

MINUTES OF THE MEETING OF  
AGENCY 1

COMMUNITY AFFAIRS

January 25, 1977  
8:00 A.M.  
Room 225  
State Capitol Bldg.

The meeting was called to order by Chairman Dorothy Bradley. All members were present, with Rep. Gunderson, Senator Roberts and Senator Thomas being late.

COAL BOARD:

Dave Lewis presented the Executive Budget. They recommend to continue the program at the present level. The grants will depend on the amount of money generated by the coal tax.

Curt Nichols presented the Fiscal Analyst recommendation. He said basically we should continue with 2 people on board and operating expenses based on the year before. The only difference; we have taken out the \$10,000 for contract services. The revenue estimate is revised from our original. Looking at the Coal Board receiving about \$6,168,000 in 1978 and \$7,250,000 in 1979. That is based on assuming the constitutional trust fund of 25% is taken off the top. Whatever happens will have an effect on the amount available.

Frank Montibeller, Administrator for the Coal Board made his presentation. He said the LFA's recommendations are very close to his. The only question is on contract services. He said they had in the area of \$15,000 set up in that portion of the budget. We felt if we do get into litigation on any of our grants, we may need that particular amount in the budget. Any money we don't use in the administrative budget reverts back to the local government in the form of grants. (Hand-out attached).

Senator Story asked Mr. Montibeller for a copy of his legislative report, which he will get.

Rep. Marks asked about the grants given to various communities, especially Colstrip and how they raised the amount locally. Mr. Montibeller replied on bond issues, local effort, etc. The grant from the coal board paid the first year bond payment.

Senator Stephens asked what the criteria is when applying for a grant and who makes the final decision? Mr. Montibeller said it is based on 4 things: degree of need, severity of impact, degree of local effort and funds, as set up in Senate Bill 87. The staff makes the recommendations but the final decision is made by the Coal Board.

Sen. Stephens asked Mr. Nichols if it is true he anticipates the funding to decrease to \$6,000,000 and how? Mr. Nichols replied, yes, tied to the production of coal as well as the allocation to the constitution trust fund.

Rep. Marks noted that in some of the towns, grants were given to help purchase equipment and wanted to know the justification for this. Mr. Montibeller said the cities were trying to do the work for themselves and save money, some were unable to buy any equipment, some did not have the bonding capacity, etc.

Rep. Marks asked the LEA why, in the proposal for 1978, is personal services up by some \$14,000? Mr. Nichols replied that they had a late start in 1976 and were not fully staffed. They only had 1 person until February of 77.

There was a little open discussion. With no further questions from the committee, this portion on the Coal Board was completed.

#### HOUSING PROGRAM -

Mr. Lewis presented the Executive budget recommending it continue on the current level of staffing and operation with the addition of \$39,000 from the earmarked funds in 1978 and \$45,000 in 1979 for the recommended accountant.

The Fiscal Analyst recommends basically the same as fiscal year 1976. We did not recommend the accounting help that the Executive budget recommends. We feel there is not enough of a work load to justify an accountant. Did not recommend use of earmarked funds. They should take a look at that before getting too involved.

Kent Mollohan spoke for the Board of Housing. He stated that they do need the accountant recommended in the Governors budget. He said they had finally gotten approval from the Supreme Court for the Board to proceed. The program will be run through trustees. Bonds will be sold and money turned over to the trustees to administer. These are not public funds, but private invested funds. An accountant is needed for records. \$39,000 will be born by the Board. He gave a brief rundown on the functions of the Housing Authority and how they help the citizens.

Chairman Bradley called for questions from the committee.

Rep. Bardanouve asked how far away they are from actually building. Mr. Mollohan said they were not actually building but have tentatively established several schedules but had to wait for the court decision to come out. It was handed down December 29. Should be ready within 30 - 45 days.

Rep. Bardanouve asked how many units you are proposing and what will be the rate of interest. Mr. Mollohan said \$15,000,000 - \$20,000,000 first issue and the rate would be approximately 6%. This means the borrower will get it for 8% or less. He estimated 600 units would be constructed.

Rep. Bardanouve asked what would be the advantage of a housing board loan over a commercial loan? Mr. Mollohan said reduced interest to the borrower; helping him to save money.

Senator Stephens asked who will qualify. Mr. Mollohan replied people with adjusted gross incomes of \$16,000 or less will qualify. He then asked what the rate of interest will be for the borrower. Mr. Mollohan said they would like to be below the commercial lender.

Senator Story asked about insurance. Mr. Mollohan said the FHA covers 100%. We won't be quite that high. He then asked who owns the mortgage. Mr. Mollohan said they would in the name of the state.

Sen. Stephens commented he hopes they will not create another counseling bureaucracy out in the field. They can get that at a bank. Mr. Mollohan agreed saying they would only try to help them with advise, et.

Rep. Bardanouve asked in case of a default who will get the property. Mr. Mollohan said as far as he knew, since it is an FHA program, probably in case of default it will become the property of the Fed. Government. They would have to pay us our share. Mr. Mollohan said they did not intend to become landlords, in answer to Rep. Bardanouve.

Rep. Marks asked if they would be able to service rural people, as the FHA will not. The answer was yes, they would be. They are now talking to institutions such as Farmers Home, and others.

Senator Story asked how many units they are planning on. Mr. Mollohan said between 600 and 700 units, single family units.

Rep. Marks asked again how they arrived at the \$16,000 adjusted gross income. Mr. Mollohan said the board set this up.

Senator Stephens asked what they would be doing two years from now. Mr. Mollohan replied, "Don't have recommendations now, hope to provide options for low income people.

Senator Thomas asked if they provide loans on multi-housing units? Mr. Mollohan replied yes, that is authorized, but mainly on single family dwellings.

Rep. Bardanouve asked if their bonds are rated like commercial bonds. Mr. Mollohan said yes, they have an AA rating. There was more discussion between the two regarding bonding and ratings.

Rep. Bradley said she still was not quite clear on why the 4 FTE's they now have would not be able to handle the work by moving them around a little. The answer was they still feel they need an accountant as the Dept. of Administration is not equipped for enterprise accounting.

Mr. Mollohan went on to explain that when they get their money, investors are earning 6% on the bonds. The board will handle the money held by the trustees. The investors are constrained. We can not invest in anything that is not federal. We need to reduce our losses because we can't invest in just anything.

There was a little more open discussion between Rep. Bardanouve and Mr. Mollohan.

Rep. Bradley said, "You are thinking of having an architect on a consultant basis. Is that included in the executive budget and if it is, why do you need one?"

Mr. Mollohan said - "We want enough funds in the contract service area to pay current operating costs. In the future the charge to the Board is to provide financial development advice when required. We are not asking for an architect yet - maybe later on." Rep. Bradley then asked if they were going to hire one. The answer was no. He said legal services and accountant services are principally what we want right now.

Rep. Marks asked how could they possibly use an architect? Mr. Mollohan said if they went into multi-housing they would need it.

Rep. Bradley said one thing to worry about is that the legislature gets fairly optimistic about federal funds, and they they don't come through. What is the outlook on federal funds?

Mr. Mollohan said in two years you should look for the Board of Housing to be totally self-sufficient. Our intention is not to staff up and spend like crazy and come back here and ask for more money.

Rep. Bradley said the executive budget estimated \$13,500 in federal funds. That money did not come through last year. Do you think you will get it next time?

Mr. Mollohan said the outgoing administration had recommended a reduction from \$65,000,000 to about \$30,000,000 in HUD '701' funding which means Montana's share will be reduced about one half.

#### CLOSING STATEMENTS -

Dick Draws, the Administrative Assistant, reviewed the functions they serve in local government service, their accomplishments and goals. He talked about their accomplishments and achievements. Were and still are involved in the Old West Regional Commission in providing local needs. Involved in local planning efforts, housing for elderly and low income, the EDA Title I fund, public works grants. Refer to the pass out sheet of last Monday regarding complete goals and achievements. Mr. Draws requested general fund support for the field assistants.

Mike Fitzgerald gave a brief summary on Economic development. He said they were recommending approximately \$507,631 for the biennial for economic development. That represents approximately \$150,000 annual increase. If approved, we believe Montana businesses, farmers and ranchers will benefit. There is a demand for export of Montana's resources. We believe for the first time in our history, we can help our business men, farmers, ranchers stay in business and better themselves, but we need the funds to work with.

After his wrap up, Mr. Frislee made one further observation regarding the Aeronautics Division. He said they all agree with the delay of purchasing more aircraft until the pool is implemented and evaluated. I agree, with the exception that on data provided to me as well as your committee, indicates that no place within the state government of Montana can we rent or lease executive aircraft with the high performance capability. I am no expert but one aircraft should be secured at the earliest possible time. ✓

He also mentioned DCA - the re-organization we have discussed hopefully aims at bringing appropriate functions of this state agency as the leading state agency to communicate with and work with and coordinate the actions of local government under our roof. He promised to watch for any type of duplication and stop it as soon as spotted.

There was a little more discussion between Mr. Frislee and the committee.

With no further questions, the meeting was adjourned.

Dorothy Bradley  
Representative Bradley, Chairman

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