

MINUTES OF THE MEETING
FINANCE AND CLAIMS COMMITTEE
MONTANA STATE SENATE

April 2, 1987

The 22nd meeting of the Senate Finance and Claims committee met on the above date at 8 a.m. in room 108 of the State Capitol. Following roll call the meeting was called to order by Senator Regan, Chairman to hear House Bill 7.

ROLL CALL: All members present except Senators Story and Haffey who were excused.

CONSIDERATION OF HOUSE BILL 7: This bill was the Long Range Planning committee bill by request of the Department of Natural Resources, and is the Water Development Program, Grants and Loans. The bill was sponsored by Senator Thoft, and in his absence Senator Van Valkenburg explained the bill.

Senator Van Valkenburg said House Bill 7 is a bill that would appropriate money for water development projects in the state. It has several aspects to it, the Water Development Grant Program, the Water Development Loan Program, the Renewable Resource Development Program, and the Coal Tax bonds water loans program. The bill has \$848,000 of water development grants in it, \$1.1 million of water development loans, \$154,000 of renewable resource grants, \$924,000 of loans that have been reauthorized that were previously authorized by the Legislature in other sessions, and then \$57 million of Coal Severance Tax loans, some of which are also reauthorization from other sessions, and finally \$125,000 for emergency water development grants. The loans in the bill are indicated with "l" on pages 4, 5 and 6; the grants are indicated with "g". He said there were conditions on the loans and on the grants and were generally set out in the book that every legislator got. He said the grants were a little illusory since we do not have \$848,000 of expected revenue to fund all these. They are ranked in priority order and the available funding would appear to be only \$295,000 which would mean only the first four grants would be likely to be funded during this biennium. He said he felt the other thing that should be brought to the attention of the committee was with respect to the coal severance tax loan portion of the bill which begins on page 11, you will see language in each case from group a through group e, setting out the terms of the loans, the interest rates, and there is a subsidy for a number of the projects. He said the one that had the highest subsidy is an agricultural project, and they are trying to keep the

program alive and well by making certain there are agricultural projects in it.

Senator Van Valkenburg went through the bill giving comments on different sections to explain it a little further, and then said he would be available for questions.

There were no further proponents, no opponents, and Senator Regan asked if there were questions from the committee.

QUESTIONS FROM THE COMMITTEE: Senator Hammond said, it seems to me that 2 years ago we had language in the bill that processed these funds saying they should be generated toward agriculture, encourage them to be generated toward agriculture. Am I right? Madalyn Quinlan, fiscal analyst, answered yes, and Senator Van Valkenburg said, I don't remember exactly where the language was, but there was a clear Legislative intent, as I remember, that that is what should happen, and that's what I was referring to when I was talking about the Middle Creek project.

Senator Hammond asked, why is there the difference in the percentage points so far as the interest under the bond interest is concerned? Some are 1/2 a percent some are a whole point under, why? Senator Van Valkenburg said, the basic reason is that when the Department puts this together they do so on their assessment of public need and technical feasibility, and secondly on the basis of the ability of the borrower in the case of a loan, to repay the loan, and then in comparison with the cost other water users are paying. They try to keep the costs not too far out of line with similar water users.

Caralee Cheney, Chief, Water Development Bureau said, basically that is the process we use. We look at the resulting water user rates, should there not be a subsidy, and then the local income.

Senator Hammond asked, what percentage of this water development is given to the towns and cities of this fund.

Caralee Cheney said, we do have comparisons we've made in various parts of the program. At this particular time communities are getting about 37%, irrigation districts are getting about 27%. She said she would get the information for Senator Hammond.

Senator Van Valkenburg said, part of the problem here is applications. If the state in agriculture is such that people don't even have the ability to put together applications, you don't have enough applications to even take advantage of the money that is potentially there.

Senator Himsl asked, on page 16, would you develop a little more on the state hydroelectric projects? What's the rationale for that? Especially now when we have the surplus of power, what is the story on that? Senator Van Valkenburg said, I think Mr. Fasbender could answer that question.

Larry Fasbender, Director, Department of Natural Resources said, The Broadwater Toston project with the state of Montana, actually got a FERC (Federal Energy Regulatory Commission) license on it 2 years ago, we have 2 years left to run on it. Before that we went through a process where the state of Montana had to put out bids to see if anyone wanted to lease that hydroelectric project. The state of Montana had a preference on it at the time and exercised our preference on it, not having received any acceptable recommendations from any other source. When I first came to the Department in 1985, the avoided cost rate was about 6 1/2 to 7 cents. Because of the situation that was in effect at that time the Public Service had set us an avoided cost rate, I really didn't think it was good public policy for the state of Montana to enter into a contract that was going to raise the rates of the rate payers in the state an amount that appeared to be quite high in relation to what wholesale electric power was selling for; consequently nothing was done on the project. Since that time the Public Service Commission has lowered the avoided cost rate and our estimates right now are that the cost would be approximately 3 1/4 and 3 1/2 cents per kilowatt hour. That's an average because there are a lot of factors in making that sort of an estimate. Another factor that has changed since 1985, is that the interest rates we were looking at back in '85 were much higher than they are right now. It would appear, depending on what is done with Coal Tax in this session of the Legislature, that we will be able to sell bonds below 7%. That had a significant effect on the cost of the project and the amount we would have to have in order to get a return on the project. In 2 years, if we don't begin to develop that project -- actually if we don't begin to develop it by April of '88 we will lose the FERC license. At that time an individual could come in (because we changed the law in '85), an individual could come in and make application and apply for that project and probably build it, and their rate would be the same as the state is getting right now. That public policy question has been somewhat changed; whether we develop it or Public Energy develops it, the cost to the rate payer is going to be the same. We have taken a look at the project and it is probably one of the two best sites in the state of Montana for development. Broadwater dam is owned by the state of Montana, the water users in that particular area have been having some trouble operating the dam with the gates that it has. We can see quite a few benefits both to the water users and to the state of Montana if we were to put the dam into effect. The economic analysis done on the dam indicates that it would

have a net present value after we finally get everything designed, completed and sell the bonds, we are estimating it will be between \$34 million and \$26 million in the state of Montana, which is rather significant.

Mr. Fasbender said, one of the other things we have discussed with the Long Range Building Committee is the problem we have with a number of state budgets, that our state dams aren't safe. We have not in any way done anything basically to upgrade the more dangerous ones. Right now we are down working on Tongue River Dam doing some minor repairs, but the cost of repairing that dam alone at a minimum, just to bring it up to a low level of risk would be somewhere around \$20 million. Obviously the state doesn't have the wherewithall, especially at the present time to generate those kinds of dollars. Effecting the repair doesn't return anything to the state of Montana, either. You've have made the decision, I've made the decision, I've talked to the Governor, and the Board of Natural Resources -- we have gone through all the processes. We are now planning on building that project. We will be sizing it, designing it, and putting it up for bids sometime in the next few months. One of the things the Board of Resources did ask us to do before we finally completed the financial structure and present it to them in June, was ask that we would see if any private developers could develop it at a somewhat lower risk to the state and still get a pretty good return. We are looking at that at this time, but we are proceeding with the idea that the state will be building the project.

Senator Keating asked, with regard to the coal tax bonds that are used for the various water projects; could you give us a little bit of a run down, a schematic of how that works? We sell the bonds and lend the money to people and then they pay the things back, and where does the coal tax money come in? Mr. Fasbender answered, the coal severance tax is actually used to back the bonds that we sell. We sell those bonds, the revenue bond is backed by the coal severance tax and the coal severance tax is used to guarantee the debt service on the bonds. Right now on the bond resolution we have a two times coverage clause in it which means that we have to have at least two times the money in a reserve that is set aside before it goes into the permanent trust. The coal severance tax has 3 different funds in it. It has a bond fund, a permanent trust fund and it has an income fund. Before the money is put into the permanent fund it is intercepted, so to speak, for a period of time, and that money -- whatever amount is needed to pay the debt service on the outstanding bonds is capped at that time. Every month we go through that process and whatever isn't needed goes into the permanent trust. At the present time our severance tax bonds actually have the same rating as a general obligation bond. As far as risk is concerned,

the bond rating agencies see those as very good bonds, well backed with the process we go through which guarantees the bond holders. We have about 14 times coverage with the money that is flowing into the coal severance tax right now with the bonds that we have outstanding so far as our debt service is concerned. That will reduce somewhat, because as we sell more bonds there is more debt service, consequently the ratio goes down. It is also going to be affected by the amount of money going into that, so whatever the legislature does with the coal severance tax is going to have some effect on the amount of money that is available to back bonds. We have authorization right now, to go up to a limit of \$250 million. As a natural matter of fact if the money that is going into the coal severance tax right now -- we can't sell more than about \$180 million. We have about \$30 million in bonds out now.

Mr. Fasbender said they refinanced some bonds in 1985 that were sold in '84, sold additional bonds. We may be selling in the Water Development Program about 15 to 19 and then we would also have the Water Development Project with Broadwater which could be up as high as \$26 million.

Senator Keating asked, to get into some specifics, if I can test your memory. How much coal tax money then do we have to have flowing through that bond fund in order to back the bonds, the \$30 million now and the anticipated additional \$50 million, so that would be about \$80 million in bonds. How much coal tax do you have to have flowing through there to act as collateral? Senator Fasbender answered, that would vary according to what the interest rates are. Caralee Cheney said, it would be about \$8 million. Mr. Fasbender said, that money is not necessarily taken out of the coal severance tax because we in turn require that they sell bonds and we buy the bonds from them, and that money -- the revenues they collect goes to pay off the bonds. The only thing that comes out of the coal severance tax is the subsidy.

Senator Keating asked, how much is the subsidy? Mr. Fasbender answered, the subsidy from past projects from which we have lowered the interest rate was running about \$300,000 to \$500,000, and this next sale is going to be another \$300,000 so we are looking at about \$600,000.

Senator Keating asked, is that a one time shot? Mr. Fasbender said, that will go for the life of the bond.

Senator Keating asked, where does that \$600,000 come from? Mr. Fasbender said that will come out of the tax funds.

Senator Keating asked, is there any other state money expended on these bonds? If some of these projects are not productive to pay the debt service is the state liable? Mr.

Fasbender said the state does guarantee the rate etc. to the bondholder. Mr. Keating asked, no one has ever not been able to service their debt thus far? Mr. Fasbender said, that is correct.

There were no further questions, Senator Van Valkenburg said he closed.

DISPOSITION OF HOUSE BILL 7: Motion by Senator Manning that House Bill 7 be concurred in. Voted, passed, unanimous of those present.

DISPOSITION OF HOUSE BILL 621: AN ACT APPROPRIATING OIL OVERCHARGE MONEY FOR PROGRAMS ADMINISTERED BY THE STATE OF MONTANA; ESTABLISHING AN ENERGY CONSERVATION AND ENERGY ASSISTANCE ACCOUNT, etc.

Senator Regan said she thought there were some problems in the bill that should be addressed.

Motion by Senator Manning to amend House Bill 621 on page 3, line 14, et. This would use a portion of the stripper well money for insulation, heating plant, cost effective windows, etc. for new construction. We have to apply for the grant and the proposals have to be set up to certain guidelines. He said this would be for the people, on schools and hospitals on new construction, and subsection 5 funds would be used for retrofitting existing schools and hospitals for energy conservation.

Senator Regan asked if the members of the subcommittee would take a look at it and comment if they so desired.

Senator Van Valkenburg said, I would like to ask Senator Manning who the money is being taken from. Senator Manning said out of the Institutional Conservation Program. Senator Van Valkenburg said, it would come out of the Institutional Conservation Program and be put into the Weatherization account. This is an amendment that the subcommittee considered and rejected. It sets aside \$200,000 for new schools and we considered this in the form of a bill that was presented to the committee. It in essence, came down to one or two schools in the Flathead area. They had a situation there where a school burned down in West Glacier and they are building a new school. We thought this was too specific a use of this money. As long as this money was in Institutional category that those schools would be able to apply for it and compete for the money just the same as everyone else in the state. If we adopted this amendment it would in essence, be a direct appropriation to that particular school district.

Substitute motion by Senator Tveit that the amendment do not pass.

Question was called, voted, passed.

Some amendments were passed out by Senator Van Valkenburg and he said it had 2 aspects to it. The first is to deal with the energy share program. He said, you may recall when the bill was presented, we were told Representative Addy had amended the bill on the floor of the House, but the amendment was not done properly, because to put the money in the energy account it needed to come from the stripper account and half of this money comes from the Exxon overpayment. The first amendment would simply fix that so all the money comes out of the stripper account. It would leave the dollar amount the same so the energy share would get what the House put in the bill.

Motion by Senator Van Valkenburg to move the above amendment, page 3 lines 14 and 17.

Senator Regan asked if this did not have a dollar for dollar match. Senator Van Valkenburg said he thought it did.

Carl Visser, Energy Share Program, Billings, and with the Human Resource Council said, the situation with energy share is that there is a dollar for dollar match, and during the last year as a private donation we had 3100 individuals in the state of Montana that donated a little, and each of the dollars they put in were matched by this fund. We would understand it to be a one time situation.

Senator Manning asked, is this a group of individuals that fall through the cracks, they are not below the poverty level low enough? Carl Visser answered, in this particular situation this assistance would go to those people that are just above. In the LIEAP program, you have to take the income for the last 12 months, and there are sometimes situations when the people become unemployed during that time and they are not eligible because of the 12 month determination. There also a number of seniors who have medical bills, etc and can't quite qualify for the federal program. This is a private, non-profit program.

Senator Hammond asked, this is by application? Mr. Visser said yes.

Senator Hammond asked, it goes to the people above the poverty level who haven't been able to pay their bill? Mr. Visser said, yes.

Question was called, voted, passed, unanimous of those present.

Senator Van Valkenburg said, My second amendment is one that would appropriate \$65,000 to the Department of Commerce for the purpose of repairing the roof on the West Yellowstone

airport, and \$85,000 into the Institutional Conservation Program. The reason we are doing this is that there is \$150,000 of additional oil overcharge money that has become available since the subcommittee considered this bill. The Institutional Conservation Program has been cut back already \$100,000 because of some earlier changes we had made in the bill. That is why we thought it appropriate that \$85,000 of that money should go back into that particular program. When we considered the LRB bill the subcommittee deleted funding for a roof at the West Yellowstone airport. We had done that because we were of the opinion that the state really should not be in the airport business.

Senator Van Valkenburg explained that the problem is the state has a perpetual agreement with the federal government to operate this particular airport and maybe something of a moral obligation to at least take care of the immediate needs of the airport. Members of the subcommittee have talked to the feds on this. I think if we fix the roof that there is at least a reasonable chance to turn it over to the West Yellowstone authorities. He said he is proposing they have the \$65,000 and fix the roof, and if the town will not take it the Department of Commerce is directed to come back to us in 2 years with a plan for closure of that airport.

Senator Smith said he hoped we didn't get caught up in this like the legislature did with the Daley Ditch.

Senator Boylan asked, has any contact been made with the people of West Yellowstone on this?

Dave Needler, Aeronautics Division said they had in the past contacted both Galatin County and the city of West Yellowstone offering them the airport for \$1 and have been turned down.

Senator Regan asked, how much does it cost to maintain that airport? Dave Needler said the expenses this past season totaled \$42,000.

Senator Hammond asked how did we get it? Senator Boylan said the Federal government built that and Mike Mansfield had that done years ago. It is a big airport, and an expensive airport. It does bring in a lot of private planes to land there. There were commercial airlines in there but they are in and out, don't stay.

Senator Hammond asked, how did the state get it? Mr. Needler said, it is my understanding that in 1964 the airport was proposed to serve Yellowstone National Park. At that time the city of West Yellowstone was not incorporated and therefore not an eligible sponsor. Galatin County took the position that they were already responsible for 2 airports, and therefore the state of Montana in the

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interests of it being a tourism aspect of the enhancement of Yellowstone Park agreed to assume ownership of the airport. I would like to add, that although the expenses this past year were \$42,000 the airport did generate \$46,000.

Senator Van Valkenburg said, let me just point out that there may be a real potential of future revenues. I don't remember when Frontier Airlines went under, but Frontier and Western had both served West Yellowstone with commercial jets. Frontier has gone, Continental didn't take over that stop, Western with its merger with Delta has discontinued service there. I think the only scheduled service into West Yellowstone is a commuter out of Salt Lake, and unless West Yellowstone is able to get a major commercial carrier to come in there they're not going to have the revenue it will take to continue to operate that airport.

Senator Boylan said, I just wanted to be sure they have contacted West Yellowstone people and they know what we are doing. Mr. Needler said, we are more than willing to do that.

Senator Hammond said they ought to be also made aware of Senator Van Valkenburg's proposition. I think it should be done sooner than that.

Senator Regan said, I think if you read the language carefully, it says that they will take steps to do it and report back to the next legislature, so you are looking at a 2 year term to work some kind of an agreement out.

Senator Hammond said, but it's awfully hard to hold somebody to something -- it's there, and you can't move it and so they will always benefit from it.

Senator Van Valkenburg said he could not speak for all the subcommittee members but he had talked to several of them. What we are saying here is that we will recommend putting \$65,000 of oil overcharge money into roof, but only if we can see some of these other things coming along.

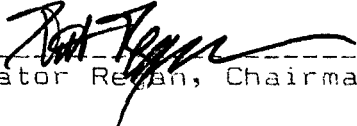
Question was called, voted, passed, unanimous of those present.

Motion by Senator Van Valkenburg that House Bill 621 be amended be concurred in. Voted, passed. Unanimous of those present.

Senator Regan said the committee would meet again in the morning to hear 2 bills, 795 and 868 and take Executive action on the satellite program 185. She said she had received some material, and asked if Senator Hammond had. He answered that he had received his answer this morning that we can't get it.

Finance and Claims
April 2, 1987
Page 10

The meeting was adjourned.



Senator Ryan, Chairman

ROLL CALL

50th LEGISLATIVE SESSION - - 1987

Date 4-2-87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR REGAN	✓		
SENATOR HIMSL	✓		
SENATOR JACOBSON	✓		
SENATOR BENGTON	✓		
SENATOR STIMATZ	✓		
SENATOR HARDING	✓		
SENATOR HAFFEY			✓
SENATOR SMITH	✓		
SENATOR KEATING	✓		
SENATOR STORY	✓	→	✓
SENATOR BOYLAN	✓		
SENATOR JERGESON	✓		
SENATOR TVEIT	✓		
SENATOR MANNING	✓		
SENATOR HAMMOND	✓		
SENATOR GAGE	✓		

asm
#1
Manning

Senator Manning

3-31-87

House Bill 621

2nd yellow

1) Page 3, line 14.
Strike: "\$1,550,000"
Insert: "\$1,800,000"

2) Page 3, line 17.
Strike: "\$950,000"
Insert: "\$700,000"

3) Page 8, line 5.
Strike: "\$900,000"
Insert: "\$700,000"

4) Page 8, following line 9.
Insert: "(6) There is appropriated \$200,000 from the stripper well payment to the department of natural resources for making grants to school districts or hospitals for the installation of energy conserving measures in schools and hospitals to be constructed."

Renumber: subsequent subsections

W-6
Don't Pass

SENATE FINANCE AND CLAIMS
EXHIBIT NO. 1
DATE 4-2-87
H BILL NO. 621

Substitute Motion Do NOT Pass Passed,

*Amendments
Repeal 621
Add 1*

*NO on bill
13 energy charge
600 m.
Repe*

SENATE FINANCE AND CLAIMS
EXHIBIT NO. 1
DATE 4-22-87
BILL NO. 621

Admendments to HB 621:

Fix or repeal the "Addy" admendment

Repeal - *Yes*

Fix - *No*

- 1) Page: 3
Lines: 3-19
Strike: Section 5

Page: 7
Line: 25
Strike: 1,900,000
Insert: 2,000,000

Page: 8
Line: 5
Strike: 900,000
Insert: 1,000,000

- 1) Page: 3
Line: 14
Strike: 1,550,000
Insert: 1,650,000

2) Page: 3
Line: 17
Strike: 950,000
Insert: 850,000

Repair the West Yellowstone Airport Roof:

- 1) Page: 7
Line: 13
Insert : New Section: Section 9. There is appropriated from the Stripper Well Payment contained in the Federal Special Revenue Fund to the Department of Commerce 65,000 for repair of the roof at the West Yellowstone Airport.

- Yes only if give budding away

- 2) Page: 7
Line: 25
Strike: 1,900,000
Insert: 1,985,000

2/11/87
✓✓ 4-7-87
H.B. 621
G

Senator Van Valkenburg
Amend House Bill 621

1. Page 3, Line 14
Strike: "\$1,550,000"
Insert: "\$1,650,000"

Page 3, Line 17
Strike: "\$950,000"
Insert: "\$850,000"

2. Page 7, Line 25
Strike: "\$1,900,000"
Insert: "\$1,985,000"

Page 9, Following line 12
Insert: "New Section: Section 9. There is appropriated from the Stripper Well Payment, contained in the Federal Special Revenue Fund to the Department of Commerce, \$65,000 for repair of the roof at the West Yellowstone Airport. The Department of Commerce is directed to take the steps necessary to transfer ownership of the West Yellowstone Airport to the City of West Yellowstone or another local public authority willing to own and operate the airport. If no public entity is willing to take over the airport, the Department shall present a plan to the 51st Legislature to close the airport."

✓✓

Voted
Passed
Re number: subsequent sections

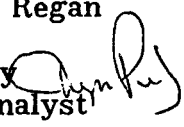


STATE OF MONTANA
Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/444-2986

JUDY RIPPINGALE
LEGISLATIVE FISCAL ANALYST

March 27, 1987

TO: Senator Pat Regan
FROM: Taryn Purdy 
Assistant Analyst
SUBJECT: Family Practice Residency

In the 1983 legislature, the Montana Family Practice Satellite Unit Program requested general fund for certain administrative costs due to its loss of funding from the "Old West Region." The program was appropriated \$65,000 in fiscal 1984 and \$6,000 in fiscal 1985. The program had originally requested \$65,000 in fiscal 1985.

No tapes exist of Finance and Claims meetings prior to the June, 1986 special session. In the minutes of the Senate Finance and Claims Committee of April 13, 1983, Senator Judy Jacobsen is quoted as saying, "I think if I felt that this was an on going thing I would agree not to replace it with general fund. Dr. Cook (who had represented the program in the hearing) said they can get it started. They will not come back next time..." A Dr. Norris is quoted as stating during the hearing that "...basically we are looking for a way to fund that position for the next two years to get it off the ground..." No other mention is made in the minutes as to the intent of the committee as to whether the appropriation was to be a one-time allocation. No record exists concerning Mr. Cook's comments relating to Senator Jacobsen remarks, and written testimony includes no mention of the length of time they were requesting state financial assistance.

TP1:kj:sr3-27.

STANDING COMMITTEE REPORT

April 2

87

..... 19.....

MR. PRESIDENT

We, your committee on **FINANCE AND CLAIMS**

having had under consideration..... **HOUSE BILL** No. **7**

third reading copy (blue)
color

WATER DEVELOPMENT PROGRAM GRANTS AND LOANS

THOPT

Respectfully report as follows: That..... **HOUSE BILL** No. **7**

BE CONCURRED IN

XXXXXXX
DO PASS

XXXXXXXXXX
DO NOT PASS

.....
SENATOR REGAN

Chairman.

STANDING COMMITTEE REPORT

April 2, 1987

19

MR. PRESIDENT

We, your committee on FINANCE AND CLAIMS

having had under consideration House Bill No. 621

third reading copy (blue color)

ALLOCATE FEDERAL OIL OVERCHARGE MONEY

QUILICI (Walker)

Respectfully report as follows: That House Bill No. 621,
be amended as follows:

1. Page 3, line 14.

Strike: "\$1,550,000"

Insert: "\$1,650,000"

2. Page 3, line 17.

Strike: "\$950,000"

Insert: "\$850,000"

3. Page 7, line 25.

Strike: "\$1,900,000"

Insert: "\$1,985,000"

4. Page 9, Following line 12.

Insert: "New Section. Section 10. There is appropriated from the stripper well payment, contained in the federal special revenue fund to the department of commerce, \$65,000 for repair of the roof at West Yellowstone airport. The department of commerce is directed to take the steps necessary to transfer ownership of the West Yellowstone airport to the city of West Yellowstone or another local public authority willing to own and operate the airport. If no public entity is willing to take over the airport, the department shall present a plan to the 51st legislature to close the airport."

Renumber: subsequent sections

AND AS AMENDED
BE CONCURRED IN

XXXXXX
DO PASS

XXXXXXXXXX
DO NOT PASS

Senator Regan

Chairman.