

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE MEETING  
April 9, 1981

The meeting was called to order by Chairman Lund at 8:00 a.m. in Room 108, State Capitol. All Committee members were present with the exception of REP. WALDRON.

HEARINGS: HB 871.

REP. JACK MOORE, District 41, Great Falls, testified as sponsor of HB 871, explaining the funding of the bill to the members of the Committee. (Copy of bill attached).

REP. MOORE moved that HB 871 do pass.

REP. BENTGSON asked about the possible purchase of Lake Elmo. REP. MOORE stated that even with the swap of State Lands for the Lake, it would still cost the State \$1,000,000 to purchase the Lake and that the State could not afford such a purchase in the '83 biennium.

REP. BARDANOUVE stated that there was no way of purchasing Lake Elmo, even if the owner were given a lot of State Land in exchange. He stated that the purchase would require all funds for 2-4 years being put into this one project and that he feels this would be unfair to the rest of the state. He added that the heavy use of the Lake by Billings area residents makes the Lake a valuable recreation area.

REP. MOORE stated that Lake Josephine, which is located near Billings, was purchased by the State in the last biennium.

REP. BARDANOUVE stated that the subcommittee suggested to the Park Commission that projects be submitted in an improved manner in the future. He stated that language will state that if there is enough interest in a project, an official appraisal shall be made, with a counter appraisal by a State agency.

REP. BARDANOUVE stated that he feels the best buy was the Conn Kelly Lodge on Swan Lake.

REP. MOORE stated that there was \$29,000 left in the Scenic Projects fund and \$100,000 left in the Park Acquisition fund.

The motion, as made by REP. MOORE was unanimously approved.

HB 869.

REP. DARRYL MEYER, District 42, Great Falls, testified as sponsor of HB 869, stating that the amount of appropriation would be \$2,850,000.

REP. MEYER provided members of the Committee with copies of proposed amendments to HB 869. (Exhibits 1 and 2). He stated that Federal funds would run the program and pay wages. He stated that if Federal funds were received, State funds would also be expended and that if Federal funds were not received, State funds would not be expended.

REP. MEYER stated that he feels that if the State doesn't appropriate the funds, that the Federal funding may go to the State of Tennessee. He added that the proposed energy test facility would be built at a cost of \$600,000,000, which would bring added income to the State of Montana. He stated that \$10,000,000 to \$13,000,000 would be the level of Federal funds anticipated in the bill.

REP. LORY asked how the Committee could justify the removal of funds from the educational trust fund. He stated that the educational trust fund is ruled by a simple majority vote and that the coal trust fund is ruled by a 3/4 majority vote.

CHAIRMAN LUND stated that there are three MHD plants in the U.S., located in Massachusetts, Tennessee and Montana. He stated that Tennessee is putting much pressure on the Federal government for funding.

CHAIRMAN LUND stated that there was \$5,000,000 in the slush fund in Washington, D.C., which if matched by Montana, would total \$10,000,000 for Resource 89 in Great Falls, MT, and would trigger the \$600,000,000 for the MHD test plant.

REP. LUND stated that he feels that technology is close to an on-line plant at this time.

REP. QUILICI stated that REP. WILLIAMS showed the MHD process to Congressman Yates' Committee in Washington, D.C., informing the Committee that the MHD process is environmentally sound and an efficient use of coal. He stated that the energy test facility would be a 500 megawatt facility and that he feels that the allocation requested in the bill will show Montanans good faith in regard to MHD.

REP. QUILICI stated that testing of component parts would be continued for the next five years.

REP. LORY asked where the interest earned on the trust fund goes. CHAIRMAN LUND stated that it goes to the Foundation Program and the Universities. He stated that there is currently \$12,000,000 in the educational trust fund.

REP. SHONTZ stated his concern with how much interest will be lost if the principle of either the educational trust fund of the coal tax trust fund is tapped.

REP. BARDANOUVE asked how the Committee would justify the use of educational trust funds for MHD.

REP. MEYERS stated that currently, \$500,000, is appropriated to MSU for MHD research.

CHAIRMAN LUND stated that the Committee has several priorities to consider concerning this bill. He stated that the number one priority was to get Federal funds for Resource 89 and that the second priority would be to take the funds from the educational trust fund.

REP. MOORE moved that the Committee approve the proposed amendments to HB 869, (Exhibit 1). The motion was approved with 14 members voting aye, 2 voting no and one member absent.

REP. MOORE moved that the Committee approve amendments as proposed on Exhibit 2. The motion was approved with 16 members voting aye and 1 member absent.

CHAIRMAN LUND stated that the reasoning behind the appropriation is that if the funds are appropriated for MHD in Butte, continued Federal funding for MHD will be received for the Butte facility and for Resource 89.

REP. LORY asked if language should be added to the effect that if Federal funds were not received, the appropriation would revert to the Coal Trust Fund.

REP. MOORE moved that the Committee do pass HB 869 as amended. The motion was approved with 15 members voting aye, REP. SHONTZ abstaining and the REP. WALDRON absent.

The hearing on HB 869 was closed.

HB 868.

REP. JOHN SHONTZ, District 53, Sidney, Montana, testified as sponsor of HB 868, stating the \$25,000,000 appropriation would come from the Constitutional Trust Fund for Highway Reconstruction. He stated that he firmly believes that Montana needs to rebuild its highways and that this would be appropriate use of these funds.

MR. GARY WICKS, Director, Department of Highways, stated that he supports HB 868. He stated that, to date, there is no long-term program to deal with highway problems in Montana and that the current gas tax would allow construction at the same level, which is not good enough, as rebuilding would fall further behind.

MR. WICKS stated that inflation makes utilization of existing funds difficult and that more and more funds will be needed for maintenance.

MR. WICKS stated that he feels that each session, the financial burden becomes greater. He stated that he feels HB 868 would address and correct the problem.

MR. WICKS stated that the bill proposes that 77% of all money in the fund, after the '83 biennium, will be used for reconstruction and for no other purpose. He stated that the bill anticipates the end of Federal funds for highways and that there will be no Federal funds for secondary systems after FY 83. He added that projected funding requirements for secondary systems are estimated at \$20,000,000 to \$25,000,000 annually.

MR. WICKS stated that he feels that even the most efficient management of the Highway Department won't correct the reconstruction problem and that additional funds are needed to address the problem. He requested that the Committee prevent past problems from interfering with their consideration of the bill and urged Committee members to pass the bill at some level with the possibility of increasing the appropriation in the next biennium.

MR. LARRY HUSS, Vice-Chairman, Montana Highway Users, stated that the Association has been stressing the concept of HB 868 for a long time. He stated that, traditionally, the fuel tax has been the sole source of revenue for highway reconstruction and that he feels this will no longer suffice.

MR. HUSS suggested that HB 868 be first considered as a long-range dedication to Montana highways and in terms of the dollar value to the source and the commitment the legislature makes. He stated that he agrees with the Governor's suggestion for the bill, but requested that the Committee consider alternative sources of funding if the Constitutional Trust Fund funds have already been appropriated to other commitments.

MR. HUSS suggested that appropriations can be contingent funding on an annual basis and could exceed anticipated income. He stated that he feels the Legislature should not go home with the feeling that the problem will solve itself or that it be resolved on a 2 year basis.

MR. HUSS stated that less travel has reduced revenue from the fuel tax and that he feels there is a need to deal with the problem on a long-range basis.

MR. BILL OLSON, Montana Contractors, Helena, stated that he feels that two years from now definite changes in highways will come about, including Federal funding. He stated that most funding will fall on the individual states and requested that the Committee support HB 868.

MR. MIKE RICE, Rice Truck Lines, Great Falls, and representative of Montana Motor Carriers Association, stated that he feels Montana has a transportation crisis. He stated that Montanans pay double for transportation costs, because of the location and the area of the State and that he feels the Coal Severance Tax should be used to replace funds spent by Montanans for roads to replace Montana dollars which are not used for reconstruction. He stated that he feels there is a need for long-range highway planning for highway reconstruction in Montana.

MR. KEITH ANDERSON, Montana Taxpayers Association, Helena, stated that he supports HB 868.

MS. AVIS ANN TOBIN, Montana Hardware and Implement Association stated that the Association supports HB 868.

MR. JERRY DRISCOLL, Laborer's Union Local 98, Billings, stated that the Union supports HB 868.

MR. HUSS stated that the Montana Auto Dealers Association, Montana Stockgrowers, Mountain Bell, Montana Woolgrowers, and Montana Cowbelles also support HB 868.

There were no opponents to the bill.

REP. SHONTZ, in closing, stated that the primary responsibility of the secondary systems is placed on the counties at this time and thus on the taxpayer. He stated that with the passage of HB 499, as amended, HB 868 would need to pass or the increase in the fuel tax would be 45% per year.

REP. SHONTZ stated that the majority of Coal Trust funds come from outside Montana and that he feels the use of these funds for primary and secondary reconstruction is appropriate.

REP. SHONTZ added that regular gas in Sidney is \$1.44.9 at this time.

CHAIRMAN LUND asked why the bill was not put in sooner.

REP. SHONTZ stated that the subcommittee felt that this bill should be an option and that it should be considered as a separate measure.

REP. STOBIE asked Mr. Wicks what reconstruction was planned at this time. Mr. Wicks stated that some criticisms were already reflected in corrective legislative action. He stated that with the implementation of a management system in the Pre-construction Division that some problems will be resolved, but not all. He stated that he intends to try to resolve as many problems as possible, but that the larger problem as stated in HB 868, needs to be addressed first.

REP. STOBIE asked if there would be matching Federal funds if the bill passes. Mr. Wicks stated, that at the end of each year, the Balancing Act of the Federal highway system provides that Federal funds not spent be appropriated to States in need and that Montana could benefit from this action.

REP. STOBIE asked if preconstruction work could be completed with less cost, without Federal funds. Mr. Wicks stated that if only State funds were used, matching Federal funds could be lost. He stated that it currently takes seven years from conception to beginning construction and that he hopes to cut this time period down.

MR. WICKS stated that \$28 million in interest would be earned by the end of FY 83 on the trust fund. He stated that recurring funds in the Constitutional Trust Fund will add \$8,000,000 to \$9,000,000 per quarter over the next two years. He added that some funds are invested at 15.5% now.

CHAIRMAN LUND stated that \$34,800,000 of the fund has already been appropriated.

MR. DAVE LEWIS, Budget Director, stated that this amount has been lost to the General fund. He stated that there are few dollars left to fund HB 868, out of the Constitutional Trust Fund Earnings Account. He added that there is no attorney general opinion in regard to appropriate use of the funds and that the OBPP has been relying on an opinion from the Legislative Auditor's attorney.

REP. LORY asked what would happen if the \$34,800,000 appropriation were challenged.

MR. WICKS stated that there was a 5 year plan for the projects, but that funds were running out and because of this, some projects would be extended to 10 year plans. He stated that about \$6,000,000 annually goes into secondary highways at the present time.

REP. SHONTZ stated that highways are built to last 40 years at the most and that at the current rate, it would take 120 years to rebuild Montana highways.

The hearing was closed and the meeting was adjourned at 9:50 a.m.

  
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REP. ART LUND, CHAIRMAN

1. Title, lines 5 and 6.

Strike: line 5 through "DEPARTMENT" on line 6

Insert: "MONTANA STATE UNIVERSITY FROM COAL SEVERANCE TAX REVENUE  
IN THE EDUCATION TRUST FUND ESTABLISHED BY 15-35-108 TO ALLOW  
MONTANA STATE UNIVERSITY"

2. Page 3, line 3.

Strike: "the Department of Commerce"

Insert: "Montana State University"

3. Page 3, line 10.

Following: "tax"

Strike: "tax component of the general fund to the Department  
of Commerce"

Insert: "revenue in education trust fund established by  
15-35-108 (accounting entity 08021) to montana state university"

4. Page 3, line 20.

Following: "test bay."

Insert: "Disbursements under this contract must be approved  
by the department of commerce"

1. Title, lines 5 and 6.

Strike: line 5 through "DEPARTMENT" on line 6

Insert: "MONTANA STATE UNIVERSITY FROM COAL SEVERANCE TAX REVENUE  
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Insert: "Disbursements under this contract must be approved  
by the department of commerce"

4-9-81  
Exhibit 3

AMENDMENTS -- HB869

1. Amend page 1, lines 5 and 6.  
Strike: Lines 5 and 6 in their entirety.  
Insert: "MONTANA STATE UNIVERSITY FROM COAL  
SEVERANCE TAX REVENUE IN THE EDUCATION TRUST FUND TO ALLOW  
MONTANA STATE UNIVERSITY TO"
  
2. Amend page 3, line 3.  
Following: "funds to"  
Strike: "the Department of Commerce"  
Insert: "Montana State University"
  
3. Amend page 3, lines 10 and 11.  
Following: "from the" on line 10  
Strike: "coal severance tax component of the general  
fund to the Department of Commerce"  
Insert: "education trust fund established by Section  
90-6-202, to Montana State University"
  
4. Amend page 3, line 20.  
Following: "test bay."  
Insert: "Disbursements under this contract must be  
approved by the Department of Commerce."

1 the ETF in the latter part of this decade.  
2 THEREFORE, it is the intent of this act to appropriate  
3 funds to the Department of Commerce for the purpose of  
4 entering a contract with the prime operating contractor on  
5 the Montana MHD project to provide certain necessary capital  
6 projects.

7  
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
9  
10 Section 1. Appropriation. The sum of \$2,850,000 is  
11 appropriated from the coal severance tax component of the  
12 general fund to the Department of Commerce for the biennium  
13 ending June 30, 1983 for the purpose of entering a contract  
14 with the prime operating contractor on the Montana MHD  
15 facility. The purpose of the contract shall be the permanent  
16 modification of the facility to accelerate the MHD test  
17 program schedule. The modification shall take the form of  
18 construction of a building to house the facility's  
19 superconducting magnet and other facilities necessary to  
20 demonstrate a coal combustion capability in the project's  
21 *test bay.*

22 Section 2. Condition. This appropriation is effective  
23 only if the U.S. Congress provides funding for federal  
24 fiscal year 1982 for the national MHD program at a level  
25 sufficient to maintain an operation and testing program at  
the Montana facility.

## VISITORS' REGISTER

HOUSE Congress COMMITTEE

BILL 48 868

Date 4-9-81

## SPONSOR

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

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the Montana facility.

# STANDING COMMITTEE REPORT

APRIL 9 1981

MR. ....**SPEAKER:**.....

We, your committee on .....**HOUSE APPROPRIATIONS**.....

having had under consideration .....**HOUSE**..... Bill No. ....**871**....

**A BILL FOR AN ACT ENTITLED: "AN ACT TO APPROPRIATE MONEY  
FOR COAL TAX PARK ACQUISITIONS AND FOR CULTURAL AND  
AESTHETIC PROJECTS; AND PROVIDING EFFECTIVE DATES."**

Respectfully report as follows: That.....**HOUSE**..... Bill No. ....**871**....

**DO PASS**

**DO PASS** 

## HOUSE BILL NO. 869

1. Amend page 1, line 17.

Following: "(MHD)"

Insert: ", which funding has been used in part"

2. Amend page 3, lines 16-20.

Following: "schedule".

Strike: the balance of lines 16-20

Insert: "The modification shall take the form of construction of or  
~~capital investment~~  
alterations to the facility to provide support for federally -

furnished components and/or to demonstrate at the earliest possible date a coal combustion capability in the project's test bay. This appropriation is made with the intent of accelerating the MHD engineering development schedule and increasing the capabilities of this nation's resources in coal handling and processing, the MHD technology and other related high temperature technologies."

present w

4-9-67

Amendments - HB 869

1) Title, line 6.

Following: line 5

Strike: "COMPONENT OF THE GENERAL FUND"

Insert: "TRUST FUND CREATED BY SECTION 5, ARTICLE IX, OF THE MONTANA CONSTITUTION"

2. Page 3, line 10.

Following: "from the"

Insert: "principal of the"

Following: "tax"

Strike: remainder of line 10 through "fund" on line 11

Insert: "trust fund created by section 5, Article IX, of the Montana constitution"

# STANDING COMMITTEE REPORT

.....APRIL 6.....1971.....

MR. .... SPEAKER.....

We, your committee on.....HOUSE APPROPRIATIONS.....

having had under consideration .....HOUSE..... Bill No. 869.....

**A BILL FOR AN ACT ENTITLED: "AN ACT TO APPROPRIATE FUNDS TO THE DEPARTMENT OF COMMERCE FROM THE COAL SEVERANCE TAX COMPONENT OF THE GENERAL FUND TO ALLOW THE DEPARTMENT TO CONTRACT WITH THE PRIME OPERATING CONTRACTOR ON THE MAGNETOHYDRODYNAMICS FACILITY AT BUTTE, MONTANA, TO PROVIDE FUNDING FOR CERTAIN CAPITAL PROJECTS AT THAT FACILITY IN ORDER TO DEMONSTRATE THE COMMITMENT OF THE LEGISLATURE TO THE USE OF COAL SEVERANCE TAX PROCEEDS FOR THE MINIMIZATION OF IMPACTS OF COAL DEVELOPMENT."**

Respectfully report as follows: That.....HOUSE..... Bill No. 869.....

**1. See-attached amendments**

**DO PASS AS AMENDED**