MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

January 27, 1983

The thirteenth meeting of the Taxation was called to order at 9 a.m. on January 27, 1983 by Chairman Pat M. Goodover in Room 415 of the Capitol Building.

ROLL CALL: All members were present.

CONSIDERATION OF SENATE BILL 163: Fred Van Valkenburg, Senate District 50, is the sponsor of this bill. He was asked to introduce this bill by the county commissioners. It was introduced to raise the limit on public contracts from $1,000 to $5,000 so that a public contractor's license would not be necessary if a construction project were less than $5,000. The present law with the $1,000 limit was passed in 1935 and has not been amended since. It is a small problem for county governments. Many public contractors don't have any interest in bidding on projects that small.

PROPONENTS

Dan Bucks from the Department of Revenue stated that the Department supports SB 163 because it will eliminate paperwork and hassle for local governments, the Department, and everyone else concerned. They will see an almost unnoticeable effect since less than .5% of all public contracts fall between the $1,000 and $5,000 values.

OPPONENTS

There were no opponents to SB 163.

Questions from the committee were called for.

Senator Eck said she thought all contractors had to be licensed by the state. Another member noted that only those performing public construction work with a governmental entity had to be licensed. Senator Mazurek noted that subcontractors working under an original contract with the government also had to be licensed. James Madison from the Department of Revenue said a public contractor is one who provides the public contract supplies and does the installation. Public construction involves real property and fixtures and not personal property, such as movable tables, benches, etc.

The hearing was closed on SB 163.

Senator Brown moved that the committee recommend a DO PASS on SB 163. The motion was seconded and unanimously passed.

DISPOSITION OF SENATE BILL 72: Dan Bucks from the Department of Revenue had two recommendations. The first related to the penalty. This recommendation is designed to ensure that the penalty under SB 72 will not exceed the penalty under current law. He suggested that the penalty be distributed between the quarterly statements and the annual payment as follows: for failure to file each quarterly statement, a penalty of $25 or 2% (of the quarterly tax due), whichever is greater (p. 6, l. 10 of grey bill). Failing to pay the annual payment brings the 8% penalty (p. 6, l. 18 of grey bill).

Senator Brown moved that the committee adopt the amendments drafted by Cort on the grey bill and Mr. Bucks' amendments noted thereon and described above. The motion was seconded and passed unanimously.

Mr. Bucks then explained the second recommendation concerning the deadline for payment of the tax (p. 4, l. 21 of grey bill). The Department of Revenue proposes the payment date be moved to March 1 from March 31 to streamline the paperwork for the taxpayer and the Department of Revenue. Oil and gas severance tax statements are filed and the taxes paid on a 60-day basis, and they would like to have these payments come in with the statements also. The tax is 1/2 of 1% of the value of the product--not an onerous amount.

Senator Brown moved the adoption of March 1 as the payment date as proposed by Mr. Bucks. The motion was seconded and unanimously passed.

Cort Harrington stated that reference to sections 15-38-103 and 15-38-104, MCA, in line 7 of the title should be deleted. This amendment was accepted without objection.

Senator Brown moved that the committee recommend a DO PASS AS AMENDED on SB 72. The motion was seconded and passed, with Senators Severson, Gage and Hager voting no.

DISPOSITION OF SENATE BILL 146: Senator Lynch moved that the committee recommend a DO PASS on SB 146.

Senator Towe stated that, regarding subsection (c) on page 2 of the bill, keeping loan repayments in the water development earmarked account might jeopardize the arbitrage standing, so new subsections (d) and (e) have been added, and the loan repayment moneys will be kept in a new separate account. If this was not done, the bonds might lose their tax-exempt status.

Regarding the change on page 6, line 6 of SB 146, Senator Towe explained that the "little" bond project funds come out of the water development account which includes some resource indemnity trust fund interest and fees from state-owned water projects. In the water development program, the loans are supposed to be fully repaid, even though extra money is coming into that program. The "big" bond program is contrary to that--they expect the sale of bonds on the Tongue River Dam to repay about half of the cost of the bonds.

In the private loan program, the DNRC takes security of real property. So far, they have loaned out $90,000 for three projects. Examples of projects funded under the private loan program are sprinkler irrigation systems and improving ditches and dikes.

Senator Turnage moved that the committee recommend a DO PASS on SB 146. The motion was seconded and passed, with Senators Hager and McCallum voting no.

DISPOSITION OF SENATE BILL 187: Senator Norman moved to table SB 187. The motion was seconded and passed unanimously. The motion will be reconsidered when other similar bills are received by and considered by the committee.

The meeting adjourned at 9:50 a.m.

Pat M Goodover

Chairman

ROLL CALL

SENATE TAXATION COMMITTEE

48th LEGISLATIVE SESSION -- 1983 Date 1/27/83

NAME	PRESENT	ABSENT	EXCUSED
SENATOR GOODOVER, CHAIRMAN	✓		
SENATOR McCALLUM, VICE CHAIRMAN	✓		
SENATOR BROWN	✓		
SENATOR CRIPPEN	✓		
SENATOR ELLIOTT	✓		
SENATOR GAGE	✓		
SENATOR TURNAGE	✓		
SENATOR SEVERSON	✓		
SENATOR HAGER	✓		
SENATOR ECK	✓		
SENATOR HALLIGAN	✓		
SENATOR LYNCH	✓		
SENATOR NORMAN	✓		
SENATOR TOWE	✓		
SENATOR MAZUREK	✓		

DATE January 27, 1983

COMMITTEE ON TAXATION

VISITORS' REGISTER

NAME (PLEASE PRINT)	REPRESENTING	BILL #	Check One Support	Check One Oppose
James Madison	Dept of Revenue	SB 163		
Fred Van Valkenburg	Senate Dist. 50	SB 163	X	
Dennis Burr	MonTax			
Andy Miller	Msla Co. Commission	SB 163	X	

(Please leave prepared statement with Secretary) returns or reports filed with the state or from any other information which the department may be able to obtain, the ~~total-gross-value-of-product~~ GROSS YIELD OF THE MINERAL of such person from such business during the calendar ~~year~~ quarter immediately preceding the ~~year~~ quarter in which the ~~tax-is-to-be-paid~~ STATEMENT IS TO BE FILED and shall fix the amount of the tax THAT WOULD BE due to the state IF THE TAX WERE PAID ON A QUARTERLY BASIS from such person for such calendar ~~year~~ quarter and shall add to the amount of such tax a penalty of ~~10% thereof.~~ $25 or 2%, whichever is greater. (just on quarterly 2% on total)

(2) IF ANY PERSON FAILS, REFUSES, OR NEGLECTS TO PAY THE TAX WHEN DUE, THE DEPARTMENT SHALL IMMEDIATELY DETERMINE, AS NEARLY AS MAY BE POSSIBLE FROM ANY INFORMATION WHICH THE DEPARTMENT MAY BE ABLE TO OBTAIN, THE TOTAL GROSS VALUE OF PRODUCT OF THE PERSON FROM THE BUSINESS DURING THE YEAR FOR WHICH THE TAX IS DUE AND SHALL FIX THE AMOUNT OF TAX DUE TO THE STATE AND SHALL ADD TO THE AMOUNT A PENALTY OF ~~10%~~ 8% plus interest at the rate of 1% a month or fraction thereof computed on the total amount of tax and penalty. Interest shall be computed from the date the tax was due to the date of payment.

~~(2)~~(3) The department shall mail to the person ~~required~~ FAILING to file ~~an-annual~~ a quarterly statement ~~and~~ OR pay any tax a letter setting forth the amount of tax, penalty, and interest due. The letter shall advise that if gold or silver, pounds of copper or lead, tons of coal, barrels of petroleum or other crude or mineral oil, cubic feet of natural gas, or other commercially valuable constituents of the ores or mineral products or deposits yielded to the person engaged in mining measured by standard units of measurement;

(5) the gross yield or value in dollars and cents."

Section 2. Section 15-38-106, MCA, is amended to read:

"15-38-106. ~~Payment~~ ~~Quarterly--payment~~ PAYMENT of tax -- records -- collection of taxes -- refunds. (1) The tax imposed by this chapter shall be paid by each person to which the tax applies~~, on or before March 31, on the value of product in the year preceding January 1 of the year in which the tax is paid. The tax shall be paid to the department at the time that the statement of yield is filed with the department~~ ~~in quarterly installments for the quarterly periods ending, respectively, March 31, June 30, September 30, and December 31 of each year, and the amount of tax for each quarterly period must be paid to the department of revenue within 60 days after the end of each quarterly period~~, ON OR BEFORE MARCH 31, ON THE VALUE OF PRODUCT IN THE YEAR PRECEDING JANUARY 1 OF THE YEAR IN WHICH THE TAX IS PAID. THE TAX SHALL BE PAID TO THE DEPARTMENT AT THE TIME THE STATEMENT OF YIELD FOR THE LAST CALENDAR QUARTER IS FILED WITH THE DEPARTMENT.

STANDING COMMITTEE REPORT

January 27 19 83

MR. PRESIDENT

We, your committee on Taxation

having had under consideration Senate Bill No. 163

Respectfully report as follows: That Senate Bill No. 163

DO PASS

Pat M. Goodover Chairman.

STATE PUB. CO.
Helena, Mont.

J.C.

STANDING COMMITTEE REPORT

January 27, 1983

MR. PRESIDENT

We, your committee on Taxation

having had under consideration Senate Bill No. 72

Respectfully report as follows: That Senate Bill No. 72

be amended as follows:

1. Title, page 1, line 5.
Following: "AN ACT TO"
Strike: "CHANGE"
Insert: "REQUIRE A QUARTERLY REPORT OF GROSS YIELD FOR PURPOSES OF"

2. Title, page 1, line 7.
Following: "SECTIONS"
Strike: "15-38-103"
Insert: "15-38-105"
Following: "15-38-107"
Strike: "AND 15-38-202"

3. Page 1, line 11 through page 2, line 23.
Strike: sections 1 and 2.
Renumber: subsequent sections.

~~XXXXXXX~~

(CONTINUED ON PAGE 2)

Chairman.

J.C.

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4. Page 3.
Following: line 4
Insert: "quarterly"

5. Page 3, line 7 through line 8.
Following: "quarter"
Strike: "for which the statement is made and the value thereof"

6. Page 4, line 7.
Following: "Payment"
Strike: "Quarterly payment"
Insert: "Payment"

7. Page 4, lines 14 through 19.
Following: "department"
Strike: through "period" on line 19.
Insert: ", on or before March 1, on the value of product in the year preceding January 1 of the year in which the tax is paid. The tax shall be paid to the department at the time the statement of yield for the last calendar quarter is filed with the department"

8. Page 5.
Following: line 1
Insert: "four quarterly"

9. Page 5, line 4 through line 6.
Following: "the taxpayer"
Strike: "making the statement for the year quarter for which the statement is filed"

10. Page 5, line 12.
Following: "years"
Strike: "quarters"
Insert: "years"

11. Page 5.
Following: line 21
Strike: "total gross value of product"
Insert: "gross yield of the mineral"

12. Page 5, line 24.
Following: "in which the"
Strike: "tax is to be paid"
Insert: "statement is to be filed"

(CONTINUED ON PAGE 3)

Chairman.

January 27, 1983 .... 19 ....

13. Page 5, line 25.
Following: "tax"
Insert: "that would be"
Following: "state"
Insert: "if the tax were paid on a quarterly basis"

14. Page 6, line 2.
Following: "penalty of"
Strike: "10% thereof"
Insert: "$25 or 2%, whichever is greater.
(2) If any person fails, refuses, or neglects to pay the tax when due, the department shall immediately determine, as nearly as may be possible from any information which the department may be able to obtain, the total gross value of product of the person from the business during the year for which the tax is due and shall fix the amount of tax due to the state and shall add to the amount a penalty of 8%"
Renumber: subsequent subsections.

15. Page 6, line 7.
Following: "person"
Strike: "required"
Insert: "failing"

16. Page 6, line 8.
Following: "statement"
Strike: "and"
Insert: "or"

17. Page 6, line 16 through page 7, line 8.
Strike: section 6.
Renumber: subsequent sections.

AND AS AMENDED

DO PASS

PAT M. GOODOVER .... Chairman.

STANDING COMMITTEE REPORT

January 27 19 83

MR. PRESIDENT

We, your committee on Taxation

having had under consideration Senate Bill Bill No. 146

Respectfully report as follows: That Senate Bill No. 146

DO PASS

STATE PUB. CO.
Helena, Mont.

Pat M. Goodover Chairman.

PC.

MINUTES OF THE MEETING
PANEL ON ECONOMIC DEVELOPMENT

January 27, 1983

The meeting convened at 5 p.m. in Room 325 of the Capitol Building.

Panel members were F. H. "Buck" Boles, who acted as moderator, Senator Allen Kolstad, Richard Bourke from Development Credit Corporation of Montana, Carol Daily, a member of the Private Industry Council, Larry J. McDonald, executive vice president of the Wyoming Industrial Development Corporation, and Gary Buchanan, director of the Montana Department of Commerce. The subject of the meeting was an insight on economic development.

Mr. Boles stated that Mr. Bourke would explain legislation we have in the 48th legislative session which is a portion of the economic "Build Montana" program and what it will do for Montana.

Richard Bourke: Several years ago, I worked with others on capital in Montana. We concluded that there is a total lack of institutional capacity to supply risk and equity, or "venture," capital in Montana. It is capital that a small or medium business needs that is not available from regular institutions of lending, such as banks and savings and loans. There is a need for risk or equity capital in Montana. Risk capital is fulfilling in finding another money lender who will support your need and take subordinated mortgage to a first lender.

There is some discussion as to why we don't have it in Montana. The venture capital business has grown where the good deals are, like New England and the West Coast. Capital companies do not like to travel thousands of miles to see a client. Lack of economic environment is another reason Montana does not have it. It is hard to access this kind of money in Montana. To supply this kind of money to a client or investor, you need money that doesn't carry early-on repayment terms. You need a sizable amount of capital with long-term first rate investing money (15-20 years).

Mr. Bourke then spoke about the capital companies bill (HB 685) which the Schwinden administration is supporting. The bill is designed to provide incentives to get capital companies to turn around and do business with small or medium sized businesses who need this kind of money. The bill includes Development Credit Corporation of Montana and other profit or nonprofit companies funded for purposes consistent with the act.

Qualified investments can be made in small businesses of most types with the exception of some retail and wholesale businesses. In the certification procedure, businesses must (1) show a minimum capitalization of $200,000 prior to becoming certified, and (2) every six months, allow the certification process to take place.

The first incentive to investors is the tax credit. Representative Jay Fabrega introduced a bill in the 1981 session that would have allowed tax credits for SBIC (Small Business Investment Credits) investments for 25% of investments made with $25,000 maximum credit. It would be difficult to raise $4 million to use up the $1 million worth of credits that would be allowed. There are so many good investments for people that a state tax credit is necessary to encourage investment in these companies. HB 685 is written with a high tax credit, higher than the administration wanted.

There are some strings attached. A certain percentage of the money must be invested over a period of years. No single purpose companies can be funded (such as a shell corporation to receive the loan). Another incentive is to allow capital companies to sell income bond debentures to the state through coal severance tax trust funds or bonds earned from coal severance tax trust funds. The difference between these and other debentures is that these would have a provision that would actually not require payment of interest until passage of 5 years' time or when the company earned a profit, whichever occurred first. One constraint is the number of debentures available in the bill. This is a source of funds used to do risky investing.

We are not being beseiged by out-of-state capitalists. Because of this, we need to develop our own institutional investing. Businesses need this kind of money. The investments are unique to our own environment.

Carol Daily, who served on the board of the Private Industry Council, was the next speaker: We think in terms of our major basic industries and not the other activities that are going on in Montana. A lot of small Montana businesses have growth potential. Businesses needing help can't find the people with the money and the people with the money can't find the businesses that need them. For example, camera cases are made in Bigfork, caskets in Eureka, soapstone holders in Bozeman, etc.

These businesses could be bigger if the capital was available. What they need in capital may not be suitable for this type of financing. When they expand, it costs money but not money they have to pay back in monthly installments. They need money they can pay back over a 15-20 years period. One handicap we have in Montana is remoteness. We have difficulty selling industrial development revenue bonds for a specified building in Montana.

Ms. Daily gave examples of businesses financed by capital companies. A tool company was competitive nationally. They were ready for expansion. Rather than put money back into the business, investors wanted to take their money out. The bank told them no when the company asked them for help.

Fortunately, the tool company wrote to the Wall Street Journal and asked where they could get help and received responses from that.

A recreation business was ready to expand. These people worked closely with their accountant, lawyer and other financial advisers. But they can't expand without money that they don't have or money they don't have to pay back right away.

A domestic aerospace industry couldn't get money to expand. Investors should be able to invest in Montana rather than out of state.

To assess a business takes some time, finding out their needs, capabilities, etc. Capital companies will do investigations for investors and put their money to work. We are not talking about propping up businesses that are going to go under because of poor management. We don't know how many businesses would be wanting the loans. I have gone into literally hundreds of businesses in Montana that have the potential for growth.

Gary Buchanan, from the Department of Commerce: We are in the final stages of trying to piece the capital companies bill together. We were not able to reach the committee's objectives. We capped at $1 million for revenue implications. We are committed to make the bill as productive as possible.

Larry McDonald, Wyoming Industrial Development Corporation, said Development Credit Corporation of Montana has been in business for 10 years, and WIDC since 1967. WIDC is one of 30 state credit corporations that exist nationwide. We are surrounded by credit corporations in Montana--there is a development credit corporation in Spokane, one in North Dakota, and one in Wyoming. They are privately owned for profit to encourage growth and development throughout the state. They are quasi-public in purpose. No tax dollars will be lost in the endeavor. If it is your money, you take better care of it when investing. Credit corporations are job creation oriented, chartered in the states in which they operate. They can do almost anything. Bankers can hardly do anything because of the explosion of banking regulations in the last 10 years. Being unregulated helps in problem solving. Credit corporations work through the banking systems and do a better job with their customers.

Credit corporations can hold real estate and lease it out; equipment, first, second and third mortgages; contracts for deed; accounts receivable-type finances, stock, etc.

They try to complement the SBA to get leverage to do a better job. They can operate as a local development company and are qualified under SBA. They can make SBA, Farm Home guaranteed loans, and mobile home park loans.

They pay their own overhead, not taking appropriations for operating expenses. Banks like them. Small towns, though, have problems with small loan limits. Banks are short-term in the lending mechanism. Credit corporations and SBA are the longest term loaners. WIDC is expert in SBA programs.

Sometimes bankers don't understand the credit corporations. There is a need for equity money and it comes from credit corporations.

WIDC also does management consulting. Managers, especially in the small communities, need someone to talk to and find solutions. WIDC was formed in 1967, stock sold to 275 companies for $800,000. Banks and savings and loans are financial members of the credit corporations and loan money to the credit corporations at long term rates. They raised the $800,000 from the stockholders, $2 million from the bankers. They have financed $30 million worth of projects for 98 companies with that money. These are companies that would not have achieved financing had WIDC not become involved. WIDC doesn't ask for grants; they are not an agency of the state government.

Mr. McDonald gave examples of companies they have helped. A female chemist on the faculty of the University of Wyoming was running an analytical laboratory there. The chemist and a friend of hers wanted to form a private laboratory for coal and oil analyses. Between them, they had $40,000. The lab building would cost $105,000; the equipment, $65,000. The bank's approach was to provide a 70% loan, so $35,000 down and they still needed the money to buy the equipment and to operate. WIDC built the building and leased it to the ladies. The lease has minor escalations so they will realize on it, he added. They acquired the equipment through the bank and still have $40,000 to operate. If that business had failed, WIDC would have a $105,000 building which would probably be reduced to an office building worth $60,000.

WIDC operated a nursing home for three years and later convinced the county that they should acquire it.

Two people from the town of Kemmer, Wyoming (pop. 7,500), wanted to build a roller rink. They had $30,000 between them. It was a $400,000 project. They had an SBA guaranteed loan and still needed equity money. So WIDC bought stock in the roller rink.

They have dealt with a coal mine in Wyoming seeking to develop a commercial enterprise there.

One man wanted to establish a laundromat. The bank was going to give him an 18% amortized loan over three years. You just can't do that. WIDC can go up to 25 years on that type of facility. They try to respond to growth needs for places like this.

They have done five airport facilities in Wyoming. They lease the land out. They have loans with sawmills, agricultural processing facility, a pinto bean seed plant, a potato washing facility and an automobile implement dealership. They make loans in very small communities. WIDC does get letters from Montanans now and then, he said, wanting to know if WIDC can help them. He has to tell them that by statute, WIDC can only do business in Wyoming.

In Wyoming, there is a lot of interest in downtown redevelopment. The credit corporation is a very powerful and flexible tool to finance these loans. Thirty states have development credit companies. The credit corporations respond to special needs of each state and reflect the personalities of the people who are in them.

The meeting was opened to questions directed to the panel members.

Senator Towe asked Mr. McDonald why, if Development Credit Corporation of Montana has been around longer, it has not been as successful as WIDC. Mr. McDonald responded that first, WIDC started in 1967 with $800,000. With inflation, you now need about $2.5 million with which to start. Second, he said, the board of directors is composed of 18 persons, 9 of whom are bankers and from savings and loans. Nine are elected by the stockholders. The best they have are the self-made millionnaires. They are most demanding and ask the toughest questions. And the bankers keep us out of bad deals sometimes, too. In Montana, the credit corporation's board of directors is made up of all bankers. You cannot solve equity problems by doing what the banks do. Credit corporations have tighter control of the collateral (don't have to wait a year to retake property). Third, he said, he had never been a banker. He was in the oil drilling business.

Senator Goodover asked what tax credits were offered in Wyoming. Mr. McDonald responded that there were none because there are no income taxes in Wyoming.

Mr. McDonald also pointed out that in Wyoming, the state treasurer is similar to Montana's board of investments. The treasurer has very restricted duties by statute, including the retirement system. There is no Wyoming economic development board. Wyoming is heavy on oil and gas industries. Only in the last 12 months has there been a decline. In 1972, when oil went high, Wyoming had a great deal of property. If you have unemployed or underemployed, that will take care of it. Too, Wyoming's politics are more conservative than Montana's.

Gary Buchanan noted that Wyoming has been a very aggressive state in terms of investing instate. They are a mentor to us in terms of how they have invested in their state.

Mr. McDonald stated that they make loans for water development purposes, requiring first mortgages on them; they have $100 million in housing loans, and a lot into farm loans as well.

Small businesses in Montana seem to have difficulty in marketing. Mr. McDonald stated that they need to find professional people to market the product. WIDC bought a personal IBM typewriter and they print salesletters for customers. They are going to offer a direct mail service to businesses whom they have helped.

The meeting adjourned at 6:20 p.m.

Pat M Goodover

SENATE TAXATION COMMITTEE
JANUARY 27, 1983
PANEL ON ECONOMIC DEVELOP.

In-state investment measure introduced

By GARRY J. MOES
Associated Press Writer

Gov. Ted Schwinden's legislation to implement Initiative 95 through a new Montana Economic Development Board has been introduced in the Montana House.

The bill, known as the "Montana In-State Investment Act of 1983, is designed to implement section 3 of the Democratic initiative approved last fall by Montana voters.

Section 3 is the heart of the initiative and calls for investment of 25 percent of all deposits to the coal tax constitutional trust fund after June 30, 1983, in the Montana economy, with "special emphasis on investments in new or expanding locally owned enterprises."

While that language has been challenged in court as too vague, House Bill 100 by House Speaker Daniel Kemmis, D-Missoula; House Majority Leader John Vincent, D-Bozeman; and Sen. Thomas Towe, D-Billings; attempts to specify what kinds of investments may be made.

The bill requires that "preferences" be given for business investments that:

• Are for locally owned enterprises that are either expanding or establishing new operations.

• Provide jobs that will be "substantially" filled by current Montana residents rather than jobs requiring non-residents to be imported.

• Maintain and improve a clean and healthful environment, with emphasis on conservation, renewable resources and alternative energy production.

• Benefit small- and medium-sized businesses as defined by rules of the board.

The bill defines a locally owned enterprise as any enterprise whose stock, partnership interests or other ownership is 51 percent owned and controlled by Montana residents.

The measure's definition of "clean and healthy environment" would require that any businesses benefited by the in-state investment program must, as a minimum, comply with all federal and state environmental and health standards.

The seven-member Economic Development Board would be a second state investment board and would be required to meet at least twice annually with the existing state Board of Investments to ensure uniformity in state investment programs.

The bill would also create an Economic Development Oversight Committee of the Legislature to serve as a watchdog over regulations established by the Economic Development Board and to study any aspect of economic development in Montana.

The Economic Development Board, which could by rule authorize new types of investments which are not now authorized by state law, would also have authority to raise private capital for small businesses.

This would be accomplished through the sale of "umbrella" industrial revenue bonds that would pool individual loans (limited to $800,000) into large bond issues. Umbrella bond issues give small firms access to long-term capital from the national tax-exempt bond market.

Direct loans from the coal trust would be prohibited, but the bill says that loans or portions of loans originated by private financial institutions and then sold to the state (an approach similar to Housing Board loans) are not considered direct loans and thus, presumably, would be permitted.

State participation in any loan to a business enterprise would be limited to 80 percent of the outstanding amount of the loan, unless it is a loan guaranteed by a federal agency.

Investments from the coal trust in-state investment fund would be limited so that no one business or person could receive more than 10 percent of the prior fiscal year's coal tax deposits to the in-state investment fund.

When determning whether the rate of return on an investment is sufficient to make the investment wise, the board is directed by the bill to consider the "long-term benefit to the Montana economy."