

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON BUSINESS & ECONOMIC DEVELOPMENT

Call to Order: By Rep. Bob Pavlovich, on February 2, 1989, at
8:00 a.m.

ROLL CALL

Members Present: All

Members Excused: None

Members Absent: None

Staff Present: Paul Verdon and Sue Pennington

Announcements/Discussion: None

HEARING ON HOUSE BILL 418

Presentation and Opening Statement by Sponsor:

Rep. Koehnke, District 32. This bill prohibits a regional nonprofit tourism corporation or nonprofit convention and visitors bureau from expending lodging facility use tax money for certain promotional materials unless these materials are purchased from a business subject to taxation by the state of Montana; and amends Section 15-65-122, MCA.

Testifying Proponents and Who They Represent:

Ken Dunham

Proponent Testimony:

Mr. Dunham stated that this bill came about this past summer as a joint effort between the printing industry and the Montana Newspaper Association. Other people have expressed interest in some of the things we would like to correct with this bill. When the lodging facility bed tax was passed it was seen as an additional means to assist the Montana tourism industry in its promotional efforts. None of us in the printing industry in Montana had any concerns with that. We supported those efforts strongly. However, we do have some concerns about the spending of those funds as they affect the Montana printing industry. The printing industry in Montana is concerned and upset when the funds collected from this tax to benefit the tourism industry go out of state when it comes time to spend those funds in the production of printed material and other media. Yellowstone

Country which is the area between Billings and Bozeman produced a four color brochure this past year, 200,000 copies were printed. The job was bid by a Bozeman printer, who can handle this type and complexity of work, \$22,264 for the job. It went out of state to another printer, we think it went to Denver. The price there was \$22,020, so it went out of Montana for \$244 difference. If you consider how many times a dollar floats around the local economy in Montana, that hurts even more. Yellowstone Country also produces placemats to be used in restaurants. We don't have as much information on this because the ad agency in Billings is sensitive about the whole project. We believe that there was a 200,000 press run, costing in the range of \$20,000, we believe this also went to a Denver firm. The problem here is that the people who made the decisions within the ad agency in Billings and also the people in Yellowstone Country wrote the specifications for this particular job that precluded it from going to any printing press in Montana. They specified a web press run on the job because they had a turn around time of about 25 days to get all these things back into Montana. There is no reason that this had to go on a web printer. Most place mats are run on sheet fed presses. Again, the job went out of state in the range of \$20,000. In Glacier Country, a guide book just simply went to a Spokane printing firm, there were no bids, no discussion, it just went to those people over any one in Montana. The Spokane firm also said they would sell the advertising and the book, somebody jumped at that, thought it was a good deal. Again, a lot of money going out of Montana to promote the Montana tourism industry. I am aware of printers both in the Bozeman and Kalispell area who are trying to work with some of the local tourism groups to remedy some of these situations with very, very little success. You may also be aware of other complaints that come from people in the television production industry. A firm in Great Falls that does very capable television production work is losing work for tourism promotional materials that goes to Salt Lake, Denver, Los Angeles, and Portland. I have heard there is some confusion from chamber of commerce representatives that somehow this bill would prevent any advertising from being placed out of state. That is not the intent of the bill at all. This is only affecting the production of materials. Obviously we believe Montana should be advertised out-side of the state to get tourists to come to Montana and spend money here. The bill doesn't do anything other than require production of these materials to be done by Montana firms. I don't think that is too much to ask for the printing industry and the video production and people who deal with various types of media in the state.

Testifying Opponents and Who They Represent:

Bonnie Tippy, Montana Innkeepers Association
Rob Norwich, Legislative Intern

Vern Sitter, Tourism Advisory Council

Opponent Testimony:

Ms. Tippy said that this is a very serious piece of legislation and I guess that not being a lawyer I can't give you chapter, line, and verse. I have a suspicion that it is unconstitutional because it restricts private entities, because these regions are private entities, from choosing indeed where they want to spend their money. In my job, in my company, I have to do a great deal of printing work and in most cases I am able to put that printing in Montana. The Montana Innkeepers Association does a convention meeting planners guide every year. In the past that guide has been going out of state. I want you all to know that I did every thing within my power to keep it in Montana. It is being printed in Montana this year and I am proud of that. However, there are some projects that the printers in Montana are not capable of handling in a timely manner. This is a real problem when you are going to say that you absolutely can have none of these projects done out of Montana. I ask you to give this bill a do not pass.

Mr. Sitter submitted written testimony. See exhibit 1. Mr. Norwich opposes HB 418. While we do not want to give the impression that we are against Montana businesses receiving the printing contracts from bed tax monies, we feel that this legislation is not necessary. It is our opinion that 27 of the 34 printing contracts that have been let so far have gone to Montana printers. This is evidence that the 5 percent advantage on bidding and the willingness of the bureau to let contracts to Montana printers when ever possible is working just fine. We are in no way against Montana businesses benefiting from the bed tax money. This bill will not allow us enough options in promoting our great state.

Questions From Committee Members: Rep. Kilpatrick said it sounds like we have a lot of information, can we hold off executive action till Monday or so?

Rep. Keller asked Mr. Dunham if he had anything in comparison to what the web press printing looks like compared to your printing? Mr. Dunham said the difference in the web press is that the paper comes off on huge rolls, where sheet fed presses have various sizes of paper going through it. The difference is the speed at which that press can run.

Rep. Kilpatrick asked Mr. Dunham if he had any comments on the opponents that have come up on the constitutionality, do you feel that this is going to be a problem? He said he was not in the position to answer that. I suppose someone could challenge that in the courts if it is. I am aware of other states that have very restrictive printing laws.

Rep. Bachini asked Mr. Dunham if he had received any kind of contract from the tourism industry or the regions? Mr. Dunham said he had not. Rep. Bachini asked Ms. Tippy if any of the printing businesses here in Helena received any of the contracts or printing work in the region. Ms. Tippy knew of one that just went to ArtCraft Printer in Polson. With 30 jobs that are going around in Montana it stands to reason that some is being done in Montana. She said she knew a lot went to ArtCraft Printer in Bozeman.

Rep. Simon asked Mr. Dunham if part of his problem that he is dealing with here is that the printing industry needs to do a better job of communicating with those who are purchasing the advertising material and educating them as to the capability of the Montana printers, so they can do a better job of making specifications that Montana printers can bid and successfully get. Mr. Dunham agreed that is part of the problem. The Montana printing industry has not done the best job in the world of educating a lot of people about what the capabilities are in this state. In writing a lot of specifications for these jobs, you write it so that you can examine the job as it comes off the press. That is an important thing to look at. You are looking at sensitive colors and that sort of thing. If you write that job so that it runs on a web press that may be in Los Angeles, Phoenix, or Denver or some place like that, that is a lot more attractive than running over to Bozeman for the afternoon or to Great Falls for the afternoon and watch it come off the press there. We are aware that this is subtly done. It is human nature to want to take that out of state trip. This is frustrating to the printing industry because you can't really pin that down, but we know it happens.

Closing by Sponsor: Rep. Koenkne stated that he thought Mr. Dunham had answered most of the questions, but I am told that out of the 27 jobs it is not that large of a percentage of the value. Those 27 were just little print jobs. The big printing jobs they let go out of state. I think the people that are putting out the bids are the ones that should know more about what they are asking for. Not ask for web printing that is not necessary, just costs more money. If other states are doing this, it looks like it would be constitutional for us to do this in Montana. I hope you give the bill a do pass.

HEARING ON HOUSE BILL 406

Presentation and Opening Statement by Sponsor:

Rep. Gould, House District 61. Rep. Gould stated that this was a simple, straight forward piece of legislation. It deals with brokering of automobiles, and defines "broker" relating to sales of motor vehicles.

Testifying Proponents and Who They Represent:

Steve Turkiewicz, Montana Auto Dealers Association
Tom Harrison, Montana Auto Dealers Association

Proponent Testimony:

Mr. Harrison said there are a number of sections throughout the code that talks about brokering of automobiles. The word is not defined in the code any place. This was brought to our attention by people at Deer Lodge in the Motor Vehicle Division and we in turn engaged the services of Paul Verdon in the Legislative Council in an attempt to define what "brokering" is. This is our attempt to clarify what should not be done and to add definition to it.

Rep. Wallin favors this bill. It isn't the auto dealers are afraid of competition. There are laws that governs the people and their ability to be licensed to sell cars. We are trying to stop those who do not have dealer licenses.

Testifying Opponents and Who They Represent:

None

Opponent Testimony:

None

Questions From Committee Members: None

Closing by Sponsor: Rep. Gould closed.

HEARING ON HOUSE BILL 417

Presentation and Opening Statement by Sponsor:

Rep. Pavlovich, House District 72. Rep. Pavlovich stated that this bill will authorize a tour boat endorsement to a resort all-beverages license; establishing conditions for issuing the endorsement and for the sale of alcoholic beverages pursuant to the endorsement; and provides an immediate effective date. There are amendments which are in your books. I talked to Mr. Blewett at the department of revenue and he also came up with another amendment which I will pass out to you. We want each owner of a tour boat to be able to buy their own license for the lake on which the boat operates. They would not be able to move that boat from one lake to another with the one license.

Testifying Proponents and Who They Represent:

Rep. Clyde Smith

Proponent Testimony:

Rep. Smith said as far as taking this boat out of the lake, it would be almost impossible.

Testifying Opponents and Who They Represent:

None

Opponent Testimony:

None

Questions From Committee Members: Rep. Simon asked why 50 passengers? Rep. Pavlovich said the boat would have to be able to hold at least 50 passengers.

Rep. Pavlovich said there was one more amendment he would like to put in which was just brought to his attention by Rep. Wallin. The annual fee of \$50, we would like to change that to \$200 because that is what a catering license costs. As they fall in the same category. It would be an annual fee.

Closing by Sponsor: Rep. Pavlovich closed.

HEARING ON HOUSE BILL 466

Presentation and Opening Statement by Sponsor:

Rep. Pavlovich opened the bill for Rep. Blotkamp. The bill will increase the maximum value of guaranteed arrest bond certificates that may be issued by an automobile club or association or an insurance company from \$100 to \$5,000; and amend Sections 46-9-411, 46-9-412, and 46-9-414, MCA.

Testifying Proponents and Who They Represent:

Jim Manion, Executive Vice President, Montana AAA
Lt. Col. Bob Griffith, Montana Highway Patrol

Proponent Testimony:

Mr. Manion said that his organization supports this bill. IF a AAA member is stopped for a traffic violation they can use their AAA card as what is called a guaranteed arrest bond in lieu of paying the cash on the spot. You can surrender your AAA card to the patrol or local police

authority. Then it is turned over to the court. If the person that is a member does not appear in court then we go after the member ourselves. We say to the member, we paid this for you, took care of it, we need to collect the money from you. If they pay us, we return their card, if they don't pay us, we keep the card and we have to turn this in to the National Surety Company, an insurance company that backs us and we get the money back from them. Essentially it is an insurance policy.

Lt. Col. Griffith said the highway patrol supports this bill. He said the patrol had been taking AAA cards since 1960 and was surprised when Mr. Manion said the legislation was passed which allowed law officers to collect these cards in 1967. It has worked very well. It is convenient for the drivers as well as the officers. They have never had a problem with it.

Testifying Opponents and Who They Represent:

None

Opponent Testimony:

None

Questions From Committee Members: Rep. Wallin asked Mr. Manion if in the traffic offense, drugs were discovered, does the bond hold? Do you still honor the bond? Mr. Manion said they do not. This does not cover DUI type of offenses, drug offenses or any felonies essentially. What it is usually used for is accidents where a pedestrian is involved where the bond can be high.

Closing by Sponsor: Rep. Pavlovich closed.

EXECUTIVE ACTION

DISPOSITION OF HOUSE BILL 406

Motion: Rep. Wallin moved DO PASS.

Amendments, Discussion, and Votes: None

Recommendation and Vote: HB 406 DO PASS unanimously.

DISPOSITION OF HOUSE BILL 466

Motion: Rep. Nelson moved DO PASS.

Amendments, Discussion, and Votes: None

Recommendation and Vote: HB 466 DO PASS unanimously.

DISPOSITION OF HOUSE BILL 417

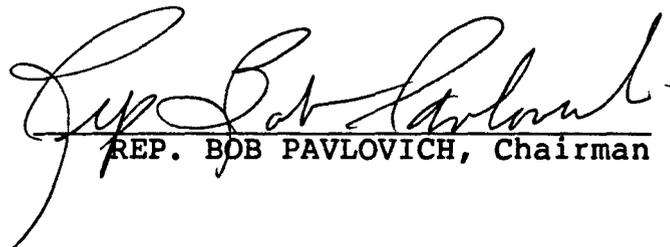
Motion: Rep. DeMars moved DO PASS. Rep. Bachini moved all amendments DO PASS.

Amendments, Discussion, and Votes: See the attached 2 page amendments. The amendments DO PASS.

Recommendation and Vote: HB 417 DO PASS as amended unanimously.

ADJOURNMENT

Adjournment At: 9:40 a.m.


REP. BOB PAVLOVICH, Chairman

BP/sp

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DAILY ROLL CALL

BUSINESS & ECONOMIC DEVELOPMENT COMMITTEE

51th LEGISLATIVE SESSION -- 1989

Date 2 2 89

NAME	PRESENT	ABSENT	EXCUSED
PAVLOVICH, BOB	✓		
DeMARS, GENE	✓		
BACHINI, BOB	✓		
BLOTKAMP, ROB			
HANSEN, STELLA JEAN	✓		
JOHNSON, JOHN	✓		XXXX
KILPATRICK, TOM	✓		
McCORMICK, LLOYD "MAC"	✓		
STEPPLER, DON	✓		
GLASER, BILL	✓		
KELLER, VERNON	✓		
NELSON, THOMAS	✓		
SIMON, BRUCE	✓		
SMITH, CLYDE	✓		
THOMAS, FRED	✓		
WALLIN, NORM	✓		
PAUL VERDON	✓		

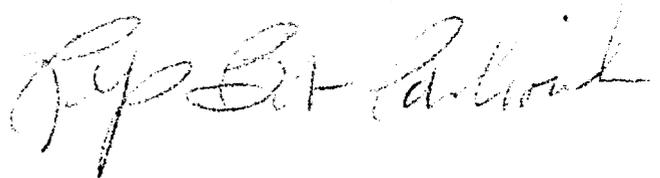
STANDING COMMITTEE REPORT

February 2, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Business and Economic
Development report that HOUSE BILL 406 (first reading copy --
white) do pass.

Signed: Robert Pavlovich, Chairman

A handwritten signature in cursive script, appearing to read "R. Pavlovich", written over a horizontal line.

STANDING COMMITTEE REPORT

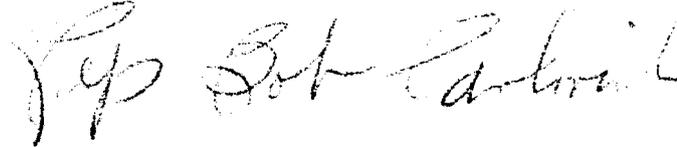
February 2, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Business and Economic Development report that HOUSE BILL 466 (first reading copy -- white) do pass.

Signed: _____

Robert Pavlovich, Chairman

A handwritten signature in cursive script, appearing to read "Rep. Bob Pavlovich", written over a horizontal line.

STANDING COMMITTEE REPORT

February 2, 1989

Page 1 of 2

Mr. Speaker: We, the committee on Business and Economic Development report that HOUSE BILL 417 (first reading copy -- white) do pass as amended .

Signed:


Robert Pavlovich, Chairman

And, that such amendments read:

1. Page 1, line 16.

Following: "passengers."

Insert: "(2)"

2. Page 1, line 18.

Strike: "\$50"

Insert: "\$250"

Following: "proof"

Insert: ": (a) of"

3. Page 1, line 20.

Strike: "(a)"

Insert: "(i)"

Renumber: subsequent subsections

4. Page 1, line 22.

Strike: "(b)"

Insert: "(ii)"

5. Page 1, line 24.

Strike: "(c)"

Insert: "(iii)"

6. Page 1, line 25

Strike: "(d)"

Insert: "(iv)"

Following: "coverage"

Insert: "; and

(b) that the registered owner of the tour boat is:

(i) a resort all-beverages licensee;

(ii) an individual named on a resort all-beverages license;

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Page 2 of 2

OR

(iii) a stockholder owning 10% or more of any class of stock in a corporate resort all-beverages license"
Renumber: subsequent subsections

7. Page 2, line 3.

Strike: ", and"

Insert: "within 30 miles of the resort boundary or is in preparation for scheduled departure. Except as provided in this subsection,"

#1
2/2/89
HB 418

Testimony HB 418

Mr. Chairman, members of the committee, my name is Vern Sitter and I am a member of the Tourism Advisory Council, the body empowered by the Legislature to oversee the expenditure of the "bed tax." I appear before you today on behalf of Al Donohue, Chairman of the Council, who was unable to appear due to the weather.

To be candid, I am uneasy about appearing as an opponent to this bill for fear that the Tourism Advisory Council will be branded as anti-Montana business. In reality we are very pro-Montana business and I believe the positive results we have obtained promoting Montana reveal this.

As your empowered agent to oversee the distribution of bed tax funds to the private organizations in this bill, we have worked long and hard to develop a system which assures good tourism marketing and efficient use of the bed tax. At the same time, we have made every attempt not to tie the hands of the private organizations who do the marketing.

This system is a set of guidelines that the private organizations must follow. Among other things, the guidelines set forth a purchasing procedure which we believe is fair and equitable. The guidelines cover the items in this bill.

The question is, how are they working? In the area of printing, 31 projects were printed by the regions and CVB's, 27 were printed in Montana; 4 were not. That's 27 new jobs that printers got that never existed before. Thirty of the 31 would have been legal under this bill as proposed. I invite you to inspect our records.

To our knowledge, no audio or video production was done out-of-state. We honestly don't think you have a problem that needs fixing. Both printing and audio or video production require 3 bids under our guidelines and Montana producers receive a 5% bid preference, which is 2% higher than the state's 3% preference.

Ironically, at the time when we were creating these guidelines we looked at giving absolute preference to Montana companies. The Legislative Auditor had just completed a performance audit on the Dept. of Administration's instate bidders preference. Among other conclusions, they pointed to one legal review which said (quote) "it is only a matter of time until such preference laws are thrown out as constitutionally invalid as a burden on interstate commerce and denial of equal protection." As a result, we thought we would be better off with the 5% preference instead of the absolute preference.

Mr. Chairman, members of the committee, we will abide by your decision, but we honestly don't believe you should fix something unless it's broke. Many Montana companies are receiving thousands of dollars of new business because of the "bed tax."

I would like to close by pointing out some technical problems which I believe were unintended by the author.

- 1) As written, the bill precludes all magazine and newspaper advertising out-of-state (i.e., printed materials).
- 2) It precludes using color billboards because no one, to our knowledge, prints them in Montana.
- 3) It precludes airport advertising displays because no one in Montana produces them, to our knowledge.
- 4) Finally, and perhaps most important, the bill does not require that the printing or audio/video work be produced in Montana. It simply requires that it be purchased from a Montana company. Nothing that we see in the bid precludes the Montana company subcontracting the work out-of-state. We see this as a problem.

Mr. Chairman, thank you for the opportunity to appear before you on behalf of the Tourism Advisory Council.

Amendments to HB 417, Introduced Bill

1. Page 1, line 16.

Following: "passengers."

Insert: "The registered owner of the tour boat must include either a resort all-beverages licensee, an individual named on a resort all-beverages license or a stockholder owning 10% or more of any class of stock in a corporate resort all-beverages license."

2. Page 2, line 1.

Strike: subsection (2) in its entirety.

Insert: "(2) Alcoholic beverages may be sold and served pursuant to the endorsement authorized in subsection (1) within 30 miles of the resort boundary. ~~Alcoholic beverages may only be sold or served when the tour boat is underway and may not be sold or served when the tour boat is secured at a mooring.~~"

VISITORS' REGISTER

Business

COMMITTEE

406 417 418 466

BILL NO. Gould Farlow's

DATE 2/2/89

SPONSOR Kochinke Blotkamp

Please put
the bill number
mark

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Tommy McLaughlin	Helena		
Bob Griffith	Helena	✓	406
STEVE TURKIEWICZ	nr. Auto Dealers	H3406 ✓	
Rob Morawic	msla Chamber		✓ 418
Lurie Shadoun	Bozeman Chamber		✓ 418
Vern Sitter	Helena	H3418 ✓	H3418
Jim Maxion	Helena	466 ✓	
Larry Johnson	Helena	466 ✓	
Donnie Rigg	Montana Truckers		X 408

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.