

MINUTES OF THE MEETING
TAXATION COMMITTEE
50TH LEGISLATIVE SESSION
HOUSE OF REPRESENTATIVES

February 3, 1987

The meeting of the Taxation Committee was called to order by Chairman Ramirez, on February 3, 1987, at 9:00 a.m. in Room 312B of the State Capitol.

ROLL CALL: All members were present. Also present was Dave Bohyer, Researcher, Legislative Council.

CONSIDERATION OF HOUSE BILLS 288 AND 289: Rep. Paul Pistoria, House District #36, sponsor of HB 288, said the bill provides for a constitutional amendment devoting 5% of the coal tax to local governments. He explained that HB 289 allocates the funds to local governments, and read from statistics on distribution of general fund revenue from the coal tax (Exhibit #1). Rep. Pistoria stated that the proposed 5% in earmarked funds would come from the permanent trust fund.

Rep. Pistoria advised that the bill would not increase taxes, nor affect the permanent trust fund, or interest earned. He said HB 288 would put the constitutional amendment issue on the ballot in 1988 and, if passed, would be effective from July 1, 1989 through June 30, 1999.

PROPOSERS OF HOUSE BILL 288 AND 289: Alec Hansen, Montana League of Cities and Towns, told the Committee that 5% of the coal tax would raise \$4 million for local governments, who are facing a \$20 million loss in the block grant program.

Lou Fontana, Cascade County Road Supervisor, stated his support of the bills.

Gordon Morris, Montana Association of Counties, said the bill appears to be a good one in concept, and that the issue should be submitted to voters.

OPPOSERS OF HOUSE BILLS 288 AND 289: Phil Campbell, Montana Education Association, said he opposed the bills because MEA is opposed to getting into the coal trust fund.

QUESTIONS ON HOUSE BILLS 288 AND 289: Rep. Asay asked if there were no restrictions on use of funds, outlined in the bill. Rep. Pistoria replied that HB 289 explains implementation of funds.

Rep. Ream asked Alec Hansen if he would support a bill to

sunset this legislation in twelve years. Mr. Hansen replied he did not know.

Rep. Ream asked Rep. Pistoria if he thought a local government ballot was fair. Rep. Pistoria replied he did, and said the language met the satisfaction of the Legislative Council research staff.

CLOSING ON HOUSE BILLS 288 AND 289: Rep. Pistoria stated that he was angry at education for its overexpenditures, and non-support of local government issues.

CONSIDERATION OF HOUSE BILLS 270, 271 AND 272: Rep. Jack Ramirez, House District #87, sponsor of HB's 270, 271, and 272, said the bills were introduced last session as the Montana Infrastructure Trust, but died in the Senate. He added that there was an insufficient number of votes in the House to place the issue on a ballot.

Rep. Ramirez said HB 271 provides for constitutional amendment to split the coal tax trust, by creating an infrastructure trust from 25% of coal tax receipts. He explained that a three-fourths vote would be required to spend 12.5% of that 25%, to finance local infrastructure projects.

Rep. Ramirez stated that HB 270 is the implementation bill, and HB 272 provides bonding provisions, enabling trust dollars to be used to finance the bonding program. He explained that HB 272 differs from HB 32, in that it is primarily a loan rather than a grant program.

Rep. Ramirez said the bills would permit direct grants from 12.5% of coal tax receipts, and authorize for new and separate bonding authority of \$250,000. He commented that the bills include state projects as well as local government projects and capital investment kinds of maintenance projects, which might not be permitted by HB 32.

Rep. Ramirez advised that the state will lose a tremendous investment if it can't continue capital investment projects. He said the question is, "When is the future?", and commented that right now, 80% of coal tax interest is used for general fund purposes. Rep. Ramirez stated that because interest on the trust is not compounded, it is losing value in the trust.

Rep. Ramirez suggested that committee members read the booklet published by the Montana Economic Development Board. He said 42.3% of the original purchasing power in the coal tax trust has been lost since 1978. He stated that by the year 2000, the trust will have lost half the value it had in 1985, and said the legislature is better off putting the funds into tangible assets, rather than all paper.

Rep. Ramirez explained there is a question of balance between paper and tangible assets. He advised that a number of states and two Canadian provinces, Alberta and Saskatchewan use funds from their mineral trusts for infrastructure programs. He added that construction costs will be higher in the future, and it would be wise to address these issues now.

PROPOSERS OF HOUSE BILLS 270, 271 AND 272: Dan Huestis, Great Falls, President-elect of the Association of General Contractors of America, said his association completes 80% of the construction in the nation. He stated that he is also past president of the Montana Contractors Association and a former member of the Governor's study on infrastructure, which reported infrastructure issues to the federal government.

Mr. Huestis stated that, in his opinion, the most important part of HB 271, is the preamble on page 1. He explained that one of the least understood problems is that one-half of all communities in the U.S. are out of the economic growth realm and, thus, underfunding revenue projects. Mr. Huestis said up to 1982, local government tax expenditures declined 53%, while welfare spent \$180 million in Montana, up 60% in the past five years. He advised that this figure is more than money spent for the university system, and highway construction in the state, and said a \$9 billion job training program produced only 35,000 jobs at a cost of \$88,000 each.

Mr. Huestis told the Committee that in 1984, construction comprised 9% of the gross national product, and that 80% of all public works programs were approved by voters. He urged the Committee to support the bills, to look forward toward employing future generations in Montana. (Exhibits #2, #3, #4, #5, #6)

Dennis Burr, Montana Taxpayers Association, stated his support of the bills.

Gordon Morris, Montana Association of Counties, stated his support of the bills.

Alec Hansen, Montana League of Cities and Towns, also stated his support of the three bills. He stated that in a survey of the water systems of eight cities, two years ago it was determined there was a need for \$108 million in necessary work. He said that if something is not done to change this situation, the next generation of Montanans will inherit a problem they may not be able to handle.

Mons Tiegen, Montana Stockgrowers and Cattle Women, stated his support of the bills, and said there is a need for consistent programs which operate year by year.

OPPONENTS OF HOUSE BILLS 270, 271 AND 272: Jean Marie Souvigney, Montana Chapter of Sierra Clubs, said the legislature should not reduce the coal trust fund, as it will increase dependence upon funding coal development. She said that 11% of the general fund was supported by the coal trust fund in 1986, and asked where the state would be when it can't afford new projects.

Dave Hunter, Budget Director, Office of the Governor, told the Committee he opposed the bill as it would create a new expenditure program. He said if such a program is not created during the current biennium, it may be possible to balance the budget in the coming biennium.

Referring to Rep. Ramirez' statement concerning erosion of the trust fund, Mr. Hunter said income to the general fund is projected to decrease by \$31 million in FY88 and \$34 million in FY89, as a result of taxpayers paying 15% less in taxes. He added that the bills would reduce dollars available to Montana, and said the Economic Development Board had a problem in determining what is a needed public improvement.

Mr. Hunter said that, right now, local governments must pay part of infrastructure costs, thus, showing approval for such projects. He explained there is a significant difference between infrastructure proposals and water development proposals, as in some cases, local voters have rejected as little as a 2% increase for infrastructure proposals. Mr. Hunter added that the bills are an inefficient way to build infrastructure, and that the state is better off with a living trust and underwriting bond issues, than in making grants. He urged the Committee to give the bills a do not pass recommendation.

Phil Campbell, Montana Education Association, said he opposed the bills for the same reasons he opposed HB's 288 and 289.

George Ochenski, Montana Environmental Information Center, said he opposed the bills and any proposals to lower the coal tax for a few years in an effort to help the economy.

Craig Jones, D.A. Davidson, told the Committee he generally supported the use of coal tax dollars for infrastructure, but believes the money can be put to more efficient use. He said Evanson Dodge of Minnesota, discovered that local governments can borrow at a lower rate than can a state, and that he believes the grant program will be more effective than bonding.

Mr. Jones commented that the state has exceeded its standards of issuance of debt.

QUESTIONS ON HOUSE BILLS 270, 271 AND 272: Rep. Sands asked Dave Hunter why local government loans are different from any other government expenditure. Mr. Hunter replied that the state is financing 11% of local government right now, and if the Committee wants to look at building infrastructure, the mechanism in the water bond bill is a more efficient way to do so.

Rep. Sands asked if the state should stop issuing grants if they are so inefficient. Dave Hunter replied that he was addressing capital expenditures for infrastructure and water projects, and not ongoing expenses to government, which are treated differently.

Rep. Harp said he was concerned with matching funds requests of local governments. Rep. Ramirez replied that projects at the local level that won't pay for themselves, could be paid for, in part, by seed money grants, and in part by local government.

Rep. Raney asked if the state were not in tough times when consideration is being given to increasing dependence upon coal tax revenue, and to reducing the coal severance tax, simultaneously, Rep. Ramirez replied that, assuming coal tax dollars could be saved by lowering the severance tax, the legislature would still have to deal with the trust situation in the constitution and how best to use and meet constitutional mandates.

Rep. Raney asked where the situation would end, if the coal severance tax were lowered, and what the reason is behind taking funds from one trust and putting them into another trust. Rep. Ramirez said the state must have economic development and needs to make best use of its resources.

Rep. Raney asked Rep. Ramirez if he were essentially saying that the legislature should change the policy to put 5.5% into the general fund and get into rebuilding and general construction. Rep. Ramirez responded affirmatively, and said if funds hadn't been put into the state before, there would be no economy today.

Rep. Raney asked how infrastructure was funded during the first 100 years of statehood. Rep. Ramirez advised that resources were put into capital development programs, and said the state must do some things to create economic development.

Rep. Sands asked Craig Jones if his objective were bonding provisions. Mr. Jones replied it was, and said the funds should be used for a grant/match funding program, to pay a portion of costs, while local governments also paid a portion.

Taxation Committee
February 3, 1987
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Rep. Ream asked if language concerning "principle" on page 2, line 13, of the bill meant using half of \$30 million. Rep. Ramirez replied that both halves would grow.

Rep. Sands asked Dan Huestis if the bills would really help the economy grow, under the principles of economic growth, and commented that the state began to be federal aid junkies a long time ago. There was no response.

CLOSING ON HOUSE BILLS 270, 271 AND 272: Rep. Ramirez advised that all the bills do is allow binding and expenditure of funds. Referring to Dave Hunter's statement concerning 11% state support of local governments, Rep. Ramirez said 11% is used for current operating costs of governments and should be set aside for future generations, if the fund is going to be used for its true purpose. He stressed that he is a proponent only of infrastructure needs not funded at this time.

Rep. Ramirez said he questioned the motive of the administration in appearing on this bill, and commented that the question is, "Are we investing coal tax dollars now in the best way we can and, if not, are we fulfilling the purpose of the constitution?"

ADJOURNMENT: There being no further business before the Committee, the meeting was adjourned at 10:30 a.m.

REPRESENTATIVE JACK RAMIREZ,
Chairman

DAILY ROLL CALL

HOUSE TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

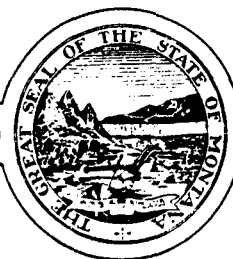
Date

2-3-87

NAME	PRESENT	ABSENT	EXCUSED
REP. RAMIREZ	✓		
REP. ASAY	✓		
REP. ELLISON	✓		
REP. GILBERT	✓		
REP. HANSON	✓		
REP. HARP	✓		
REP. HARRINGTON	✓		
REP. HOFFMAN	✓		
REP. KEENAN	✓		
REP. KOEHNKE	✓		
REP. PATTERSON	✓		
REP. RANEY	✓		
REP. REAM	✓		
REP. SANDS	✓		
REP. SCHYE	✓		
REP. WILLIAMS	✓		

OFFICE OF THE GOVERNOR
BUDGET AND PROGRAM PLANNING

EX-108 #1
DATE Jul 3 1987
HB 258-299



TED SCHWINDEN, GOVERNOR

STATE CAPITOL

STATE OF MONTANA

(406) 444-3616

Rec'd - Tues - Jan. 13, 1987

HELENA, MONTANA 59620

January 13, 1987

Representative Paul G. Pistoria
House of Representatives
State Capitol Station
Helena, MT 59620

Dear Representative Pistoria:

Based on information received from the statewide budgeting and accounting system, each coal severance tax entity received the following amounts for FY 83, FY 84, FY 85 and FY 86.

Entity	Actual FY 83	Actual FY 84	Actual FY 85	Actual FY 86	Percent of Total
Highway Trust	-0-	-0-	-0-	1,684,344	2.00
General Fund	15,208,546	15,736,468	17,432,283	20,001,588	23.750
Pub. School Equaliz.	4,002,249	4,141,172	4,587,443	4,210,861	5.000
Co. Land Planning	400,225	414,117	458,744	421,086	.500
Local Impact	7,003,936	7,247,050	8,028,025	2,526,516	3.000
Conservation Districts	200,112	207,059	229,372	210,543	.250
State Library	400,225	414,117	458,744	421,086	.500
Alternative Energy	1,801,012	1,863,527	2,064,349	1,052,715	1.250
Renewable Resources	1,000,562	624,224	573,430	526,358	.625
Water Development	-0-	411,069	573,430	526,358	.625
Parks & Cultural Trust	2,001,125	2,070,565	2,293,721	2,105,430	2.500
Education Trust	8,004,498	8,282,343	9,174,886	8,421,721	10.000
Permanent Trust	40,022,491	41,411,716	45,874,428	42,108,607	50.000
Total	\$80,044,981	\$82,823,427	\$91,748,855	\$84,217,213	100.000

NOTE: As of December 31, 1986, there was \$270,619,728 in the Permanent Coal Trust Fund. The interest earnings are distributed 85% to the general fund and 15% to the permanent trust. There was an additional \$36,738,958 in the In-State Investment Fund as of December 31, 1986.

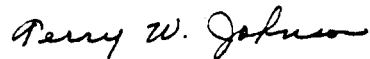
Page 2;
Letter to Rep. Paul G. Pistoria
January 13, 1987

NOTE: Permanent Trust Interest Earnings

\$38,168,226 =	1986 total interest earnings
\$32,443,208 =	85% interest to General Fund
\$ 5,725,018 =	15% interest into Permanent Trust Fund.

Please contact me if I can provide any further information.

Sincerely,



TERRY W. JOHNSON, BUREAU CHIEF
D. P. Systems and Statistics Bureau

EX
P110P
UB270

EXHIBIT #1a
DATE Feb 3, 1987
288 + 289

Economic growth is answer to escalating cost of welfare

In the past fiscal year, the state of Montana spent \$180 million on public assistance of all kinds. The cost of welfare has risen almost 60 percent in five years — an increase greater than rising educational costs during the same period.

As it now stands, the state spends more money for public assistance than it does for the university system. It spends three to four times as much for public assistance than it does for highway construction and repairs.

Assistance falls into three broad categories. The biggest outlay is for Medicaid assistance, treating the indigent and poverty-stricken for medical problems. The cost was \$105.5 million in the past year, according to an annual report issued by the state Department of Social and Rehabilitation Services. Aid to Families with Dependent Children is next on the list, costing \$34 million. Food Stamps are in third place, costing \$31.5 million.

In a given month in Montana, about 21,500 families receive Food Stamps and Medicaid assistance. About 8,700 families receive Aid to Dependent Children.

There are some conclusions that can be drawn from this.

First of all, Montanans are generally supportive of public assistance. Our state Constitution requires that we care for the less fortunate. Secondly, it's apparent that welfare costs have risen in proportion to the stress on Montana's econo-

my. Inflation has been a factor, as well, but high unemployment and low wage levels are the main elements.

Another conclusion is that competition for welfare dollars — and there is a limit to how much can be made available — is eroding the quality of service to recipients and putting stress on those who work for the welfare system. Limits on general assistance (rent subsidies) were enacted by the Legislature last summer. State government recently turned over a home health care program to a private contractor, hoping to save money. The immediate upshot was a wage reduction for people who work in the program.

And SRS has felt the impact of general state cutbacks in the past year, either laying off workers or not replacing those who resign or retire.

Welfare is a Catch-22. Its costs are proportionately lower in good times and the burden increases during hard times.

That's one reason why this newspaper has been nagging the dickens out of legislators in recent months to do everything in their power to aid economic growth. It isn't only the prosperous who reap benefits from an improved economy.

In a very real sense, the downtrodden and the unfortunate share the rewards.

We sincerely hope the Legislature bears this in mind when the session opens on Jan. 5.

DENVER POST
10A * 31 JAN 87

AROUND THE

Job program called a flop

WASHINGTON — A \$9 billion government program that advocates claimed would create between 200,00 and 500,000 jobs for Americans who lost theirs in the last recession produced only 35,000 at a cost of \$88,571 each, according to congressional auditors. The General Accounting Office, in a report released this week, concludes that the 1983 Emergency Jobs Appropriations Act was ineffective, blaming both Congress and the Reagan administration for its failure.

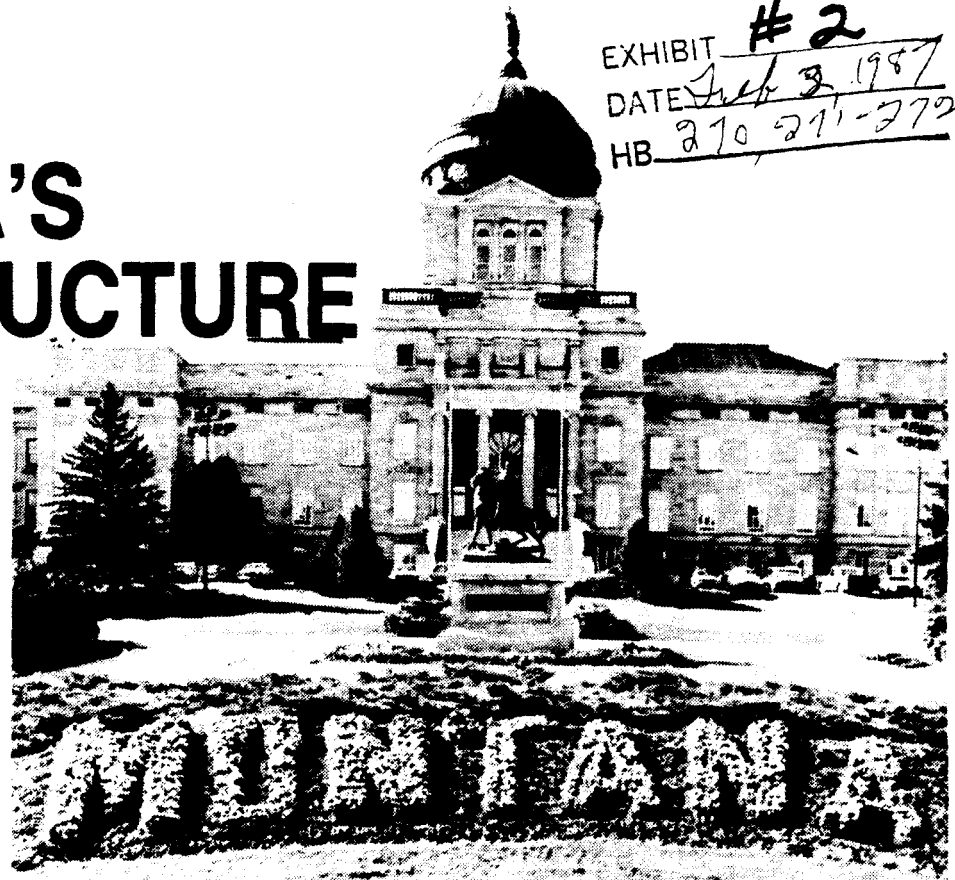
EXHIBIT #16
DATE Feb 3 1987
HB 288 + 289

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EXHIBIT #2
DATE Feb 3 1987
HB 270-271-272

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."

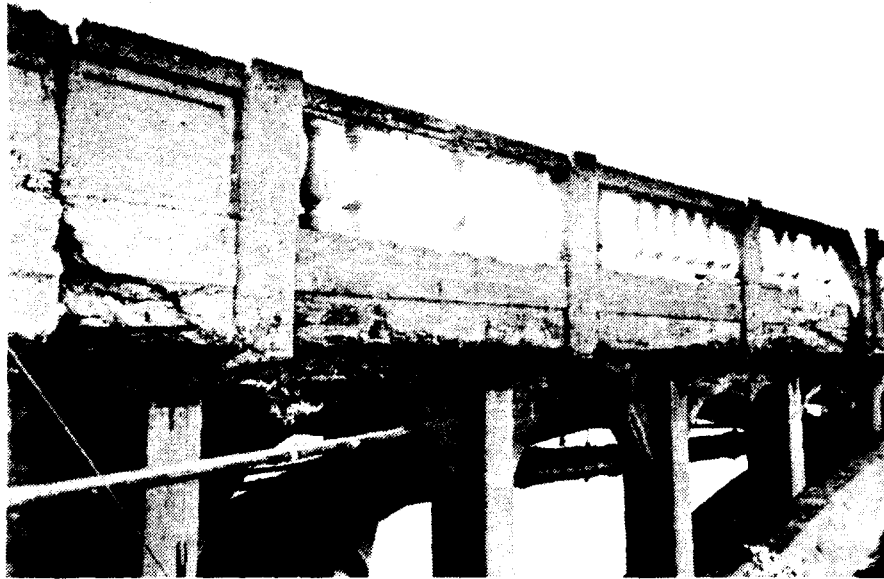
"To research administrative and legislative changes that could be made to facilitate flexibility in financing capital construction and good management in planning and operating capital facilities at the local level and bring these recommendations to the attention of the public and the appropriate government 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 today's 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 today's 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 sources 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 built 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.

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.

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.

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.

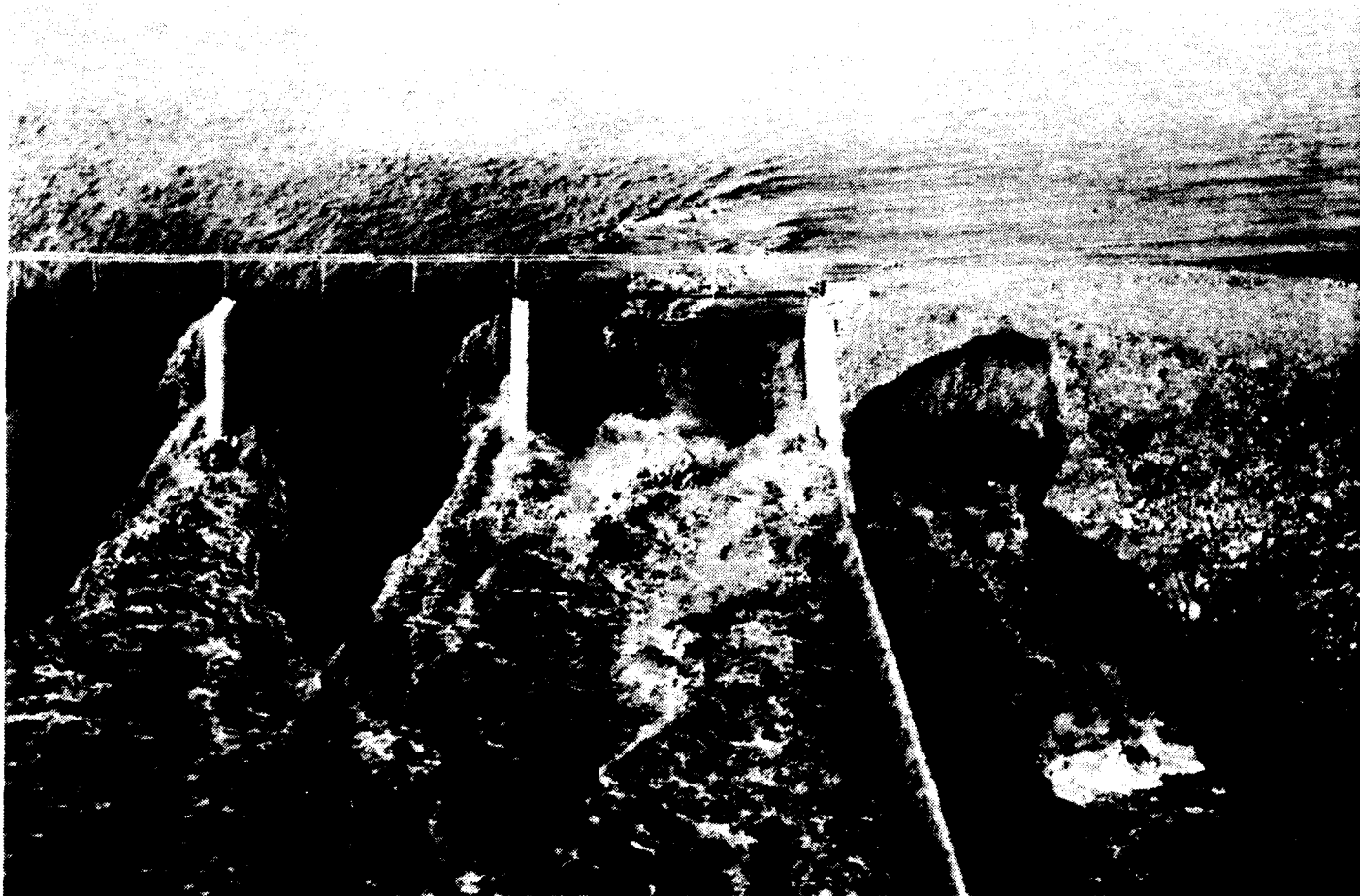
But the Life Line is about to be broken, in the case of many of our states dams.

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:

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



Montana Contractors' Association, Inc.

P.O. Box 4519

HELENA, MONTANA 59604

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Feb 3, 1987

MONTANA ECONOMIC DEVELOPMENT SUMMIT
SHERATON INN, GREAT FALLS, MONTANA

11 DECEMBER 1984

SUMMARY OF THE WORK OF THE GOVERNOR'S TASK FORCE ON INFRASTRUCTURE

INASMUCH AS ECONOMICS ARE THE KEYNOTE OF THIS CONFERENCE, I FEEL YOU ARE ENTITLED TO AN UNDERSTANDING OF MY ECONOMIC JUDGEMENT PRIOR TO THE ADDRESS OF MY SUBJECT.

ECONOMIC JUDGEMENT CAN BE DIFFICULT. WITHOUT THE INFRASTRUCTURE OF PUBLIC WORKS, THE ECONOMY OF OUR STATE AND OUR COMMUNITIES WILL NOT FUNCTION NORMALLY. AS YOU OBSERVED EARLIER IN THE VIDEOTAPE PRESENTATION, ONE-HALF OF ALL COMMUNITIES IN THE UNITED STATES ARE IN A NO-GROWTH STATUS.

A STUDY CONDUCTED BY THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA HAS CONCLUDED THAT THE UNITED STATES ECONOMY MISSED OUT ON \$350 BILLION IN GROSS NATIONAL PRODUCT FROM 1975 TO 1982 BECAUSE OF INSUFFICIENT ^{PUBLIC} CAPITAL INVESTMENT.

IN MONTANA TERMS, OUR TASK FORCE FINDS THAT IN THE FOUR YEAR PERIOD FROM FY 79 TO 82, SPENDING ON CAPITAL INVESTMENT IN URBAN MUNICIPALITIES DECLINED 53%.

JUST THE OTHER DAY, I WAS VISITING WITH A CITIZEN AND I ASKED HIM IF HE THOUGHT THE DETERIORATION OF PUBLIC WORKS IN MONTANA WAS A SERIOUS PROBLEM. HE ALLOWED AS HOW HE THOUGHT THAT IT SURE WAS. I ASKED HIM IF HE THOUGHT THE PROBLEM WAS CAUSED BY IGNORANCE OR APATHY. HE SAID.....HE DIDN'T KNOW AND HE DIDN'T CARE.

SUMMARY OF RECOMMENDATIONS

WHAT CAN BE DONE IN MONTANA TO ADDRESS LOCAL INFRASTRUCTURE NEEDS?

THERE ARE FOUR BASIC BARRIERS TO EFFECTIVELY ADDRESSING INFRASTRUCTURE IN MONTANA. SOME STEPS CAN BE TAKEN IMMEDIATELY TO REDUCE THESE BARRIERS. THE FIRST, AND MOST IMPORTANT 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.

SECONDLY, WE NEED TO ADDRESS THE PROBLEM OF DECLINING LOCAL GOVERNMENT REVENUES. MONTANA'S HIGH RELIANCE ON THE PROPERTY TAX, COUPLED WITH THE FACT THAT OUR PROPERTY TAX BASE IS ERODING, HAS BROUGHT MOST MONTANA LOCAL GOVERNMENTS TO THE POSITION OF HAVING LESS REVENUE (ADJUSTED FOR INFLATION) THAN THEY HAD TEN YEARS

AGO. NEW SOURCES OF LOCAL REVENUE MUST BE AUTHORIZED BY THE LEGISLATURE SO THAT LOCAL GOVERNMENTS HAVE THE NECESSARY REVENUE TO INVEST IN PUBLIC FACILITIES. USE OF LOCAL TAXES FOR LOCAL PUBLIC ^{WORKS} ~~FACILITIES~~ CAN CUT COSTS IN TWO WAYS: IT REDUCES ADMINISTRATIVE EXPENSES (WHICH GENERALLY INCREASE WITH EACH ADDITIONAL LEVEL OF GOVERNMENT INVOLVED) AND IT MAXIMIZES THE SHARE LOCAL CITIZENS HAVE IN OBTAINING EFFECTIVE MAINTENANCE AND OPERATIONS.

THE THIRD BARRIER THAT WE CAN WORK TO REDUCE IS THE DEGREE TO WHICH STATE GOVERNMENT RULES AND REGULATIONS ADD TO THE COST OF 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 OUTDATED AND ACTUALLY ADD TO THE COST OF REPLACING OR MAINTAINING LOCAL INFRASTRUCTURE BY UNNECESSARILY RESTRICTING LOCAL FLEXIBILITY AND AUTHORITY. MANY OF THE RECOMMENDATIONS OF ^{OUR} ~~THE~~ TASK FORCE IDENTIFY THESE STATUTES AND PROPOSE CHANGES IN STATE LAW.

THE IMPORTANCE OF CAPITAL IMPROVEMENT PLANNING CANNOT BE OVEREMPHASIZED. BEYOND MINIMIZING THE COSTS OF PLANNING AND FINANCING, THE STATE MUST ACTIVELY ENCOURAGE LOCAL GOVERNMENTS TO TAKE THE TIME TO PREPARE CAPITAL IMPROVEMENT PLANS, KEEP THEM CURRENT, AND ACTIVELY SEEK TO FINANCE THEIR FACILITIES BASED ON THESE PLANS. THIS CAN BE DONE BY INCREASING THE STATE'S ABILITY TO PROVIDE TRAINING ON CAPITAL FACILITIES PLANNING AND GRANTS TO COVER THE COSTS OF CARRYING OUT THE PLANNING.

THE FOURTH THING WE CAN DO A BETTER JOB OF IS GETTING INFORMATION ON INFRASTRUCTURE ASSISTANCE TO OUR LOCAL GOVERNMENTS. STATE AND FEDERAL GOVERNMENTS ADMINISTER A NUMBER OF GRANT, LOAN AND BONDING PROGRAMS THAT ACTIVELY CONTRIBUTE TO LOCAL FINANCING. STATE AND FEDERAL GOVERNMENTS ALSO HAVE LIMITED TECHNICAL ASSISTANCE PROGRAMS WHICH FACILITATE LOCAL PLANNING FOR 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 ALSO RECOMMENDS THAT ALL THIS INFORMATION BE PULLED TOGETHER INTO ONE PLACE AND MADE READILY ACCESSIBLE TO STATE AND LOCAL OFFICIALS.

SOME PROGRESS ON THESE BARRIERS CAN BE MADE IMMEDIATELY THROUGH ~~THE~~ OUR RECOMMENDATIONS ~~LISTED BELOW~~. HOWEVER, THESE RECOMMENDATIONS ARE ONLY THE BEGINNING OF THE CHANGES NECESSARY TO REMOVING THE BARRIERS THAT ARE PREVENTING US FROM FULLY ADDRESSING OUR INFRASTRUCTURE NEEDS. A COMPLETE RENOVATION OF OUR LOCAL GOVERNMENT FINANCING AND REVENUE AUTHORITY MUST BE UNDERTAKEN. THEREFORE, WE STRONGLY URGE THAT AN INTERIM COMMISSION ON INFRASTRUCTURE BE CREATED TO PREPARE THIS RENOVATION FOR THE 1987 SESSION OF THE LEGISLATURE.

Now, Specific

RECOMMENDATIONS OF THE GOVERNOR'S TASK FORCE ON INFRASTRUCTURE

THE RECOMMENDATIONS OF THE TASK FORCE FALL INTO THREE AREAS: THOSE THAT CAN BE DONE IN THE NEXT YEAR AND AFFECT MULTIPLE TYPES OF INFRASTRUCTURE FACILITIES; THOSE THAT CAN BE DONE IN THE NEXT

YEAR AND PRIMARILY AFFECT ONLY ONE TYPE OF FACILITY; THOSE THAT ARE TOO COMPLEX TO ALLOW IMMEDIATE SOLUTION AND THEREFORE WARRANT THOROUGH ANALYSIS AND RECOMMENDATIONS FROM AN INTERIM COMMISSION FOR THE '87 SESSION OF THE LEGISLATURE.

I. IMMEDIATE RECOMMENDATIONS - GENERAL

1. PROVIDE TO LOCAL GOVERNMENTS NEW REVENUES THAT MEET THE FOLLOWING CONDITIONS: A. EASE THE PROPERTY TAX BURDEN; B. ALLOW ~~FBQ~~ EXPANSION OF LOCAL OPTION TAXES; C. MAINTAIN THE PROGRAM OF STATE ASSISTANCE THROUGH THE LOCAL GOVERNMENT BLOCK GRANT.
2. CLOSE THE GAPS IN EXISTING SUBDIVISION REVIEW STATUTES SO THAT PROPOSED INFRASTRUCTURAL FACILITIES RECEIVE LOCAL GOVERNMENT REVIEW PRIOR TO THEIR CONSTRUCTION.
3. REVISE EXISTING CAPITAL IMPROVEMENT STATUTES TO PROVIDE MORE INCENTIVE FOR THEIR USE.
4. REVISE EXISTING STATUTES ON SPECIAL AND RURAL IMPROVEMENT DISTRICTS TO ALLOW MORE EFFECTIVE FINANCING AND EQUALIZE PROVISIONS FOR BOTH.
5. PROVIDE CREDIT ENHANCEMENT FOR ^{THE} EXISTING MUNICIPAL BOND POOLING PROGRAM OF THE ECONOMIC DEVELOPMENT BOARD.

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6. INCREASE FLEXIBILITY FOR USE OF_A SHORT TERM, DEBT/LEASE PURCHASE STATUTE BY ELIMINATING THE \$150,000 CEILING WHICH TRIGGERS THE LOCAL ELECTION REQUIREMENT.
 7. ELIMINATE NECESSITY OF 40% TURNOUT FOR LOCAL BOND ELECTIONS.
 8. ALLOW BONDS TO SELL AT A DISCOUNT.
 9. REVISE STATUTES TO FACILITATE INTERLOCAL AGREEMENTS ON LONG-TERM FINANCING OF JOINT FACILITIES.
 10. AUTHORIZE LOCAL GOVERNMENTS TO ISSUE TAX ANTICIPATION NOTES AND ARRANGE OTHER SHORT AND MID-TERM FINANCING MECHANISMS.
- THE
11. REVISE_A BOND ANTICIPATION STATUTE TO CLARIFY THE PENALTY INTEREST RATE.
 12. THE MAJORITY OF LOCAL GOVERNMENTS IN MONTANA HAVE LIMITED STAFF RESOURCES AND OFTEN NEED ASSISTANCE IN PLANNING AND FINANCING INFRASTRUCTURE. SPECIFIC ASSISTANCE IN THE AREAS OF LEGAL, ENGINEERING, FINANCING AND PLANNING ARE AVAILABLE THROUGH THE PRIVATE SECTOR. THE APPROPRIATE ROLE OF STATE AGENCIES IS IN PROVIDING INFORMATION, TECHNOLOGY TRANSFER, TRAINING, ENFORCEMENT OF STANDARDS AND FACILITATION OF GOOD PLANNING AND IMPLEMENTATION. THE TASK FORCE RECOMMENDS THE FOLLOWING IN THE AREA OF TECHNICAL ASSISTANCE:

- I. EXISTING PROGRAMS OF TECHNICAL ASSISTANCE OFFERED BY THE STATE BE MAINTAINED AND CONTINUED.
- II. ORGANIZATIONS OF LOCAL GOVERNMENTS TAKE THE LEAD IN EXPLORING AND DEVELOPING A "LOANED OFFICIAL" PROGRAM FOR SHARING EXPERTISE AMONG THEMSELVES.
- III. THE STATE DEVELOP AN AUTOMATED CATALOGUE OF ALL FINANCIAL AND TECHNICAL ASSISTANCE AVAILABLE TO LOCAL GOVERNMENTS FROM STATE AND FEDERAL PROGRAMS ON INFRASTRUCTURE, AND MAKE THE CATALOGUE ACCESSIBLE TO STATE STAFF AND LOCAL GOVERNMENT ORGANIZATION STAFF TO HELP ANSWER REQUESTS FROM LOCAL OFFICIALS.

Now:

II. IMMEDIATE RECOMMENDATIONS - SPECIFIC FACILITY

JAILS

13. ADOPT JAIL STANDARDS BY THE STATE TO ESTABLISH A COMMON SET OF CRITERIA FOR DETERMINING THE LEGAL ADEQUACY OF JAIL FACILITIES.
14. REQUIRE STATE GOVERNMENT TO SHARE IN THE RESPONSIBILITY FOR JUVENILE DETENTION.
15. ENCOURAGE STATE GOVERNMENT TO PROVIDE TECHNICAL ASSISTANCE TO LOCAL GOVERNMENTS FOR THE PLANNING OF JAILS. THIS STATE ASSISTANCE SHOULD NOT DUPLICATE OTHER EXISTING TECHNICAL ASSISTANCE AVAILABLE ELSEWHERE.

16. EXAMINE THE POSSIBILITY OF STATE RESPONSIBILITY FOR CERTAIN COUNTY JAIL INMATES.
17. DEVELOP A STATE UNIFORM METHOD FOR THE COLLECTION, EXAMINATION AND DISSEMINATION OF JAIL POPULATION INFORMATION.
18. AUTHORIZE LEGISLATION TO ALLOW PRIVATE VENDORS TO BUILD, OPERATE AND MAINTAIN A JAIL AND ALLOW VENDORS TO SELL THIS SERVICE TO LOCAL GOVERNMENTS VIA A LONG-TERM CONTRACT.

STREETS, ROADS AND BRIDGES

19. ENCOURAGE LOCAL GOVERNMENTS ^{To} INVESTIGATE SHARING OF ^A EQUIPMENT AND MANPOWER IN ORDER TO SAVE MONEY, ALSO ^A JOINT BID PROCESS FOR PURCHASING, AND STATE BID PROCESS PARTICIPATION.
20. AUTHORIZE THE CREATION OF "SPECIAL SERVICE DISTRICTS" WITH THE PURPOSE OF PROVIDING FINANCING FOR CONSTRUCTION AND MAINTENANCE OF LOCAL STREETS, ROADS AND BRIDGES.
21. PLACE BRIDGE CONSTRUCTION ON A PRIORITY SYSTEM, WHEN THE ["] CURRENT BRIDGE PER COUNTY PROGRAM FOR OFF-SYSTEM BRIDGES HAS COMPLETED ITS PRESENT CYCLE. ["]
22. ^{THE} ENCOURAGE ^A STATE HIGHWAY DEPARTMENT TO CLARIFY THE AVAILABILITY AND LIMITATIONS OF TECHNICAL ASSISTANCE AND TRAINING THROUGH ITS EXISTING PROGRAMS AND COMMUNICATE THAT TO LOCAL GOVERNMENT OFFICIALS AND STAFF AS APPROPRIATE.

INTRACITY BUS TRANSPORTATION

23. ENCOURAGE LOCAL AND STATE GOVERNMENT AND THE MONTANA TRANSIT ASSOCIATION TO ANALYZE EXISTING SOURCES OF FUNDS FOR LOCAL BUS SYSTEMS AND PROPOSE NEW OR ALTERNATIVE SOURCES OF FUNDS TO SUBSTITUTE FOR ANTICIPATED CUTBACKS IN EXISTING FEDERAL OPERATING SUBSIDIES FOR BUSES. THE CURRENT STATE 12 MILL LEVY LIMIT ON LOCAL TRANSIT DISTRICTS SHOULD BE CONSIDERED IN THIS STUDY.

RAILROADS

24. ESTABLISH A SYSTEM TO MAINTAIN RAIL LINES THAT ARE NECESSARY TO MONTANA'S FUTURE TRANSPORTATION. NEARLY 1/2 OF THE RAILROAD BRANCH LINES ^{IN MT.} HAVE BEEN DISCONTINUED SINCE 1980.

AIRPORTS

25. FIND ALTERNATIVE FUNDING FOR AIRPORTS INASMUCH AS THE BOND PROGRAM TERMINATES AT THE END OF FY 85.

(NON ADAP)

UTILITIES

26. PROVIDE STATUTORY AUTHORITY FOR WATER, SEWER AND SOLID WASTE PROGRAMS TO CREATE A "REPLACEMENT FUND" (BASED ON A PERCENTAGE OF THE OPERATION AND MAINTENANCE BUDGET) AND MANDATE USE OF THESE FUNDS FOR REPLACEMENT ONLY, AND ESTABLISH LEGAL AUTHORITY TO CARRY THESE FUNDS OVER FROM YEAR TO YEAR.

27. ENCOURAGE COOPERATION BETWEEN DEPARTMENT OF HEALTH AND LOCAL OFFICIALS IN DESIGNING A TRAINING PROGRAM FOR FACILITY OPERATORS THAT INCLUDES TEMPORARY REPLACEMENT OF OPERATORS FOR CLASSROOM TRAINING AND INCORPORATES MORE ON-THE-JOB TRAINING.
28. ENACT STATE LEGISLATION TO CREATE AN EFFECTIVE DAM SAFETY PROGRAM.

COMMUNICATION AND INFORMATION FACILITIES

29. ENCOURAGE LOCAL GOVERNMENTS TO UPGRADE LAND-MOBILE RADIO SYSTEMS TO HIGH-BAND CHANNELS INCORPORATING THE USE OF APPROPRIATE COMMON MUTUAL AID FREQUENCIES.
30. CONTINUE TO SUPPORT AND PROVIDE COMPREHENSIVE PLANNING EFFORTS IN THE AREA OF TELECOMMUNICATIONS THROUGH THE DEPARTMENT OF ADMINISTRATION.
31. EXPAND THE LEGISLATION CREATING TELEVISION TAX DISTRICTS TO ACCOMMODATE THE FUNDING OF COMMUNITY TELECOMMUNICATION CENTERS.
32. PROVIDE TECHNICAL ASSISTANCE, ESPECIALLY IN THE AREAS OF LIBRARY CONSTRUCTION PLANNING AND FINANCING, TO LOCAL LIBRARIES.

33. CONSIDER THE MONTANA PUBLIC LIBRARY STANDARDS IN DETERMINING THE ADEQUACY OF EXISTING LIBRARY FACILITIES AND IN ANY PLANNING FOR NEW OR REMODELED FACILITIES.

OTHER LOCAL GOVERNMENT FACILITIES

34. PROVIDE TECHNICAL ASSISTANCE FOR LOCAL GOVERNMENTS TO PLAN AND OBTAIN RETROFIT OF BUILDINGS FOR ENERGY EFFICIENCY.
35. PROVIDE TECHNICAL ASSISTANCE TO LOCAL GOVERNMENTS IN PLANNING HANDICAPPED ACCESS.
36. CREATE STATUTORY AUTHORITY FOR COUNTY GOVERNMENTS TO HAVE A SINGLE CAPITAL IMPROVEMENT FUND THAT CAN BE USED FOR FACILITY TYPES NOT COVERED BY USER FEES.
37. RECOMMENDATIONS FOR AN INTERIM COMMISSION

THE ISSUES SURROUNDING LOCAL GOVERNMENT, STATE FUNDS, AND INFRASTRUCTURE ARE COMPLEX. ^{OUR} ~~THE ABOVE~~ RECOMMENDATIONS ARE ONLY THE BEGINNING OF THE CHANGES NECESSARY TO REMOVE UNNECESSARY BARRIERS THAT ADD TO THE COSTS OF LOCAL PUBLIC FACILITIES OR PREVENT OUR LOCAL OFFICIALS FROM ACTING ALTOGETHER. A COMPLETE RENOVATION OF MONTANA'S STATUTES GOVERNING LOCAL FINANCING, REVENUE AND CAPITAL IMPROVEMENT AUTHORITY MUST BE UNDERTAKEN. TO THIS END, AN INTERIM COMMISSION ON INFRASTRUCTURE MUST BE INSTITUTED TO INCLUDE

REPRESENTATION FROM THE LEGISLATURE, THE ADMINISTRATION, LOCAL GOVERNMENTS AND PRIVATE SECTOR GROUPS. THE COMMISSION MUST HAVE A BUDGET OF \$200,000 TO ASSURE THAT THE FOLLOWING TOPICS RECEIVE THOROUGH RESEARCH AND ANALYSIS:

- A. COMPREHENSIVE REVIEW OF LOCAL BOND LEGISLATION, WITH THE INTENT OF RECODIFYING INTO THREE SECTIONS: REVENUE, GENERAL OBLIGATION AND SPECIAL DISTRICTS; ALSO STATUTES GOVERNING THE AMORTIZATION OF BOND ISSUES SHOULD BE CHANGED TO ALLOW LOCAL GOVERNMENTS FLEXIBILITY IN STRUCTURING THE MOST SUITABLE FINANCING PACKAGE.
- B. RESEARCH EXISTING TAX AND FEE RATES FOR SIMILAR FACILITIES ACROSS LOCAL GOVERNMENTS TO DETERMINE THE RANGE OF LOCAL TAX/FEE BURDENS. ESTABLISH A METHOD FOR ASSESSING OVERALL TAX BURDENS ON LOCAL GOVERNMENTS IN RELATION TO THE LOCAL GOVERNMENT'S TAX BASE AND ABILITY TO PAY. INVESTIGATE THE ROLE USER FEES PLAY IN MEETING COSTS OF FACILITIES, ESPECIALLY FOR UTILITY FACILITIES, AND THE EQUITABILITY OF RATE STRUCTURES FOR INDIVIDUALS OF LIMITED INCOME. EXAMINE WHETHER THERE ARE SITUATIONS IN WHICH ADDITIONAL STATE ASSISTANCE IN THE FORM OF GRANTS AND LOANS IS JUSTIFIED, FOR EITHER INDIVIDUAL OR LOCAL GOVERNMENTS.
- C. EXAMINE OTHER ASPECTS OF LOCAL FINANCE INCLUDING: USE OF SINKING FUNDS; HOOK-UP FEES; USE OF LEASE/PURCHASE AS A LONG-TERM FINANCING MECHANISM; MILL LEVY CEILING;

DEBT CEILINGS; USE OF ADDITIONAL REVENUE SOURCES TO REDUCE RELIANCE ON DECLINING PROPERTY TAX BASE. ALSO SUGGEST WAYS LOCAL GOVERNMENTS CAN FOSTER ECONOMIC DEVELOPMENT ACTIVITIES TO INCREASE THEIR TAX BASE.

STATUTORY REGULATIONS:

- D. MODIFY THE ROLE OF THE PSC IN LOCAL GOVERNMENT UTILITY REGULATIONS TO REDUCE AND/OR ELIMINATE THEIR INVOLVEMENT. SPECIAL ATTENTION SHOULD BE PAID TO INCREASING AMOUNTS ALLOWABLE FOR REPLACEMENT FUNDS AND EMERGENCY FUNDS IN SETTING RATES.
- E. REVIEW AND MODIFY STATUTES BEYOND LOCAL GOVERNMENT UTILITIES THAT REGULATE THE SETTING OF FEES FOR LOCALLY PROVIDED SERVICES TO ALLOW FOR LOCAL DISCRETION IN MEETING ACTUAL COSTS.
- F. REVIEW STATUTES THAT REQUIRE SPECIFIC ELECTED OR APPOINTED OFFICIALS TO CARRY OUT SPECIFIC RESPONSIBILITY FOR INFRASTRUCTURE, TO ALLOW FOR THE HIRING OF TRAINED MANAGERS FOR INFRASTRUCTURE FACILITIES.
- G. REVIEW AND IMPROVE STATUTES ON CAPITAL IMPROVEMENT PLANNING AND INTEGRATE COMPLIANCE WITH THESE STATUTES INTO PROGRAMS OF STATE FINANCIAL ASSISTANCE. PROVIDE ADDITIONAL STATE FUNDS FOR TRAINING IN HOW TO DO CAPITAL IMPROVEMENTS PLANNING AND GRANTS TO PAY THE COSTS OF COMPLIANCE.

TRANSPORTATION FACILITIES:

TRANSPORTATION FACILITIES ARE CRUCIAL TO MONTANA'S ECONOMIC WELL-BEING. EXISTING STATE INFORMATION INDICATES THAT THESE FACILITIES REPRESENT THE LARGEST AREA OF FINANCIAL NEED (IDENTIFIED \$8 BILLION). THE TASK FORCE RECOMMENDS THAT THIS COMMISSION LOOK SPECIFICALLY INTO TRANSPORTATION FACILITIES THROUGH THE FOLLOWING AREAS:

- H. CONDUCT COMPREHENSIVE ANALYSIS OF ROAD, STREET, BRIDGE, URBAN TRANSIT AND RAIL ABANDONMENT NEEDS AT THE LOCAL LEVEL, AND PERSPECTIVES OF LOCAL OFFICIALS ON THESE NEEDS.
- I. REVIEW STANDARDS FOR CONSTRUCTION AND THE ROLE THEY PLAY IN DETERMINING COSTS FOR CONSTRUCTION AND MAINTENANCE, AND LIABILITY FOR LAW SUITS.
- J. ON THE BASIS OF THIS COMPREHENSIVE ANALYSIS ~~OF BOTH~~ ~~AND THE ABOVE~~, SUGGEST WAYS OF FINANCING LOCAL TRANSPORTATION NEEDS INCLUDING: RAIL BRANCHLINE REHABILITATION AND ACQUISITION OF CAPITAL EQUIPMENT; STREET, ROAD AND BRIDGE CONSTRUCTION AND MAINTENANCE; INTRACITY BUS TRANSPORTATION SYSTEMS.

THE BOMBARDMENT YOU HAVE JUST ABSORBED CONSTITUTES THE RECOMMENDATIONS OF OUR TASK FORCE. WHEN ADOPTED THEY WILL PROVIDE A FRAMEWORK - A BLUE-PRINT IN CONSTRUCTION TERMS - FOR ECONOMIC VITALITY IN MONTANA.

THIS COURSE OF ACTION IS POLITICALLY ACCEPTABLE. DURING THE NOVEMBER 1984 GENERAL ELECTIONS, 4.64 \$ BILLION OF INTRASTRUCTURE BOND ISSUES WERE APPROVED BY A VOTE OF 85% IN FAVOR.

A MOST COMPELLING ARGUMENT IS THAT UNITED STATES INDUSTRY THIS YEAR WILL INVEST ^{\$} 352 BILLION IN PLANT AND EQUIPMENT TO MODERNIZE AND EXPAND FACILITIES. THIS AMOUNT IS 16% MORE THAN LAST YEAR AND THE STRONGEST REAL GROWTH IN RECENT MEMORY. DO WE THINK THAT MONTANA IS PARTICIPATING IN THIS ECONOMIC RESURGENCE? IF NOT, THIS IS A TIME FOR ACTION. *MONTANA TODAY HAS 7000 FEWER BASIC INDUSTRY JOBS THAN IN 1979.*

I READ THE OTHER DAY THAT BILLINGS HAS BEEN CHOSEN AS ONE OF THE CINDERELLA CITIES OF THE NEXT DECADE FOR ECONOMIC PROSPERITY.

THAT WOULD BE GOOD NEWS EXCEPT YOU WILL RECALL THAT IN CINDERELLA THERE WAS A VERY SHORT TIME TO MATCH THE SLIPPER WITH THE RIGHT FOOT. OTHERWISE, AT MIDNIGHT THE WHOLE OUTFIT TURNS INTO A BIG PUMPKIN.

ECONOMICALLY, OUR TIME GROWS SHORT.

INVENTORY AND CONDITION ASSESSMENT OF PUBLIC WORKS FACILITIES

DANA HUESTIS

VICE PRESIDENT, ASSOCIATED GENERAL CONTRACTORS OF AMERICA

FALLS CONSTRUCTION CO.

GREAT FALLS, MONTANA

I AM MOST PLEASED TO BE HERE TODAY TO ADDRESS YOUR CONGRESS ON A TOPIC OF VITAL IMPORTANCE TO YOU, TO GENERAL CONTRACTORS SUCH AS MYSELF, AND MORE SIGNIFICANTLY, TO OUR NATION AS A WHOLE. THAT TOPIC IS THE DEPLORABLE CONDITION OF OUR NATION'S INFRASTRUCTURE OF PUBLIC FACILITIES, AND WHAT THESE DETERIORATING SUPPORT SYSTEMS MEAN TO OUR COMMUNITIES AND OUR COUNTRY.

I AM SURE THAT YOU HAVE HEARD FROM AGC ON THIS TOPIC BEFORE, AND I CAN GUARANTEE THAT YOU WILL HEAR ABOUT IT AGAIN. BECAUSE THE TRUTH IS THAT WHILE RECOGNITION OF THE PROBLEM IS STARTING TO GROW IN MANY POLITICAL CIRCLES, WE ARE STILL FAR SHORT OF THE LEVEL OF AWARENESS NECESSARY TO PRODUCE ACTION.

I WOULD LIKE TO TAKE A FEW MINUTES TODAY TO DISCUSS HOW FAR WE HAVE COME IN UNDERSTANDING THE MAGNITUDE OF THE NATION'S INFRASTRUCTURE CRISIS. FOUR YEARS AGO DEBATE AND STUDY OF THIS IMPORTANT ISSUE BEGAN WITH NEEDS AND REVENUE SHORTFALL ESTIMATES WHICH SHOWED UNEQUIVOCALLY THE GARGANTUAN PROPORTIONS OF THE TASK BEFORE US.

WE HAVE SINCE PROGRESSED TO ECONOMIC STUDIES WHICH NOT ONLY GIVE US REASON TO BELIEVE THAT ACHIEVING THIS MONUMENTAL GOAL WILL BRING ADDED LIFE TO THE ECONOMY, BUT CAUTION US THAT THE COSTS OF INACTION TO RESTORE THE INFRASTRUCTURE COULD OUTWEIGH THE COST OF GETTING THE JOB DONE.

THOSE OF US INVOLVED IN THE CONSTRUCTION INDUSTRY HAVE A CLEAR VIEW OF HOW THE INFRASTRUCTURE UNDERPINS ECONOMIC ACTIVITY, AND KNOW WHAT THE CONSEQUENCES WOULD BE IF THE SERVICES ON WHICH COMMUNITIES RELY WERE TO SIMPLY DISAPPEAR. RECENT STUDIES HAVE MADE SIGNIFICANT PROGRESS BY QUANTIFYING THESE ECONOMIC RELATIONSHIPS. OUR JOB IS TO GRASP THE IMPORT OF THESE ACADEMIC STUDIES, AND PASS THE WORD ALONG BEFORE IT IS TOO LATE FOR OUR INFRASTRUCTURE, AND FOR OUR ECONOMY AS WELL.

THESE CONTENTIONS MAY SOUND A BIT OVERDRAWN, OR TOO MELODRAMATIC. I ASSURE YOU THAT THEY ARE NOT. AMERICA IN RUINS, A LANDMARK STUDY OF THE DECLINE OF PUBLIC FACILITIES BY ECONOMISTS PAT CHOATE AND SUSAN WALTER, WAS FIRST PUBLISHED IN 1981. IN THE FIRST COMPREHENSIVE, STATISTICALLY-SUPPORTED REVIEW OF THE DETERIORATING CONDITION OF THE NATION'S PUBLIC FACILITIES, THE AUTHORS WARNED THAT FAILURE TO GIVE ATTENTION TO BASIC PUBLIC FACILITIES WOULD PROVE TO BE A CRITICAL BOTTLENECK TO CONTINUED ECONOMIC GROWTH.

DID AMERICA IN RUINS OVERSTATE THE EVIDENCE OF NEGLECT? THE ANSWER HAS TO BE NO, BECAUSE SINCE THAT TIME THE AUTHORS' PREDICTIONS HAVE STARTED TO COME TRUE: AMERICA'S PUBLIC FACILITIES ARE INDEED WEARING OUT FASTER THAN THEY ARE BEING REPLACED. REPLACEMENT OF OBSOLETE PUBLIC WORKS IS BEING DEFERRED, AND NEW CONSTRUCTION STARTS ARE BEING POSTPONED AND CANCELLED.

FOLLOWING AMERICA IN RUINS, A WIDE VARIETY OF PUBLIC AND PRIVATE ORGANIZATIONS ISSUED REPORTS DOCUMENTING THE NATION'S INFRASTRUCTURE NEEDS, WITH SUGGESTIONS OF WAYS TO SATISFY THOSE NEEDS.

AMONG THE FIRST WAS AMERICA'S INFRASTRUCTURE - A PLAN TO REBUILD PUBLISHED IN MAY OF 1983 BY THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA. THIS STUDY TABULATED THE NEEDS FOR A WIDE ARRAY OF PUBLIC FACILITIES, INCLUDING MANY AREAS NOT COVERED IN OTHER REPORTS SUCH AS PRISONS, PORTS, SCHOOLS, RAILROADS, HOSPITALS AND STORM DRAINAGE STRUCTURES. AGC SURVEYED EXISTING LITERATURE AND CONTACTED OVER 100 ORGANIZATIONS, STATES, AND CITIES TO DOCUMENT THE INVESTMENT NEEDED TO MEET PRESENTLY IDENTIFIED INFRASTRUCTURE NEEDS. THE AGC RESEARCH REVEALED THAT AT A MINIMUM A \$3.03 TRILLION INVESTMENT WOULD BE NECESSARY BEFORE THE YEAR 2000. THE STUDY ALSO CALCULATED THAT, AT THE CURRENT RATE OF PUBLIC WORKS SPENDING, INVESTMENT WOULD ONLY TOTAL \$1.06 TRILLION, PRODUCING A SHORTFALL OF \$1.97 TRILLION, OR \$104 BILLION ANNUALLY.

THE AGC STUDY DOES NOT STAND ALONE IN PREDICTING A DREARY FUTURE FOR THE INFRASTRUCTURE WITHOUT A DRASTIC CHANGE OF COURSE. THE JOINT ECONOMIC COMMITTEE OF THE U.S. CONGRESS, THE LABOR-MANAGEMENT GROUP, THE CONGRESSIONAL BUDGET OFFICE, THE GOVERNMENT FINANCE RESEARCH CENTER AND THE MUNICIPAL FINANCE OFFICERS ASSOCIATIONS ALL PRODUCED DETAILED STUDIES OR SURVEYS DOCUMENTING THE PUBLIC WORKS FUNDING SHORTFALL.

THESE STUDIES ARE NOT CONSISTENT IN THEIR DEFINITION OF THE SYSTEMS COMPRISING THE INFRASTRUCTURE, THE SELECTION OF BASIC RESOURCE MATERIAL, OR THE TIME FRAME ADDRESSED. CONSEQUENTLY, THEY DIFFER IN THEIR PROJECTIONS AS TO THE MAGNITUDE OF THE INFRASTRUCTURE PROBLEM, BUT WITHOUT EXCEPTION, THE STUDIES AGREE THAT:

O AN INADEQUATE NATIONAL INFRASTRUCTURE SYSTEM POSES INCREASINGLY SERIOUS HEALTH, SAFETY, AND ECONOMIC GROWTH PROBLEMS.

O A SIGNIFICANT SHORTFALL IN INFRASTRUCTURE FUNDING EXISTS.

THAT A SUBSTANTIAL PORTION OF THE NATION'S BASIC, PUBLICLY-FINANCED INFRASTRUCTURE SYSTEM IS INADEQUATE IS NO LONGER A MATTER OF DEBATE.

WHILE SEVERE PROBLEMS AND FUNDING SHORTFALLS EXIST IN ALL INFRASTRUCTURE CATEGORIES, MOST SEVERELY AFFECTED ARE THOSE RELATING TO WATER RESOURCES, WATER SUPPLY AND DISTRIBUTION, AND WASTEWATER TREATMENT. THE UNITED STATES IS BLESSED WITH ENOUGH FRESH WATER TO MEET DAILY NEEDS. THE SUPPLY, HOWEVER, IS NOT ALWAYS IN THE RIGHT PLACE AT THE RIGHT TIME. NOR IS IT ALWAYS HANDLED PROPERLY. MANY MAJOR CITIES, NEW YORK AND BOSTON ARE PRIMARY EXAMPLES, WHILE HAVING ACCESS TO LARGE RESERVOIRS OF WATER FIND THAT HUGE AMOUNTS OF WATER BEING TRANSFERRED FROM RESERVOIRS TO CONSUMERS, ARE LOST BECAUSE OF DETERIORATING AND LEAKING UNDERGROUND TRANSMISSION PIPES.

NOT ONLY IS THERE A SERIOUS PROBLEM WITH THE LOSS OF WATER FROM LEAKING UNDERGROUND PIPES, A GREATER POTENTIAL LOSS COULD RESULT FROM THE DETERIORATING CONDITION OF THE RETAINING DAMS OF THE RESERVOIRS, A LOSS NOT ONLY OF WATER BUT OF LIVES AND PROPERTY. OVER 8000 DAMS HAVE BEEN CLASSIFIED AS HIGH HAZARD BY THE ARMY CORPS OF ENGINEERS IN A RECENT REPORT ON THE SAFETY OF NON-FEDERAL DAMS.

OUR LAKES AND STREAMS PROVIDE ABOUT HALF OF OUR POTABLE WATER. THE OTHER HALF IS DRAWN FROM UNDERGROUND RESERVOIRS AND AQUIFERS. GROUNDWATER IS A RESOURCE THAT IS CRITICAL TO MANY ASPECTS OF AMERICAN LIFE. PEOPLE, AGRICULTURE AND INDUSTRY USE APPROXIMATELY 89 BILLION GALLONS EACH DAY. PROBLEMS ARISE WHEN SUPPLIES ARE OVERDRAWN BEYOND THE CAPACITY OF NATURE TO REPLENISH THE SUPPLY. IN COASTAL AREAS, SALT WATER INTRUDES TO REPLACE THE FRESH WATER. HERE, AND IN OTHER AREAS, OVER WITHDRAWAL RESULTS IN LAND SUBSIDENCE, AS IT HAS IN HOUSTON.

MORE SERIOUS, HOWEVER, THAN THE CONCERN OVER THE QUANTITY OF GROUNDWATER IS THE GROWING CONCERN OVER ITS QUALITY. IN RECENT YEARS THE FOCUS OF CONCERN HAS SHIFTED TO QUALITY IN THE WAKE OF NUMEROUS DISCOVERIES OF GROUNDWATER SUPPLIES CONTAMINATED WITH HAZARDOUS WASTES. ACCORDING TO FORMER EPA ADMINISTRATOR WILLIAM RUCKELSHAUS, GROUNDWATER CONTAMINATION IS ONE OF THE MAJOR ENVIRONMENTAL PROBLEMS OF THE DECADE.

WHILE GROUNDWATER RESOURCES ARE ALMOST 50 TIMES THAT OF AVAILABLE SURFACE WATERS, AND GENERALLY MORE PROTECTED FROM POLLUTION THAN SURFACE WATERS, GROUNDWATER HAS SIGNIFICANTLY LESS SELF-CLEANSING ABILITY AND, WHEN CONTAMINATED, IS MUCH MORE DIFFICULT TO TREAT.

EVERY TWO YEARS, EPA SURVEYS THE STATES TO ASSESS THE NEEDS OF PUBLICLY-OWNED WASTEWATER TREATMENT FACILITIES. THE 1984 NEEDS SURVEY, ISSUED EARLY THIS YEAR, ASSESSES THE CAPITAL INVESTMENT REQUIRED TO MEET THE BACKLOG NEEDS OF THE 1984 POPULATION AS WELL AS THE ADDITIONAL AMOUNT NEEDED TO ACHIEVE AND MAINTAIN WATER QUALITY FOR POPULATION GROWTH THROUGH THE YEAR 2000.

THE RESULTS OF THE SURVEY SHOW THAT TO MEET THE NEEDS OF THE 1984 POPULATION, \$85 BILLION IS NEEDED FOR ALL CATEGORIES OF WASTEWATER TREATMENT PROJECTS, - SECONDARY AND ADVANCED TREATMENT; CORRECTION OF INFILTRATION AND INFLOW AND COMBINED SEWER OVERFLOWS; AND COLLECTORS AND INTERCEPTORS. TO MEET TOTAL NEEDS THROUGH THE YEAR 2000, WITH PROVISIONS FOR RESERVE CAPACITY, THE FIGURE RISES TO \$108.9 BILLION.

WHILE OVER \$40 BILLION HAS ALREADY BEEN COMMITTED BY THE FEDERAL GOVERNMENT, THESE FIGURES SHOW THAT MUCH MORE NEEDS TO BE DONE TO COMPLETE THE JOB. PAST LEVELS OF FUNDING HAVE NOT BEEN ADEQUATE AND NEITHER IS THE CURRENT LEVEL OF \$2.4 BILLION.

TO SATISFY THE NEED FOR ADEQUATE WATER RESOURCES, CONGRESS HAS AUTHORIZED, OVER THE YEARS, MANY PROJECTS FOR IRRIGATION, POWER, FLOOD CONTROL AND WATER SUPPLY. UNFORTUNATELY, THESE AUTHORIZATIONS WERE NOT FOLLOWED BY APPROPRIATIONS. THERE CURRENTLY EXISTS A BACKLOG OF 1979 PROJECTS, EXPECTED TO COST \$60 BILLION, FOR WHICH NO MONIES HAVE BEEN APPROPRIATED. AUTHORIZATION WITHOUT FUNDING DOES NOT PROVIDE FOR THE NEEDED PROJECTS.

CLEARLY, OUR NATION'S WATER RESOURCES, WATER SUPPLY, AND DISTRIBUTION AND WASTEWATER TREATMENT NEED IMMEDIATE ATTENTION.

THE DEFINITIVE CASE FOR REBUILDING AMERICA'S INFRASTRUCTURE RESTS ON PERSUASIVE AND OVERRIDING CONCERNS FOR THE PUBLIC HEALTH AND SAFETY, WHILE THESE ISSUES ARE OF PARAMOUNT IMPORTANCE, THE INFRASTRUCTURE'S DISTINCTIVE POSITION AS THE BASE ON WHICH THE NATION'S ECONOMIC ACTIVITY IS BUILT LEAVES NO DOUBT THAT A CONTINUED SHORTFALL OF INVESTMENT IN PUBLIC FACILITIES WILL HAVE EXTREMELY SERIOUS CONSEQUENCES FOR THE NATION'S ECONOMY.

THE INFRASTRUCTURE IS A NETWORK OF PUBLIC CAPITAL GOODS WHICH PROVIDES THE FOUNDATION FOR A SMOOTHLY FUNCTIONING ECONOMY WHEN EXISTING FACILITIES ARE DILIGENTLY MAINTAINED AND WHEN NEW INVESTMENT KEEPS PACE WITH THE NEEDS OF GROWTH.

ALTHOUGH THE COSTS OF MEETING INFRASTRUCTURE NEEDS ARE SUBSTANTIAL, THE ECONOMIC EFFECTS OF NOT MEETING THOSE REQUIREMENTS ARE EVEN MORE SERIOUS. WHILE NOT ALL OF THE RESULTS CAN BE PREDICTED, IN THE LAST FEW YEARS THE COSTS OF ALLOWING FRAGMENTS OF THE INFRASTRUCTURE TO DETERIORATE HAVE BEEN QUANTIFIED WHERE POSSIBLE. THESE EFFORTS HAVE PRODUCED THE SOBERING INFORMATION THAT AN ENORMOUS PORTION OF U.S. ECONOMIC GROWTH WILL BE LOST IF STEPS ARE NOT TAKEN IMMEDIATELY TO REPAIR AND REBUILD.

THE IMPORTANCE OF THE CONNECTION BETWEEN FAILING INFRASTRUCTURE AND ECONOMIC ACTIVITY CAN BE READILY SEEN BY EXAMINING SEVERAL STUDIES WHICH ASSESS THE LOSS TO THE ECONOMY OF BRIDGE CLOSINGS AND DETERIORATING HIGHWAYS. A STUDY BY THE PENNSYLVANIA ECONOMY LEAGUE REPORTED THE NEGATIVE IMPACT DEFICIENT BRIDGES HAD ON THE PITTSBURGH ECONOMY. THE STUDY CONCLUDED THAT IN THIS ONE SIX-COUNTY AREA THE DETOURS RESULTING FROM CLOSED BRIDGES COST THE PUBLIC AN ADDITIONAL \$38.5 MILLION PER YEAR.

A MORE COMPREHENSIVE STUDY UTILIZED TWO ECONOMIC MODELS TO PUT A DOLLAR FIGURE ON THE COST TO THE ENTIRE ECONOMY OF THIS CONNECTION BETWEEN THE CONDITION OF ROADS AND BRIDGES AND THE ECONOMY. IN 1983 THE U.S. DEPARTMENT OF TRANSPORTATION IN CONJUNCTION WITH THE TRANSPORTATION SYSTEMS CENTER RELEASED A STUDY WHICH CONCLUDED THAT DETERIORATING HIGHWAY PERFORMANCE WOULD HAVE A VERY SERIOUS NEGATIVE IMPACT ON THE PERFORMANCE OF THE NATIONAL ECONOMY AS MEASURED BY GROSS NATIONAL PRODUCT, PRODUCTIVITY, AND OTHER INDICATORS.

THE STUDY INDICATES THAT THE GROSS NATIONAL PRODUCT IN 1995 WOULD BE 3.2 PERCENT LOWER UNDER DETERIORATING ROAD CONDITIONS THAN IF 1978 HIGHWAY STANDARDS WERE MAINTAINED. THE LOSS OF GNP IN EACH YEAR BETWEEN 1983 AND 1995 WOULD AMOUNT TO A CUMULATIVE TOTAL OF \$766 BILLION. (~~IN~~ ~~1983 DOLLARS~~) BY 1995. THE IMMENSE SIZE OF THE LOST ECONOMIC PRODUCTION BECOMES EVIDENT BY NOTING TWO FACTS. FIRST, THE ENTIRE U.S. ECONOMY DID NOT PRODUCE THAT MUCH IN 1940, SECOND, THE LOST GNP WOULD EQUAL ALL MANUFACTURING PRODUCTION IN 1978.

WHILE THE NATION'S INFRASTRUCTURE REQUIREMENTS ARE CLEARLY IMMENSE, RECENT STUDIES HAVE REVEALED THAT THE ECONOMY WILL DEFINITELY BENEFIT IN A NUMBER OF VERY IMPORTANT WAYS FROM INFRASTRUCTURE INVESTMENT. THE ECONOMIC GROWTH STIMULATED BY THE ADDITIONAL FUNDING OF UNMET NEEDS WOULD TRANSLATE INTO INCREASED GROSS NATIONAL PRODUCT, HIGHER EMPLOYMENT, AND INCREASED PRODUCTIVITY WITH A NEGLIGIBLE INCREASE IN INFLATION.

AN OCTOBER, 1984 STUDY FROM DATA RESOURCES, INC., AN ECONOMIC CONSULTING FIRM HEADQUARTERED IN LEXINGTON, MASSACHUSETTS, ASSESSED THE ECONOMIC IMPACT OF AN ANNUAL \$10 BILLION, SIX-YEAR INCREASE IN INFRASTRUCTURE INVESTMENT. ALTHOUGH THE INCREASE WOULD REPRESENT ONLY ABOUT 10 PERCENT OF THE ANNUAL SHORTFALL, ~~DATA RESOURCES, INC. (DRI)~~ THE FOUND THAT SUBSTANTIAL BENEFITS WOULD FLOW FROM THE ADDED INVESTMENT. THE MAJOR CONCLUSIONS OF THE DRI STUDY, AMERICA'S INFRASTRUCTURE: EFFECTS OF CONSTRUCTION SPENDING, STUDY OF A \$10 BILLION ANNUAL INFRASTRUCTURE INVESTMENT, ARE:

THE GROSS NATIONAL PRODUCT WOULD INCREASE BY \$141 BILLION AS A RESULT OF THE \$60 BILLION CUMULATIVE INVESTMENT, ~~MEASURED IN CONSTANT 1984 INFLATION-ADJUSTED DOLLARS.~~ THE DRI STUDY SHOWS THAT CONSTRUCTION SPENDING IS A PARTICULARLY POTENT FORCE DRIVING THE ECONOMY FORWARD. AS EACH \$1 SPENT ON FEDERAL CONSTRUCTION GENERATES \$2.35 IN GOODS AND SERVICES PURCHASED THROUGHOUT THE ECONOMY.

THE INCREASED INFRASTRUCTURE INVESTMENT WOULD RESULT IN WIDESPREAD EMPLOYMENT GAINS, ADDING 1,927,900 JOBS TO THE ECONOMY FROM 1984 TO 1990. OF THOSE, 1.1 MILLION OR 58 PERCENT WOULD BE CONTRACT CONSTRUCTION JOBS.

THE ADDED INVESTMENT WOULD GENERATE A DRAMATIC INCREASE IN CURRENT DOLLAR GROSS NATIONAL PRODUCT, EARNING ADDITIONAL TAX DOLLARS FOR THE GOVERNMENT THAT PARTIALLY OFFSET THE COST OF THE PROGRAM.

THE DRI STUDY IS NOT THE ONLY ANALYSIS WHICH EXAMINES THE BENEFITS THAT FLOW TO THE ENTIRE ECONOMY FROM AN INCREASE IN INVESTMENT. A STUDY ~~TITLED CONSTRUCTION/INVESTMENT SPENDING AN ENGINE OF ECONOMIC GROWTH - UNDERINVESTMENT AND ECONOMIC GROWTH IN THE U.S.~~ BY DR. DOUGLAS M. BROWN, CHAIRMAN, ECONOMICS DEPARTMENT, GEORGETOWN UNIVERSITY, TOOK A DIFFERENT APPROACH TO THE SAME ISSUE. THIS REPORT, RELEASED IN OCTOBER, 1984 CONCLUDED THAT THE U.S. ECONOMY MISSED OUT ON \$350 BILLION IN GROSS NATIONAL PRODUCT BETWEEN 1975 AND 1982 BECAUSE OF INSUFFICIENT CAPITAL INVESTMENT.

DR. BROWN CALCULATED THAT WHEN THE LONG RUN EFFECTS OF CONSTRUCTION INVESTMENT TO INCREASE POTENTIAL OUTPUT ARE TAKEN INTO ACCOUNT, INVESTMENT IN THE CONSTRUCTION OF OFFICE BUILDINGS, FACTORIES, HIGHWAYS, UTILITIES, AND OTHER STRUCTURES RESULTS IN \$2.80 OF ECONOMIC ACTIVITY FOR EVERY \$1 INVESTED IN CONSTRUCTION. THIS LED DR. BROWN TO CONCLUDE THAT "CONSTRUCTION/INVESTMENT SPENDING IS AN ENGINE OF ECONOMIC GROWTH IN THE SHORT AND LONG RUN."

THE DEMONSTRATED BENEFITS FROM INFRASTRUCTURE INVESTMENT MAY BE JUST THE LATEST EXAMPLE OF THE OFTEN QUOTED PHRASE THAT "YOU HAVE TO SPEND MONEY TO MAKE MONEY." BUT THE SHEER IMMENSITY OF INFRASTRUCTURE NEEDS HAVE THE EFFECT OF STOPPING MOST LEGISLATORS AND POLITICIANS IN THEIR TRACKS. THE SIZE OF THE FEDERAL BUDGET DEFICITS PROJECTED FOR THE FORESEEABLE FUTURE ARE INDEED A CAUSE FOR CONCERN. FEDERAL DEFICITS WILL NOT DISAPPEAR OVERNIGHT, AND BOTH THE LEGISLATIVE AND EXECUTIVE BRANCHES WILL HAVE TO COME TO TERMS WITH THE PROBLEM. THE NEED FOR FISCAL PRUDENCE IS OBVIOUS.

BUT IN THE RUSH TO ADDRESS THE FEDERAL BUDGET'S IMBALANCE, THE COUNTRY CANNOT AFFORD THE FEDERAL POLICY EQUIVALENT OF THROWING THE BABY OUT WITH THE BATHWATER. SOME ITEMS IN THE BUDGET ARE MORE SIGNIFICANT IN THE LONG-TERM THAN THEY APPEAR ON THE SURFACE. AN IMPORTANT CASE IN POINT IS INFRASTRUCTURE INVESTMENT. THE LONG-RANGE IMPACT ON THE NATION OF NOT GOING FORWARD WITH VITAL INFRASTRUCTURE PROJECTS WOULD BE DISASTROUS. AND THIS CONCLUSION IS NOT SENSATIONALISM. IT HAS BEEN VALIDATED BY THE RESULTS OF NUMEROUS ECONOMIC STUDIES.

THE LOSS TO THE ECONOMY OF ALLOWING CONTINUED DETERIORATION OF THE INFRASTRUCTURE HAS BEEN DEMONSTRATED, AND THE POTENTIAL LOSSES AS MEASURED BY LOST ECONOMIC OUTPUT, FEWER JOBS, AND LOWER CONSUMER SPENDING ARE COLOSSAL.

THESE NEGATIVE EFFECTS, ENORMOUS AS THEY ARE, ARE ONLY PART OF THE COSTS WHICH WOULD BE INFLICTED ON THE ECONOMY. EVERY DELAY ADDS TO THE COSTS, AND THE SHEER MAGNITUDE OF THE INFRASTRUCTURE INVESTMENT NEEDED WILL GROW EXPONENTIALLY IF ACTION IS NOT TAKEN SOON. WHEN THE LONG RUN CONSEQUENCES ARE TAKEN INTO ACCOUNT, THE SERIOUSNESS OF THE INFRASTRUCTURE CRISIS MAY EQUAL, IF NOT OUTWEIGH, CURRENT DEFICIT CONCERNS.

JUDICIOUS PRUNING OF FEDERAL SPENDING SHOULD BE UNDERTAKEN WHERE THE MAXIMUM SAVINGS CAN BE ACHIEVED WHILE SACRIFICING THE LEAST IN TERMS OF THE COUNTRY'S ECONOMIC POTENTIAL. SACRIFICING INFRASTRUCTURE INVESTMENT FOR SHORT-TERM GAINS CAN ONLY SERVE TO SADDLE FUTURE GENERATIONS WITH A LOW-GROWTH ECONOMY AND UNFAIRLY PENALIZE THEM FOR OUR FISCAL IMPRUDENCE. THE INFRASTRUCTURE IS THE BASIS FOR ALL OF OUR NATION'S ECONOMIC ACTIVITY; ALLOWING IT TO DECAY YEAR AFTER YEAR IS SURELY KILLING THE GOOSE THAT LAID THE GOLDEN EGG.

IN THIS 99TH CONGRESS, AS WELL AS IN STATE LEGISLATURES ACROSS THE COUNTRY, WE MUST WORK TO ENSURE THAT OUR NATION'S INFRASTRUCTURE NEEDS WILL BE MET.

FOR EXAMPLE, H.R. 1776, THE NATIONAL INFRASTRUCTURE ACT, HAS BEEN INTRODUCED BY REPRESENTATIVES JAMES J. HOWARD (D-NJ) AND LEE H. HAMILTON (D-IN) TO ESTABLISH A NATIONAL INFRASTRUCTURE FUND. THE BILL WOULD PROVIDE OVER \$30 BILLION IN FUNDING DURING A TEN YEAR PERIOD FOR INTEREST-FREE REPAYABLE LOANS TO STATE AND LOCAL GOVERNMENTS TO BE USED ONLY FOR INFRASTRUCTURE PROJECTS.

THE NATIONAL INFRASTRUCTURE FUND WOULD RECEIVE \$3 BILLION ANNUALLY THROUGH AN ADVANCE ENTITLEMENT FOR TEN YEARS. THE MONEY WOULD THEN BE DISTRIBUTED TO THE STATES TO ESTABLISH STATE REVOLVING FUNDS. STATES WOULD BE REQUIRED TO DISTRIBUTE A MINIMUM OF 30 PERCENT OF THE MONEY TO LOCAL GOVERNMENTS.

THIS, AND SIMILAR PROPOSALS, MUST BE ACTED ON TO REVERSE THE EXISTING DISINVESTMENT IN OUR NATION'S PUBLIC WORKS NETWORK.

SINCE 1965, THE PERCENTAGE OF THE GROSS NATIONAL PRODUCT (GNP) DEVOTED TO SPENDING BY ALL LEVELS OF GOVERNMENT OF PUBLIC WORKS HAS DROPPED FROM 4.1 PERCENT TO 2.3 PERCENT - A 44 PERCENT DECLINE. DESPITE THE GROWTH IN TOTAL GOVERNMENT EXPENDITURES, SPENDING ON PUBLIC CONSTRUCTION HAS FAILED TO KEEP PACE WITH INFLATION IN ALMOST EVERY YEAR SINCE 1968.

THIS DISINVESTMENT HAS BECOME A CRISIS BECAUSE ECONOMIC RENEWAL DEPENDS ON AN ADEQUATE INFRASTRUCTURE. WHEN A COMMUNITY WASTEWATER TREATMENT SYSTEM IS OPERATING AT 80 PERCENT OF CAPACITY, FOR EXAMPLE, IT CANNOT ADD INDUSTRIAL LOAD. A DEPARTMENT OF COMMERCE SURVEY REPORTS THAT 50 PERCENT OF THESE SYSTEMS NATIONWIDE ARE OPERATING AT 80 PERCENT OF CAPACITY OR HIGHER. THIS MEANS 50 PERCENT OF THE NATION'S COMMUNITIES ARE IN A NO-GROWTH STATUS.

THE QUESTION OF WHETHER THE NATION CAN AFFORD TO MOVE AHEAD WITH INFRASTRUCTURE REBUILDING IS THE WRONG QUESTION.

THE CORRECT QUESTION IS "CAN WE AFFORD NOT TO MOVE AHEAD WITH INCREASED INVESTMENT IN OUR NATION'S INFRASTRUCTURE?"

THE ANSWER IS WE CANNOT.

MONTANA CONTRACTORS' ASSOCIATION
ANNUAL CONVENTION
9 - 11 JANUARY 1985
MISSOULA, MONTANA

EXHIBIT #5
DATE Feb 3, 1987
HS

MONTANA'S INFRASTRUCTURE

ONE OF THE VERY FIRST THINGS TO LEARN ABOUT INFRASTRUCTURE IS-THAT
IT IS AN ADVANCED STUDY IN ECONOMICS. *INFRASTRUCTURE IMPROVEMENTS
REQUIRE MONEY AND THERE IS FIERCE ECONOMIC COMPETITION
FOR THOSE DOLLARS!*
ONE NEEDS TO REALIZE, THAT 1984, IN AMERICA, OVERALL, WAS A BANNER
YEAR. THE ECONOMY SAW ITS BEST SINGLE YEAR GROWTH SINCE 1955.

UNITED STATES INDUSTRY INVESTED \$352 BILLION IN PLANT AND EQUIPMENT
TO MODERNIZE AND EXPAND FACILITIES. THAT AMOUNT IS UP 30% IN THE
LAST TWO YEARS.

A STUDY CONDUCTED BY THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA
HAS CONCLUDED THAT THE UNITED STATES ECONOMY MISSED OUT ON AN
ADDITIONAL \$350 BILLION IN GROSS NATIONAL PRODUCT FROM 1975 TO
1982 BECAUSE OF INSUFFICIENT PUBLIC CAPITAL INVESTMENT.

DO WE THINK THAT MONTANA IS PARTICIPATING IN THIS ECONOMIC
RESURGENCE? MONTANA TODAY HAS 7000 FEWER BASIC INDUSTRY JOBS THAN
IN 1979.

MONTANA'S PROPERTY TAX IS 49% HIGHER THAN THE NATIONAL AVERAGE.

DURING FY 82 & 83, THE TAXABLE VALUATION OF ALL MONTANA
MUNICIPALITIES DECLINED 10.58%.

OUR STATE HAS \$1.1 BILLION OF LONG-TERM DEBT.

OUR LEGISLATURE ^{ALMOST} ~~IS ABOUT TO~~ DOUBLED OUR TAX FOR UNEMPLOYMENT
COMPENSATION AND WORKMEN'S COMP RATES WENT UP 15% ON JAN. 1ST.
OUR COAL SEVERANCE TAX IS THE HIGHEST IN THE NATION.

MONTANA HAS A HOSTILE CLIMATE, HOSTILE DISTANCES OVER WHICH TO
CONDUCT OUR COMMERCE, A HOSTILE WORK FORCE IN HEAVY INDUSTRY AND
A HOSTILE REGULATORY BUREAUCRACY.

THESE IN THEMSELVES ARE CHALLENGES ENOUGH. ADD NOW THE SITUATION
OF OUR COMMUNITIES UNABLE TO DELIVER PUBLIC SERVICES TO
ADDITIONAL CUSTOMERS. IN MANY INSTANCES EXISTING CUSTOMERS ARE
NOT SERVED ADEQUATELY.

THESE COMMUNITIES ARE IN A NO-GROWTH POSITION.

NO-GROWTH MEANS A STATIC TAX BASE TO COPE WITH EVER-INCREASING COSTS
OF PROVIDING PUBLIC SERVICES. THE RESULT IS FURTHER NEGLECT AND
DECAY.

Examples:

IN MARCH OF 1984, THE TOWN OF HAVRE, MT., PROPOSED A 79% INCREASE
IN ITS WATER RATES . FRED HARTSON, DIRECTOR OF PUBLIC WORKS, SAYS
THE INCREASE IS ONLY THE BAREST MINIMUM TO RESTORE THE PRESENTLY
UNDEPENDABLE AND UNSAFE WATER SYSTEM TO A USUABLE SUPPLY.

IN ^{DECEMBER} ~~LATE MARCH~~, CASCADE - A SMALL COMMUNITY OUTSIDE GREAT FALLS WAS

Cascade Has 700 people.

TOLD BY THEIR CONSULTING ENGINEER THAT IT WILL COST \$750,000 TO BRING THEIR WATER SYSTEM TO USUABLE STANDARDS. THEY ARE STILL USING WATER MAINS INSTALLED IN 1915. REPAIR COSTS ARE UNBEARABLE, - 27 WATER MAIN BREAKS LAST YEAR ALONE. THE ECONOMICS OF THEIR SITUATION ARE THAT THEY CAN BOND ONLY \$320,000 FOR IMPROVEMENTS. OF COURSE THEIR RESPONSE WAS TO APPLY FOR A GRANT (OR GIFT) OF \$400,000 TO HELP THEM.

WHAT HAPPENED TO HAVRE AND CASCADE? THEY DID NOT CHARGE USERS ENOUGH FOR THE WATER SERVICE OVER THE YEARS TO MAINTAIN THE SYSTEM AND PROVIDE FOR GROWTH.

IS THEIR EXPERIENCE UNIQUE - HARDLY. - How ABOUT THE EXPERIENCES OF ALL THE COMMUNITIES DURING THE DROUGHT THIS SUMMER, - LAKES, STREAMS & WELLS DRIED UP - WATER RIGHTS WERE EXCEEDED. - DEMAND INCREASED THE MONTANA GOVERNOR'S TASK FORCE ON INFRASTRUCTURE FOUND THAT IN THE FOUR YEAR PERIOD FROM FY 79 TO 82, SPENDING ON CAPITAL INVESTMENT IN OUR STATE'S URBAN MUNICIPALITIES DECLINED 53%.

* THIS REPORT TENDS TO GET A LITTLE HEAVY & DISTURBING - - - How WE REACT CAN DEPEND ON WHETHER WE ARE OPTIMISTS OR PESSIMISTS. WELL, NOW, WHO IS THE GOVERNOR'S TASK FORCE ON INFRASTRUCTURE, AND WHAT ARE THEY DOING IN MY LIFE?

REPRESENTING THE M.C.A.

A YEAR AGO, MILAN FOSTER AND I, APPROACHED GOVERNOR SCHWINDEN WITH THE PREMISE THAT MOST OF MONTANA'S GOVERNMENT SUBDIVISIONS HAVE THE PROBLEMS OF HAVRE AND CASCADE WITH SOME, IF NOT ALL, OF THEIR PUBLIC WORKS SYSTEMS.

WE URGED THAT A COURSE OF ACTION BE ADOPTED SO AS TO ALLOW MONTANA'S PEOPLE AND INDUSTRY TO BE PROPERLY SERVED.

THE GOVERNOR WITHOUT HESITATION APPOINTED 16 REPRESENTATIVES FROM THE PUBLIC AND PRIVATE SECTOR TO REPORT BACK TO HIM, THE LEGISLATURE AND THE PEOPLE OF MONTANA ON THE STATUS OF OUR INFRASTRUCTURE. THE CHAIRMAN WAS L/G GEORGE TURMAN. I SERVED FOR THE M.C.A.

THAT YEAR OF STUDY DEFINED MONTANA NEEDS OF A STAGGERING \$8.5 BILLION. A CRITIC COULD QUARREL WITH THE MAGNITUDE OF THE NEEDS BUT CERTAINLY NOT THE CONCLUSION OF NEED.

OUR TASK FORCE AS A PART OF ITS REPORT, PRODUCED A VIDEOTAPE WHICH OUTLINES THE COURSE OF OUR STUDY.

THIS VIDEO TAPE IS BEING SHOWN TO EVERYONE IN MONTANA THAT WE CAN ACCESS.

WE HAVE, AS WELL, A WRITTEN FINAL REPORT AND AN EXECUTIVE SUMMARY OF THE REPORT.

I WANT YOU TO SEE THE PRESENTATION NOW.

SUMMARY OF RECOMMENDATIONS

WHAT CAN BE DONE IN MONTANA TO ADDRESS LOCAL INFRASTRUCTURE NEEDS?

THERE ARE FOUR BASIC BARRIERS TO EFFECTIVELY ADDRESSING INFRASTRUCTURE IN MONTANA. SOME STEPS CAN BE TAKEN IMMEDIATELY TO REDUCE THESE BARRIERS. THE FIRST, AND MOST IMPORTANT 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.

SECONDLY, WE NEED TO ADDRESS THE PROBLEM OF DECLINING LOCAL GOVERNMENT REVENUES. MONTANA'S HIGH RELIANCE ON THE PROPERTY TAX, COUPLED WITH THE FACT THAT OUR PROPERTY TAX BASE IS ERODING, HAS BROUGHT MOST MONTANA LOCAL GOVERNMENTS TO THE POSITION OF HAVING LESS REVENUE (ADJUSTED FOR INFLATION) THAN THEY HAD TEN YEARS

AGO. NEW SOURCES OF LOCAL REVENUE MUST BE AUTHORIZED BY THE LEGISLATURE SO THAT LOCAL GOVERNMENTS HAVE THE NECESSARY REVENUE TO INVEST IN PUBLIC FACILITIES. USE OF LOCAL TAXES FOR LOCAL PUBLIC WORKS CAN CUT COSTS IN TWO WAYS: IT REDUCES ADMINISTRATIVE EXPENSES (WHICH GENERALLY INCREASE WITH EACH ADDITIONAL LEVEL OF GOVERNMENT INVOLVED) AND IT MAXIMIZES THE STAKE LOCAL CITIZENS HAVE IN OBTAINING EFFECTIVE MAINTENANCE AND OPERATIONS.

THE THIRD BARRIER THAT WE CAN WORK TO REDUCE IS THE DEGREE TO WHICH STATE GOVERNMENT RULES AND REGULATIONS ADD TO THE COST OF 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 COST OF REPLACING OR MAINTAINING LOCAL INFRASTRUCTURE BY UNNECESSARILY RESTRICTING LOCAL FLEXIBILITY AND AUTHORITY. MANY OF THE RECOMMENDATIONS OF OUR TASK FORCE IDENTIFY THESE STATUTES AND PROPOSE CHANGES IN STATE LAW.

THE IMPORTANCE OF CAPITAL IMPROVEMENT PLANNING CANNOT BE OVEREMPHASIZED. BEYOND MINIMIZING THE COSTS OF PLANNING AND FINANCING, THE STATE MUST ACTIVELY ENCOURAGE LOCAL GOVERNMENTS TO TAKE THE TIME TO PREPARE CAPITAL IMPROVEMENT PLANS, KEEP THEM CURRENT, AND ACTIVELY SEEK TO FINANCE THEIR FACILITIES BASED ON THESE PLANS. THIS CAN BE DONE BY INCREASING THE STATE'S ABILITY TO PROVIDE TRAINING ON CAPITAL FACILITIES PLANNING AND GRANTS TO COVER THE COSTS OF CARRYING OUT THE PLANNING.

THE FOURTH THING WE CAN DO A BETTER JOB OF IS GETTING INFORMATION ON INFRASTRUCTURE ASSISTANCE TO OUR LOCAL GOVERNMENTS. STATE AND FEDERAL GOVERNMENTS ADMINISTER A NUMBER OF GRANT, LOAN AND BONDING PROGRAMS THAT ACTIVELY CONTRIBUTE TO LOCAL FINANCING. STATE AND FEDERAL GOVERNMENTS ALSO HAVE LIMITED TECHNICAL ASSISTANCE PROGRAMS WHICH FACILITATE LOCAL PLANNING FOR 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 ALSO RECOMMENDS THAT ALL THIS INFORMATION BE PULLED TOGETHER INTO ONE PLACE AND MADE READILY ACCESSIBLE TO STATE AND LOCAL OFFICIALS.

IT IS CLEAR THAT WE ARE GOING TO HAVE TO WORK MORE CLOSELY W/ OUR GOV'T. - IT IS DIFFICULT FOR US AND FOR PEOPLES ALL OVER THE WORLD TO WORK SOME PROGRESS ON THESE BARRIERS CAN BE MADE IMMEDIATELY THROUGH OUR W/GOV'T.

RECOMMENDATIONS. HOWEVER, THESE FINDINGS ARE ONLY THE BEGINNING OF THE CHANGES NECESSARY TO REMOVING THE BARRIERS THAT ARE PREVENTING US FROM FULLY ADDRESSING OUR INFRASTRUCTURE NEEDS. A COMPLETE RENOVATION OF OUR LOCAL GOVERNMENT FINANCING ^{CAPITAL IMPROVEMENT} AND REVENUE AUTHORITY MUST BE UNDERTAKEN. THEREFORE, WE STRONGLY URGED THAT AN INTERIM COMMISSION ON INFRASTRUCTURE BE CREATED TO PREPARE THIS PROGRAM FOR THE 1987 SESSION OF THE LEGISLATURE.

THE LEGISLATURE REVIEWED OUR FINDINGS AND DID CREATE A ^{STUDY} COMMISSION AS WE REQUESTED.

THE

COMMISSION ~~MUST HAVE AN ADEQUATE BUDGET~~ ^{WILL} TO ASSURE THAT THE FOLLOWING TOPICS RECEIVE THOROUGH RESEARCH AND ANALYSIS:

- A. COMPREHENSIVE REVIEW OF LOCAL BOND LEGISLATION, WITH THE INTENT OF RECODIFYING INTO THREE SECTIONS: REVENUE, GENERAL OBLIGATION AND SPECIAL DISTRICTS; ALSO STATUTES GOVERNING THE AMORTIZATION OF BOND ISSUES SHOULD BE CHANGED TO ALLOW LOCAL GOVERNMENTS FLEXIBILITY IN STRUCTURING THE MOST SUITABLE FINANCING PACKAGE.
- B. RESEARCH EXISTING TAX AND FEE RATES FOR SIMILAR FACILITIES ACROSS LOCAL GOVERNMENTS TO DETERMINE THE RANGE OF LOCAL TAX/FEE BURDENS. ESTABLISH A METHOD FOR ASSESSING OVERALL TAX BURDENS ON LOCAL GOVERNMENTS IN RELATION TO THE LOCAL GOVERNMENT'S TAX BASE AND ABILITY TO PAY. INVESTIGATE THE ROLE USER FEES PLAY IN MEETING COSTS OF FACILITIES, ESPECIALLY FOR UTILITY FACILITIES, AND THE EQUITABILITY OF RATE STRUCTURES FOR INDIVIDUALS OF LIMITED INCOME. EXAMINE WHETHER THERE ARE SITUATIONS IN WHICH ADDITIONAL STATE ASSISTANCE IN THE FORM OF GRANTS AND LOANS IS JUSTIFIED, FOR EITHER INDIVIDUAL OR LOCAL GOVERNMENTS.
- C. EXAMINE OTHER ASPECTS OF LOCAL FINANCE INCLUDING: USE OF SINKING FUNDS; HOOK-UP FEES; USE OF LEASE/PURCHASE AS A LONG-TERM FINANCING MECHANISM; MILL LEVY CEILING;

- Like A SALES TAX !

DEBT CEILINGS; USE OF ADDITIONAL REVENUE SOURCES TO REDUCE RELIANCE ON DECLINING PROPERTY TAX BASE. ALSO SUGGEST WAYS LOCAL GOVERNMENTS CAN FOSTER ECONOMIC DEVELOPMENT ACTIVITIES TO INCREASE THEIR TAX BASE.

THE Commission WILL

Review: STATUTORY REGULATIONS:

- D. MODIFY THE ROLE OF THE PSC IN LOCAL GOVERNMENT UTILITY REGULATIONS TO REDUCE AND/OR ELIMINATE THEIR INVOLVEMENT. SPECIAL ATTENTION SHOULD BE PAID TO INCREASING AMOUNTS ALLOWABLE FOR REPLACEMENT FUNDS AND EMERGENCY FUNDS IN SETTING RATES.
- E. REVIEW AND MODIFY STATUTES BEYOND LOCAL GOVERNMENT UTILITIES THAT REGULATE THE SETTING OF FEES FOR LOCALLY PROVIDED SERVICES TO ALLOW FOR LOCAL DISCRETION IN MEETING ACTUAL COSTS.
- F. REVIEW STATUTES THAT REQUIRE SPECIFIC ELECTED OR APPOINTED OFFICIALS TO CARRY OUT SPECIFIC RESPONSIBILITY FOR INFRASTRUCTURE, TO ALLOW FOR THE HIRING OF TRAINED MANAGERS FOR INFRASTRUCTURE FACILITIES.
- G. REVIEW AND IMPROVE STATUTES ON CAPITAL IMPROVEMENT PLANNING AND INTEGRATE COMPLIANCE WITH THESE STATUTES INTO PROGRAMS OF STATE FINANCIAL ASSISTANCE. PROVIDE ADDITIONAL STATE FUNDS FOR TRAINING IN HOW TO DO CAPITAL IMPROVEMENTS PLANNING AND GRANTS TO PAY THE COSTS OF COMPLIANCE.

TRANSPORTATION FACILITIES:

TRANSPORTATION FACILITIES ARE CRUCIAL TO MONTANA'S ECONOMIC WELL-BEING. EXISTING STATE INFORMATION INDICATES THAT THESE FACILITIES REPRESENT THE LARGEST AREA OF FINANCIAL NEED (~~IDENTIFIED \$8 BILLION~~). THE TASK FORCE RECOMMENDS THAT THIS COMMISSION LOOK SPECIFICALLY INTO TRANSPORTATION FACILITIES THROUGH THE FOLLOWING AREAS:

- H. CONDUCT COMPREHENSIVE ANALYSIS OF ROAD, STREET, BRIDGE, URBAN TRANSIT AND RAIL ABANDONMENT NEEDS AT THE LOCAL LEVEL, AND PERSPECTIVES OF LOCAL OFFICIALS ON THESE NEEDS.
- I. REVIEW STANDARDS FOR CONSTRUCTION AND THE ROLE THEY PLAY IN DETERMINING COSTS FOR CONSTRUCTION AND MAINTENANCE, AND LIABILITY FOR LAW SUITS.
- J. ON THE BASIS OF THIS COMPREHENSIVE ANALYSIS ~~OF BOTH H.~~
~~AND I. ABOVE~~, SUGGEST WAYS OF FINANCING LOCAL TRANSPORTATION NEEDS INCLUDING: RAIL BRANCHLINE REHABILITATION AND ACQUISITION OF CAPITAL EQUIPMENT; STREET, ROAD AND BRIDGE CONSTRUCTION AND MAINTENANCE; INTRACITY BUS TRANSPORTATION SYSTEMS.

THE BOMBARDMENT YOU HAVE JUST ABSORBED CONSTITUTES THE RECOMMENDATIONS OF OUR TASK FORCE. WHEN ADOPTED THEY WILL PROVIDE A FRAMEWORK - A BLUE-PRINT IN CONSTRUCTION TERMS - FOR ECONOMIC VITALITY IN MONTANA.

THIS COURSE OF ACTION IS POLITICALLY ACCEPTABLE. DURING THE NOVEMBER 1984 GENERAL ELECTIONS, 4.64 \$ BILLION OF INTRASTRUCTURE BOND ISSUES WERE APPROVED BY A VOTE OF 85% IN FAVOR.

A MOST COMPELLING ARGUMENT IS THAT UNITED STATES INDUSTRY THIS YEAR WILL INVEST ~~\$ 3.5~~ ^{\$ ANOTHER \$ 350} BILLION IN PLANT AND EQUIPMENT TO MODERNIZE AND EXPAND FACILITIES. THIS AMOUNT IS ~~10% MORE THAN LAST YEAR~~ ^{THE} STRONGEST REAL GROWTH IN RECENT MEMORY. DO WE THINK THAT MONTANA IS PARTICIPATING IN THIS ECONOMIC RESURGENCE? IF NOT, THIS IS A TIME FOR ACTION.

I READ THE OTHER DAY THAT BILLINGS HAS BEEN CHOSEN AS ONE OF THE CINDERELLA CITIES OF THE NEXT DECADE FOR ECONOMIC PROSPERITY.

THAT WOULD BE GOOD NEWS EXCEPT YOU WILL RECALL THAT IN CINDERELLA THERE WAS A VERY SHORT TIME TO MATCH THE SLIPPER WITH THE RIGHT FOOT. OTHERWISE, AT MIDNIGHT THE WHOLE OUTFIT TURNS INTO A BIG PUMPKIN.

ECONOMICALLY, OUR TIME GROWS SHORT.

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GREAT FALLS CHAMBER OF COMMERCE

11 JULY 1984

GREAT FALLS, MONTANA

#6
EX-101
JUL 13 1984

I APPRECIATE THE INVITATION AND OPPORTUNITY TO DISCUSS WITH YOU THE STATE OF PUBLIC WORKS IN AMERICA AND PARTICULARLY MONTANA TODAY. JUST RECENTLY I VISITED WITH A CITIZEN ASKING HIM IF HE THOUGHT THE DETERIORATION OF PUBLIC WORKS WAS A SERIOUS PROBLEM.-- HE SAID THAT HE SUPPOSED THAT IT WAS. I ASKED HIM IF HE THOUGHT THE PROBLEM WAS CAUSED BY IGNORANCE OR APATHY -- HE SAID HE DIDN'T KNOW AND HE DIDN'T CARE!

AMERICA'S PUBLIC WORKS SYSTEMS ARE IN A SORRY STATE OF AFFAIRS. MAINTENANCE, REPAIR AND PLANNED, ORDERLY INVESTMENT OF CAPITAL FUNDS HAVE BEEN DEFERRED AND NEGLECTED TO SUCH A DEGREE THAT MANAGEMENT BY CRISIS IS COMMON.

IS THIS AN ACCURATE ASSESSMENT?

INFRASTRUCTURE - THE DETERIORATION THEREOF.

HOW SERIOUS IS THIS SUBJECT?

IS IT SOMEWHERE BETWEEN THE PHYSICAL BUILD-UP OF ENTROPY--

COMMONLY KNOWN AS THE "HEAT DEATH OF THE UNIVERSE" AND "ACID RAIN"?

CAN IT BE COMPARED TO THE BREAKDOWN OF THE OZONE LAYER IN THE ATMOSPHERE AND THE GREEN HOUSE EFFECT?

IT'S PROBABLY EVEN MORE SERIOUS THAN THAT.

ONE HALF OF THE COMMUNITIES IN THE UNITED STATES ARE IN A NO-GROWTH SITUATION BECAUSE THEIR PUBLIC WORKS SYSTEMS CANNOT DELIVER SERVICES TO NEW GROWTH.

A NO-GROWTH STATUS LEAVES A STATIC TAX BASE TO CCPE WITH EVER INCREASING COSTS OF SERVICE.

SINCE 1965, THE PERCENTAGE OF THE G.N.P. (THE TOTAL VALUE OF ALL GOODS AND SERVICES PRODUCED IN UNITED STATES) DEVOTED TO SPENDING BY ALL LEVELS OF GOVERNMENT ON PUBLIC WORKS HAS DROPPED FROM 4.1% TO 2.3% - A 44% DECLINE.

IF EXISTING, ANNUAL PRIVATE CONSTRUCTION INVESTMENT IS ADDED, THE PERCENTAGE OF THE G.N.P. IS CURRENTLY 7 PERCENT DOWN FROM TEN PERCENT. FOR COMPARISON, CANADA'S INVESTMENT IS 16%, SWEDEN 16% AND JAPAN 20%. THE UNITED STATES STANDARD OF LIVING IS IN QUESTION.

HOW HAVE WE CREATED THIS SITUATION? FOR THE PAST 20 YEARS, CAPITAL SPENDING ON PUBLIC WORKS--AT ALL LEVELS OF GOVERNMENT - HAS BEEN COMPETING WITH SOCIAL SERVICE AND OTHER DISCRETIONARY SPENDING - AND LOSING. OUR NATION CAN NO LONGER AFFORD TO LOSE.

I SEE THAT THE CITY OF GREAT FALLS IS ABOUT TO RECEIVE \$830,000 IN COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS.

LISTEN TO THE LIST OF PROJECTS THEY ARE FUNDING:

25,000	67,850	SOCIETY FOR SOCIAL JUSTICE
50,000	116,000	BUSINESS INCUBATOR OFFICE SPACE & TECHNICAL ADVICE
126,000	176,000	NEIGHBORHOOD HOUSING SERVICES
<u>90,000</u>	<u>90,000</u>	SALARIES TO ADMINISTER THIS BLOCK GRANT PROGRAM
291,000	449,850	AMOUNGST OTHER SCHEMES

THINK BACK TO CETA - COMPREHENSIVE EMPLOYMENT TRAINING ACT AND THE NEW JOB TRAINING LAW. MASSIVE PROGRAMS AND SPENDING TO TRAIN PEOPLE FOR JOBS THAT DON'T EXIST. IF THOSE DOLLARS HAD GONE INTO PUBLIC WORKS -PEOPLE WOULD HAVE HAD REAL JOBS AND THE LEGACY IS A USABLE PUBLIC WORKS SYSTEM.

I SUGGESTED EARLIER THAT MANAGEMENT BY CRISIS IS AFOOT. THE PROBLEM IS EVEN MORE OF A CRISIS BECAUSE ECONOMIC RENEWEL DEPENDS ON AN ADEQUATE INFRASTRUCTURE.

B.

ONE ESTIMATE IS THAT IT WOULD TAKE \$71,423,000 TO REPLACE THE DEFICIENT ONES AND 25,554,000 TO REPLACE THE OBSOLETE ONES - SAY \$100,000,000

WE SHOULD TALK ABOUT COUNTY ROADS.

- INCLUDING SECONDARY ROADS WE HAVE 4,705 MILES WORTH IN MONTANA.
- 2562 MILES (OR 54%) ARE PAVED.
- IF 1/4 OF THESE ROADS NEED REHABILITATION AT \$200,000/MILE, WE NEED \$128,000,000.
- IF 1/2 OF THE REMAINING UNIMPROVED OR GRAVEL ROADS NEED RECONSTRUCTION AT \$300,000/MILE, WE NEED \$327,000,000.

WE COULD TALK ABOUT LOCAL ROADS.

- THERE ARE 63,886 MILES
- NOW WE HAVE BILLIONS OF DOLLARS.

WE SHOULD TALK ABOUT CITY STREETS.

- THERE ARE 2563 MILES OF CITY STREETS
- THE REBUILDING COST HERE IS \$700,00/MILE. FIRST, THOUGH, THE UTILITY SYSTEMS BENEATH THE STREETS SHOULD BE RENEWED.
- A CONSERVATIVE ESTIMATE FOR THIS NEED WOULD BE \$1.1 BILLION. IN THIS CONVERSATION, YOU CANNOT ESCAPE THAT BLACK HOLE DESCRIBED AS A "BILLION".

C.

THE CATEGORY TRANSPORTATION INCLUDES AIRPORTS.

- A CURRENT ESTIMATE FOR 55 MONTANA AIRPORTS SHOWS \$18,000,000 NEEDED FOR IMPROVEMENTS AND MAINTENANCE TO MEET SAFETY STANDARDS.
- 6 COMMUNITIES NEED NEW AIRPORTS COSTING 3,600,000.
- 10 AIRPORTS ARE ENDANGERED REQUIRING MAJOR IMPORVEMENTS IN 3 YEARS. \$3,000,000 MAY BRING THESE TO MINIMUM STANDARDS.
- THE 8 AIRPORTS SERVED BY AIR CARRIERS ARE SEPARATE AND APART FROM THESE OTHER CATEGORIES.
- IN SUMMARY, NEEDS TODAY FOR ALL BUT AIR CARRIER AIRPORTS ARE ESTIMATED AT \$25,800,000.
- STATE LOAN FUNDS FOR AIRPORTS FOR FY 84 & 85 ARE 650,000/YEAR. WE HAVE A SHORTFALL.

THE CATEGORY TRANSPORTATION INCLUDES URBAN PUBLIC TRANSIT SYSTEMS. - BILLINGS, GREAT FALLS, AND MISSOULA.

- UNCLE SAM HAS BEEN KIND ENOUGH TO FURNISH NOST OF THE CAPITAL FUNDS LATELY.
- MOST UNREASONABLY THOUGH, HE IS TELLING US THAT THE OPERATING SUBSIDIES THAT WE ENJOY WILL BE PHASED OUT AT 25% /YEAR TO ZERO IN 1989.

D.

ANOTHER CATEGORY - RAILROADS.

- NOW THAT MONTANA HAS A SINGLE RAILROAD, IT APPEARS THAT WE ARE SUBJECT TO MILES OF TRACK BEING ABANDONED RATHER THAN MILES OF ROADBED BEING IMPROVED. IF IT WERE NECESSARY, I COULD EXPAND THAT THOUGHT, AND ITS IMPLICATIONS FOR MONTANA'S ECONOMY.

HERE, I WILL BE KIND AND NOT TOTAL THE NEEDS FOR MONTANA TRANSPORTATION CATEGORIES WE HAVE CONSIDERED. HOPEFULLY, THOUGH, THE CASE HAS BEEN STATED.

EXPANDING OUR THOUGHTS NOW TO OUR NATIONAL SITUATION:

THE ASSOCIATED GENERAL CONTRACTORS RESEARCH REVEALS A MINIMUM NECESSARY CAPITAL INVESTMENT OF APPROXIMATELY \$3.03 TRILLION TO MEET PRESENTLY IDENTIFIED INFRASTRUCTURE NEEDS OVER THE NEXT 19 YEARS. PRESENT FUNDING LEVELS WILL PROVIDE ABOUT \$1 TRILLION -- A SHORTFALL OF \$2 TRILLION - 2/3 OF THE JOB WON'T GET DONE WITHOUT A CHANGE IN OUR WAYS. (CURRENTLY EXPENDITURE RATE \$56 BILLION/YR.

AGC HAS PREPARED A FILM WHICH TELLS OF THE NEED FOR ACTION. THIS IS NOT AN ADVERTISING AGENCY PROMOTIONAL. RATHER, IT IS LARGELY A COLLECTION OF WHAT BROADCASTERS THROUGHOUT THE COUNTRY HAVE BEEN SAYING ABOUT AMERICA'S NEGLECT OF ITS BASIC FACILITIES.

MOVIE

LET US VISIT NOW ABOUT SOLUTIONS - BUT AS WE DO - KEEP IN MIND:

1. FRIENDS COME AND GO, BUT ENEMIES ACCUMULATE
2. NO GOOD DEED GOES UNPUNISHED
3. NEVER SLEEP WITH ANYONE CRAZIER THAN YOURSELF.

IMAGES ARE BEGINNING TO FOCUS. THERE ARE SOME 30 PIECES OF LEGISLATION NOW PROPOSED TO CONGRESS REGARDING INFRASTRUCTURE. THE CONGRESS HAS NAMED A JOINT ECONOMIC COMMITTEE WITH BROAD REPRESENTATION TO PREPARE A STUDY. THE U.S. CONFERENCE OF MAYORS AND THE NATIONAL LEAGUE OF CITIES HAVE ISSUED THEIR REPORT:

HIGHLIGHTS ARE:

- o INFRASTRUCTURE DETERIORATION IS A NATIONAL PROBLEM
- o THERE ARE PRESSING PUBLIC WORKS NEEDS IN ALL REGIONS OF THE COUNTRY
- o ALL SIZES AND TYPES OF CITIES ARE AFFECTED
- ** o THERE IS NO ONE MECHANISM OR LEVEL OF GOVERNMENT WHICH CAN FINANCE THE REPAIR
- o CITIES ARE PLANNING TO CONTRACT OUT THIS WORK RATHER THAN USE CITY EMPLOYEES
THIS TRANSLATES DIRECTLY TO JOBS IN THE PRIVATE SECTOR
- o MOST HIGH PRIORITY PROJECTS WOULD COST LESS THAN \$5 MILLION - THUS SIGNIFICANT IMPROVEMENTS COULD BE REALIZED FROM INCREMENTAL FUNDING
- o MOST PRIORITY PROJECTS CAN BE STARTED WITHIN 6 MONTHS OF THE TIME FUNDS ARE AVAILABLE

THE MAYORS AND NATIONAL LEAGUE OF CITIES RANK THEIR PUBLIC WORKS NEEDS IN THE FOLLOWING ORDER:

- 1) STREETS AND ROAD REPAIR
- 2) STORM WATER CONTROL
- 3) WASTEWATER TREATMENT
- 4) SEWAGE COLLECTION
- 5) PUBLIC BUILDINGS
- 6) WATER DISTRIBUTION

THEY SAID THAT ADEQUATE CAPITAL FACILITIES ARE ESSENTIAL FOR ECONOMIC RECOVERY. "WE CANNOT HAVE ECONOMIC RECOVERY WITH A DILAPIDATED INFRASTRUCTURE". EACH LEVEL OF FUNDING AUTHORITY AND RESPONSIBILITY HAS A ROLE TO PLAY IN DEVISING A PROGRAM TO INCREASE PUBLIC CAPITAL INVESTMENT.

AGC MAKES THE FOLLOWING GENERAL RECOMMENDATIONS REGARDING INFRASTRUCTURE FUNDING:

1. WHERE A FEDERAL PRESENCE IN INFRASTRUCTURE FUNDING (BOTH DIRECT AND FEDERALLY - ASSISTED) IS JUSTIFIED, SUCH FEDERAL FUNDING MUST BE ADEQUATE.
2. ALL LEVELS OF GOVERNMENT MUST REALIGN FUNDING PRIORITIES. THE INFRASTRUCTURE CRISIS IS OF SUCH MAGNITUDE AND SO INTEGRAL TO ECONOMIC REVIVAL, GROWTH, AND EMPLOYMENT THAT IT MUST TAKE PRECEDENCE OVER SOCIAL SPENDING.
3. THE KEY ELEMENT IN INFRASTRUCTURE FUNDING MUST BE DEDICATED, LONG-TERM FUNDING MECHANISMS FOR ALL INFRASTRUCTURE CATEGORIES. THE FUNDING MUST BE DEDICATED TO AVOID SHIFTING OR DIVERTING CAPITAL INVESTMENT SPENDING, AS OCCURRED DURING THE PAST 20 YEARS. THE FUNDING MUST BE LONG-TERM TO PROVIDE STABILITY IN THE INFRASTRUCTURE EFFORT.
4. TO MAXIMIZE EFFICIENCY AND ECONOMY IN THE EXPENDITURE OF INFRASTRUCTURE FUNDING AND TO PROVIDE PRODUCTIVE PRIVATE SECTOR EMPLOYMENT, INFRASTRUCTURE CONSTRUCTION MUST BE ACCOMPLISHED BY THE PRIVATE SECTOR THROUGH THE SINGLE CONTRACT METHOD AND OPEN COMPETITIVE BIDDING.

5. USER FEE FUNDING MECHANISMS AND ENTERPRISE AUTHORITIES SHOULD BE USED TO THE MAXIMUM EXTENT.
6. CAPITAL BUDGETING SHOULD BE IMPLEMENTED BY ALL LEVELS OF GOVERNMENT TO ASSURE INCREASED INFRASTRUCTURE INVESTMENT.
7. STATE INFRASTRUCTURE BANKS SHOULD BE ESTABLISHED WITH INITIAL CAPITALIZATION FROM BOTH THE FEDERAL GOVERNMENT AND THE STATES, PROVIDED THE CREATION OF THE BANKS WILL RESULT IN A NET INCREASE IN INFRASTRUCTURE INVESTMENT.

CONSIDER THE IMPROVEMENTS THAT COULD BE REALIZED IF, INSTEAD OF OUTRIGHT GRANTS OR GIFTS, THE PUBLIC WORKS FUNDS SUCH AS WASTE-WATER TREATMENT FUNDS WERE REPAID OVER TIME BY THE USERS WHICH BENEFIT FROM THE PROJECT. THE FUNDS WOULD BE ACCUMULATED IN INFRASTRUCTURE BANKS AT THE STATE LEVEL AND WOULD BE AVAILABLE TO FINANCE OTHER IMPROVEMENTS WHICH WOULD IN TURN BE REPAID.

WASTE- WATER COLLECTION AND TREATMENT SYSTEMS SHOULD BE SELF SUSTAINING UTILITIES GENERATING SUFFICIENT REVENUE TO PROVIDE FOR CAPITAL AND MAINTENANCE NEEDS AND FUTURE GROWTH WHEN NECESSARY.

ALL MUNICIPAL UTILITY SERVICES SHOULD BE SELF- SUPPORTING AND FUNDED BY USER FEES TO THE MAXIMUM EXTENT PRACTICABLE.

A SPECIFIC SOLUTION: ELIMINATE PORK BARREL RIPOFF. PORK BARREL PROJECTS DO NOT STAND THE TEST OF COST TO BENEFIT RATIO. THEY ARE FOR LOCAL OR PAROCHIAL GAIN RATHER THAN UNIVERSAL IMPROVEMENT. USERS OF SUCH FACILITIES DO NOT PAY THEIR SHARE OF PROJECT COST ~~WHICH MAY WELL BE 100% OF PROJECT COST.~~

ANOTHER SPECIFIC SOLUTION: PUBLIC WORKS SPENDING BENEFITS EXTEND FAR BEYOND PUBLIC WORKS REPAIRS. THE \$3.03 TRILLION INVESTMENT WOULD CREATE 6 MILLION JOBS. INFRASTRUCTURE REPAIR WILL SOLVE A HOST OF CURRENT EVENTS DILEMMAS.

AGC SUGGESTS THAT STATE BY STATE AN INFRASTRUCTURE REVIEW TASK FORCE BE FORMED WITH THE MISSION OF EVALUATING THE AGGREGATE INFRASTRUCTURE NEEDS THROUGH THE YEAR 2000.

OUR GOVERNOR TED SCHWINDEN KNOWS THE IMPORTANCE OF A SOUND ECONOMY SUPPORTED BY SOUND PUBLIC WORKS FACILITIES, AS EVIDENCED BY THEME OF HIS ADMINISTRATION - "BUILD MONTANA".

HE WAS NAMED ONE OF FOUR GOVERNORS NATIONWIDE TO PARTICIPATE IN THE JOINT ECONOMIC STUDY OF THE INFRASTRUCTURE BY THE CONGRESS.

IN JANUARY OF THIS YEAR HE NAMED A MONTANA TASK FORCE ON INFRASTRUCTURE, TO BE CHAIRED BY L/G GEORGE TURMAN. AMONG THE 15 PARTICIPANTS ARE THE DIRECTORS OF FOUR STATE OF MONTANA AGENCIES:

COMMERCE DEPARTMENT

HIGHWAYS

HEALTH AND ENVIRONMENTAL SCIENCES

NATURAL RESOURCES AND CONSERVATION

AND REPRESENTATIVES OF:

CONSULTING ENGINEERS COUNCIL OF MONTANA

MONTANA CONTRACTORS ASSOCIATION

LEAGUE OF WOMEN VOTERS

BILLINGS CITY COMMISSION

LINCOLN COUNTY COMMISSION

PRIVATE FINANCIAL INVESTMENT EXECUTIVE
MONTANA STATE UNIVERSITY CIVIL ENG. DEPT.
DIRECTOR OF PUBLIC WORKS - HELENA - DICK NISBET
MISSOULA CITY FINANCE OFFICER
GALLATIN COUNTY COMMISSIONER
RURAL WATER SYSTEMS EXECUTIVE

THE GOVERNOR'S CHARGE TO THE TASK FORCE IS TO DETERMINE MONTANA'S SHARE OF THE ESTIMATED \$3 TRILLION COST OF REBUILDING PUBLIC WORKS. HE IS CONVINCED THAT MONTANA SHARES PROPORTIONALLY IN THE COUNTRY'S CATASTROPHE OF CRUMBLING.

THERE IS NO POT OF GOLD WAITING TO SOLVE OUR PROBLEMS. MY PERSONAL VIEWPOINT WHICH I WILL ENDEAVOR TO CONTRIBUTE TO THE STUDY IS THAT WE ABSOLUTELY CANNOT AFFORD THE ECONOMIC UPHEAVAL AND DISLOCATION CAUSED BY DECAY OF MUNICIPAL SERVICES. PUBLIC WORKS FACILITIES ARE THE MOST BASIC NEEDS OF OUR SOCIETY - THE BEST DOLLARS WE CAN SPEND - THIS WILL REPRESENT A SIGNIFICANT RE-DIRECTION OF CURRENT THOUGHT AND DECISION MAKING. WITNESS AGAIN THE STORY OF HAVRE'S WATER SYSTEM. *THE COMMUNITY DEVELOPMENT BLOCK GRANT PROJECTS.*

THESE TASK FORCES WILL MAKE AN INVENTORY OF NEEDED NEW PROJECTS AND REPAIRS OF EXISTING FACILITIES. COST ESTIMATES AND CASH FLOW SCHEDULES MUST BE DEVELOPED WITH FINDINGS AND RECOMMENDATIONS TO THE GOVERNOR. LEGISLATORS AND SUBDIVISIONS OF GOVERNMENT MAY THEN DRAW FROM THIS RESOURCE DOCUMENT.

MONTANA'S PRELIMINARY STUDY INDICATES NEEDS OF \$3 BILLION AND REVENUES OF \$2 BILLION AT CURRENT LEVELS FOR A POPULATION OF 800,000. A FUNDING SHORTFALL OF 50% - BETTER THAN THE 2/3 SHORTFALL PROJECTED NATIONWIDE.

I LEAVE YOU WITH FOOD FOR THOUGHT. CAPITALISM IS THE ANSWER!

COMMUNISM: YOU HAVE TWO COWS. THE GOVERNMENT TAKES BOTH OF THEM AND GIVES YOU PART OF THE MILK.

SOCIALISM: YOU HAVE TWO COWS. THE GOVERNMENT TAKES ONE OF THEM AND GIVES IT TO YOUR NEIGHBOR.

BUREAUCRACY: YOU HAVE TWO COWS. THE GOVERNMENT TAKES BOTH OF THEM, SHOOTS ONE AND MILKS THE OTHER, THEN POURS THE MILK DOWN THE THE DRAIN.

CAPITALISM: YOU HAVE TWO COWS. YOU SELL ONE OF THEM AND BUY A BULL.

IT IS TIME TO SELL ONE COW AND BUY A BULL.

VISITORS' REGISTER

House Taxation COMMITTEE

BILL NO. HB 270

DATE Feb 3, 1987

SPONSOR Ramirez

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

House Taxation

COMMITTEE

BILL NO.

HB 271

DATE _____

Feb 3, 1987

SPONSOR

Ramirez

[illegible]

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VISITORS' REGISTER

House Taxation

COMMITTEE

BILL NO. HB 272DATE Feb 3, 1987SPONSOR Ramirez

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Sonny Luckman	Mont. Cent. Ass	✓	
DANA HURSTIS	Mont. Contractors	✓	
DEANIE BURCH	MSA		
GREG. CICHENSKI	MT. ENV. INF. CTR		✓
Arden Morris	WACO	✓	
Spence-Hall Insurance	MT. State Club		✓
Adair Henson	MSA	✓	
Krey Jones	D.A. Davidson		✓
Wendy Feigen	MT. Stockmen's ^{little women}	✓	
Phil Campbell	MSA		✓
MAIT-ELL			✓

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VISITORS' REGISTER

House Taxation COMMITTEE

BILL NO. HB 288

DATE Feb 3, 1987

SPONSOR Pistoria

[illegible]

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VISITORS' REGISTER

House Taxation COMMITTEE

BILL NO. HB 289

DATE Feb 3, 1987

SPONSOR Pistoria

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