ALTERNATIVES FOR LOCAL INFRASTRUCTURE PROJECTS.
- * COORDINATE THE STATE WATER, SEWER, AND SOLID WASTE TEAM (W2ASACT) MADE UP OF 20 PUBLIC & PRIVATE PROGRAMS INVOLVED IN IMPROVING THE CONDITION & FINANCIAL MANAGEMENT OF THESE PUBLIC FACILITIES. ie: Streamline application procedures, unify financial analysis, engineering, and environmental reviews.

MONTANA COAL BOARD

Program Description: This program, legislatively established in 1975, provides grants to local governments where unfunded public service impacts have occurred as a result of large scale coal development. The seven member Gubernatorial appointed board set the operating policies, review and act on grant applications. By assisting in the mitigation of these unfunded public service impacts, some \$69 million of Coal Board funds have been combined with nearly double that amount in local funds to assure critical services to the people of Montana's "Coal Country".

PROJECTED '97 BIENNIUM ACTIVITIES:

- * CONDUCT 8 PUBLIC BOARD MEETINGS TO ESTABLISH POLICY AND REVIEW APPLICATIONS.
- * PROVIDE APPLICATION ASSISTANCE TO SOME 90 INQUIRIES CONCERNING COAL BOARD ASSISTANCE.
- * REVIEW SOME 40 APPLICATIONS AND AWARD SOME 16 GRANTS
- * MONITOR SOME 15 PAST AND CURRENT GRANTS FOR PROGRAM COMPLIANCE

MONTANA HARD-ROCK MINING IMPACT BOARD:

Program Description: This program, established in 1981, provides technical assistance, impact analysis, and mediation services to local governments and hard rock mining companies where adverse fiscal impacts from large scale development are identified. The Gubernatorially appointed board adjudicates disputes, makes determinations on impact plan waivers and financial guarantees, sets policy under the Hard Rock Mining Impact Act, and notifies the Department of Revenue to initiate or terminate Tax Base Sharing.

PROJECTED '97 BIENNIUM ACTIVITIES:

- * CONDUCT 8 PUBLIC BOARD MEETINGS IN THE PROXIMITY OF EXISTING OR PENDING HARD ROCK MINING ACTIVITY
- * CONSULT AND ASSIST WITH SOME 120 INDIVIDUAL INQUIRIES CONCERNING THE ACT.
- * REVIEW AND ACT ON 6 EXISTING PLAN MODIFICATIONS OR AMENDMENTS.
- * PROVIDE ASSISTANCE TO 30 LOCAL GOVERNMENTS AND OR MINING COMPANIES CONCERNING THE ACT.
- * REVISE, PUBLISH AND DISTRIBUTE 2 NEW PUBLICATIONS CONCERNING THE ACT

MONTANA HOUSING ASSISTANCE PROGRAM

Program Description: The Department of Commerce, as the state housing authority, administers the Federal Section 8 Housing Programs for the U.S. Department of Housing and Urban Development. These programs operated by the Department since 1976, are intended to provide rental assistance or rehabilitation funds to facility owners on behalf of lower income families and the elderly. These rental units (housing stock) must be and will remain decent, safe and sanitary to have landlords eligible for these subsidies. The Federal funds are allocated to the State and then the State allocates these certificates and vouchers throughout Montana communities by local need definitions. Because there are presently lower amounts of Federal funds available compared to the eligible demand, there is a significant waiting list for this assistance. There are no state funds involved in this program.

PROJECTED '97 BIENNIUM ACTIVITIES:

- * PROVIDE FAIR MARKET RENT ASSISTANCE EACH MONTH TO 3,300 MONTANA ELIGIBLE LOW INCOME FAMILIES - \$17,000,000 / YEAR
- * MANAGE A 7,900 PERSON REVOLVING WAITING LIST FOR ELIGIBLE BUT NOT SERVED MONTANA FAMILIES
- * PROCESS 330 NEW APPLICATIONS FOR ASSISTANCE EACH MONTH
- * INSPECT 900 RENTAL UNITS SUPPORTED BY ASSISTANCE FUNDS
- * PROCESS 250 DAMAGE CLAIMS PER YEAR

HOME & CD COMPREHENSIVE PLAN PROGRAMS

Program Description: These Federal programs were established by the National Affordable Housing Act of 1990. HUD awards a "block" grant to each state for the purposes of: providing coordinated financial assistance to develop affordable low income housing; expanding the supply of safe, decent, sanitary and affordable housing; and strengthening the ability of local governments and other housing development entities to actively participate in community housing enhancements.

PROJECTED '97 BIENNIUM ACTIVITIES:

- * RECEIVE SOME 50 LOCAL APPLICATIONS FOR HOUSING ENHANCEMENTS
- * RANK AND AWARD SOME 28 GRANTS FOR LOCAL HOUSING ENHANCEMENTS
- * PROVIDE TECHNICAL ASSISTANCE TO SOME 75 COMMUNITIES ON HOUSING
- * RESEARCH MONTANA HOUSING AFFORDABILITY AND COMMUNITY DEVELOPMENT ISSUES AND PUBLISH RESULTS
- * HOLD 16 PUBLIC HEARINGS AND APPLICATIONS WORKSHOPS
- * MONITOR AWARDED PROJECTS
- * DISTRIBUTE 1500 CD COMPREHENSIVE PLANS AND HOME PROGRAM GUIDELINES

MONTANA SINGLE AUDIT ACT

Program Description: This program, established by the 1991 Legislature, exists to insure the appropriate accounting and auditing standards are met by local taxing jurisdictions throughout Montana. The legislation requires that this program insure that: the Federal Single Audit Act is complied with, that all required jurisdictions are audited, insure that all participating auditing resources are qualified and audits are performed in a timely manner, that all state agencies rely on a single approved audit report, and insure that appropriate audit findings are brought to closure.

PROJECTED '97 BIENNIUM ACTIVITIES:

- * RECEIVE AND REVIEW SOME 1400 LOCAL ANNUAL FINANCIAL REPORTS.
- * ESTABLISH AND MAINTAIN A REGISTER OF QUALIFIED PRIVATE AUDITING INDIVIDUALS AND FIRMS.
- * NOTIFY 450 ENTITIES OF THEIR REQUIREMENTS FOR AUDIT AND TRACK TIMELY COMPLETION.
- * REVIEW AND TEST SOME 900 AUDIT REPORTS SUBMITTED FOR FISCAL AND COMPLIANCE CORRECTNESS. (FEDERAL A-128 REVIEW)
- * FOLLOW - UP AND CLOSE UNRESOLVED FINDINGS WITH APPROPRIATE LOCAL, STATE OR FEDERAL AGENCIES.

'97 BIENNIUM BUDGET MODIFICATIONS

MONTANA LOCAL GOVERNMENT AUDIT PROGRAM:

Program Description: This program, mandated by the State Constitution and created by statute, exists to perform post-audits of the financial statements and compliance requirements of the local government entities in Montana. The audit function is designed to protect the taxpayer's interests by verifying that the financial conditions and operations of local governments are responsibly accounted for, reported and all appropriate statutes are complied with. Program staff also advise local officials of changing state and federal laws and assist private CPA's under contract with the Department doing local audits.

HISTORICAL '95 BIENNIUM ACTIVITIES:

- * ACCOMPLISHED SOME 250 LOCAL GOVERNMENT AUDITS OF COUNTIES, CITIES, TOWNS, SCHOOL DISTRICTS & OTHER SPECIAL TAXING JURISDICTIONS
- * PERFORMED 16 SPECIAL REVIEWS OR AUDITS
- * PROVIDED TECHNICAL ASSISTANCE 685 TIMES TO LOCAL OFFICIALS
- * PROVIDED TECHNICAL ASSISTANCE 105 TIMES TO PRIVATE CPA'S
- * PROVIDED 1860 HOURS OF CONTINUING PROFESSIONAL EDUCATION
- * PARTICIPATED IN 640 HOURS OF PEER REVIEW ACTIVITIES

PROJECTED '97 BIENNIUM AND BEYOND ACTIVITIES:

The State of Montana announced on October 7, 1994, that effective July 1995, it will no longer be performing audits of local governments with state staff. All regular local government auditing will be contracted to private CPA's. SEE: 1995 PRIVATIZATION PLAN

MONTANA ACCOUNTING AND SYSTEMS MANAGEMENT ASSISTANCE PROGRAM

Program Description: This program, created by statute, exists to develop, implement and maintain a uniform budgetary, accounting and reporting system for all Montana cities, counties, and other single purpose districts. The staff provide regular and special accounting assistance to local officials, develop a budget reporting format, develop and maintain a chart of accounts and do ongoing training for local finance personnel.

HISTORICAL '95 BIENNIUM ACTIVITIES:

- * PROVIDED 30 ACCOUNTING /SYSTEMS TRAINING SEMINARS FOR LOCAL GOVERNMENT STAFF IN 8 DIFFERENT LOCATIONS ACROSS MONTANA
- * ANNUALLY MAINTAINED AND UPDATED THE UNIFORM CHART OF ACCOUNTS AND DISTRIBUTED IT TO ALL TAXING JURISDICTIONS
- * PROVIDED ON CALL ASSISTANCE TO 475 REQUESTS FOR TECHNICAL ASSISTANCE

PROJECTED '97 BIENNIUM ACTIVITIES:

- * ESTABLISH A LOCAL OFFICIALS ADVISORY SERVICE COMMITTEE FOR THE PRIORITIZATION OF LOCAL FISCAL ISSUES & RESOURCES FOR THEIR RESOLUTION
- * PROVIDE 46 ACCOUNTING / SYSTEMS TRAINING SEMINARS FOR LOCAL GOVERNMENT STAFF IN MULTIPLE LOCATIONS ACROSS MONTANA
- * MAINTAIN AND UPDATE THE UNIFORM CHART OF ACCOUNTS AND INSURE THEIR DISTRIBUTION
- * PROVIDE ON CALL ASSISTANCE TO 3200 REQUESTS FOR TECHNICAL ASSISTANCE.
- * PROVIDE ONSITE ASSISTANCE TO 124 REQUESTS FOR SIGNIFICANT TECHNICAL ASSISTANCE
- * PRODUCE AND MAINTAIN A "COUNTY COLLECTIONS MANUAL" IN COOPERATION WITH LOCAL OFFICIALS AND STATE EXECUTIVE AGENCIES
- * ESTABLISH A CENTRAL "SYSTEMS" LIBRARY OF MATERIALS THAT CAN BE USEFUL TO LOCAL ACCOUNTING AND FISCAL OFFICIALS.
- * PRODUCE THOSE ISSUE PAPERS AND WORK AIDS THAT ARE DESIRED BY LOCAL OFFICIALS

CONCLUSION:

THE CONTINUATION OF THESE 12 PROGRAMS THAT PROVIDE BOTH DIRECT SERVICES AND FINANCIAL ASSISTANCE TO ALL MONTANANS IS ACCOMPLISHED BY THE EXECUTIVE BUDGET THAT IS BEFORE YOU FOR YOUR CONSIDERATION.

THIS BUDGET REPRESENTS A MINIMUM STATE COMMITMENT TO SUPPORTING OUR LOCAL GOVERNMENTS IN CRITICAL AREAS. THESE ARE STATE PROGRAMS THAT CONTINUE TO MEET THE DYNAMICS OF CHANGING NEEDS, CONTINUE TO OPERATE WITHIN THEIR PRESCRIBED BUDGETS AND HAVE APPROPRIATELY RESPONDED TO THE REDUCED FISCAL RESOURCES OF THE PAST 12 YEARS.

I URGE YOUR SUPPORT FOR THESE CONSERVATIVE BUT EFFECTIVE PROGRAMS.

THANK YOU, I WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

