MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 22, 1985

The fifty-sixth meeting of the Senate Taxation Committee was called to order by Chairman Thomas E. Towe at 8:05 am in Room 413-415 of the Capitol Building.

ROLL CALL: Senator Brown did not join the committee until 9:15 am. All other members were present at roll call. Senator Brown was excused to carry a bill in a House committee.

CONSIDERATION OF HB 317: Mr. Jim Lear, committee staff, was recognized and told the committee that investigation by the Department of Revenue discovered that no additional amendment to HB 317 was necessary.

MOTION: Senator Mazurek moved that HB 317 be concurred in as amended. The motion carried unanimously. Senator Eck volunteered to carry the bill on the Senate floor.

CONSIDERATION OF HB 493, HB 494 and HB 495: Representative Jack Ramirez was recognized as chief sponsor of this package of bills. He said that the first was a constitutional amendment to allow this use of coal tax trust fund money; the second is a referendum that contains enabling legislation; the third is a bonding program to implement the first two. Representative Ramirez presented his testimony to the committee in writing (Exhibits 1 and 2).

PROPONENTS

Mr. Bill Olson, executive secretary of the Montana Contractors Association, rose in support of the bill. He said that Montana contractors took an active part in the Governor's Task Force on Infrastructure. He gave the committee a report condensing the information of that task force (Exhibit 3). He also gave the committee Exhibit 4 to support the point that dollars spent in construction generate other economic activity.

Representative Bob Pavlovich said that the bill meant water, sewers, jails and jobs. He said Montana's future economic health was encouraged by this package of bills.

Mr. John Nehring, an economist from MSU, representing himself, said that the 1970 coal tax trust was the most significant legislation of the last decade and that this package would be the most significant of the 1980s. He said that intangible assests should be replaced with tangible ones.

Mr. Dave Goss, Billings Area Chamber of Commerce said that the bill attempts to expand the economic and business base of Montana, indicating that these things are dependent on the infrastructure. He said there are not enough property tax dollars to care for this problem. He urged further economic development by support of these bills.

Mr. Greg Jackson, Urban Coalition, said the money currently being used for this purpose is too small a percentage of the total budgets. He said this bill could give local governments a vehicle for dealing with infrastructure problems.

Mr. Larry Wienburg, Montana University System, said that the system clearly faces serious needs and money is necessary.

Mr. Alec Hanson, Montana League of Cities and Towns, pointed out that the bill would not solve all the problems. He said the Lt. Governor's Task Force said that just maintenance of water and sewers alone would amount to over $300 million. He said this program would not solve that, but that the problem is too big to be ignored as it has been for 50 years. He said the bill is a starting place. He said building Montana must be done from the ground up.

Ms. Marie McAlear, Legislative Chairman of the Montana Association of Counties, said that the funding mechanisms for solving these problems do not exist. She said at the time many of the bridges and buildings were built as much as 75 percent of the budget for many years was used. She said now with the continuous funding responsibilities of local governments that was not possible. She told the committee that the federal programs addressing infrastructure are scheduled for elimination.

Mr. Keith Anderson of the Montana Taxpayers Association, said that these local needs cannot be met with local property taxes. He said general fund revenue is not available. He said federal dollars will not come. He said the problem must be dealt with at this level of government. He noted that folks in Washington looked critically at Montana's use of the coal tax and that passage of these bills would alleviate that image.

Mr. Don Ingels, Montana Chamber of Commerce, rose to support HB 493, HB 494, HB 495 without comment.

Mr. Goeff Quick, Missoula Chamber of Commerce, also supported the bills without comment.

Senator Pat Goodover said that he has been a proponent of this for over a year. He said he has a similar bill but has withdrawn it in favor of these bills. He said that not only labor, but college graduates currently unable to work in the state would benefit from the bill.

<u>OPPONENTS</u>

Former Representative Verner Bertleson said that he opposed this invasion of Montana's constitutional trust fund. He said the way to protect it is not to spend it. He said the report of the Economic Development Board does not suggest depleting it to save it. This generation, he said, is reaping the benefit already with use of 85 percent of the interest. He said $200 million in interest will have been used by the year 2000. He also noted that buildings are a continuing drain on resources once they have been built. He said that he supported using dollars for economic development in the state, but otherwise did not want the trust violated. He noted that Alberta has $13 billion in trust, Wyoming has $589 million, New Mexico has an inviolate trust. He said that Montana ranks only tenth in trust fund income among the states.

He told the committee that the criteria of the Board of Economic Development was that the body of the trust should never be appropriated and that any amounts appropriated should be replaced with interest. He said that last session decreased the flow of revenues and that this again proposes legislation that would reduce the trust.

Representative Bertleson said that this legislation promises more than can be delivered. He said the bills would have a small impact on the infrastructure, that small governments are eliminated from consideration and that the grant programs create new responsibilities at the state level. He said when all the principle is spent, it still would not have the job done.

Mr. Don Reed, Montana Environmental Information Center, submitted his testimony in writing (Exhibit 5).

Ms. Jeanne Soungney, Northern Plains Resource Council, pointed to the difference between the ongoing responsibilities of government and the commitment to the future. She suggested that ongoing responsibilities, like infrastructure, should be met by current generations. She said more intrest should be returned to the trust and that if the bills passed the dollars invested in the state now would be cut by half.

Senator Tom Towe did not testify, but presented the committee with two exhibits on the subject (Exhibits 6 and 7).

Questions from the committee were called for.

Senator Eck asked if highways had an increasing value that could justify their inclusion in the bill. Representative Ramirez responded that the rights of way were valuable.

Senator Lybeck asked about the purchasing power reduction. Representative Ramirez said that the first deposit had already lost two-thirds of its value and that the purchasing power of deposits had lost $25 million over the six-year period. He said that his bill would not deplete one dime of general fund revenue. He said that the trust corpus would grow one-half as fast as it had in the past.

Senator Mazurek, acknowledging that the infrastructure needs are real, asked Representative Bertleson where those dollars would come from. Representative Bertleson said that the Legislature has been facing those decisions for a long time, but if the trust is robbed it will be gone.

Representative Bradley's bill, HB 926, was discussed as an alternative.

Senator Towe clarified that if HB 494 did not pass the rest of the package would not be effective. Representative Ramirez said it had received 56 or 58 votes in the House and would need 44 in the Senate. He said as it was debated more, less resistance would occur.

Senator Towe and Representative Ramirez had a lengthly and complicated discussion of how the bill would use the dollars involved. Senator Towe concluded that it would essentially decrease dollars available to education to pass the bill. Representative Ramirez, of course, took the opposite point of view.

Senator Eck said that the bills would carry a more serious intention if a statement of intent were following the bills. She felt the bill could be detrimental to local governments if they waited for the enactment of these bills rather than tended to the problems locally. Representative Ramirez responded that the bill would be worked out in detail after the initiative referendum process. He said local governments would have to make a substantial contribution in any event.

Senators McCallum and Mazurek both commented that this should be put in front of the people for a vote.

Senator Mazurek assumed the chair at 9:40 am.

In response to a question by Senator Hirsch, Representative Ramirez said that the paper investment could lose its full value in one generation. He said that the interest should be compounded or used for something that retains its value.

Senator Eck asked how much money would be available to local governments. Representative Ramirez said that it would be about $7 to 8 million in the next biennium. He said he would suggest that it be allowed to accumulate for a period of time.

Representative Ramirez closed saying that the constitutional mandate should be fulfilled by passing these bills. He said that the only solution to loss of purchasing power is to reinvest or to diversify. He said diversification is the only realistic choice. He said that any sound investment program would not put all the dollars in one kind of investment.

Representative Ramirez concluded that if the issue was studied for two years it would be the most expensive study every done as the state would lose $25 million in purchasing power over that period of time.

Vice Chairman Mazurek adjourned the meeting at 9:55 am.

Thomas E. Towe

Chairman

ROLL CALL

SENATE TAXATION COMMITTEE

49th Legislative Session -- 1985

Date March 22, 1985 8:05

Location -- Room 413-415

Name	Present	Absent	Excused
Senator Brown	9:15		
Senator Eck	✓		
Senator Goodover	✓		
Senator Hager	✓		
Senator Halligan	✓		
Senator Hirsch	✓		
Senator Lybeck	✓		
Senator Mazurek	✓		
Senator McCallum	✓		
Senator Neuman	✓		
Senator Severson	✓		
Senator Towe	✓		

DATE March 22

COMMITTEE ON Senate Taxation

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One Support	Oppose
Don Ingels	Mt. Chamber of Commerce	493-94-95	X	
Verner Bertelsen	Self	"		X
Rep. Bob Bachini	Self	"		X
Marie McAlear	MACO	"	X	
DON REED	MEIC			✓
Bill Olson	Mt. Contractors	"	X	
Joanne-Marie Sauvageau	NPRC	493, 494 495		X
Greg Jackson	Urban Coalition	493, 494 495	X	
Dave Goss	Billings Chamber of Commerce	"	X	
JOHN NEHRING	SELF	494, 495	X	
REP BOB PAVLOVICH	HD # 70 BUTTE	493-94 95	X	
Geoff Zurick	Missoula Chamber	493-95	X	
S. Keith Anderson	Mont. Taxpayers Assn.	493-94 95	X	
Alec Hansen	MLCT	495	✓	
Gary Boe	Missoula City-Co. Health	462		X
George Allen	Mt. Retail Assn.	467	✓	
Harriett Meloy	League Women Voters	493-495	monitoring	
Larry Weinberg	Mont. Univ. Sys.	493-495	✓	

(Please leave prepared statement with Secretary)

Exhibit 1 -- HB 493, 494, 495
March 22, 1985

THE PROBLEM: The state of Montana is throwing away the permanent coal severance tax trust.

The trust funds are placed in paper investments to "preserve" the principal for future generations. In fact, these paper investments - in loans, bonds, and other similar securities- do NOT preserve the trust principal. The VALUE of the principal is being severely lowered by INFLATION.

The Montana Economic Development Board, created as part of the Build Montana program, reports that the $203 million placed in the trust since 1978 has lost $25 million in purchasing power as of 1984. The Board calculates that the $203 million will be worth only $79 million by the year 2000 - a whopping 61% devaluation by the turn of the century.

Capital expenditures and investments - tangible assets - are a superior alternative to paper assets. Tangible assets not only retain their original value, they often appreciate in worth.

University of Montana's Main Hall demonstrates the practical economics of capital investments. The structure was completed in 1899 at a cost of $49,500. Today, the building has an insured value of $1.6 million and would cost between $3.5 and $5 million to replace.

Capital expenditures would also help the state meet a significant need. The Governor's Task Force on Infrastructure reports that Montana now needs over $8 BILLION for water systems, sewer systems, streets, roads, jails, and other public facilities - the "infrastructure" of our state.

House Bills 493 and 494 would submit to the voters of Montana a constitutional amendment and enabling act creating a Montana Infrastructure Trust. Half of this infrastructure fund would be allocated to the construction of needed state and university buildings. Additionally, up to 25% of this fund would be provided for highway construction and for a local government infrastructure grant program. House Bill 495 establishes a bonding program to help fund projects from the proposed trust.

These measures affect only future coal tax revenues, leaving intact the present trust balance of $203 million. The present trust income would be available for current state operations. Only half as much coal tax revenue would be added to the current trust in the future. An equal amount would flow to the newly formed Infrastructure Trust.

This bipartisan effort reflects Montana's needs. Studies prove the present trust principal is being devalued while our state infrastructure is crumbling. We must respond with progressive action to halt this wasteful drift.

Exhibit 2 -- HB 493, 494, 495
March 22, 1985

The state of Montana is throwing away the coal severance tax trust. In the last decade, when our tax policy generated more revenue than the state could spend, few noticed the decay of the trust fund. With the current budget crunch, however, more attention is being focused on the use of trust monies to see if the state is truly fulfilling its trust responsibilities to present and future generations of Montanans. I believe the state is violating its duties as trustee, foolishly wasting the trust funds, and ignoring simple economic truths and sound investment opportunities.

The coal severance tax was adopted in 1975 and implemented in 1976. Money collected from the 30% tax is divided between a permanent trust fund and other designated state programs. The trust is designed "to compensate future generations for the loss of a valuable and depletable resource. . . ." Fifty percent of the tax is deposited to the permanent trust, which presently has a balance of $203,000,000.

Numerous attempts have been made since 1976 to tap the trust for current needs. Several such proposals have been introduced this legislative session. House Bills 368 and 369 introduced by Representative Paul Pistoria (D-Great Falls) propose a constitutional amendment to allocate 5% from the coal severance trust directly to local governments. House Bill 199 appropriates monies from the trust fund to construct four needed University System buildings. Many other bills regarding coal tax earnings and trust revenues have been introduced.

Those whose efforts led to the creating of the trust look upon these proposals as "raids" -- as a violation of the purpose of the trust -- as an evil to be avoided at all costs. Until recently, this has been the politically popular view, but it has begun to lose favor with those who have analyzed what is actually happening to the value of the trust.

From the beginning, the trust funds have been placed in paper investments to "preserve" the principal for future generations. In fact, these paper investments, in loans, bonds, and other similar securities, do NOT preserve the trust principal at all. On the contrary, the value of the principal is being substantially diminished by inflation. The promise made to future generations for a piece of the coal tax pie is being broken.

According to the Montana Economic Development Board, a board created as part of the Build Montana program and appointed by Governor Schwinden, the initial deposit to the trust account for the year 1978 has already lost 39.4% of its purchasing power. The $203 million placed in the account since 1978, a period of just six years, has lost $25 million in purchasing power as of the end of 1984. The Board calculates, using a very conservative inflation rate, that the present trust balance of $203 million will be worth only $79 million by the year 2000 -- a whopping 61% devaluation by the turn of the century.

There is a better choice. Capital expenditures and investments -- tangible assets -- are a superior alternative to paper assets. Tangible assets not only retain their original value, they often appreciate in worth.

The University of Montana's Main Hall demonstrates the practical economics of capital investments. The structure was completed in 1399 at a cost of $49,500. Today, the building has an insured valued of $1.6 million and would cost between $3.5 and $5 million to replace. This economic appreciation does not reflect the 85 years of use that students have gained from the facility. Had the initial $49,500 been placed in paper assets in 1899, the dollars invested then would have just a fraction of their purchasing power today.

Capital expenditures would also help the state meet a significant need. According to the recent report of the Governor's Task Force on Infrastructure, Montana now needs over $8 BILLION for water systems, sewer systems, streets, roads, jails, and other public facilities -- the "infrastructure" of our state.

In addition, the state of Montana presently holds many capital assets in trust for future generations. Many of these structures and facilities are deteriorating from lack of funds for permanent maintenance. Maintenance is also a trust responsibility.

This data presents quite an anamoly. The permanent coal severance trust fund has and will continue to lose considerable value with its present investments. At the same time, we have incurred an $8 billion infrastructure debt -- not an enviable inheritance for future Montana generations.

There are several ways to deal with the problem. The legislature could simply begin to appropriate funds from the coal tax trust for capital expenditures. This approach, however, is both difficult and haphazard. It requires a three-fourths vote of the legislature for each expenditure and does not provide a consistent system for insuring that Montana's infrastructure needs are met.

The legislature could also allow the interest income from the coal tax trust fund to compound, thus generating a positive return for future generations. The interest produced from the permanent trust, however, has become an integral component of the state budget. Only 15% is put back into the trust. During the past biennium the interest income from the trust produced over $40 million for Montana's general fund -- a substantial sum that cannot be replaced without massive tax increases.

A better approach is presented in House Bills 493, 494, and 495, a package which makes an allocation of one-half of the coal tax trust for infrastructure expenditures. These bills would equally divide the permanent trust beginning July 1, 1987. One-half would be dedicated to Montana's declining infrastructure.

House Bills 493 and 494 would submit to the voters of Montana a constitutional amendment and enabling act creating a Montana Infrastructure Trust. Half of this infrastructure fund would be allocated to the preservation and maintenance of public facilities and the construction of needed state and university buildings. Additionally, up to 25% of this fund would be provided for highway construction and for a local government infrastructure grant program. House Bill 495 establishes a bonding program to help fund projects from the proposed trust.

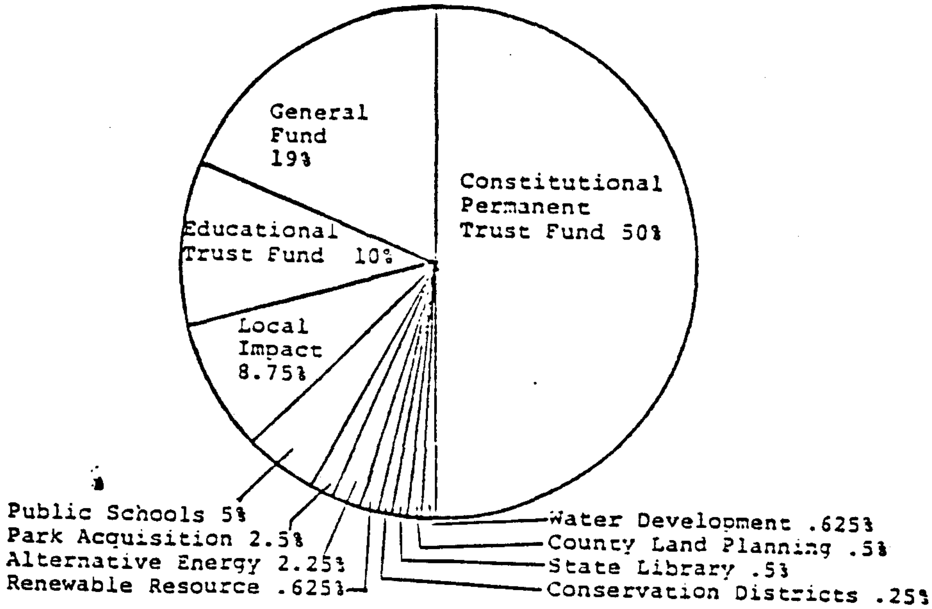
These measures affect only future coal tax revenues, leaving intact the present trust balance of $203 million. The present trust income would be available for current state operations. Only half as much coal tax revenue would be added to the current trust in the future. An equal amount would flow to the newly formed Infrastructure Trust.

This is a bipartisan effort which reflects Montana's needs in the mid-1980's. Studies show that the present trust principal is being devalued while our state infrastructure is crumbling. These developments demand attention now! We must respond with progressive action to halt this wasteful drift.

Representative Jack Ramirez

STATUS QUO DISTRIBUTION OF COAL TAX REVENUES

MONTANA'S SEVERANCE TAX
DISTRIBUTION FORMULA



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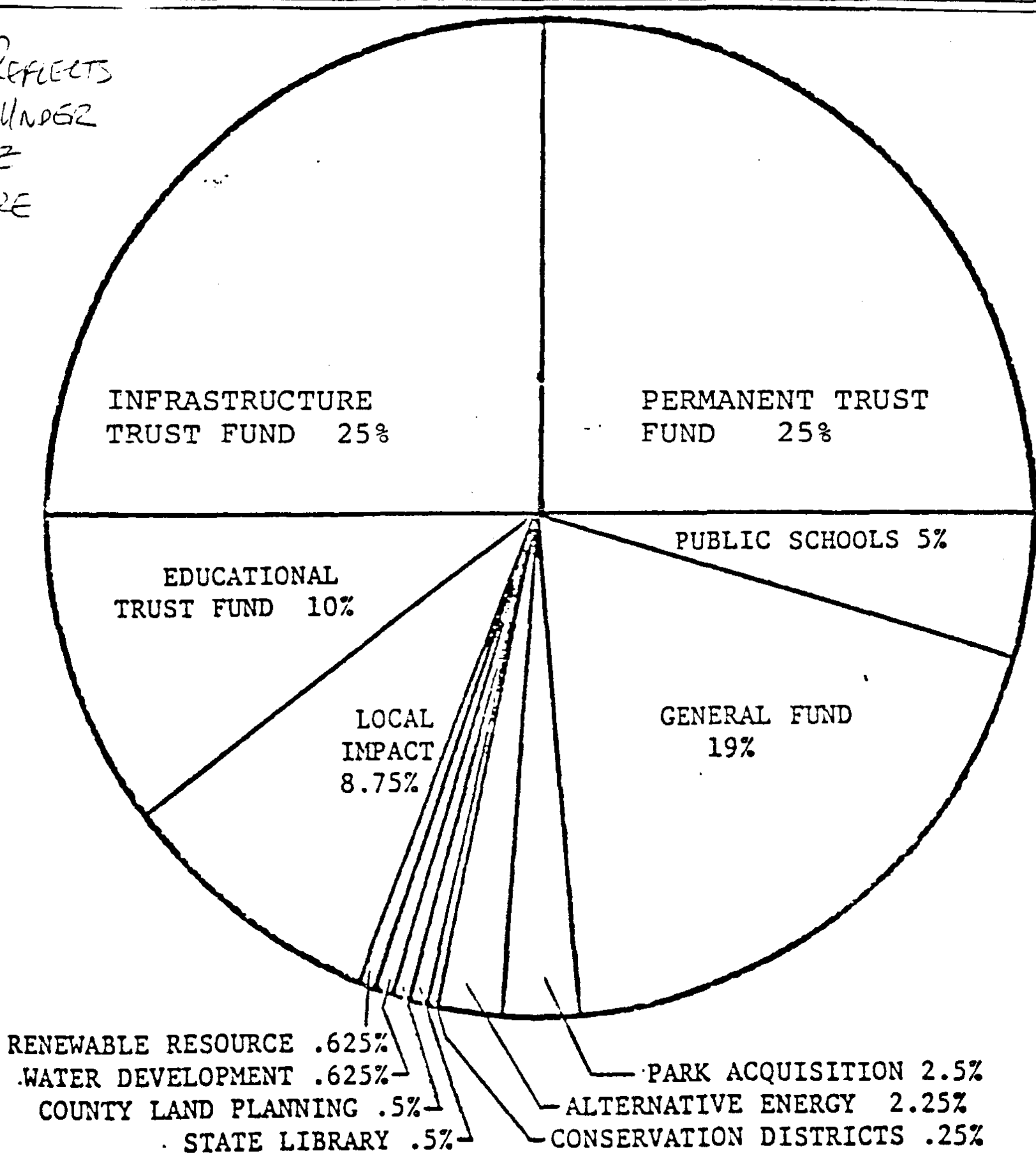


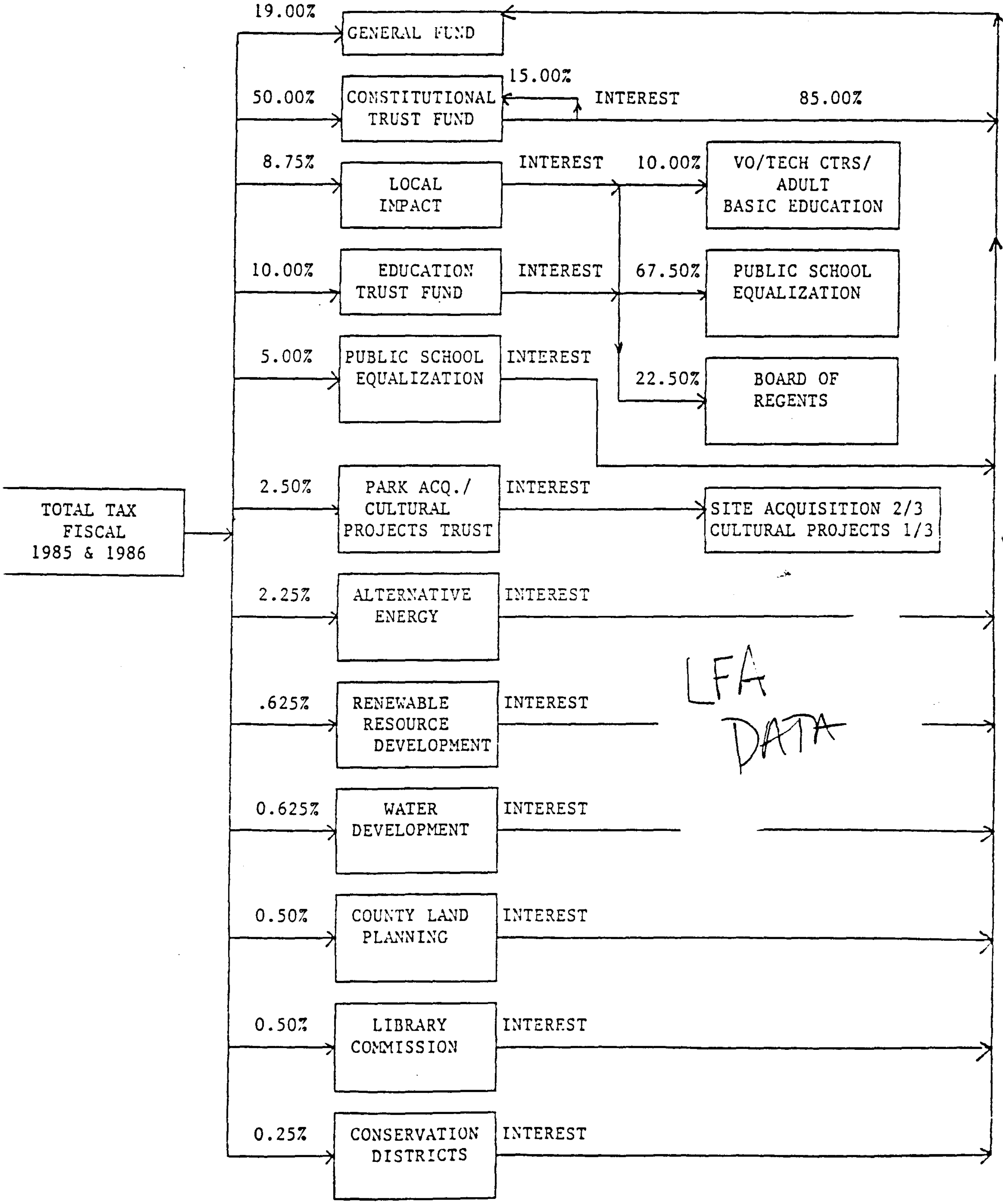
OFFICE OF BUDGET & PROGRAM PLANNING
COAL SEVERANCE TAX REVENUE

COAL SEVERANCE TAX COLLECTIONS

ACCT ENTITY	ACCOUNT NAME	ACTUAL FY 76	ACTUAL FY 77	ACTUAL FY 78	ACTUAL FY 79	ACTUAL FY 80	ACTUAL FY 81	ACTUAL FY 82	ACTUAL FY 83	ACTUAL FY 84	CUMMULATIVE TOTALS
01100	GENERAL FUND	10,586,335	14,362,422	11,241,695	12,806,812	20,222,579	13,378,906	16,375,501	15,208,546	15,736,452	129,919,248
02403	PUBLIC SCHOOL EQUALIZATION	2,203,181	3,590,606	2,810,392	3,201,679	5,210,070	3,520,751	4,309,342	4,002,249	4,141,172	32,989,442
02405	STATE LIBRARY	0	0	0	0	383,568	352,075	430,934	400,225	414,117	1,980,919
02434	CONSERVATION DISTRICTS	0	0	0	0	0	0	99,325	200,112	207,059	506,496
02437	ALTERNATIVE ENERGY RESEARCH	550,795	897,651	702,598	800,420	1,514,667	1,760,376	2,055,346	1,801,012	1,863,527	11,946,392
02444	COUNTY LAND PLANNING	220,318	359,061	281,039	320,168	521,007	352,075	430,934	400,225	414,117	3,298,944
02445	LOCAL IMPACT	3,855,567	6,283,560	4,798,525	5,399,195	9,030,162	6,161,314	7,541,349	7,003,936	7,247,050	57,320,658
04008	RENEWABLE RESOURCES BOND	550,795	897,651	702,598	800,420	1,302,518	880,188	1,077,336	1,000,562	624,224	7,836,292
04011	WATER DEVELOPMENT	0	0	0	0	0	0	0	0	411,069	411,069
09001	PERMANENT TRUST	0	0	6,268,016	10,672,277	23,024,226	35,207,511	43,093,423	40,022,491	41,411,716	199,699,660
09004	PARK ACQUISITION TRUST	275,398	448,826	351,299	400,210	2,089,639	1,760,376	2,154,671	2,001,125	2,070,565	11,552,109
09005	EDUCATION TRUST	2,203,181	3,590,606	2,742,014	3,085,254	8,995,772	7,041,502	8,618,685	8,004,498	8,282,343	52,563,855
	ACQUISITION OF SITES & AREAS	275,398	448,826	351,299	400,210	171,799	0	0	0	0	1,647,532
	COAL AREA HIGHWAY IMPROVEMENT	2,203,181	3,590,606	3,374,514	4,162,183	1,786,708	0	0	0	0	15,117,192
	COUNTIES	1,040,493	1,436,242	748,076	640,336	872,294	0	0	0	0	4,737,441
	TOTAL TAXES	23,964,642	35,906,057	34,372,065	42,689,164	75,125,009	70,415,074	86,186,046	80,044,981	82,823,411	531,527,249

COAL SEVERANCE TAX AND INTEREST DISTRIBUTION

FISCAL 1985 AND 1986



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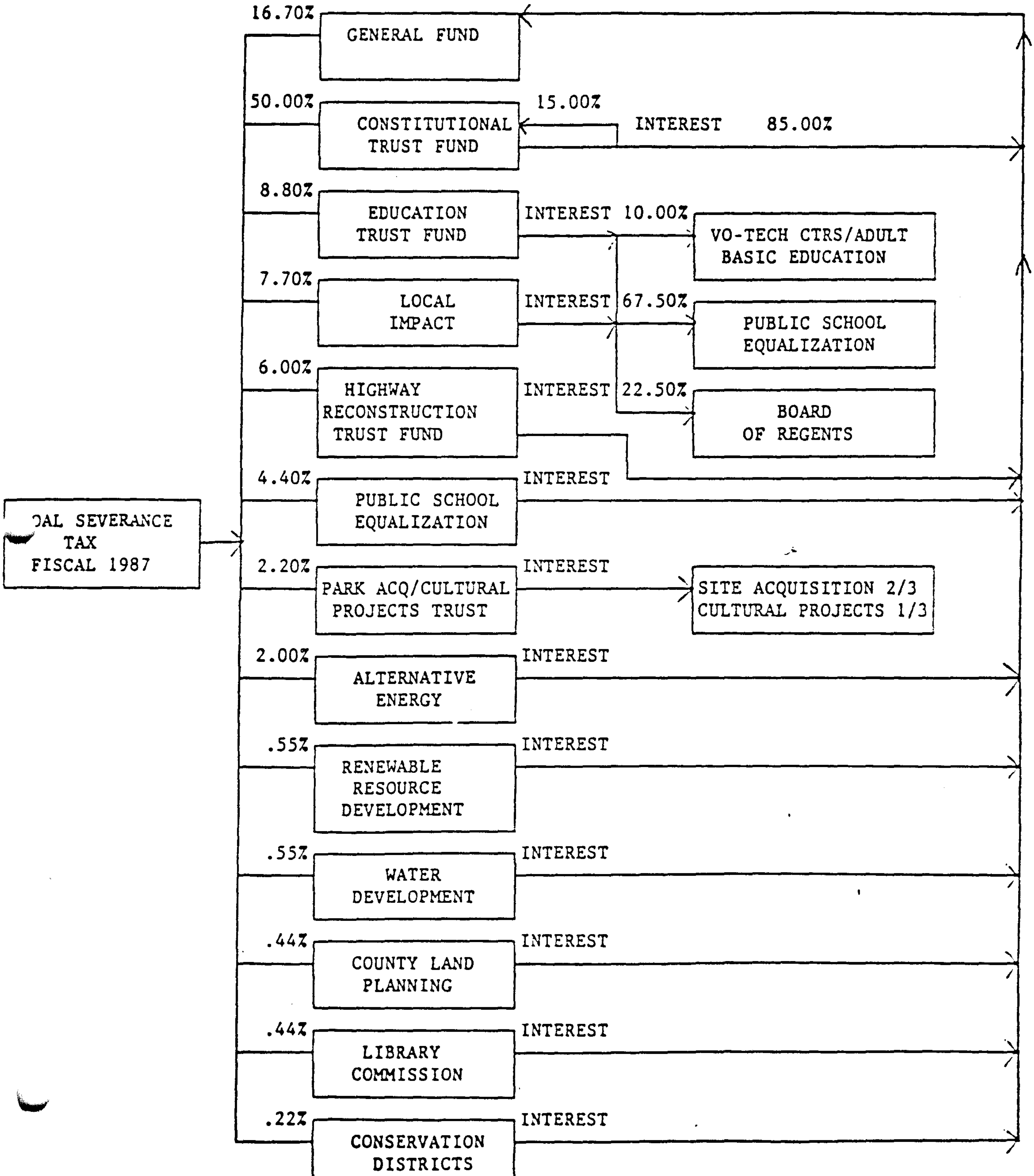
COAL SEVERANCE TAX AND INTEREST DISTRIBUTION

FISCAL 1987



MONTANA'S INFRASTRUCTURE CRISIS

A Report to the State

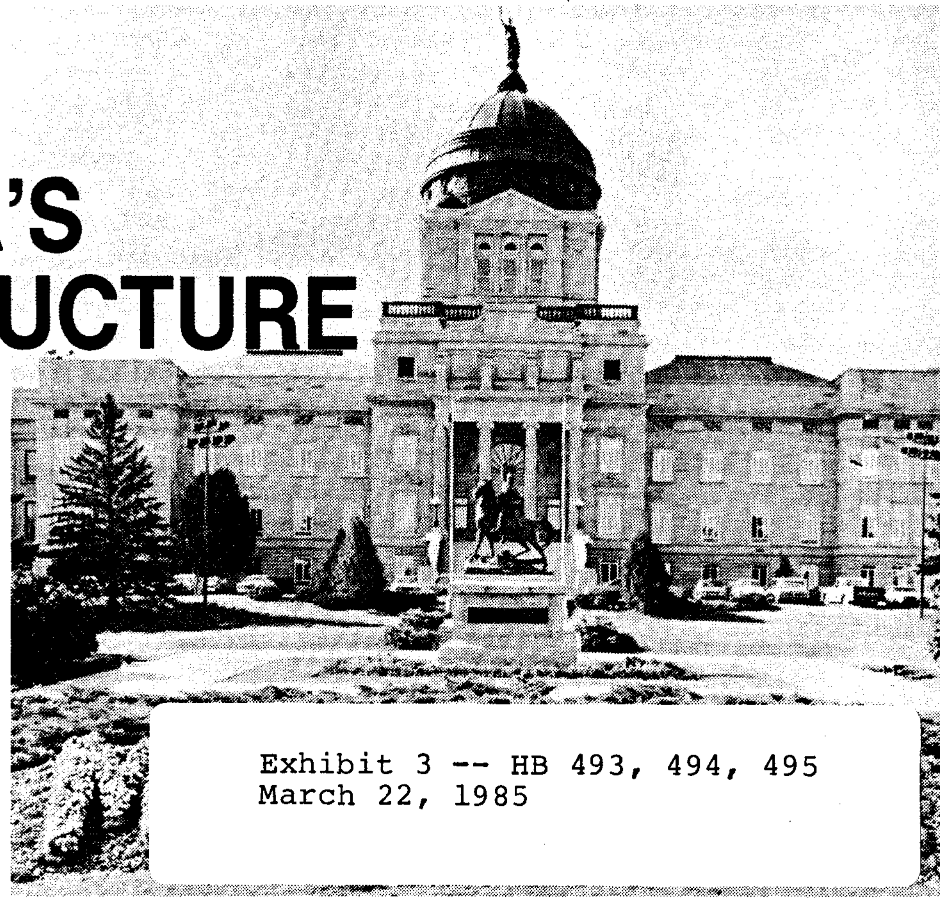


Exhibit 3 -- HB 493, 494, 495
March 22, 1985

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:

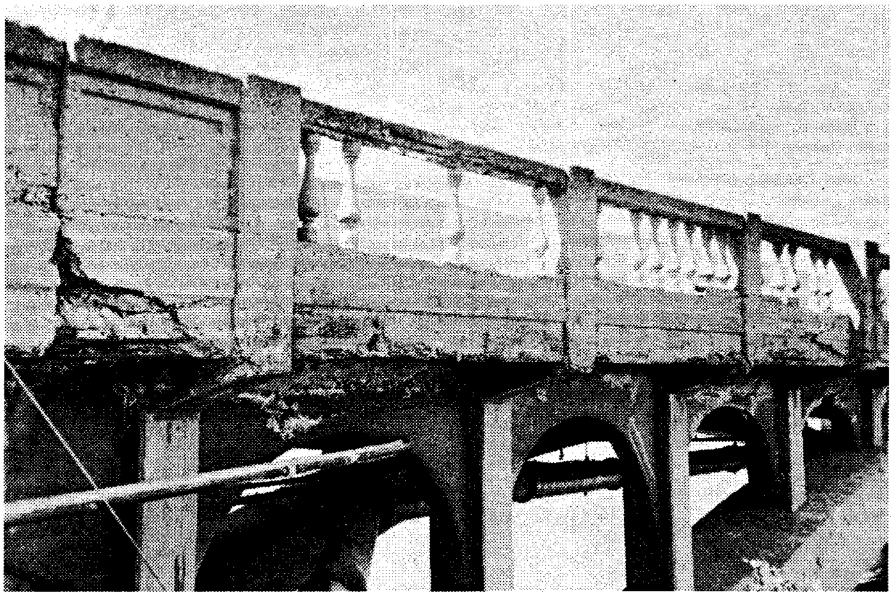
> "To look at ways to improve the quality and quantity of investment in capital facilities which are the responsibility of Montana counties, incorporated cities and towns."
>
> "To compile information on the replacement and new construction needs of counties, incorporated cities and towns of Montana 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.

WASTEWATER TREATMENT AND DISPOSAL

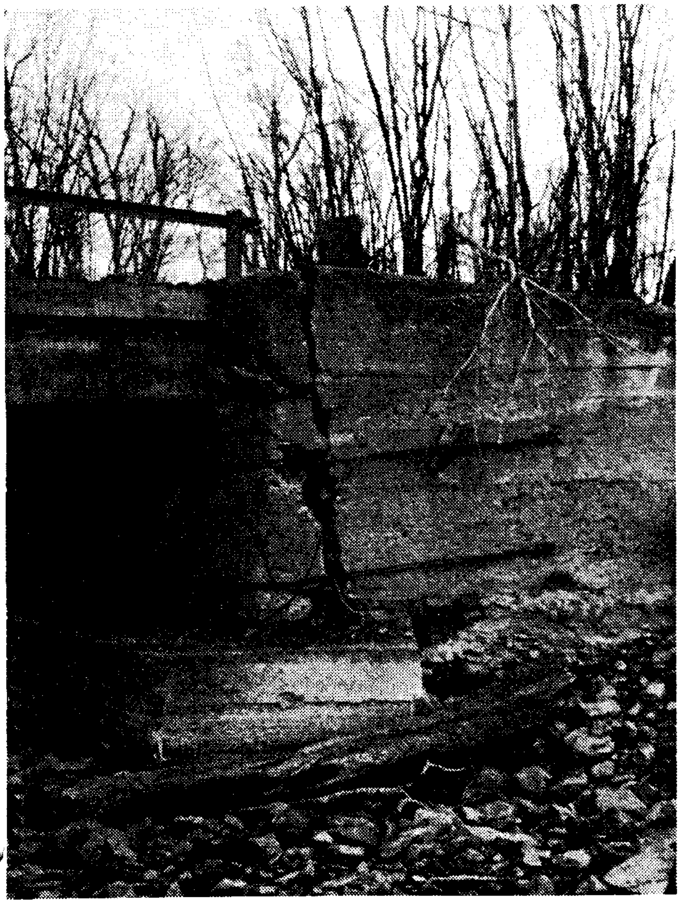
The local authority (city, county or sewer district) is charged with the physical and financial responsibility of operating and maintaining its wastewater facility. Depending upon what type of governing authority is present, the decision makers are the city council, county commissioners or a sewer board.

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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• 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.

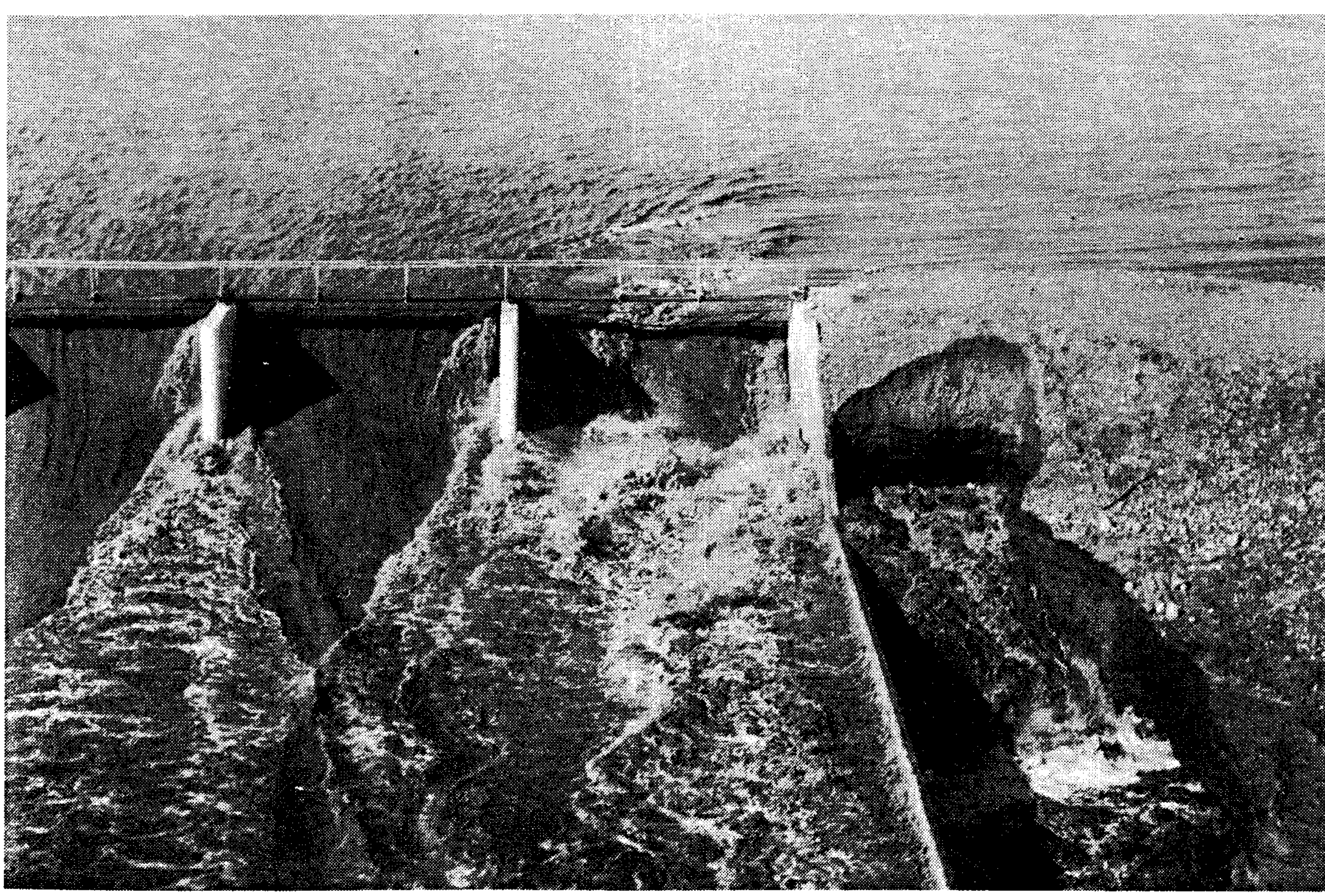
But the Life Line is about to be broken, in the case of many of our states dams.

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.



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

Exhibit 4 -- HB 493, 494, 495
March 22, 1985

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 5 -- HB 493, 494, 495
March 22, 1985

TESTIMONY IN OPPOSITION TO HB 493

By Don Reed, Montana Environmental Information Center
March 22, 1985

Mr. Chairman and members of the Senate Taxation 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 and the infrastructure package.

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 ongoing 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 not 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.

THOMAS E. TOWE
Senate District 46
February 11, 1985

Exhibit 6 -- HB 493, 494, 495
March 22, 1985

MONTANA'S PERMANENT COAL TAX TRUST FUND

Montana has approximately $223 million in its Permanent Coal Tax Trust Fund. I submit it would be a drastic mistake to invade this Trust Fund.

Don't Squander Our Natural Heritage

The people of Montana created a constitutional trust fund for one-half of our coal tax collections in 1976. Montanans are painfully aware that even though the nickname "The Treasure State" still remains, the vast treasures of gold, silver and copper are all but gone. Although the richest hill on earth made many persons fabulously wealthy, Montana has little to show for the wealth that was extracted from our state in the past. Montana does, however, pay dearly for many of the problems the "company" left behind.

Although the Copper Kings endowed the Los Angeles Symphony Orchestra, the Stanford University Library, the Corcoran Art Gallery and the University of Virginia Law School, other than the $20,000 gift by William A. Clark to build a theater inside the walls of the state prison, there was very little given to Montana.

Now that we have discovered a new treasure we are determined that this won't happen again. Because of the Trust Fund we can face our grandchildren and say we did not squander their natural heritage. Because of the Trust Fund life will be a little bit better even though much of the coal is gone.

To use the Trust Fund now, however, would be to slip right into the mistakes of the past.

The Trust Fund May Be Needed for Coal Related Problems

The Permanent Coal Tax Trust Fund was created to take care of future problems associated with coal development. First, front end impacts can cost enormous sums of money. The Coal Board has spent over $60 million on impacts and we still have not adequately addressed the problems connected with deteriorating roads caused by the coal development. This will cost us at least another $200 million.

While we may be able to take care of the current and past impacts caused by coal development without tapping the Trust Fund, should a major new synfuel plant or other major coal development take place, current collections will simply not be sufficient to cover these impacts.

Second, as we have been painfully reminded with pullout of the Anaconda Company from their mining operations in Butte and smelter operations in Anaconda and Great Falls, there are very significant "tail-end" impacts. We are again concerned that such tail-end impacts from closing down particular coal mines or coal mining towns will be taken care of. Again, the Trust Fund is the only viable source available for this purpose.

Third, many long term problems may not have even surfaced. If problems arise once the reclamation bonds are released, we may have to look to the Trust Funds to address them. Further, if major damage is done to agriculture as a result of the loss of, or tampering with ground waters, a major source of funding to remedy the situation should be available. Finally, in Pennsylvania, West Virginia, and other coal mining areas serious problems developed years after the coal mining was completed.

It is these unknown problems that we must protect against and the Trust Fund is the best insurance we have to guarantee no one will be adversely affected 50 or 100 years from now.

We Need All of the Interest Income

In addition to the coal related needs, the Trust Fund itself provides a generous amount of interest income that is available to the legislature each year. To date, $79,328,000 has been received from the interest income of the Trust Fund and has been spent by the legislature. Largely because of this funding source, Montana has not had to impose a major tax increase as nearly every other state has done in the past 4 or 5 years. Further, 54.8% of this money has gone to education.

Obviously, if money is diverted from the Trust Fund there will be less money earned by the Trust Fund. We are placing over $25 million each of the next two years into the general fund for use as a result of this interest income. We simply cannot afford to have less money available which is exactly what will happen if we use part of the Trust Fund for non-coal related purposes.

The Trust Fund Is Not Dimished By Inflation

Those arguing for investment in university buildings (this smacks of pork barrel politics) and infrastructure reconstruction projects, suggest buildings and construction projects are a good hedge against inflation. The biggest problem with this argument is, what will we do if we need the Trust Fund money for coal related problems (impact problems from 3 new synfuel plants, for example)? Once the buildings are built, we can't sell them to get our investment back when we need it. (By contrast, investments made by the Economic Development Board or the new proposed Farm Credit Program could be sold.)

Also, proponents of invading the Trust Fund tend to ignore that we are already plowing back 15% of the interest income into the Trust Fund. Additionally, approximately $50 million is added to the Trust Fund each year from new coal tax collections. These 2 items will increase the Trust Fund by more than 25% next year--far more than the current inflation rate of approximately 3%. Since it was created in 1976, the Trust Fund has grown from $0 to $223 million. For the foreseeable future, it will far exceed the inflation rate in new growth.

CONCLUSION

Thus, the Trust Fund was set aside for coal related problems. If we use it for something else, the money may be gone when we need it. Also, if we use the principle, there will be less interest income which means we will have to raise taxes or reduce education. The Trust Fund is growing much faster than inflation. Finally, to invade the Trust Fund for non-coal related purposes would rob our future generations of their natural heritage.

Exhibit 7 -- HB 493, 494, 495
March 22, 1985

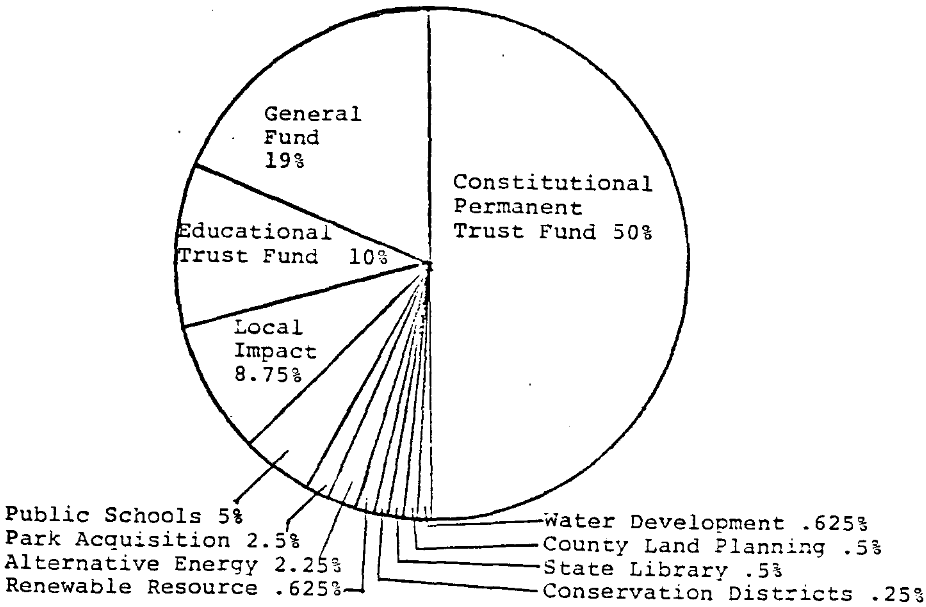
THOMAS E. TOWE
Senator - District 46
January 22, 1985

COAL TAX TRUST FUND

1. THE TRUST FUND SHOULD NOT BE CONFUSED WITH THE COAL TAX COLLECTIONS (THE PIE).

--50% of coal tax collections goes to the Coal Tax Trust Fund.

MONTANA'S SEVERANCE TAX
DISTRIBUTION FORMULA



COAL TAX COLLECTIONS (THE PIE)
INCOME PROJECTIONS

FUND	PERCENT FY 86	FY 86	PERCENT FY 87	FY 87
Constitutional Trust Fund	50%	$ 51,933,000	50%	$ 56,016,500
General Fund	19%	19,734,540	16.720%	18,731,918
Educational Trust Fund	10%	10,836,600	8.8%	9,858,904
Local Impact	8.75%	9,088,275	7.70%	8,626,541
Public Schools	5%	5,193,300	4.4%	4,929,452
Alternative Energy	2.25%	2,336,984	1.98%	2,218,253
Park Acqusition	2.5%	2,596,650	2.2%	2,464,726
Water Development	.625%	649,163	.550%	616,181
Renewable Resources	.625%	649,163	.550%	616,181
Conservation Districts	.250%	259,665	.220%	246,474
County Land Planning	0.5%	519,330	.440%	492,945
State Library	0.5%	519,330	.440%	492,945
Highway Reconstruction			6.0%	6,721,980
TOTAL		$ 103,866,000		$ 112,033,000

2. THE COAL TAX TRUST FUND IS PERMANENT.

--It is constitutional--Article IX, Sec. 5 requires 50% of coal severance tax collections be "dedicated" to the Trust Fund.

--Approved by the people overwhelmingly in Nov. of 1976.

--The Constitution says it "shall forever remain inviolate" unless appropriated by 3/4ths vote of <u>each</u> house of the legislature.

--In 8 years since it was created, only the water bonding program has received the 3/4ths vote.

--Even these will fully repay so the trust fund stands to lose only the difference between 7% interest (the water projects) and 13% (last year's Trust Fund yield).

--Includes the Main Trust Fund ($208 million) and the In-State portion (I-95 requires 25% be invested in Montana) ($15 million).

--The Main Trust Fund is administered by the Board of Investments (13% earnings last year)

--The In-State portion is administered by the Economic Development Board (11.18% earnings last year plus 8-10% additional from income tax paid by new jobs and industries created).

3. THE COAL TAX TRUST FUND SHOULD NOT BE CONFUSED WITH THE INTEREST INCOME FROM THE COAL TAX TRUST FUND.

--The interest income is available for appropriation by the legislature. (3/4ths vote is not required--simple majority only.)

--15% is plowed back into the principle each year.

--partially to make up for loss because of water bonds

--partially to offset reduction of purchasing power of the principle caused by inflation.

--The legislature has appropriated the interest income as follows:

1977 Session:

1) Purchase of Russell Painting (HB 826)	$295,000
2) Low Income Weatherization (HB 701) (fed. match)	$300,000
Total 1978-79 Biennium=	$595,000

1979 Session:

No appropriation

1981 Session:

1) School Foundation Program (HB 611)	$16,000,000
2) Highways (HB 666)	$16,469,324
3) Dept. of Commerce (HB 500)	
item 4=Economic Development	$ 46,593
item 5=Business Assistance Bureau	175,083
item 6=Economic Development Grants	59,000
item 8=Travel Promotion Program	1,300,000
Total 1982-83 Biennium=	$34,050,000

1983 Session: (see Sec. 11 of HB 447)

1) Build Montana Program (HB 1)	$ 3,175,000
2) School Foundation Program (HB 919)	$27,500,000
3) Department of Commerce (HB 447)	
item 8=Business Assistance	$ 471,466
item 9=Montana Promotion	1,768,712
item 11=Community Assistance	584,038
item 12=Economic Development Support	538,627
4) Vocational Technical Centers (HB 477)	$ 9,119,865
5) University System (HB 447)	$ 1,525,292
Total - 1984-85 Biennium=	$44,683,000

Total Interest Income Appropriations to Date=	$79,328,000

Projected Interest Income Earning -- Future amount available after 15% is plowed back into the Trust.*

1986-87 Biennium - $62,352,000
1988-89 Biennium - $81,000,000
1990-91 Biennium - $101,000,000

*Assumes no increase in coal production and a continuation of current interest rates.

It is this income stream most people want to protect.

--Obviously any use of the trust fund principle will substantially reduce these numbers -- permanently.

--It represents 8.5% of total General Fund monies available in FY 87.

--Over 1/2--$43,500,000--has gone to education.

4. THE TRUST FUND SHOULD NOT BE CONFUSED WITH OTHER STATUTORY TRUST FUNDS ESTABLISHED FROM COAL TAX COLLECTIONS (THE PIE).

a) Educational Trust Fund--$65 million in the Trust Fund.

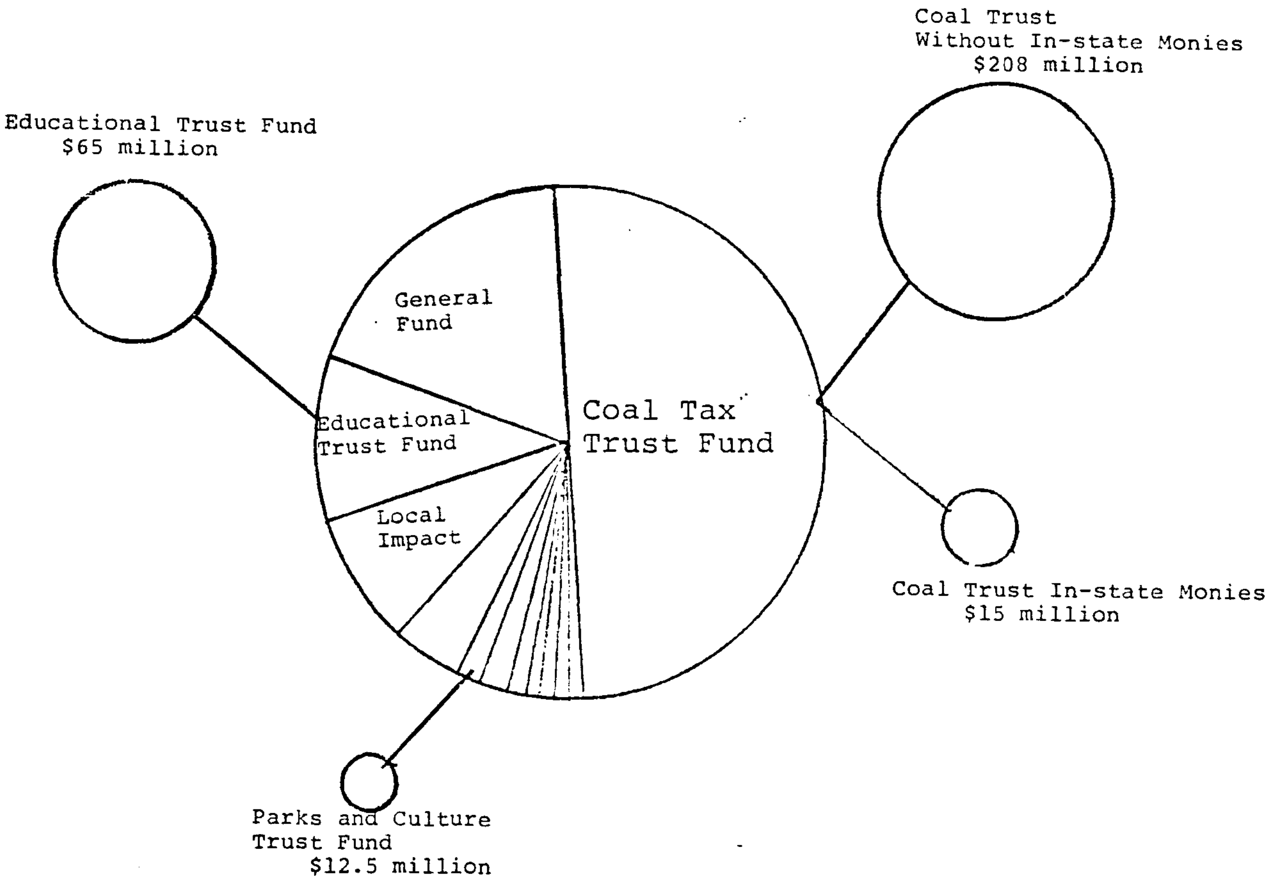
--Interest income ($7.5 million per year)
10% Vo Tech and Basic Adult Ed.
67.5% Foundation Program
22.5% Bd. of Regents

b) Park Acquisition and Culture Trust Fund -- $12.5 million in the Trust Fund.

--Interest income ($1 million per year):
33.5% Art Protection and Cultural Projects
66 2/3% Park Acquisition and Management

c) Impact of Decline Trust Fund (proposed in SB 4)

OTHER STATUTORY TRUST FUNDS



--These statutory trust funds are not constitutional like the Coal Tax Trust Fund. They can be changed by a majority vote of the legislature.

--A "pork barrel" assault on the educational trust fund was attempted in 1977, 1979, and 1981.

--Each time the bill got out of the House and was defeated by very narrow margins (or tie vote) in the Senate.

5. WHY IS THE COAL TAX TRUST FUND SO IMPORTANT?

a) Without it, we have nothing to show to our future generations for the loss of a valuable resource.

--Montana is the Treasure State.

--Once Montana had vast deposits of Gold, Silver and Copper.

--Now most of it is gone.

--What do we have to show for it?

--The "richest hill on earth" is now an economically depressed area.

--The Copper Kings who became fabulously wealthy left money elsewhere.

--Los Angeles Symphony Orchestra
--Stanford University Library
--Corcoran Art Gallery, Wash., D.C.
--University of Virginia Law School

--Only tangible gift to Montana was WA Clark's gift of $20,000 to build the theater inside the walls of the State Prison at Deer Lodge.

--Now that we have discovered a new Treasure, we are determined that this won't happen again.

--Montana has nearly 25% of the nation's coal supply.

--Montana has nearly 10% of the world's coal supply.

--Montana has over 43% of the nation's low-sulphur coal.

--Because of the Trust Fund, this generation will not squander the natural heritage of our future generations.

--Life for Montanans in the future will be a little bit better because of the Trust Fund even though the coal (or much of it) may be gone.

b) The Trust Fund is intended to be available to take care of <u>future</u> problems associated with coal development.

(1) Front-end impacts from 3 synfuel plants or similar giant developments could cost nearly $500 million.

(2) Tail-end impacts after the coal is gone from an area need to be taken care of.

--We had no funds to help Butte and Anaconda adjust to the closing of the Anaconda Company operation.

--The Trust Fund guarantees that won't happen when coal companies leave.

(3) Some impacts still haven't been adequately met.

--We have sadly neglected roads in the impacted area.

--estimated total cost is over $200 million.

(4) Long term problems may need further attention.

(a)-Not one acre has yet been released from a reclamation bond.

--If problems arise once the bonds are released we may need funds to take care of it.

(b)-The ground water situation still has not been solved. If we substantially lower water tables, all agriculture in Eastern Montana may be damaged.

(c)-Many other problems may develop that we can't even imagine at this time.

--Pennsylvania has many problems from coal mining of 100 years ago.

--With our trust fund, we can be assured that we always will have funds to address problems.

c) The interest income is needed:

(1) to help supplement the general fund.

--Revenue to the general fund (projections):

FY 1986=$25,099,000
FY 1987=$25,820,000

--Obviously to spend the principle (or a portion) will seriously reduce these amounts.

--Education will suffer the most.

--54.8% of the $79,328,000 spent so far was appropriated directly to the Foundation Program.

Thomas E. Towe

SENATOR THOMAS E. TOWE

SSP/spk