MINUTES OF THE MEETING
NATURAL RESOURCES COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

February 13, 1985

The meeting of the Natural Resources Committee was called to order by Chairman Dennis Iverson at 3:25 p.m. in Room 312-1 of the Capitol Building.

ROLL CALL: All members of the committee were present.

HOUSE BILLS 493, 494 & 495: Sponsor Jack Ramirez, District 87, asked that he be allowed to introduce House Bills 493, 494 and 495 together, since the bills form a package of legislation. The bills would allow 25% of the funds collected through the state's coal severance tax to be placed in an infrastructure trust fund, up to one half of which could be allocated by the legislature for preservation and maintenance of public buildings and facilities, construction of state or university system buildings, local government infrastructure projects, and highway reconstruction. He said the bill package is the result of extensive bi-partisan study and cooperation.

Rep. Ramirez said the money currently held in the coal tax trust fund is being "thrown away." He explained that the Montana Economic Board Report shows that the principal of that fund is being eroded. Removing some of that fund and using it to construct and maintain public facilities would make sure that the purpose of the trust -- to protect future generations of Montanans -- is carried out.

He asked the committee to consider whether the best use of the trust fund is with today's paper investments, or whether it would be better to diversify. "In every respect, a capital expenditure is a better investment," he told the committee.

He said the state and local governments have a combined infrastructure need of $8 billion, and that the state cannot possibly meet that need without relying on the coal tax trust fund.

He explained that HB 493 is the enabling act, and contains the meat of the proposal, HB 494 is a constitutional amendment to make it possible, and HB 495 contains provisions for a bonding permit.

The entire package of legislation would not be put into effect until 1987, upon a vote of approval in a statewide general election.

Rep. Bob Pavlovich, District 70, rose as a supporter and co-sponsor of the bill. He said the condition of public facilities in the state is critical, and these facilities have been allowed to deteriorate for some time. "The coal tax money is sitting there," earmarked for the use and benefit of future generations, said Rep. Pavlovich. He said however, that "the future is now" and that spending a portion of that money on facilities that would benefit future and present Montanans is the best possible use.

Bill Olson, secretary-manager of the Montana Contractors Association, presented copies of two reports, one detailing the state's infrastructure crisis (Exhibit 1), and one discussing the nation's difficulties (Exhibit 2). He said time is short and the legislature should act quickly to approve HB 493, 494 & 495.

Alec Hanson, representing the Montana League of Cities and Towns, said that solving the state's need for public facility improvements is not possible through SID's or other traditional means. He said investment of the state's coal tax money is important, and that budget cuts at the federal level increase the need for the state to spend its own money.

Ben Havdahl, representing the Montana Motor Carriers Association, said he supports the three bills, particularly for use in highway maintenance and construction. He said a membership survey indicated that 85% of the membership of his group supports the bills.

Don Ingels of the Montana Chamber of Commerce said the bills would provide a "good and logical investment in the future of Montana."

Ronald Johnson of the National Federation of Independent Business said that group recognizes the need to spend the state's money to maintain and build highways and public buildings. He said businessmen have "had it with taxes" and need the state's help in financing public construction.

Dwight McKay, a Yellowstone County Commissioner and member of the Montana Association of Counties, said he was part of the study group that worked on the bills, and he recognizes the state's need for public facilities goes beyond current ability to fund them, except through the legislation proposed.

Dave Goss, representing the Billings Chamber of Commerce, supported the bills, saying to "broaden the economic base, you need the infrastructure to support it."

Terry Carmody supported the bills on behalf of the Montana Association of Realtors.

Dennis Burr said the Montana Taxpayers Association supports the legislation for the reasons cited by other proponents.

Jeff Morrison, chairman of the Board of Regents, said maintenance of university system buildings has been a continuing problem. He said the university system has always asked for remodeling money before building money, but that essential remodeling still is often delayed. Deferred maintenance is not a good idea, he said. Lack of funding has forced the university system into "short-term solutions for long-range problems," but the bill package proposed offers a long-range solution. He said that the system is desperate for funding for maintenance and remodeling and that "we don't care where it comes from."

Bill Teitz, president of Montana State University said that school has had a very difficult time trying to establish an "orderly approach to maintenance" when funding has always been indefinite. He said House Bills 493, 494 & 495 would provide a much needed, dependable source of funds.

Neil Bucklew, president of the University of Montana, said that deferred maintenance problems are growing on that campus, and that the legislature should give "serious consideration to any viable answer."

Greg Jackson of the Urban Coalition cited the facilities problems faced by local governments as a reason for support of the bills.

John Nehring of Bozeman spoke as a private citizen in support of the bill package. The former MSU professor of public finance said the series of bills is ten years late, and that financing public buildings is an excellent legacy for future generations. A copy of his testimony is attached hereto as Exhibit 3.

Bruce Scrafford, a student at Montana State University, lobbying on behalf of the associated students of MSU, said some buildings on the campus look "like Frankenstein's dungeon." He said that buildings purchased with current dollars will provide a great future return. Scrafford said that following his graduation he would like to see a state with good buildings and a good economic structure, not a trust fund against future tax liability.

Rep. Gene Donaldson, District 43, said the state has maintained its buildings on a "crisis basis" and these bills offer a chance to begin a continuing and reliable source of funding for maintenance.

Rep. Tom Asay, District 27, said that Rosebud County has made great contributions to the coal tax trust fund, and that he and other residents of the county would like the state to adopt a long-range, well-funded maintenance and building policy.

There being no further proponents, the floor was opened to comments from opponents of House Bills 493, 494 &495.

Verner Bertlesen, former legislator from Ovando, spoke on his own behalf against the bills. He said the vote on House Bills 493, 494 &495 would be one of the most significant of the session. So far, the coal tax trust fund has been protected, and interest gained on that fund has been a significant contributing factor in the state's general fund. The proposed legislation is dangerous because it "offers something for everyone -- and it appears to be free," Bertlesen said. He said the program proposed would not give the state one more dollar than it now has, it would just redistribute the money. The "bottomless desire for new buildings needs scrutiny," he warned. He suggested that the university system could solve some of its financial woes by increasing tuition, and asked how many non-resident students the state can afford to subsidize. He said the people of the state established the coal tax trust in 1976, with the intention that it remain inviolate, an intention that should be heeded by the legislature. A copy of his testimony is attached as Exhibit 4.

Don Reed, of the Environmental Information Center, also spoke against the proposed bills. He said members of that group had a lengthy and lively discussion with Rep. Ramirez about the proposals, but they remain opposed to altering the use of the coal tax permanent trust fund for infrastructure development. A copy of his testimony is attached hereto as Exhibit 5.

Senator Tom Towe spoke in opposition to the bills, saying he is strongly against any invasion of the coal tax trust fund. He said the trust was set up to make sure the state does not squander the heritage of future generations.

He noted that the coal tax trust fund was begun with the intent that the money be available to cover the costs of mitigating the impacts of coal development. Those impacts, he said, "are terribly expensive." He noted that those costly impacts could occur at any time in the state's future, and the coal tax money must be kept available for that purpose. He said he had spoken with officials from the coal mining areas of Pennsylvania who said they were still dealing with problems that occurred many years after mining operations in an area had been curtailed. He asked the committee to keep in mind the problems that could be faced by Montanans long after the required reclamation bond has been released.

The interest income derived from the coal tax as it now stands is substantial, he said. The state received $79 million, 54% of which has gone toward education, he said. The general fund depends on $25 million which is received annually from the fund. He cautioned that when the principal is reduced, that interest will be reduced as well. He said he shares the proponents' concern with the state's infrastructure problems, but supports different legislation to address those problems.

Jeanne-Marie Souvigney opposed the bill on behalf of the Northern Plains Resource Council. She said NPRC does not question the need for infrastructure funds, but said the legislature should look carefully at the source of that funding. The coal tax trust fund, she said, "is not a slush fund or a savings account." Any diversion of money from it would result in an even further erosion of the trust fund, she warned.

Tony Jewett, executive director of the Montana Democratic Central Committee, rose in opposition to the bills. He addressed two points made by the proponents: 1) that the trust fund is being devalued by inflation, and 2) that the future generations can be best served by acting now. He said that 85% of the interest accrued on the coal tax trust fund is going into the state's general fund, and that 15% is returned to the principal, which helps to offset inflation. He noted that the trust is being increased by more than 25% annually. He said taking money out of the trust fund and "throwing a few million dollars at an eight billion dollar problem is not a good use" of that money.

Mr. Jewett said that the issue of what constitutes a future generation is a tough question, but that Webster's defines a generation as a time span of approximately 30 years. He noted that the coal tax trust fund came into being fewer than ten years ago, and asked the legislature not to "go after" the trust fund for "at least one generation."

Rep. Robert Ream, District 54, expressed concern with the basic assumptions surrounding whether capital building investments are wiser than other types of investments, as proponents maintained. He, too, warned of the danger of tapping a trust fund.

There being no further opponents, the floor was opened to questions from committee.

Rep. Addy asked a series of questions regarding what percentage of the state's operating budget is derived from the coal tax trust, and what percentage of the coal trust income goes to funding higher education. Proponents were not able to give specific answers, but Rep. Ramirez said education funding was divided among the vocational schools, the board of regents and the public schools. Rep. Addy then asked if it would not be preferable to fund maintenance out of some currently available funding source. Mr. Teitz said he believed the coal tax trust fund could provide the predictable income needed to treat maintenance in an orderly fashion. Right now, he said, the university system is involved in "dog eat dog" competition for funding.

Rep. Miles noted that the general fund receives a considerable boost from income derived from interest on the coal tax. That money amounted to a $27.5 million contribution to the Foundation Program in 1983, she said. She asked Rep. Ramirez what would happen to educational needs if the legislature suddenly reduces the principal, and thereby reduces the interest made on the coal tax trust fund. Rep. Ramirez said the principal would still be growing as a result of the interest gained, but would simply grow half as fast. "You could still fund from it," he told the committee.

Rep. Raney questioned whether the trucking industry is paying its share of highway maintenance costs, and asked if the use of coal tax money to fund highway projects would be just a subsidy of the trucking industry. Rep. Ramirez said that was a reasonable issue for debate, but not an issue that is tied to this bill.

Rep. Driscoll asked Sen. Towe to explain a possible arbitrage problem that might result from Section 3 of the bill. Sen. Towe said it was his belief that the legislation would be effectively nullified by a federal arbitrage problem created by the section. He explained that arbitrage is the simultaneous purchase of bonds in one market and the investing of those bonds in another market, in order to obtain a profit on the price difference. When arbitrage is committed by a tax exempt entity, that tax exempt status is lost. Rep. Ramirez countered by saying he would amend the bill to eliminate any arbitrage question.

Sen. Towe said he and Rep. John Vincent intend to introduce legislation that would solve the infrastructure crisis without relying on the coal tax trust fund.

Sen. Towe told the committee that any move by the state to violate the integrity of the coal tax trust fund would bolster the position of other states to call Montana's coal tax an unfair advantage, and try to have the tax overturned.

Rep. Raney asked Sen. Towe about the contention that the fund itself is constantly losing value. Sen. Towe said the trust is increasing by 24% every year, plus 2% interest, which "is way more than inflation." Rep. Ramirez cautioned the committee that "new money added doesn't mean the old money won't lose value."

Rep. Addy maintained that the state is getting value by maintaining the corpus of the trust, and spending only the interest.

Rep. Ramirez closed by saying that the legislature has a responsibility to future generations to replace the state's coal with items of tangible value that will continue to provide benefits to Montanans.

There being no further business before the committee, the meeting was adjourned at 6:10 p.m.

Rep. DENNIS IVERSON, Chairman

DAILY ROLL CALL

HOUSE NATURAL RESOURCES COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date 2/13/85

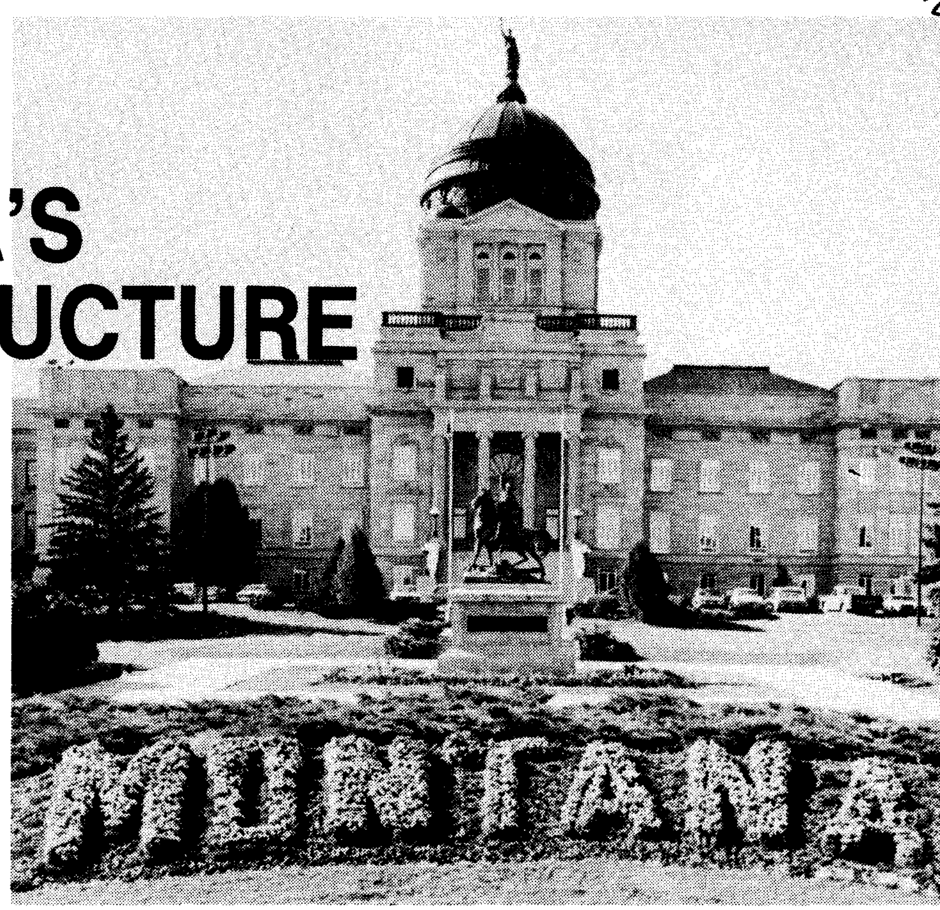
NAME	PRESENT	ABSENT	EXCUSED
IVERSON, Dennis (Chairman)	X		
KADAS, Mike (Vice-Chairman)	X		
ADDY, Kelly	X		
ASAY, Tom	X		
COBB, John	X		
DRISCOLL, Jerry	X		
GARCIA, Rodney	X		
GRADY, Edward	X		
HARP, John	X		
JONES, Tom	X		
KRUEGER, Kurt	X		
MILES, Joan	X		
MOORE, Janet	X		
O'HARA, Jesse	X		
PETERSON, Mary Lou	X		
RANEY, Bob	X		
REAM, Bob	X		
SMITH, Clyde	X		

CS-30

EXHIBIT 1
2/13/85

MONTANA'S INFRASTRUCTURE CRISIS

A Report to the State



MONTANA TRAVEL PROMOTION PHOTO

More Montana people are hearing the phrase "infrastructure crisis," on the news and in statements by politicians wrestling with public budgets.

What is the so-called "infrastructure," and what "crisis" exists?

The term defines the totality of facilities, public and private, that serve basic transportation and utility functions.

Our perspective in examining the state's infrastructure is to consider these extensive facilities as an investment which, like a home or an automobile, deserves protection if only to prevent a decline in the dollar value they represent.

Then why haven't more funds been allocated for public works projects? An infrastructure crisis update published by the AGC (Associated General Contractors) reveals that "for the last 20 years or so, capital spending on public works — at all levels of government — has been competing with service spending — and losing."

Montana infrastructure is a problem needing immediate attention. Unaddressed it will continue to decline and the costs of replacing these vital systems will escalate beyond the limits of our funding capacity altogether.

What Does This Mean in Montana?

In January of 1984, Governor Ted Schwinden appointed a Task Force on Infrastructure to look into this question. The charge of the Task Force was:

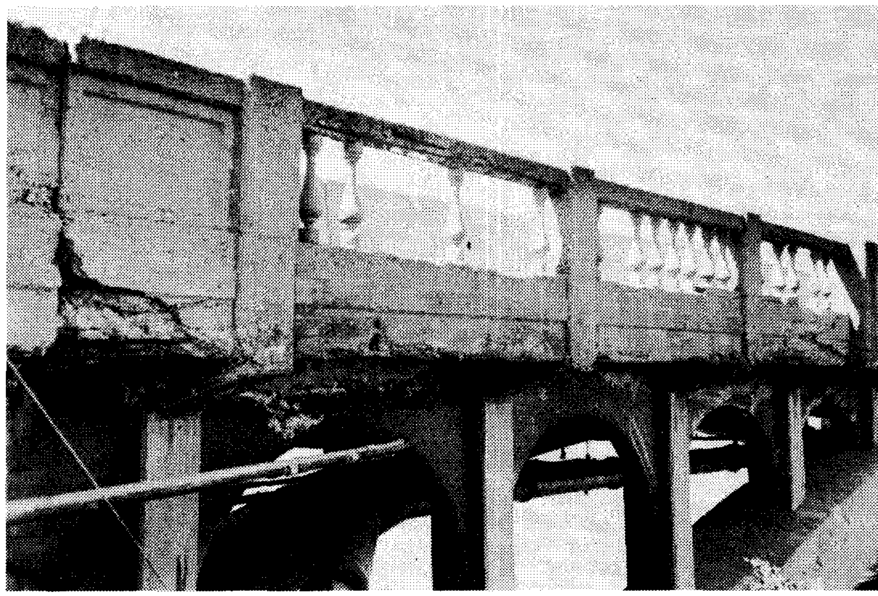
> "To look at ways to improve the quality and quantity of investment in capital facilities which are the responsibility of Montana counties, incorporated cities and towns."
>
> "To compile information on the replacement and new construction needs of counties, incorporated cities and towns of Montana for basic public works and present this information to Montana citizens."
>
> "To research administrative and legislative changes that could be made to facilitate flexibility in financing capital construction and good management in planning and operating capital facilities at the local level and bring these recommendations to the attention of the public and the appropriate government officials."

The Task Force is preparing its final report and recommendations through the fall of 1984, for presentation to the Governor and the Legislature prior to the 1985 session.

What is the status of Montana infrastructure? Consider these situations:

BRIDGES

Local governments are responsible for construction, reconstruction or rehabilitation of all bridges on all public roads and streets in Montana which are not under State or Federal jurisdiction. In addition, local governments are responsible for maintaining all bridges on public roads and streets in Montana which are not the maintenance responsibility of the State or Federal government.



There are 2,142 bridges located on city and county jurisdiction roads and streets, 919 of these are structurally deficient, and in need of replacement, 798 bridges are structurally obsolete and in need of rehabilitation.

At todays costs $72.5 million will be needed to replace the 919 structurally deficient bridges and $27.5 million to rehabilitate or replace the 798 structurally obsolete bridges. Therefore, it will cost $100 million to meet todays needs for local jurisdiction bridge systems.

ROADS

Maintenance of streets and roads is largely the responsibility of local governments. These streets and roads are a vital portion of our transportation network.

There are approximately 78,000 miles of roads, streets and highways in Montana. Of this total, only 8,000 miles are the maintenance responsibility of the State Highway Department. The vast majority, or 70,000 miles, fall entirely to local governments to maintain. This amounts to almost 90 percent of our motor vehicle network.

This responsibility falls into two categories: roads, that are the responsibility of the counties; and streets, that are the responsibility of municipalities. It is estimated that the local share of county road responsibility for 63,546 miles is $6.4 billion dollars. The local share for the 2,442 miles of streets has been estimated at $1.1 billion. This makes the total amount of investment necessary from the local level for streets and roads $7.5 billion dollars. Adding in State and Federal assistance, the total comes to over $8 billion.

AIRPORTS

If Montana has one problem that is more significant than any others in completing airport improvement plans, it is that of land acquisition. Difficulties in acquiring land have resulted in the creation of a sort of endangered airports list.

Currently 55 percent (64 out of 116) of Montana's airports are in need of repairs or reconstruction. Capital improvement funds from state and federal souces are available to 58 percent of the Montana airports, while the remaining 42 percent must rely on self-funding for capital improvements. Local revenue sources include loan programs, parking lot fees, hangar rental, fuel flowage fees, and some larger airports collect landing fees from commercial airlines. In addition, local governments have authorized a two mill levy for airport maintenance and improvement.

Because only 5-10 projects per year are possible under the federal grant/state match program, it will take 6-12 years to address current (1984) needs, since the federal grant/state match program will provide only $17,874,000 of the total $19,819,000 needed. However, since it will take the program 6-12 years to meet current needs, presumably, any new needs identified in subsequent years will not be met.

JAILS

In Montana, the county government usually operates local jails. There are 53 county government detention facilities in Montana. The county sheriff is legally responsible for inspecting the jail and providing funds to assure the facility meets health, safety, fire, and separation requirements. All offenders who violate state law must, by law, be held in the county jail. All juveniles held for offenses must, by law, be held in county jails.

The current status of Montana jails is as follows:

- Out of a total of 53 county jails in the state, only one jail clearly meets current jail standards. Thus, the remaining 52 jails will need rehabilitation, expansion, or replacement.
- A total of 21 out of 53 county detention facilities were build or underwent a major renovation previous to 1955. Since a detention facility has a normal lifetime of 30 years, at least 21 facilities will need to be completely renovated or replaced.

• A recent study conducted by the Crime Control Division indicates that local government officials estimate that the current need for county jail rehabilitation, expansion or replacement is at least $56,713,373. This figure is the aggregate need statewide for all Montana local governments.

• There are 16 municipal jails in Montana. Since most municipal jails are located in small cities and towns there is a possibility that those municipalities with sub-standard facilities might close the jails and contract with their county.

A total need of $56,713,373 has been identified for county detention facilities. The financial cost for separate juvenile facilities is currently unknown. There is no total need figure available for the 16 municipal jails in the State. However, many planned jail upgrades have repeatedly stalled due to voter rejection of bond issues. For the foreseeable future it appears local governments will continue to provide the predominate share of the cost for jail upgrades.

SOLID WASTE

Local governments and private entities are responsible (and liable) for the financing, operation and maintenance of Montana's Waste Management Systems. Waste Management includes: landfills (fencing, equipment, equipment storage, etc.), transfer stations, and incineration systems. Most local governments own their landfill property; however, some are leased from private, state or federal owners.

This facility provides basic protection to human health and the environment by maintaining adequate waste management services statewide. This program also administers and enforces the legislative statutes and companion rules for solid waste disposal and septic tank pumpers.

Solid waste management disposal needs for the State of Montana are estimated at a cost of $6,550,000. A national rule of thumb indicates that disposal costs are only 25 percent of the overall, therefore, an estimated $19,650,000 is needed for collection which is totally a local responsibility.

Nine percent of Montana's population is being served by solid waste systems that are out of compliance with Department of Health and Environmental Sciences standards. It will cost $1 million to bring these into compliance and another $5.4 million to maintain all systems at a compliance level (includes operational costs). The total annual bill for statewide compliance is $6.4 million. Ten Montana counties have not met the needs for solid waste planning studies at a cost of $150,000.

COMMUNITY WATER SYSTEMS

The primary function of a water system is to provide a safe and convenient supply of water for drinking, fire protection and irrigation. The capacity of a system must be large enough to support "peak" personal and commercial demands, as well as accommodate community growth.

A total of 264 capital project needs have been reported by Montana's incorporated cities and towns. The physical needs are:

- 134 distribution projects
- 55 supply projects
- 45 storage projects
- 30 treatment projects

In addition, there are rural water systems. Thirty-five percent of the 279 rural water systems are in need of major upgrading to bring them into compliance with the "10" State Water Quality Standards. It is also felt that 55 percent of these rural systems have insufficient financial resources for repair or replacement of existing facilities, and that some daily financial obligations cannot be met.

Because there is no comprehensive database on the need for improvements to water systems in Montana it is impossible to arrive at an accurate estimate of need. However, we do know from the joint efforts of the Montana Contractors' Association, Inc. and the Montana League of Cities and Town's survey of incorporated cities/towns, that a minimum need of $100 million has been identified.

DAMS

Dams in the Treasure State are regarded as the State's Life Line. They are the source of city water supply, and provide for flood control and recreation, some generate hydro-electric power and many supply irrigation to ranchers and farmers and their livestock.

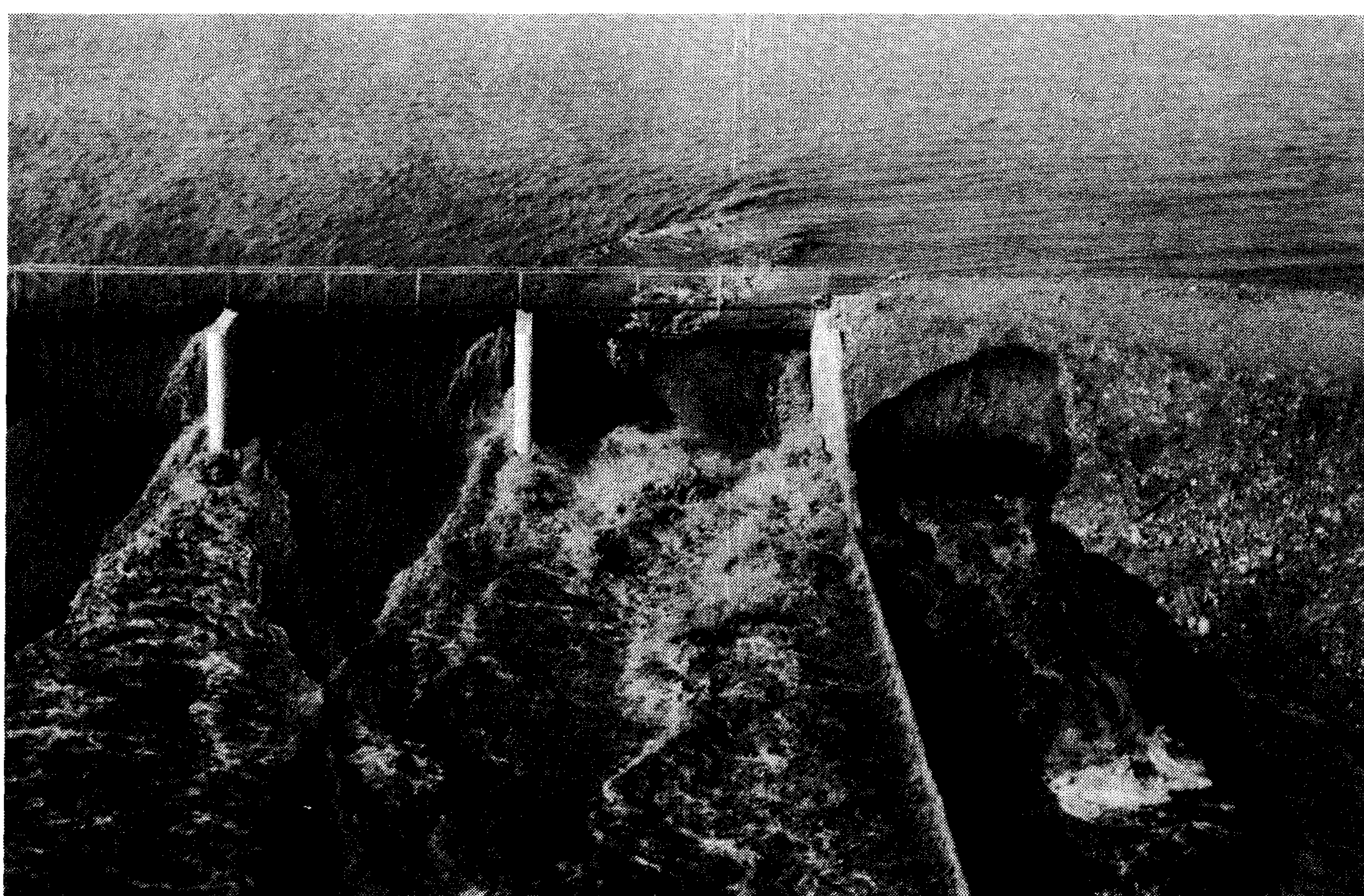
But the Life Line is about to be broken, in the case of many of our states dams.

Montana Department of Natural Resources and Conservation, with the Corps of Engineers, found that there are a total of 804 such structures in the state that show a potential for hazard. Of these, 672 are said to have significant hazard potential. That is, they pose some threat to human life, but mainly pose a threat for economic loss.

Of far greater concern are the 132 dams that are ranked as having a high hazard potential because a break or failure in any of these would claim more than a few human lives, and the economic losses would be excessive.

Montana's last fatal dam failure was in 1964 when the Swift and Two Medicine dams broke, killing 19 people and causing millions of dollars in damage. Unfortunately, it often seems the only interest for dam safety is when there is a loss of lives and property.

The State of Montana owns 36 significant hazard structures and 28 high hazard dams, while cities hold title to 13 dams that are significant hazards and 17 high hazard dams. Counties claim only two dams that are rated as significant hazards and three that fit the definition of high hazard dams.



WASTEWATER TREATMENT AND DISPOSAL

The local authority (city, county or sewer district) is charged with the physical and financial responsibility of operating and maintaining its wastewater facility. Depending upon what type of governing authority is present, the decision makers are the city council, county commissioners or a sewer board.

There are no universal figures which tell us how many public and private wastewater facilities exist in Montana. However, we do have some 1982 population data: 69 percent of the population reflected needs for construction of new systems or that of bringing old systems up to standards. The remaining 31 percent, according to the population study, had no existing need.

The 1984 evaluation of 203 public systems for which information exists illustrates a monetary need of $231,276,000. This cost figure includes projected capacity demands, necessary for population growth of 20 years (2004).

WHO'S AT BAT?

There are two aspects of the problem we can improve in Montana. The first of these is to become more knowledgeable as citizens about our own local public facilities. Ultimately, it is the responsibility of each local community to determine

its own priorities and needs for capital investment. We can help by actively supporting our local officials in prioritizing local needs for replacement or rehabilitation, and recognizing our responsibility to help pay the costs involved. We need to find ways to ensure that local public facilities are operated in a cost efficient manner — including charging for a facility based on the amount of use (where charging is possible), and not deferring maintenance.

In many communities, Montana taxpayers are facing major capital expenditures. However, the alternative is clear. If we fail to reinvest in our public works now, costs in the future will only escalate as deterioration proceeds unchecked.

The second aspect of the problem that we can work to improve is the role that State government plays in planning and financing local public works. Local governments must comply with State statutes in planning and financing local public works. Many of these statutes are outmoded and actually add to the costs of replacing or maintaining local infrastructure by unnecessarily restricting local flexibility and authority. Many of the recommendations of the Task Force identify these statutes and propose changes in State law.

In addition, State government administers a number of grant, loan and bonding programs that actively contribute to local financing. State government also provides technical assistance for planning a broad range of public facilities. Unfortunately, most State and local officials are not aware of the full range of financial and technical assistance currently available. The Task Force has also recommended that all this information be pulled together into one place and made readily accessible to State and local officials.

For more information:

This publication is brought to you as a public service by the Montana Contractors' Association, Inc. For more information about Infrastructure, contact:

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Montana Department of Commerce
Cogswell Building, Room C211
Capitol Station
Helena, Montana 59620

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P.O. Box 4519
HELENA, MONTANA 59604

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ADDRESS CORRECTION
REQUESTED

Exhibit 2
2/13/85

AMERICA'S INFRASTRUCTURE:

Effects of Construction Spending

Study of a $10 Billion Annual Infrastructure Investment

The Associated General Contractors of America
1957 E Street, N.W., Washington, D.C. 20006 • (202) 393-2040

Data Resources Inc. Study

Economic Impact of a $10 Billion Annual Increase in Construction Spending

Executive Summary

In the 1950s, the annual increase of real (inflation-adjusted) public construction expenditures was 7.3 percent. During the 1960s, this massive growth nosedived to a rate of only 2.9 percent. The positive real growth in the 1960s slipped to a decline of .004 percent in the 1970s. Thus far in the 1980s, the decline has continued (see Table 1). As a result, the public sector has left a number of major capital needs unmet in the past two decades. In light of this problem, AGC commissioned Data Resources, Incorporated (DRI) to gauge the impact of a sustained $10 billion increase in federal construction expenditures for six years on the U.S. economy. While this is certainly a modest program in view of the massive funding gap, the study shows that the effects on the economy are significant.

The DRI Model. The DRI model is an integrated model of the U.S. economy. That is, the economy is broken down into a number of sectors — industrial, household, government, financial, and foreign trade — which are tied together using the fundamentals of economics, i.e. demand, supply and prices. Each sector is characterized by a series of equations which describe the economic activity in that particular sector. The equations are estimated statistically using historical data.

The DRI Forecasts Gross National Product

Using real (1984 dollars) Gross National Product (GNP) as its measure of output, DRI estimates that the $60 billion increase in federal construction expenditures will lead to a $141 billion increase in real GNP. As more spending on construction occurs, there is an increase in the income of workers. With this increased income, part will be spent and the rest saved. That part which is spent will lead to someone else's income increasing and they, in turn, will spend a fraction of this increase in their income. This process continues through many "rounds" of spending until it dies out. It is known as the multiplier. In the DRI model, the GNP multiplier is 2.35, since a $60 billion initial change leads to a 60 x 2.35 = $141 billion final change. This means that every dollar invested in construction will generate $2.35 in economic activity.

Production. Table 2 presents the program's effect on production in specific industries. Production in most industries rises 0.2 percent. Business and construction equipment, electrical machinery, plastics, electrical components, and communications equipment experience especially strong gains. The primary metals industries, which have been particularly battered in the early 1980s from low GNP growth and foreign competition, would also receive a boost.

Table 1

Recent Growth in Real* Public Construction Expenditures (Billions of 1972 Dollars)

	Construction Expenditures	Percent Change
1950	12.65	7.3 %
1960	21.88	2.9
1970	30.77	-.004
1980	29.55	8.8

* *Nominal values of construction were divided by the GNP deflator for fixed investment, which represents expenditures for plant and equipment.*

Source: *Economic Report of the President*, 1984.

Exhibit 3
2/13/85

WITNESS STATEMENT

Name John Nehring

Committee On Natural Resources

Address 301 S. 19th Bozeman

Date Feb. 13, 1985

Representing self and children

Support ✓

Bill No. HB 493, 495, 494

Oppose

Amend

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. Most Montanans place great importance on the quality of our environment.

2. The coal severance tax and its allocation formula, when enacted, were at least partly motivated by environmental concerns.

3. As one who travels extensively throughout the Rocky Mountain states, I think Montana lags far behind its neighbors in the quality of our built environment. Wyoming in particular has an extensive program of funding public works from its severance taxes. When Wyoming's coal and oil are gone, they'll have something to show for it. Why can't we do the same? I can think of no better legacy to leave our children.

4. The additional economic activity from this program's (1) direct construction activity and (2) the enhanced livability of our state will likely generate additional taxes which will more than offset the interest foregone from additional growth in the existing Constitutional Trust Fund.

5. This is a bill that's already 10 years late in coming on the scene. I personally would like to see the entire trust fund devoted to making Montana a more pleasant and livable environment. However, I think this package of bills represents an admirable compromise between the status quo and a much preferred

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

alternative to that status quo.

FORM CS-34
1-83

Exhibit 7
2/13/85

WITNESS STATEMENT

Name Verner Bertelsen

Committee On Natural Resources

Address Ovando, Mont.

Date Feb 13 1985

Representing Self

Support

Bill No. 493-494-495

Oppose ✓

Amend

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. We must preserve integrity of constitutional Coal trust. It has become significant in funding operation of state government

2. Most dangerous piece of legislation because it promises something to everyone -

3. administratively unsound

4. Buildings are not a good investment. Universities need close scrutiny - We should maintain the integrity of the constitutional coal trust fund.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

FORM CS-34
1-83

Exhibit 5
2/13/85

TESTIMONY IN OPPOSITION TO HB 493

By Don Reed, Montana Environmental Information Center

February 13, 1985

Mr. Chairman and members of the House Natural Resources Committee, I'm Don Reed and I'm here on behalf of the members of the Montana Environmental Information Center in oppsition to HB 493.

Montana EIC opposes altering the use of the coal tax permanent trust fund for infrastructure development. We believe that the coal tax trust was meant for future generations, not the <u>ongoing</u> responsibilities of government such as providing roads, bridges, sewage disposal facilities, new university buildings, and other components of infrastructure.

The coal tax trust fund is intended for the future. The psychology that "the future is now" pervades HB 493. If the future is now, then the present was yesterday, and the past never happened. The future is <u>not</u> now. We should preserve the coal tax trust fund today for a future time when we don't have coal revenues to rely upon.

HB 493 and the entire infrastructure package does seek to preserve the value of money that would otherwise go to the permanent trust fund. In that we regard, we appreciate HB 493 and the infrastructure package. Representative Ramirez argues persuasively that the real value of the trust fund is diminishing over time. The same would happen to any investment fund which did not reinvest some or all of the interest earnings. Montana has chosen to consume part of our future trust by using 85 percent of the interest on the trust in the general fund.

Representative Ramirez's answer is to invest in capital expenditures instead of paper assets. He argues that capital assets retain their original value and often appreciate. That is a broad assertion. The example offered is Main Hall at the University of Montana. Certainly the insured value today is higher than it was in 1899, but that is related to the replacement cost, not its market value.

Do the real assets acquired as infrastructure really appreciate more than investments in the trust fund? The answer isn't simple. Under the infrastructure package, we would get tangible assets around the state and the functional use of them. Thirty or forty years hence, however, what is an old bridge worth? What do you get on the market for a used sewage disposal sytem? They are not liquid assets. Montana will have used them up; infrastructure is a consumable investment. We would leave future generations worn out capital assets instead of liquid assets the use of which future generations could choose.

At the same time, we must recognize that the ability of local governments to provide basic infrastructure is severely limited. For much infrastructure, property taxes are the logical choice for funding. Yet, local property taxes seem too high already to reasonably expect property taxes as an appropriate source of revenue.

A simple analysis of the problem reveals that one key to understanding why this condition has come about is that the base upon which property taxes are assessed has eroded over time. The legislature has passed special exemptions from property taxes. The most obvious example is the elimination of the business inventory from the property tax base by the 1981 legislature. This cost local governments over $38 million in taxble valuation.

There have been other reductions in the property tax base. Other reductions in the property tax base include the exemption for recreational vehicles and the deductibility of the federal Windfall Profits taxes.

The cumulative effect of these exemptions has been reduced local property tax bases. Those still paying property taxes shoulder a larger share of the burden, while those exempted pocket the savings. The response of local governments has been to raise levies, leaving the average residential property owners paying higher and higher property taxes.

In summary, we oppose HB 493, because it would tap the coal tax trust fund for the ongoing responsibilities of government. We would be able to afford these ongoing resonsibilities if we had not already decreased the property tax base through special interest exemptions.

With the coal tax trust monies, the real question must be "what do we leave the next generation and beyond?" Do we use our trust to leave roads and public buildings? Or is that an ongoing responsibility of government? Shouldn't such basics be an expense we allow for each legislative session? Shouldn't we leave the coal tax trust for a future use that we have yet to think of?

We urge this committee to vote "Do Not Pass" on HB 493 and the infrastructure package.

Thank you for this opportunity to comment.

VISITOR'S REGISTER

HOUSE NATURAL RESOURCES COMMITTEE

BILL 493 DATE 2/13/85

SPONSOR Ramirez

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPOSE
Ralph [illegible]	602 Grand	Blgs Mont. Landlords	X	
Larry Witt	1601 W. [illegible] Bozeman	Mont. Landlords	X	
[illegible] Ingels	Helena	Mt. Chamber of Commerce	X	
Bill Olsen	Helena	Mt. Contractors	x	
David M Stever	Helena	MT Contractors	x	
Ben Havdahl	Helena	MT Motor Carriers Assn	x	
Dwight Worley	[illegible] - Yellowstone		✓	
Greg Jackson	Helena	Urban Coalition	✓	
John Helving	301 S. 19th Bozeman	private citizen	✓	
Dennis Burr	Clancy MT	MONTAX	✓	
Dee Goss	Billings	Blgs Chamber [illegible]	✓	
Terry [illegible]	Helena	REALTORS	✓	

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

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

FORM CS-33

VISITOR'S REGISTER

HOUSE NATURAL RESOURCES COMMITTEE

BILL 494 DATE 2/13/85

SPONSOR Ramirez

NAME	RESIDENCE	REPRESENTING	SUP-PORT	OP-POSE
Ralph Lewis	602 Grand Blgs	Mont. Landlords	X	
Larry Flatt	1601 W. Olive, Bozeman	Montana Landlords	X	
Don Ingels	331 W. Lawrence, Helena	Mt. Chamber of Commerce	Y	
Bill Olsen	Helena	Mt. Contractors	X	
David M Stover	Helena	MT Contractors	X	
Richard Mockler	Msla.	MT. College Coalition		
Mike Jones	Ft Benton	EMC		
Glen Barta	Moore	ASEM		
Ethel Phillips	Billings / Hardin	EMC	X	
Jerri Date	Billings	EMC		
Ben Havdahl	Helena	MT Motor Carriers	X	
[illegible]	Maco - Yellowstone		✓	
Greg Jackson	~~Hel~~ Helena	Urban Coalition	✓	
John Nehring	301 South 19th Bozeman	Private Citizen	✓	
Dennis Burr	Clancy, MT	MONTAX	✓	
Doug Gross	Billings	Billings Chamber	✓	
Terry Carmody	Helena	REALTORS	✓	

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FORM CS-33

VISITOR'S REGISTER

HOUSE NATURAL RESOURCES COMMITTEE

BILL HB 495 DATE 2/13/85

SPONSOR Ramirez

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPOSE
Ralph Lewis	602 Grand Blgs	Mont Land Lords	X	
Larry Pelitt	1601 Will Alvin Bozeman	Mont. Landlords	X	
Don Ingels	Helena	Mt. Chamber of Commerce	X	
Bill Olsen	Helena	Mt. Contractors	X	
DAVID M STIVER	HELENA	MT. CONTRACTOR	X	
Ben Havdahl	Helena	MT Motor Carriers	X	
Dwight MacKay	Billings	Mace - Yell...	✓	
Greg Jackson	Helena Urban Coalition	Urban Coalition	✓	
John Nehring	301 S. 19th	Private Citizen	✓	
Dennis Burr	Clancy MT	MONTAX	—	
Dave Cross	Billings	Blgs Chamber	✓	
Terry Carmody	Helena	REALTORS	✓	
Mons Teigen	Helena	Mont. Stockgrowers + Woolgrowers	X	
Bruce Carpenter	Billings	EMC	✓	

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FORM CS-33

VISITORS' REGISTER

Natural Resources COMMITTEE

BILL NO. 493-494-495 DATE Feb. 13, 1985

SPONSOR Ramirez

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Verner Bertelsen	Ovando Mont.		✓
Jeanne-Marie Souvigney	Helena NPRC		✓
Don Reed	MEIC		✓
Dallas Curtiss	Billings Mt		
Bruce Scrafford	Helena MT	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FOR

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.