

MAY 23 '77

MINUTES OF THE MEETING  
SUBCOMMITTEE AGENCY 1

March 18, 1977  
8:00 A.M.  
Room 225  
State Capitol Bldg

The meeting was called to order by Chairman Bradley. Roll was taken; all members were present.

OFFICE OF COMMERCE & SMALL BUSINESS DEVELOPMENT:

Representative Bradley distributed the attached sheets of information on this budget, explaining that the proposed budget presented here is truly a compromise budget which she and Representative Marks worked out with a representative of the Governor's office.

For Personal Services, she said that the compromise figure of \$106,000 and \$108,650 were presented and it would be up to the Governor's office to decide how they will work within that amount. The Council of Economic Advisors funding of \$7,500 for each year of the biennium would be a sufficient amount to cover 9 individuals for 6 meetings a year. Operating expenses are explained in more detail on page 2 of the handout. The sources of funds were explained to be \$60,000 in general funds and matching funds of \$40,000 each year. The use of the funds is flexible. Representative Marks explained that of the general funds, the first \$40,000 was to match EDA funds and it appears that \$21,300 and \$23,950 could be used to bring in about \$63,000 more on the 3 to 1 match ratio. Mike Conkey of the Governor's office assured the committee that the EDA 302 funds could be used any place. Representative Marks pointed out that the committee should want to use the most federal money as possible and keep the use of general funds down as much as possible.

In directing the committee's attention to the Economic Development handout, Representative Bradley said that there is a very broad interest in what this might do and that was why they put down some ideas of the goals and activities they feel might be done, pointing out that there is nothing to mandate the Governor's office to have these fields represented or to pursue the same goals and activities listed on this sheet.

The main emphasis, Representative Marks felt, is that the economic development must be geared to what we have in the state today; the emphasis is not placed on a particular trade as it was in the past. Representatives Bradley and Marks reviewed the Economic Development information they had prepared, and Representative Bradley concluded that she felt this Council could be very helpful in this state and in this office.

Senator Story said that he came to the meeting all ready to support the proposal but was changing his mind because every activity mentioned is being done by some activity in state government at the present time. He explained that there are three different departments, a number of activities, for example the agricultural areas are being handled by the extension service, the Department of Community Affairs and by the Department of Agriculture.

Representative Gunderson stated that he really likes the concepts listed under activities on page 2 (g,k and m). He said there should be a unified effort and some coordination of the activities. He asked Representative Marks what they had in mind for the "motivation of leadership" listed in (m). The response was that it would be trying to get knowledgeable people together and council with people who need some help in their business activities; they would try to get some experts in the field and in the industries they represent, he added.

Senator Stephens said that he appreciated the fact that everybody has a lot of work in this, but he agrees with Senator Story in that everything seems to be already being done somewhere else. He wonders how government can possible motivate the leadership. The concept of "an information clearing house" has some good sense, he said; but he felt that the coordination of the "fragmented agricultural activities" would be very difficult. He felt that (i) on page 2 would be the opposite of what they are trying to do; the attempt is to get the economy going, not slow it down.

It was suggested by Representative Bradley that the other committee members put together some proposals of the activities and goals they would like to see accomplished by this office. There is nothing to mandate the Governor's office to follow the suggestions of the committee members in this regard because this is not in the form of a piece of legislation, but they can have some input, especially if they do not agree with the proposals presented this morning.

If they do not feel the government should be involved, she said they should vote against this. Senator Story retorted that he appreciates the work that has been done on this and he does not think it is wrong for the government to be doing this but it should be limited to one department or agency. Representative Bradley said that she felt there were some very valuable seminars that had been and could be put on for the information of the public and for public input.

On page 2, 4.e., Representative Marks explained that this would mean people from out of state would be contacted to come in with industrial projects; and try to coordinate some of the opportunities that are available in the state for prospective industrial situations.

It was the feeling of Representative Marks that while he is not particularly proud of this proposal, something had to be presented in a concrete form. The discussions are mostly on the budget and not on philosophies. If it does not work, not much money has been lost but we will have tried and if it does succeed, maybe it could be expanded later.

Tom Winsor of the Montana Chamber of Commerce stated that they have no objection to bringing everyone into this process. There must be some strong direction in this process; they favor this approach. The questions the Chamber of Commerce has is along the lines of whether it should be in the Governor's office or the Department of Community Affairs. This compromise does not satisfy everything, but it is a good approach to start with.

Representative Marks indicated he also did not feel it should be in the Governor's office, but with the salary it is probably necessary to pay these positions, problems would be created if they were put in a department other than the Governor's office. There are a few other problems he could foresee, one is if the office could survive the election of a new Governor if it is in the Governor's office.

If this program does not prove itself in the next biennium, it should be wiped out, Representative Bradley asserted. The pros and cons for the program should be presented and a lot of attention should be given to it. There must be some productive outcomes from this; but she is ready to give it a chance.

There was one more budget proposal under the Governor's Office presented by Representative Bradley, which she said probably should go under the elected officials subcommittee. The committee should either accept or reject the proposal; if it is accepted, it would go before the full Appropriations Committee. There was a substantial amount of EDA funds that could be available if the state matched on a 3 to 1 basis; \$67,000 from general funds would be appropriated. This funding would not necessarily automatically go to the Office of Commerce; it is a separate consideration by this committee, Representative Bradley pointed out. She recommends that the Office of Commerce first would review the expenditures and then the Legislative Fiscal Committee would review them, therefore, the legislature would have input on this. These funds can go for everything except government operations.

Mr. Conkey explained that in 1974 Congress amended the public works economic development act and gave money to states who had to match on a 3 to 1 ratio. This money can be used for any EDA projects, excluding government planning. Mr. Conkey read a list of examples of possible uses for the funding.

Since FY 1975, Montana has \$801,000 credited to it that has not been used; we get \$325,000 per fiscal year of this type of money, which is appropriated by Congress and must be used, after being matched by 25% state money. This money, once credited to the state, never reverts back. The money goes to the Governor for the state from Congress; the Governor's office of commerce and trade is handling it right now, headed by Mr. Fitzgerald.

Representative Bradley said it is too early to tell what the funds would be used for; other states have used it for sewage treatment, buildings, etc. She recommends that the committee accept the money but careful oversight by the legislature and citizens groups is necessary to see where the funds go. The review function is essential and the public would be advised if the funds were not spent wisely.

Representative Marks added that he would not feel good about appropriating that amount of general funds without a careful review.

Representative Gunderson moved that the committee adopt the compromise budget proposal presented this morning at \$221,300 and \$223,950 for fiscal years 1978 and 1979, respectively.

VOTE: The motion carried with a vote of six (6) ayes and one(1) nay (Senator Stephens).

Representative Gunderson moved that the committee adopt the proposal for EDA 304 funding. Discussion: Representative Marks asked who would be responsible for taking the applications. Mr. Conkey said that they would be filed with the Governor of the State or with the office in Denver; the legislature would partake in that process as it is a cooperative thing.

VOTE: The motion carried unanimously.

Representative Bradley expressed thanks for the committee for bearing up with this issue for such a long time and especially to Representative Marks for working so hard with her on the compromise proposal.

#### AVIATION SYSTEM NEEDS:

Representative Paul Kroff, District #5, asked the committee to give serious consideration to appropriating some general fund money to the Aeronautics Department. HB 680 did not pass and there is additional money needed at this time.

Mike Ferguson, Administrator of the Aeronautics Division, distributed the attached handout to the committee members. Their needs are in the areas of grants and loans. By losing HB 680, they now will have to amend the figures in the budget request. They got 90% of the funding under a federal airport development act that is in effect until 1980. What they would like the committee to do, Mr. Ferguson explained, is to supplement their present budget for this area with enough money to handle these needs during the

biennium. Curt Nichols, LFA, indicated that these would be general funds. He said that if the fuel tax users did not see it justified to see the tax increase this would be another way to get the funding. It is a 90 to 10 match ratio. Reimbursements would go back into the earmarked revenue funds. To get assistance from the communities, they would have to get a mill levy, which would require a bond issue. Their money is loaned on a 4 1/2% interest rate.

Mr. Conkey said that the money was not in the budget recommendation from the executive office. They did make a request for earmarked money based on tax increase but the Governor's office does not have a surplus of general fund and did not come in with this recommendation; it was reviewed by the office. The governor's office does not recommend approval.

Mr. Ferguson said that their request is for the committee to fund them as much as they can; they would like \$397,050 or any part thereof. They have 377 loan applications already.

He distributed a letter from the Circle Town-County Airport Board Secretary to the committee members in support of their request.

In response to a question from Representative Bardanouve, Mr. Ferguson explained that they will be in the "red" by 1980 with the present funding and the budget level. They don't have the money and by 1980 they will not have enough money to continue with the grant and loan program. The program for federal funds only lasts until 1980.

Senator Stephens asked if they were not a sort of financial institution for the Airports. Mr. Ferguson said that was right.

Representative Bradley, in response to comments by Representative Bardanouve, said that since the bill had been killed she thought the division's request should be heard again but this was the last of the hearings for this subcommittee.

Senator Stephens moved that in consideration of the economic plight of the state, the request be denied.

VOTE: The motion carried unanimously.

Representative Marks distributed the attached memorandum regarding the Worker's Compensation Budget from Curt Nichols, who reviewed this budget again upon the request of Representative Marks.

In this review, the LFA went back a whole year figuring from February to February on actual expenses with appropriate adjustments. This figure comes out to be less than what the committee appropriated for the budget in question.

This points out, Representative Marks stated, that real value of having the Legislative Fiscal Analysts working here.

The final meeting of this subcommittee was adjourned at 9:30 a.m.

Dorothy Bradley  
Dorothy Bradley, Chairman

Nina Kosmas, Sec.