

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON APPROPRIATIONS

Call to Order: By Representative Bardanouve, on March 17, 1989,
at 8:00 a.m.

ROLL CALL

Members Present: All but Representatives Spaeth and Cody

Members Excused: Representatives Spaeth and Cody

Members Absent: None

Staff Present: Pam Joehler, LFA

Announcements/Discussion:

HEARING ON HOUSE BILL 717

"AN ACT GENERALLY REVISING THE MONTANA ECONOMIC DEVELOPMENT BOND ACT OF 1983; REVISING THE USE OF BOND PROCEEDS FOR AGRICULTURAL PROJECTS; STATUTORILY APPROPRIATING A PORTION OF THE BOND PROCEEDS TO THE BOARD OF INVESTMENTS; AMENDING SECTIONS 17-5-1503 AND 17-7-502, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

Presentation and Opening Statement by Sponsor:

Representative Grinde, House District 30, stated he believes this Bill is the most aggressive undertaking in agriculture that this state has seen. It is his objective to create another tool for the agricultural community that will in turn help main street business prosper in Montana. He will address the agriculture portion and there are people attending who will address the bonding portion of the Bill. See Exhibit 1. Rep. Grinde explained the CRP (Conservation Reserve Program) contracts and highlighted other aspects of the program from this exhibit.

Testifying Proponents and Who They Represent:

David Ewer, Bond Program Officer, Board of Investments
David Aageson, Individual member of Board of Investments
Terry Murphy, Montana Farmer's Union
Lee Burrington, National Mortgage Co., Bigfork, Montana
Lorna Frank, Montana Farm Bureau

Proponent Testimony:

Mr. Ewer explained what the Bill did and talked about the Bond structure. House Bill 717 is an amendment to the Economic Development Act that was passed in 1983 which gives the Board of Investments statutory authority to issue Bonds for economic development. This amendment does two things that enhances that current law. Under the old law, given that it was basically looking to use Industrial Revenue Bonds that are tax exempt, does not allow for re-finances. This Bill seeks to change that. Under the old law, because it was more in alignment with federal tax law, did not allow the working capital. This Bill changes that as well. This Bill also gives a statutory appropriation that would enable the Board to pay certain operation expenses, not of the Board but to pay for the contract monitor and loan originator. They feel it is imperative that if a private sector firm submits a bid and expects to be on board for the life of the program, they feel they need to provide that money without the additional uncertainty of having to come in front of this committee.

Mr. Ewer referred to the bond structure as it is spelled out in some detail on Page 7 of Exhibit 1. The Board of Investments has issued alot of bonds. not only bonds for economic development but they issue them for schools, cities and towns, fire districts, and irrigation districts. They can issue tax exempt bonds and taxable bonds. They can issue bonds that are credit enhanced by the State of Montana, bonds that are credit enhanced by the Board of Investments and bonds that are not credit enhanced. These bonds will not have any effect on the State of Montana. They will be what they call stand alone bonds. The revenues of this program will entirely support this bond issue. The State of Montana, categorically, will not be responsible for the debt service. They will be taxable and subject to federal income tax. They will not be subject to state income tax because by statute all board investment bonds are not subject to state income tax. They will approach the Board of Investments to look at buying some of these bonds, about 10%, as a prudent investment.

Mr. Aageson stated he would like to echo what Rep. Grinde said. This is probably the single greatest opportunity for state government to have a positive impact in agriculture and because of agriculture's importance to our economy as a whole to have a significant impact on the entire economy in Montana.

Mr. Murphy stated he is a proponent with reservations and will explain what he means by that. The Bill is sound and the program envisioned is sound as far as state government and the Board of Investments is concerned. He sees some potential benefits for the land owners in rural areas as well as their lenders and that would be to the good. He does not see a big number of people using it for that but it could be very useful in many areas of the state in a limited way. One concern he does have is touched on on page 6,

Exhibit 1, which refers to the proceeds. 4) Proceeds are to be used to refinance existing farm debt, acquire property or enhance working capital. He has some concerns about "acquire property" in that in the conservation reserve program the maximum that can be enrolled is the amount that would generate no more than \$50,000 per year or a total of \$500,000 over the ten year life of the contract.

Mr. Burrington stated he has been involved in buying CRPs for the last two years so he understands the program very well. He also understands the needs of the farmer but basically if this program is adopted it will put him out of business. But he also knows the agriculture community. In his estimation this Bill is the single most important thing that can be done for the agriculture industry. He disagrees with Mr. Murphy's comment about the man with the \$50,000 payment coming in and he really doesn't need these funds. That is not the case. From his market evaluation he can tell there are hundreds of farmers in the agriculture community today that need these funds desperately to do two things. Basically, overwhelmingly save their farm and to provide a means of generating capital to continue with their farm operation. Today these farmers cannot take these payments that they receive and go to a local lending institution and use those to fund a loan because of the nature of the CRP makeup and regulations. To assume that there is a limited market out there as far as these farmers needing this capital is a wrong assumption.

Ms. Frank stated she can see the great potential in this Bill and would like the Committee to look favorably upon it.

Testifying Opponents and Who They Represent:

None

Opponent Testimony:

None

Questions From Committee Members:

Representative Thoft wondered if a farmer wanted to retire but can't sell his place and he has a CRP and goes into the program under the guise of operational money enhancement, takes the money and you have a ranch. Rep. Grinde stated yes, the possibility is there.

Representative Swift stated they have heard a lot about junk bonds and who is going to sell them. He visualizes the Board of Investments will go to a security house to handle them and this one will pay about 2 1/2 %, roughly. Mr. Ewer stated the underwriting costs will be about 3 1/2 % which would include, not only underwriters themselves, but the ancillary services that have to be done for any underwriting of bonds

such as bond council, underwriter's council and the Board of Investment Fee. They will use recognized investment banking firms. The firms that have been identified to underwrite the Board's bonds for this program are Piper, Jaffry and Hopwood of Minneapolis, D. A. Davidson from Great Falls and a firm in Denver. Rep. Swift asked what kind of leverage this will give the Board and what interest it will pay as far as returns on the bonds? Mr. Ewer replied that given that they are federally taxable, and if 10-year Treasuries are going for at the time, say 10%, then there is going to be some sort of quality differential spread and he hopes that will be no more than 3/4 of a percent, or 75 basis points. If 9.5% is Treasuries then look for 10.25% Board of Investment Bonds. Rep. Swift asked if this is a volatile risk situation that they are hearing about on the buy-outs? Mr. Ewer stated what they are doing is take those ASCS payments which are federal payments and that is the primary source of security, in fact, it is 99% security to the bond holder. Presumably they will appropriate money annually. There is no promise that they will appropriate money but they think they will. There are reserves that would be built into the program, more to make sure that contract compliance is done as opposed to a debt reserve. Their fundamental goal is to be sure that the ASCS payment is not jeopardized by non-compliance.

Representative Bardanoue stated that Congress will almost have to make the payments because they have entered into a contract with the farmers. It will be a violation of contract if they fail to make the appropriations.

Representative Swysgood asked about people who come in and tear up the land, establish a base, go into the program and then leave. He wondered if this had been addressed and would the state be subject to a large loss? Rep. Grinde stated this will not happen right now. The people who are going to participate in this have to be CRP right now and to address his concern of the person, perhaps the sodbuster who is already in it and he might walk away from this land, that is the whole concept of getting first mortgage on this where he cannot just take this money and run with it. He will have to pay his debts down in order to participate in this program. Rep. Bardanoue asked what if he has no debts? Rep. Grinde stated he would be eligible for the program, but would not need it. They have discussed this thoroughly concerning who would participate in this program. If the farmer is financially sound, he is getting this annuity payment from the government, and he has his tax structure set up so that he is comfortable, then he would not be involved in this program. This will be for the farmer or rancher who is having cash flow problems or operating capital problems.

Representative Peck asked what determines the maximum amount of the loan or money the farmer can receive? Is that

determined by the CRP payment or the value of the property? Rep. Grinde stated it has been established in the CRP program that was set up. The most you can get from the program on an annual basis is \$50,000 so over the ten year contract it would be \$500,000. Under this program the farmer would be eligible up to whatever he has left in the contract reaching that \$500,000.

Representative Thoft asked if there is any way to tighten this Bill up? Rep. Grinde stated this is one of the biggest concerns he has had. The problem of someone getting the loan and leaving does exist but if the state does acquire this land they will still keep the land for the duration of the contract because this is their backing. At that time it will be resold and he is directing it to Agriculture producers. Mr. Ewer stated there is going to be a loan agreement that the farmer is going to have to enter into and will have to sign that agreement that he says he will be going to use the money for the purposes that were just discussed. Potentially a farmer may walk but they will have them contractually on the hook to do what he says he is going to do with the money. Rep. Thoft stated that not according to the Bill because it says operating capital and that could mean anything. Rep. Grinde stated he is correct on that point.

Tape 1, Side 2, 000

Representative Marks asked about a foreclosure and what they would get. Mr. Ewer asked if his concern was the cash flow for the bonds or a security issue? Rep. Marks stated he was worried about what they get when they foreclose. Mr. Ewer stated the land itself is not the underwriting security for the bonds. They don't have much interest to foreclose. Their real interest, if they are to get land back, is to make sure that ASCS payments stay on board. They will do everything to protect that payment. The only thing he can see is if they need to foreclose is if after that ASCS payment has run out they may have residual out-of-pocket expenses they have had to incur to make that farmer stay in compliance. If the farmer is not in compliance one of the central missions, and the reason for that contract monitor to be there, is to spend money they will have in reserve to make sure that farmer is in compliance and if that means the contract monitor has to go out and spray weeds, then that is what he will have to do. They will charge the farmer for doing that. The level of monies that are likely to be involved are going to be very small. Rep. Marks asked what do they do with the land after they foreclose? Mr. Ewer stated the program intention is that the Board would sell to a bonafide operator and again he does not think there will be much exposure. Rep. Grinde referred Rep. Marks to Exhibit 1, page 10, item 2 to explain further.

Closing by Sponsor:

Representative Grinde stated he felt that this was a way for the state of Montana to help marginal farmers and ranchers to create cash flow and help them stay in agriculture. He had many concerns himself but after alot of discussion put together the project and it is his opinion that it will work. The Board of Investments will have the final say on this program whether it will be implemented or not. This is an optional program to the agricultural participant. There will be no state money involved. This program will be created by federal money that is already flowing into the state of Montana and the state cannot be held liable on the bonding program.

HEARING ON HOUSE BILL 619

"AN ACT APPROPRIATING MONEY TO VARIOUS STATE AGENCIES FOR THE FISCAL YEAR ENDING JUNE 30, 1989, THAT WOULD USUALLY BE MADE BY BUDGET AMENDMENT; PROVIDING FOR SOME APPROPRIATIONS TO CONTINUE FROM FISCAL YEAR 1989 TO FISCAL YEAR 1990; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

Presentation and Opening Statement by Sponsor:

Representative Bardanouve stated he is carrying HB 109 on behalf of the Governor's Budget Office and this is the biennial supplemental appropriation budget amendment Bill. The law provides if agencies receive additional money when the legislature is in session they must present the additional money, whatever it might be, and this does not apply to general fund. It's federal dollars or whatever the source may be and that is why they amend the appropriation Bill to cover various forms of money they receive. The Budget Office brought in amendments and they will be incorporated into the Bill. He referred to Page 2, Department of Justice, Identification Bureau; they received some federal special money for Missing Children's program. This is the unexpended balance from fiscal 1988 and this money is to be spent in fiscal 1989. Line 13, the proprietary fund, Publications and Graphics, is the publishing and preparation of documents from all the departments is a proprietary fund to do more work than they were planning on so they need \$800,000 additional appropriation. They received this money from the agencies that they perform the services for. As an example, if they publish a highway map they would charge the Highway Dept. for the service. See Exhibit 1, amendments to HB619. Rep. Marks asked if Rep. Bardanouve planned on having the agencies respond to questions? Rep. Bardanouve said yes.

Testifying Proponents and Who They Represent:

None

Proponent Testimony:

None

Testifying Opponents and Who They Represent:

None

Opponent Testimony:

None

Questions From Committee Members:

Rep. Raney referred to Page 5, line 14 and stated the \$300,000 for operations that had been struck, State Special, happens to be the \$300,000 that is being used to fund a lawsuit against Burlington Northern for the clean-up of over 1,000,000 gals. of diesel fuel and solvents that lie in the ground water in the community of Livingston. That lawsuit was filed by the Schwinden Administration in late December. Mr. Raney stated there are 7,000 people in the community of Livingston who are drinking that water right now. There is no settlement but there is certainly a discussion of settlement. Rep. Raney asked the Committee to keep this amendment in the Bill. Dave Lewis stated the Governor does not intend to stop the efforts to have the clean-up in Livingston. They are in negotiation at the present time, however, this \$300,000 concerns a contract the Department of Health has with the outside counsel, the state handling the litigation. The Governor's counsel believes that the contract can be re-negotiated, that there needs to be another look at the costs involved with the litigation. They are in no way giving a signal that they are backing off, they simply want to sit down with the law firm involved, renegotiate the contract. If this money is appropriated they don't have any negotiating leverage. There is a need to look at the cost, a need to see if they can cut the cost of the litigation, a need to move toward settlement of this issue rather than going to court and spending all the money on lawyer's fees. Again, the concern the Governor's counsel has is if the committee appropriates the money he has lost his leverage as far as their sitting down with that outside firm and re-negotiating the cost of the litigation.

Mr. Lewis stated there is some feeling on the part of the counsel who is working on this that the money that has been paid so far is a substantial amount. There may not need to be anymore payments made from the state to pay for the services to date, there may not need to be this much money paid for services to date.

Tape 2, Side A, 000

Representative Marks asked if this was needed to instigate it again, Rep. Raney has raised the question as to the

availability of funds to litigate if necessary. Is it not possible to do that through a budget amendment at a later time? Mr. Lewis stated it is possible to do that and it is also possible, by the time this Bill works its way through the process that, in fact, the renegotiation of the contract with the firm might have been concluded. They are saying it is premature to appropriate the \$300,000 at this time because at that point they don't have any leverage. As he understands it, once it is appropriated it is going to the firm and they would like to have an opportunity to renegotiate that.

Representative Bardanouve stated the mere fact that you appropriate an amount of money does not mean you have to use that money. As Rep. Raney pointed out the money lies there and if necessary you want to pursue any legal suit you could use it. You are not compelled to ever use appropriation unless you see fit. Mr. Lewis stated his understanding is that the way the contract is written, if the money is appropriated it will be paid. In other words, there have been accruals built up by that law firm and the department has agreed to come for an appropriation if the money is appropriately paid they would pay that appropriation out. They would like to slow the process down and have a chance to do some further negotiations.

Representative Bardanouve said he would like to clarify his position on this. For several years he has supported this lawsuit and tried to provide money but he is caught in the middle of presenting the amendments as they were given to him just before the meeting so he is neutral on this amendment.

Representative Raney stated first this \$300,000 does not have to be spent and if the governor's staff is saying that there is a contract in place and if the \$300,000 is appropriated it will be spent that means they are asking the legislature to raise a contract that is already written which is certainly wrong. They are not going to be doing that. Of this \$300,000 every single dime is cost recoverable. They are only spending the money up front and it will come back.

Ray Hoffman, Centralized Services Administrator, Department of Health stated Mr. Lewis is correct in his assumption that the contract is written as such that should this budget amendment be approved there is an outstanding obligation to the firm. The contract states that the dollar amount that has been appropriated by the legislature is the actual amount that the state owes the firm but that the state in good faith put in a budget amendment to get additional dollars for services that the firm has provided to the state. At the present time that dollar amount is approximately \$79,000 and again if the budget amendment is not approved the state will not lose those dollars to the firm but then again the contract would also be open for

renegotiation.

Representative Kadas said the contract that was signed in the first place, the firm has provided services to the state, at least up to the sum of \$79,000 and you are asking us to say that the state doesn't have to pay that now? Mr. Hoffman stated the Department of Health has currently received \$425,000 of budget amendment funds for this purpose. Of that \$425,000 the firm had design on \$420,000 but because the Department of Health could not obligate funds it did not have and the firm realized they must proceed on certain things and the budget amendment process may take time that they agreed to absorb any costs that were over and above the lawfully appropriated dollars for that service with the assumption that in good faith the department would submit a budget amendment for those additional dollars. Rep. Kadas said now in good faith you are trying to pull that budget amendment out of the budget? Mr. Hoffman said that is what sounds like happened, to sign the contract with the law firm that you would in good faith put a budget amendment in to pay for the cost and now you're in here in front of them trying to take it out. Mr. Lewis stated the department signed that contract and this administration believes that there may be some room for renegotiation and reducing the total cost. They would like the opportunity to do the renegotiation. As Mr. Hoffman has confirmed if you appropriate the money it's gone. They need to be able to sit down and talk to them about how much do they really need to spend on this and would like to have the appropriation pulled from the Bill at this time until they can conclude those negotiations.

Representative Marks stated this matter would be postponed until they can get it into an executive session and bring some people from the legal office in to discuss this further.

Representative Bardanouve had one question. He asked Mr. Lewis if he would submit a budget amendment on this to cover whatever the negotiation costs are. However, you cannot approve a budget amendment if the legislature has a chance to consider the matter. That is the law. So if you want a budget amendment after they leave, the law provides they cannot approve a budget amendment if they had it before them during the session. If any matter was before a legislative session and there was an opportunity to consider it then you cannot come in after session and ask for a budget amendment. Mr. Lewis said that is true but it is six weeks at least until this session adjourns. There is some time and they would be happy to bring some people in and sit in with an executive session and have the attorneys that are involved explain the Governor's position.

Representative Marks said it is in order to get this moving to adopt Rep. Bardanouve's amendment subject to executive action or they could leave the amendment subject to

executive action. Representative Bardanouve explained they should segregate this one amendment out of this Bill and if necessary they could put it in the floor later on. That will not hold up the Bill. Representative Peck moved to separate Item 13 on the Amendment to separate that from the question on the Amendment. The motion is to divide the question. Representative Swift seconded the motion. Vote passed. The question includes everything on the Amendment Sheet, Exhibit 1, with the exception of Item 13. Motion carried.

Representative Bardanouve asked the chairman to check with the agencies before they adopt all the amendments to see if there is anything they want to object to or ask about.

Representative Kadas passed out a summary sheet (Exhibit 2) of amendments from the Commission of Higher Education. It all takes place on Page 6 of the Bill. Rep. Kadas moved the amendments. Rep. Marks suggested the best way to handle this is discuss the amendments in executive session. People who spoke to the Kadas amendment were Ken Heikes, Eastern Montana College; Will Weber, Director, Great Falls Tech Center; A representative from the Agriculture Experiment Station; Charles Munk, Coalition Lobby, (EMC, NMC, WMC, Montana Tech).

Closing by Sponsor:

Representative Bardanouve closed the hearing.

HEARING ON HOUSE BILL 739

"AN ACT ALLOCATING A PORTION OF THE LODGING FACILITY USE TAX ATTRIBUTABLE TO STATE AGENCY IN-STATE LODGING TO THE GENERAL FUND; REQUIRING STATE AGENCIES TO ACCOUNT FOR IN-STATE LODGING EXPENDITURES; AMENDING SECTION 15-65-121, MCA; AND PROVIDING AN EFFECTIVE DATE."

Presentation and Opening Statement by Sponsor:

Representative Boharski, House District 4, stated this Bill contains two portions. The first portion is the new section, Section I, which requires state agencies to account for in-state lodging expenditures. Currently, most of the 21 are already doing this. He pulled an audit from the Legislative Auditor's Office and it appeared most of the state agencies are doing a reasonable quality job on these category 2408. Those numbers showed up and that's where the numbers on the fiscal note come from, the \$64,000. The parts of the agencies and the parts of the state that don't seem to be doing that good are the University system units. They tend to lump all of their money into one category under "other" in that 2400 grouping and there really no way to pull it all out and he did not want to ask the Auditors to go in an sample and find out how much was in there.

The Title does not fit the second part of the Bill. He is taking general fund money to this committee to appropriate to the various state agencies. Those agencies go out and spend that money and pay in-state lodging tax with it. It's taxpayer's money that ends up being put into the in-state lodging fund and used to promote commerce in the state. He feels that was not the original intent of the lodging tax and he does not think the taxpayers would be happy to find out their general fund money is ending up going into the Department of Commerce accommodations tax fund. To catch that money is simple, according to the Auditors, because it comes back in that state special revenue fund to the Department of Revenue and they get all of the money and take out their expenses for operating etc. then divert the rest over to Commerce into that special fund for tourism promotion. Yesterday Senate Bill 95 was heard and he has a copy of the fiscal note on that and if this committee passes that Bill the \$64,000 figure (See Fiscal Note) should go up to about \$90,000 per year so it would be \$180,000 over the biennium. The Innkeepers support this Bill and is not a Bill that will raid the Bed-Tax and spend something else on it but what it is doing is following the intent of the original legislation and keeping general fund money out of the travel and tourism promotion bureau.

Testifying Proponents and Who They Represent:

Representative Patterson, House District 97
Bonnie Tippy, representing Montana Innkeeper's Association
John Wilson, Administrator, Montana Promotion Division,
Department of Commerce

Proponent Testimony:

Representative Patterson stated he and Rep. Winslow introduced the four percent motel-hotel lodging Bill last session. At that time they talked about how to make sure the state employees did not have to pay this tax and they wondered if they should give the state employees an ID card but felt that may not be the best solution because there might be some state employees go on vacation and say they were entitled to that exemption. They thought the hotel people should have two sets of books and give an exemption to state employees but that wouldn't work. The way this Bill is written everybody in the state who stays in a hotel-motel whether they are a state employee or not will still pay the hotel-motel tax to the innkeeper, who will send that money to the state like they normally do but not put any additional burden on the innkeepers. The burden goes on to all state agencies and, according to the Auditor's office and LFA, it can be captured and it can be tracked.

Ms. Tippy stated that Rep. Patterson is correct as last session there was alot of discussion about what the state was going to do about paying this bed tax and it seems like the only

solution people were talking about then was to have the front desk clerks in those hotels figure out who state employees were. The mechanism in this Bill will make it easy, just transfer from one department to another and they realize that it is inappropriate for government to pay sales tax and that is really what the bed tax is. The fiscal note on SB95 has not been revised so some of the figures will be a little different.

Mr. Wilson stated this Bill makes sense to his department and that they want to make sure the intent is in the mechanics of the Bill. It would take the money off the top that the state employees would pay, then they have a distribution formula that prorates the money throughout the various tourism regions in the Historical Society and your intent is to equally share. In the same proportion the reduction in the bed tax would come to Commerce. If that is the intent they propose they use the same percentage formula for reducing those amounts in the distribution plan.

Testifying Opponents and Who They Represent:

None

Opponent Testimony:

None

Questions From Committee Members:

Representative Swysgood asked if there was any way to get the tax from these people who are piggy backing the state, also like the commissioners and other organizations? Mr. Wilson stated if the tax is being paid by a state agency then it will be reported back, if not, if it is being paid by a private individual it would be very difficult to figure out how to do it.

Closing by Sponsor:

Representative Boharski stated Rep. Swysgood's question raised some worry that some people had, saying this Bill would open the flood gates on the travel and tourism promotion fund but that apparently is not going to happen because if this money is not recorded on the state accounting system the Department of Revenue will never know it is there. If another local organization came in, such as a local police department and said they wanted their money back, they would not know what they paid, it would not be on the system. As far as distributing this money equally this happens before it goes in there in the first place so the entire amount of money is still put in and the department is left to do with it as they do now, it would just be a smaller amount.

Representative Bardanouve stated the hearing was closed on House

Bill 739.

HEARING ON SENATE BILL 308

"AN ACT ALLOCATING PART OF THE COAL SEVERANCE TAX PROCEEDS FOR CRIMINAL INVESTIGATIONS AND PROSECUTIONS; AMENDING SECTION 15-35-108, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

Presentation and Opening Statement by Sponsor:

Senator Van Valkenburg, District 30, stated this is a Bill he put in at the request of the Attorney General. When the Attorney General addressed the House of Representatives about a week ago and talked to you about a number of the issues that he was concerned about in the state of Montana and the Department of Justice dealt with them. One of his greatest concerns was the spreading drug problem in the state of Montana. He recommended to you that one of the best ways to deal with that particular problem was to provide the Department of Justice with a stable source of funds so that it could 1) maintain its existing drug enforcement system that it has and 2) to provide some limited ability to exchange information with other law enforcement agencies in the criminal intelligence section within the Department of Justice that has been authorized previously by the Legislature by statute but has never been funded. Senate Bill 308 would provide that stable source of funding by earmarking 2 1/2% of the coal severance tax money on the non-constitutional trust fund side in the first year of the biennium and 4% in the second year of the biennium so that there would be sufficient money to fund the Eastern and Western special investigation units and to fund this criminal intelligence section that has not previously been funded. This Bill had brought bipartisan support in the Senate. It is clearly a spending measure. They are presently putting out the money for an Eastern special investigation unit from the coal board funds. The Western unit has been funded by general fund since 1987 session at 25% with a 75% matching federal amount. In the second year of the biennium it will be necessary to increase that match to 50/50.

Testifying Proponents and Who They Represent:

Marc Racicot, Attorney General
Gary Carroll, Administrative Law Enforcement Services Division,
Department of Justice
Senator Gage, Senate District 5

Proponent Testimony:

Mr. Racicot explained the Eastern Coal County Special Task Force began in 1982 and since that time it has in essence investigated and prosecuted around 600 criminal cases and

has seized about \$5.5 million dollars worth of drugs. They are very interested in making certain they can maintain as much of an investigative presence in the state of Montana as possible. As a consequence, when they reviewed the budget that was prepared by Governor Schwinden and realized that there may be some difficulty for the Coal Board, and the funds allocated by the Coal Board down the line, that in spite of their feelings about earmarked revenue accounts, they had to play by the rules that are being established. This Bill was designed originally as an effort to fall back into a position whereby there would be adequate funds provided by Coal Severance taxes to maintain the unit in Billings. It was never intended to supplant the Coal Board's ability or authority to respond to this problem but it was their view that if the Coal Board somehow did not receive an allocation of funds, and no longer remaining in existence, they had to have a fall back position and that is why this Bill originally was presented. As it was presented as transpired, it has surged to the forefront and become the main vehicle of their effort to try and secure continued funding of that program down in Billings. With the present amount that is allocated through the coal tax provided for in SB 308, it would provide for the continuation of that program there. It would also provide enough funds through the percentages that are allocated to maintain the unit in Missoula. The second year of that project requires a 50% match from the state coffers to match the federal grant. That has not been approved by this committee. If this Bill was approved it would provide those funds and it contains enough funds to begin the operation of an intelligence section within the Department of Justice which has been authorized by statute but never funded. Mr. Racicot passed out copies of an editorial in the Great Falls Tribune. (See Exhibit 1)

Mr. Carroll said hopefully we do realize we have a serious problem in Montana that should be addressed from a law enforcement standpoint as well as others. Currently the drug enforcement effort in the Department of Justice is funded out of four sources. What this does is combine all the drug enforcement efforts into one source. Right now they receive funding for drug enforcement from a federal grant, from coal local impact money, general fund and from motor vehicle funds. This combines that into one source of funding and adds a few additional employees, particularly the intelligence section. They already have the two undercover units, one in Missoula and one in Billings. The funding for this function out of this Bill comes from money that is currently going to the general fund.

Senator Gage started working in the 1985 session on statewide drug enforcement programs and everyone is aware of the number of Bills put through in the last two or three sessions with regard to cracking down on the drug activity in the state of Montana. It is a significant problem,

prison expansion in population is evidence to the fact that most of those people have been involved in drug activities before they got there and for most of them that is the reason they are there, either selling drugs or being involved as users. It doesn't make sense to him that we go to all the problem of putting the teeth in the law with regard to these people and then skimp on the investigation and prosecution. It is long past time that we had a permanent source of funding for this needed program in the state of Montana. It needs to be statewide.

Testifying Opponents and Who They Represent:

None

Opponent Testimony:

None

Questions From Committee Members:

Representative Bardanoue asked Attorney General Racicot if he wanted to earmark this money now? Mr. Racicot stated he would prefer no earmarked funds in any part of state government but these are the rules and as long as there are some earmarked funds they are obliged to play by the rules. Rep. Bardanoue stated early in the session Attorney General Racicot testified that if there is any program in his department that he couldn't defend with general fund money he would not need to earmark. Mr. Racicot said that is not how he precisely stated it. His feeling is much the same, that special earmarked revenue accounts, in many ways, either circumscribe programs or provide for an expansion of programs in an unauthorized fashion. They have no alternatives but to play by the rules that are already there and in some instances they just can't come in and say they don't believe in any earmarking so therefore they are going to place a very needed program aside.

Closing by Sponsor:

Senator Van Valkenburg stated nobody has mentioned a dollar amount but the way it works out it is approximately \$500,000 the first year of the biennium, \$700,000 in the second year of the biennium. This is earmarking but it is really coming out of the general fund. It is not taking money from any other account in the coal severance tax. It is coming from that portion of the coal severance tax that would otherwise go into the general fund. This will pay significant dividends to the state of Montana. There is a lot of drug activity in this state and it takes a tremendous toll on the lives and the economy of this state. There is a pipeline running from the Mexican border up Interstate 5 and down Interstate 90. Because they have the unit in place right now ten or twelve people have been arrested in Missoula

County alone in the last few months who are clearly connected with this thing. They are not asking for very much more than maintaining current level in that regard. If they are going to keep that fight up and to keep the spirit that Congress has adopted, in terms of putting a drug Czar in place, to deal with the most serious problem in this country then Montana has to make some effort and obviously it means spending money.

Tape 2, Side B, 000

HEARING ON SENATE BILL 441

"AN ACT AMENDING ARTICLE VIII OF THE CONSTITUTION OF THE STATE OF MONTANA TO IMPOSE A LIMIT ON GROWTH OF TOTAL STATE AND PUBLIC SCHOOL EXPENDITURES; AND PROVIDING THAT THE ACT BE SUBMITTED TO THE QUALIFIED ELECTORS OF MONTANA."

Presentation and Opening Statement by Sponsor:

Senator Gage, Senate District 5, stated this is a Bill that will put on the ballot for the people to determine whether or not they want a limitation on spending in state government and public schools. Other than for emergency provisions, which the Bill also covers, it limits the spending to the percentage change in the state's personal income game. It has a provision in there that only 5% of the ending fund balances can be carried over for purposes of expenditure in the following year. It has a significant section, Section 22, which says that they can't get around this by shifting costs to local government. If they were to shift programs to the local government they would have to provide a means of funding that before they shift those costs. Someone in the Senate said they don't hear a big hue and cry for this but the people out there he has talked to have a big hue and cry that says, when are you going to quit spending? If they have no personal income gain in the state of Montana you will not be able to spend funds anymore than you did the previous session.

Testifying Proponents and Who They Represent:

Ken Nordtvedt, Director, Department of Revenue

Proponent Testimony:

Director Nordtvedt stated this is a referendum for a constitutional amendment, except for unusual conditions, to limit the growth rate of total state and public school expenditures to be no greater than the growth rate of personal income of the people of Montana. To put that in perspective, in the relatively poor economic times of the last few years Montana personal income has grown at about 4% to 5% a year, was lower once, but roughly it has been just growing to cover inflation. There has been very little real

growth on top of that. He believes this is a moderate form of taxpayer involvement in the process. It is much more responsible than things like Proposition 13 in California or some of the Initiatives they have seen on the ballot in recent years that have come from the taxpayers. It does allow for growth to the public sector by the normal statutory process to account for population growth, real well growth, inflation, and it has an emergency clause that can suspend this growth cap on a 2/3 vote of the legislature if there are reasons to spend money more rapidly. He referred to Exhibit 1, letter from Governor Stephens, they would like this to be given to the people for their consideration in a bi-partisan or non-partisan manner by a significant vote from both parties of this legislature, giving them the opportunity to vote on it. They feel it is an important enough protection for the taxpayer that if they can't get it to the people by referendum they will try to get it to them by initiative. One of the Amendments is a clean-up amendment to make the body of the Bill consistent without elimination of local government from the overall cap. The other amendment is to make the effective election to be the next election that would qualify under the laws of the state. See Exhibit 2. Page 1, Lines 22-23 Strike "...and local government..." Page 4, Lines 22-23 Strike "...general election to be held in November 1990..." and insert "...next qualifying general election under MCA 13-1-104..."

Testifying Opponents and Who They Represent:

Phil Campbell, Montana Education Association

Terry Minow, Montana Federation of Teachers/Montana Federation of State Employees

Representative Francis Bardanouve, House District 16

Opponent Testimony:

Mr. Campbell stated he thinks the Bill is a bad tax policy and takes away the flexibility from the legislature and schools and asked the committee to vote no on SB 441.

Ms. Minow said the groups she represents would like to go on record in opposition to this Bill which limits the power of the legislature.

Representative Bardanouve stated Mr. Nordtvedt finds himself in a committee with a biased chairman. He knows he does not agree with his constitution amendment. He feels it entirely unnecessary. Montana legislature has shown conservatism in appropriating money, shown wise use of their money and has not overspent the personal income of Montana. This Bill gives the citizens of Montana a false sense of security that somehow they have put something in the constitution that will put a lid on the "wild spending".

Questions From Committee Members:

Representative Peck referred Senator Gage to Page 1, line 25 which refers to the "percentage change in total expenditures" and wondered how he defined "total expenditures". The federal funds increased and is that counted in there if they declined? Sen. Gage referred Rep. Peck to the following page, Page 3, which indicates the kind of expenditures that are exempt. Rep. Peck then asked if federal funds increase would they be included within that term "total expenditures"? Sen. Gage said no, they would exclude them.

Closing by Sponsor:

Senator Gage stated, in response to the Chairman's comments, he is not sure the constitution can be cluttered up very much no matter what you do to it. Almost without exception when they have problems come in to committees the comment is made "if we didn't have the present constitution this Bill would not be here". He thinks it does give the people in the state some assurance. They cannot go in there and disregard this by a 2/3 vote at will. It indicates that 2/3 vote only applies to emergencies and he referred to the Section that defines emergencies and he supposes the legislature can do anything it wants as far as an emergency is concerned but it indicates that an "emergency is an extraordinary event or occurrence that could not have been reasonably foreseen and that requires immediate expenditure to preserve the health and safety of the people of this state." He thinks that is some assurance that they just can't come in because they want to spend some more money and get a 2/3 vote and do that for any particular reason. There are safeguards in this and it is significant that the Governor has indicated that if this does not get done by referendum it's his intent to see that it is done by initiative.

Hearing closed on Senate Bill 441.

Tape 2, Side B, 251

HEARING ON HOUSE BILL 768

"AN ACT TO APPROPRIATE MONEY FROM THE GENERAL FUND TO MONTANA STATE UNIVERSITY TO SUPPORT THE STAFF AND OPERATIONS FOR THE EXPANDED FACILITIES OF THE MUSEUM OF THE ROCKIES."

Presentation and Opening Statement by Sponsor:

Representative Addy, House District 94, stated this Bill would appropriate approximately \$700,000 to the Museum of the Rockies for maintenance and personnel. He stated Bill Tietz, President of MSU, and Judy Weaver, interim director of the Museum of the Rockies, are present to provide information. Rep. Addy referred to the public image problem

and there are some very special and unique things in Montana that we have to market and he is happy to report that the Museum of the Rockies has already started that. Rep. Addy referred to Exhibit 1, the groundbreaking speech that Charles Kuralt gave on July 22, 1986 at the Museum of the Rockies and excerpts from books.

Representative Marks, House District 75, Co-Sponsor of HB 768 stated he was very impressed with the gem we have in the Museum of the Rockies. In his opinion, he believes it is the finest museum anywhere and it is not a partisan issue because if Rep. Addy and he get together on anything it is absolutely bi-partisan. This Museum is good for children as well as adults and it is a very refreshing place to go.

Tape 2, Side B, 400

Testifying Proponents and Who They Represent:

Representative Wallin, House District 78
Jim Moore, Member of Board of Trustees, Museum of the Rockies
Beatrice Taylor, Representing Philanthropic Section, as a Donor
and a Capital Campaign Chairman
Jim Tutwiler, Montana Chamber of Commerce
Laurie Shadoan, Bozeman Chamber of Commerce
Stacey Farmer, Associated Students of Montana State University
John Lahr, Montana Power Co.
Suzie Judge, Helena
Joyce Grande, Lennep/Martinsdale
Pat Seiler, President of Livery Travel Corp., Helena

Proponent Testimony:

Representative Wallin stated the Museum is in his District and he believes Museums have a great deal of interest to all of us whether it is the Smithsonian or the new museum of Aircraft History. But this Museum is a once only find of dinosaur bones and very unusual and worthwhile.

Mr. Moore stated in 1987 there were about 80,000 people who went through the Museum in its old configuration before they had the new construction. Those numbers will increase substantially with the new Museum when it opens on April 1 of this year. It is a destination facility, a place people will travel to, spend some time and view it properly. That will result in economic benefit to this state. The Museum has gone far to develop international interest.

Ms. Taylor passed out Exhibit 2 and read from this Testimony. An additional \$3,000,000 for new permanent exhibits and renovation of old ones. This is money that will be asked of private donors and not the state. The donors will continue to give but they cannot carry the entire burden. This is a state owned institution and the donors need a sign of

commitment from the state that the state will do its part in supporting the facility which we are given. They are making a gift to the state of a \$7,000,000 investment and at this time will be adding another \$3,000,000 as they progress with their exhibits. In return they are asking the state to allocate \$370,000 per year to help maintain the building, to pay for the utilities and provide some of the salaries. For this the state will receive educational opportunities that are unparalleled throughout the state and the nation. They receive national and international recognition that will promote a new and better image for Montana and will be able to offer tourism benefits that compare with their finest natural resources. The Museum of the Rockies is a success story and Ms. Taylor believes the state should support the successes they have.

Mr. Tutwiler stated he would like the Montana Chamber of Commerce on record as reinforcing and supporting the testimony that has already been given. He feels the Museum of the Rockies is not just a regional project but has statewide implications and can help promote the tourism industry.

Ms. Shadoan passed out Exhibit 3 and read from this testimony.

Ms. Farmer stated the students at MSU are very fortunate to have the Museum of the Rockies and feel the potential for crossing state and international educational boundaries is very significant.

Tape 3, Side A 000

Mr. Lahr stated right after the state began to attract settlers one of the first groups that came here were scientists who were interested in the incredible number of fossilized dinosaur bones which covered this state and those bones today are in the finest museums in the United States and other countries in the world. Many of those dinosaur skeletons were taken from Montana on the steamboats and railroads. This Museum is the only place in Montana where we are now looking after preserving that heritage and making it a part of the educational process for our own children and they seem to be remarkably charmed by dinosaurs.

Ms. Judge asked the committee to vote in favor of this Bill.

Ms. Grande has been very interested in the Museum the last few years and excited about the future of the Museum and what it can do for the future of the state.

Ms. Seiler spoke in support of this Bill.

Testifying Opponents and Who They Represent:

None

Opponent Testimony:

None

Questions From Committee Members:

Representative Cobb asked if someone from the University is here? He referred his question to Ms. Taylor and asked what is happening to the project with the increased university funding? President Tietz stated members of the Board of Regents are here and they do support this as a program modification. Because of discussions earlier in the session it was determined that it should be presented as a separate enterprise, free and clear of the budget of the University system. It is a high priority item and right behind instructional equipment, faculty salaries and libraries. In terms of the funding, as Ms. Taylor indicated they originally began with a 33, 33, 33; grants, contributions and university funding. As the funding for the university has contracted they have held stable the directed revenues to the Museum. They currently contribute about \$325,000 a year to a base budget of \$1,600,000 so they are operating about 20% rather than 33% of the Museum's current operating budget. Part of that is the fact that the Museum's operating budget has expanded significantly from grants and particularly from private donations. They simply have not been able to keep pace.

Representative Bardanoue stated he appreciates the Museum of the Rockies as much as anyone in the room but this was begun not as a part or obligation of the state government or appropriations. When the state was asked to authorize the building for a Museum they were promised that in no way would this impact a general fund. It was to be done by private donations. Now the committee is made to feel guilty if they do not pass the Bill. The legislature was never committed to 1/3 of the operation of this Museum. An operational budget has never been presented to this Committee. If they had been told from the beginning that this would become a part of government there might have been some serious reservations about committing, even authorizing, no matter how fine it is and he admits it is something we can be proud of. He is faced with a dilemma because when they approved the beginning of it they were pledged it would not become a part of government.

Dr. Tietz responded to Rep. Bardanoue because he was the one who made the pledge and has gone back and checked the tapes as to what was said at the time. They asked for the dollars to provide the construction money for the Museum of the Rockies and at that time it was supported exclusively in its personnel by Montana State University. The personnel are still members of the faculty at MSU and the intention is clear that the University will provide that support. When they asked for the construction money they stated clearly

that it would come from private sources and there would not be any state dollars committed to the construction of the new building. When the question was asked who is maintaining the program they indicated at the time the Museum of the Rockies is supported entirely in its operations by the Board and private contributions, with the exception of about \$5,000 that the physical plant was providing for the clearing of snow and maintenance of the parking lot. At the time the question was asked to him by Rep. Bardanoue, relative to the future of the Museum of the Rockies, it was clear and he agrees with him 100%. The proposal that Ms. Taylor made in terms of 33,33,33 was the optimal budget projected by the management of the museum. They are not asking the state to assume 1/3 of the budget, simply saying that was their original plan and by comparison they have had to drop down to 20%, roughly \$325,000. They have not been to this Committee to ask for dollars to support the Museum in terms of the Institution's responsibility. Why they have come forward though is it is a new game, a new proposal. There are things that are different today than they were in 1983 when they first came forward. Now in 1989 they are approaching a major new enterprise as far as this endeavor is concerned on behalf of the state of Montana. In terms of the educational implications, what they have come back for is to say in that public domain it seems reasonable for the state to participate with them.

Representative Bardanoue stated he feared when he asked those questions exactly what is happening today and he could see it coming.

Representative Grinde asked if he was correct in the way he reads this that it is not a one-time expense for the biennium but would be injected in an on-going expenditure. Dr. Tietz stated that is correct. There are \$150,000 a year in the base maintenance operation of the facility, and as the Bill is written another \$240,000 for personnel which would include the Director of the Planetarium, the Planetarium technician, curator of Arts and Photography, curator of Exhibits and also a chief of security. Rep. Grinde asked if there are any fees charged for visitation? Dr. Tietz stated there will be fees charged. At the present time there are voluntary contributions but as they proceed there will be fees charged, partly based on the degree to which the Museum is open, partly based on the nature of the exhibits at the time. There will be special fees for special exhibits.

Closing by Sponsor:

Representative Addy stated this is an opportunity that nobody foresaw a number of years ago and this is a program with tremendous potential.

The hearing closed on House Bill 768.

HEARING ON HOUSE BILL 765

"AN ACT CREATING THE MICROBUSINESS FINANCE PROGRAM; CREATING THE MICROBUSINESS ADVISORY COUNCIL; PROVIDING A STATUTORY APPROPRIATION; PROVIDING AN APPROPRIATION FROM THE IN-STATE INVESTMENT FUND, REQUIRING A THREE-FOURTHS VOTE OF THE LEGISLATURE; AMENDING SECTION 17-7-502, MCA; AND PROVIDING AN EFFECTIVE DATE."

Presentation and Opening Statement by Sponsor:

Representative Vincent, House District 80, distributed several handouts and referred to Exhibit 1, Microbusiness Development Act as well as the other Exhibits, 2 and 3. The intent of this Bill is to establish what amounts to his thinking a loan program to assist in the finance and development of what they are beginning to call microbusinesses. The program will make available market rate loans administered at the local, at the community level.

Testifying Proponents and Who They Represent:

Bob Heffner, Director of Small Business Development Center,
Department of Commerce, Helena
David Martin, Headwaters RC&D Economic Development Committee,
Powell County
Dan Kemmis, City Council, City of Missoula
Dave Lewis, Executive Director, Board of Investments
Bob Pancich, Administrator of the In-State Investment Program,
Board of Investments
Judy Smith, Missoula Community Business Incubator and the Women's
Economic Development Group, Missoula
Steve Huntington, Executive Director, Science and Technology Labs
Jim Tutwiler, Montana Chamber of Commerce
Barbara Richard, Private Business Consultant and Community
Development Director for the City of Malta.
Ted Neuman, Montana Council of Cooperatives
Bill Chumrau, Director, Missoula Community Business Incubator.
Jerry Christison, Assistant District Director for Business
Development, Small Business Administration
Gary Mason, Corvallis
Lynn Robson, Women's World Banking, Bozeman
Cindy Owings, Bozeman
Ann Prunuske, Montana Alliance for Progressive Policy, Helena
Ted Dodge, Coordinator for the Headwaters RC&D
Laurie Shadoan, Bozeman Chamber of Commerce and Gallatin
Development Corporation
Dixie Swenson, Headwaters Group, Bozeman
Jeff Rupp, Bozeman HRDC
John Filz, President of Bitterroot Valley Development Corporation
John Rodgers, Economic Development Administration, U.S Dept. of

Commerce

Proponent Testimony:

Mr. Heffner stated he was pleased to report they do have the Administration's support for the Bill. However, their support is conditioned on some amendments to the Bill. He mentioned the nature of the program and that it just does not talk about money but about loans. They are asking to set aside in the Bill as it is written \$2,200,000 from the in-state investment fund and money is to be used to capitalize community revolving loan funds, or microbusiness development companies. The companies that qualify under this act, microbusiness development companies, will also have to be prepared to write a curriculum of management training. A lot of good ideas have come to the legislature and before this committee asking to use trust fund money. There are three distinctions about this proposal: 1) they are not proposing to spend money, just to loan it. 2) they are proposing to use the money for the very purpose for which the in-state investment act was passed in the first place. They are proposing to see that money lent to the very people and kind of businesses the legislature had in mind when they passed that act. 3) this is emphatically not a give-away program. When management training and technical assistance is combined with small and appropriate amounts of finance stepping people up to the point where they can become main street bank clients. They support the program because of the way it takes of meeting the need in the market that they have identified. What it asks to do is take a modest amount of capital out from under central administration in Helena. See Exhibit 5.

Mr. Heffner stated the most important thing the amendments (See Memo-Proposed Amendments to HB 765) do is restructure the program to a pilot project, operated in three project sites only, funded up to \$250,000 apiece and having a sunset provision at the end of four years. They hope the program will prove itself and prove itself before they ask for a large amount of money. The importance of that is cautiously tapping into any kind of trust fund, they have to impose on themselves the requirement to be as circumspect and as prudent as possible in entering into this program.

Mr. Martin stated they are presently in the process of putting together a revolving loan fund and this appropriation will help them get started. There are those gaps that do exist as found from the Department of Commerce survey as well as surveys they did in Powell County plus some data gathered across the counties in southern Montana. The revolving loan funds will help fill that gap. It is not a giveaway as has been indicated but a loan program and those dollars will continue to rotate and revolve throughout the state.

Mr. Kemmis stated the City of Missoula has already devoted and pledged \$250,000 to exactly this kind of program so the city believes in this. As one of the authors of the in-state investment program, which came out of a citizen's initiative, as part of the coal tax trust. From the beginning, trying to get money into the Montana economy out of that trust fund, they faced the difficulty of administering it as a trust fund and then getting it in the small locally owned businesses. This has not worked out as they had anticipated. Not that the in-state investment program is not succeeding, but it cannot succeed as it now stands. If they could have a pilot program, he would like to see 5 or 6 rather than 3, they would then see the low level of losses that will result from this approach. The money has already been earmarked for in-state investment.

Mr. Lewis stated this program is one that the Board is very interested in. They see it filling a needed gap between what they can do with their collateralized loans and the needs of the community. They recognize it as an experiment, as a first step, but the intention of the legislature, as expressed in statute as far as the uses of the coal trust fund, clearly aim that money at trying to improve the Montana economy. Representative Bardanouve asked if this is robbing Peter to pay Paul and Mr. Lewis stated the impact is on the interest from the coal trust which is a general fund revenue source. There is an interest loss but there are jobs created, businesses created, and an increase in economic activity in the state.

Mr. Pancich stated they presently have over \$56,000,000 available in the in-state investment fund. Of that \$31,000,000 is invested leaving a little over \$25,000,000 available to be invested. The Board first set up targeting basic industries and found they could expand the program after the merger with the Board of Investments and now they target every business in Montana and give a job credit reduction in their interest rate based on jobs. There is a total of \$48,000,000 in loans since the inception of the program. Presently there are 129 borrowers on the books, with no delinquent loans of any serious consequence. There were a total of \$68,000,000 in applications over that period of time and 207 applicants. On the loans they committed to fund there were 2,266 existing jobs preserved, 1608 jobs created from the program. During the whole period of time they have funded one start-up. The in-state investment program was set up to do start-ups as well as existing business programs. The problem they run into is the size of the loan. The smallest loan offered to the Board was \$28,000 and the program in this Bill will help fund those borrowers under \$25,000. Bankers do not have the time to hand-hold a small business and work them through the process. This Board proposes to do that through local development corporations in order to help this business actually understand how a business ought to work before they

get the money.

Tape 3, Side B, 023

- Ms. Smith stated they are modeled after a program that is very successful in St. Paul. Their program is basically taking people who are interested in starting a microbusiness or self-employment opportunity and give them the technical assistance and training. Then if they continue on and follow through with that training there is the access to capital and can start their own business. See Exhibit 9.
- Mr. Huntington stated his firm is also a manager of funds under the in-state investment program through HB 683. Because of the return on investment expectation of their program as well as the kinds of deals they target, the kinds of projects and the kinds of borrowers envisioned here, cannot be touched by their program. They think the business development assistance that is envisioned in this Bill that this can be a very effective economic development tool.
- Mr. Tutwiler stated he thinks this Bill has alot of potential for alleviating the situation where Montana is consistently ranked below the national average in terms of per capita income and consistently below the national average in terms of hourly wage.
- Ms. Richard stated they have experienced that local organizations in small communities can administer revolving loan programs like this one proposed by this Bill. The City of Malta has established the revolving loan fund using Community Development Block Grants for housing rehabilitation. They manage a portfolio of nearly 50 loans and they total \$600,000. See Exhibit 10.
- Mr. Neuman said because they have been frugal with the job training coordinating council with their administrative funds over the last several years they have been able to fund several pilot projects in the area of retraining dislocated workers, homemakers, and others to start their own businesses. This has been a good project and this Bill will go a long way to encourage and help those people get started in their entrepreneur businesses.
- Mr. Chumrau limited his remarks to experience they have had with the Incubator and how they worked through its own program. In order to obtain financing they found two major drawbacks from the banks. One of those was that the loans were too small and uneconomical to deal with so that created a high chance of risk and so they addressed that issue by giving them ongoing and technical assistance. Secondly, they were concerned about the idea of risk so what they have done in the Missoula program is deposited money in the financial institution and they use that money as a guarantee.

Tape 3, Side B, 163

Mr. Christison stated this program will be very beneficial in serving the needs of people who have no access to funding or any idea how to run their business. SBA pledges all their resources for counseling and training to help these people. He would suggest they go to a higher level than just 3 and recommends they expand the program somewhat. See Exhibits 11 and 12.

Mr. Mason assists the Bitterroot RC&D on the economic development in the Bitterroot Valley, Missoula County and Mineral County. The Bitterroot RC&D has worked with a group in Missoula and have over 100 people involved in that who could use this type of financing. The Bitterroot RC&D in Hamilton has over 100 requests for assistance that would also be able to use this type of funding. The Ravalli County Electric Co-op is also in favor of this Bill. See Exhibit 16.

Ms. Robson asked the committee to look at something larger than three communities. She then read from her testimony. See Exhibits 13 and 14.

Ms. Owings stated this Bill would provide for an entrepreneur like herself the possibility of funding and technical assistance which she was severely lacking. If it hadn't been for the Montana Commerce Department and some very good friends she would not be where she is today. She is a success story and hopes they pass this Bill.

Ms. Prunuske stated her group is a coalition of labor senior's education, low income. They strongly support this group and urge expanding to more than three communities.

Mr. Dodge stated the seven counties that make up his organization include alot of rural communities such as Philipsburg. A year ago that group worked with other agencies in two other states to try to put together a workshop in Spokane to explore this issue because they saw this need. Therefore, they see this program as going a long way toward meeting that need.

Ms. Shadoan handed out a written testimonial. See Exhibit 15.

Ms. Swenson stated the Bozeman experience has been very much like that of the Missoula program in terms of the needs that they are finding for people who need training and financing.

Mr. Rupp urged favorable consideration of this Bill.

Mr. Filz stated his group is the model for this activity they are hearing about. They have been in operation for 20 years and started as a private stock corporation and sold \$11,000 worth of \$1.00 per share stock. Since then by loaning that money, bringing it back in and by leveraging small business

money they have loaned out \$400,000 and never lost a dime. Nobody gets paid to do this as they are all volunteers. This Bill would significantly enhance their ability to do good things in Ravalli County, would allow them to provide technical assistance, and hopefully to allow them to access some information from the Security Exchange Commission, and to loan more money out.

Mr. Rodgers stated there is a possibility that funds from this program could be used to match additional revolving loan funds from his agency and perhaps stretch those resources and their own resources as well.

Representative Connelly stated for a year and a half she has been doing research on this very same thing and she did attend a workshop in Spokane last summer. She had an application in for a bill to do this but Rep. Vincent had gone along a little further so she cancelled hers. She is in support of the Bill.

Testifying Opponents and Who They Represent:

None

Opponents Testimony:

None

Questions From Committee Members:

Representative Marks noticed in one section of the Bill it particularly alluded to agricultural enterprises and is this presented as a natural resource enhancement opportunity and wondering how and why it is treated differently. Mr. Heffner stated it is not a farm loan program but is intended for evaluated activity and it particularly says if an agriculture enterprise is engaged in packaging or processing a product is as eligible as anybody else. Rep. Marks asked what would be excluded then and Mr. Heffner stated basic agriculture, ranching and farming.

Closing by Sponsor:

Representative Vincent thanked all the proponents who came in to help out with this Bill. He also stated this is the best way to get Montana money working for Montana's economic future and that segment of the economy that holds the most promise. He urged the committee to expand the program to a little beyond what the Department of Commerce has suggested to five or six pilot projects so they can make sure they strike the right kind of rural-urban balance.

Representative Bardanouve closed the hearing on House Bill 765

"AN ACT ESTABLISHING AN INCOME TAX VOLUNTARY CHECKOFF TO PROVIDE FUNDS FOR SEARCH AND RESCUE OPERATIONS; DESIGNATING THAT THE DEPARTMENT OF JUSTICE USE THE CHECKOFF REVENUE TO SUPPLEMENT FUNDING OF SEARCH AND RESCUE OPERATIONS CONDUCTED UNDER THE SUPERVISION OF COUNTY SHERIFFS' OFFICES; ESTABLISHING A SEARCH AND RESCUE ACCOUNT; ~~APPROPRIATING MONEY FROM THE GENERAL FUND CHECKOFF FUNDS TO THE SEARCH AND RESCUE ACCOUNT~~ DEPARTMENT OF JUSTICE; AND AMENDING SECTION 7-32-235, MCA."

Presentation and Opening Statement by Sponsor:

Representative Moore, District 65, stated this is a Search and Rescue Bill and started out with it thinking that this is only to supplement search and rescue missions especially when they get into those missions where they have to call for aircraft and it becomes terribly expensive. She was approached to carry this Bill by a search and rescue person in Missoula. She thought of the voluntary checkoff on the income tax as another means of getting some help for the search and rescue people. To make the Bill more acceptable she would like to remove the general fund money request from the Bill and keep the Bill alive with just the voluntary checkoff? She would also like to increase the checkoff from \$.50 as is on the Bill to \$1.00 because it would cost less to implement the whole system if it was \$1.00. The fiscal note says currently the income tax system is set up to collect only whole dollar amounts. The fiscal note shows there are 35 recognized search and rescue units in the state and they perform 330 missions per year at a cost of about \$250.00. All this work is done voluntarily. All their time is contributed and raise money out of their own pockets, fund raisers, etc. She has a request from Lewis and Clark County Sheriff, Chuck O'Reilly to put an amendment on page 3, starting on line 3, which would say "upon signing and approval of the sheriff". This would give the sheriffs in Montana the control of this money and it would be up to their discretion to decide at what level that search would be to ask for extra help.

Testifying Proponents and Who They Represent:

Chuck O'Reilly, Sheriff of Lewis and Clark County and
representing the Montana Sheriffs and Peace Officers'
Association
Ralph DeCunzo, Search Coordinator for Lewis & Clark Search and
Rescue and member of the Montana Sheriffs and Peace
Officers' Association
Dan Hawkins, President Lewis & Clark Search and Rescue
David Ball, Deputy, Missoula County
Jim Jones, Member of Board of Directors, Elkhorn Search and
Rescue
Peter Funk, Assistant Attorney General, Department of Justice

Proponent Testimony:

Sheriff O'Reilly stated the reason for the request on the amendment is to allow the Attorney General to have some input to know that this was an authorized search. Sheriffs are in control of all local search and rescue groups within the state. This amendment is to let the Attorney General know who is a legitimate organization and who is not. The local search and rescue units don't just provide benefits to the locality they are from. They have participated in searches such as Governor Nutter's plane crash, Secretary of State Waltermire's plane crash, the national guard special forces that have become lost at 50 below zero and others.

Mr. DeCunzo stated his group represents search and rescue units from across the state. The majority of the men and women who perform search and rescue within the state are volunteers. They use their own equipment and vehicles and don't ask for anything in return. This legislation will give the search and rescue organizations around the state the opportunity to recover some of the expenses that go into a mission.

Mr. Hawkins is here on behalf of the 30 active members of his unit. The volunteer effort of their organization over the past year has been considerable. They had 20 missions entailing 2500 person hours plus an equal or greater number of hours spent in meetings and training. As considerable as this commitment is, it is volunteer and they choose to do it. Last year they logged 9800 vehicle miles on the missions and the cost of operating those vehicles over that distance added to the cost of personal equipment and supplies expended adds up very quickly. Their unit has been called upon to assist the county in four major instances beyond simple search and rescue in the past couple of years.

Mr. Ball brought three of his volunteers with him and they all support the Bill. He stated a helicopter right now flies at about \$635 an hour and they need more money.

Mr. Jones stated his group supports the Bill.

Mr. Funk is here to indicate Attorney General Racicot's support for this particular concept and to let the committee know there is no opposition within the Department of Justice to the dispersal role that is envisioned by this. Once the special revenue fund is established both the centralized services people and the Attorney General himself have indicated strong support for this and don't have any opposition to playing the role that's envisioned.

Testifying Opponents and Who They Represent:

None

Opponent Testimony:

None

Questions From Committee Members:

Representative Thoft asked how many counties in the state levy mills and Mr. DeCunzo stated three, Ravalli, Lincoln and Gallatin.

Representative Bardanouve asked about the proposal of a checkoff to generate the income and he fears that the checkoff system won't produce much revenue and he wished they had a more stable source of funding for this very worthwhile purpose.

Representative Quilici stated evidently there are no funds out of Silver Bow County and they are doing a good job in their area and feels it should be funded partially through some other method.

Representative Peterson asked Rep. Moore why other counties are not levying a mill? She stated it has alot to do with 105.

Representative Connelly stated quite a few of the counties get money from United Way. Flathead County does and that might be why they have not had to levy a mill.

Tape 4, Side A, 000

Closing by Sponsor:

Representative Moore reminded the committee that the search and rescue go to the aid of people who have been injured, such as cross country skiers etc. They are a mercy mission oriented group. She mentioned they put on page 3, line 7 of the Bill the \$1,000 for each search and rescue mission patterned after Idaho. This is the limit they have on their search. The search and rescue people could have this checkoff option that they would promote the encouragement of the people to think about search and rescue at income tax time. She feels this will generate if just given a chance.

Representative Bardanouve closed the hearing on House Bill 761 and adjourned at 12:42 p.m. The committee reconvened at 4:00 p.m.

HEARING ON HOUSE BILL 763

"AN ACT TO APPROPRIATE FUNDS TO PROVIDE ADDITIONAL IN-HOME SERVICES FOR THE AGING; AMENDING SECTION 53-5-101, MCA; AND PROVIDING AN EFFECTIVE DATE."

Tape 4, Side A, 036

Presentation and Opening Statement by Sponsor:

Representative Addy, District 94, stated HB 763 would appropriate \$250,000 per year for in-home services and these are supportive services that are delivered to people in independent living situations that might have a little trouble fixing their own meals, maybe they are visually handicapped or have some other infirmity that makes it difficult for them to provide necessary care for themselves. The idea behind in-home services is that the longer you can keep people in an independent situation and familiar surroundings the better their general level of health will be, the less likely they will need nursing home services, therefore, the less the load will be on medicaid payments for nursing home services. See Exhibit 1.

Testifying Proponents and Who They Represent:

Fred Patton, President, Legacy Legislature
Agnes Crow, Legacy Legislature
Le Dean Lewis, American Association of Retired Persons
Judith Carlson, Montana Senior Citizens' Association
Representative Menahan, Area V Agency on Aging - Anaconda

Proponent Testimony:

Mr. Patton stated there were 67 members from the grass roots of the state of Montana and one of the most important things that came up during the Legacy was health care. Of all the Bills that were introduced this was one of the five priority Bills that was introduced by Legacy Legislature. See Exhibit 2.

Ms. Crow stated she has the experience of working directly with an in-home service program for 10 years. See Exhibits 3 and 4.

Ms. Lewis testified in favor of HB 763. See Exhibit 5

Ms. Carlson stated one of the things that confuses people about these in-home services is how they are being paid under medicaid and under medicaid waiver. She wanted to make the point that these are the kinds of things that medicaid won't pay for.

Representative Menahan spoke for the Anaconda group. See Exhibit 6.

Testifying Opponents and Who They Represent:

None

Opponent Testimony:

None

Questions From Committee Members:

Representative Cody asked if this is in any way similar to what they did in the Human Services Subcommittee which put more money into a home in Lewistown? Rep. Addy said no.

Representative Cobb stated his concern with this Bill is the SRS statute or rules of the Bureau are technically illegal. The Family Service Bureau Chief stated they were originally part of the Department of SRS and are part of a reorganization and he will check into that and make sure the language is all right.

Representative Connelly said a relative of hers used some County Health services once a week and was charged \$10.00 a visit and she wondered if that was because it was Flathead County or do they all charge? The Bureau Chief explained this program is funded under the Older American's Act and these in-home services are voluntary contributions. Seventeen percent of the funding is from Seniors themselves. The state contributes 15%. You were probably charged under the Medicaid Certified Home Health Agency which is primarily for medicaid eligible people and they have a private pay program with that to subsidize the Agency. The mix of funds does vary in the communities and that is why in-home service is so valuable. They do not have the waiver in every town. There are only 35 home health agencies.

Representative Marks asked how many counties is this operating in? The Bureau Chief stated for the most part in-home services are in every county. It does vary as the services are prioritized at the local level. As here in Helena with the large mix of various home health agencies transportation won't be funded and medical transportation may be the priority rather than some home service.

Closing by Sponsor:

Representative Addy closed and hoped the committee would give this Bill every consideration. It is an important program and helps alot of people to continue to remain at home.

Representative Bardanouve closed the hearing on House Bill 763.

HEARING ON HOUSE BILL 722

"AN ACT GENERALLY REVISING THE MONTANA AGRICULTURAL LOAN AUTHORITY ACT; PROVIDING FOR LOANS TO AGRICULTURAL BUSINESSES OTHER THAN FARMS OR RANCHES; REVISING LOAN QUALIFICATION REQUIREMENTS; AUTHORIZING THE AUTHORITY TO PURCHASE OR SELL AGRICULTURAL LOANS FROM OR TO FINANCIAL INSTITUTIONS, INCLUDING THE BOARD OF INVESTMENTS; ESTABLISHING A MORAL OBLIGATION OF THE STATE TO MAINTAIN A CAPITAL RESERVE ACCOUNT TO REPAY BONDS; AND AMENDING SECTION 80-12-102, 80-12-103, 80-12-201, 80-12-203 THROUGH 80-12-205, 80-12-216, AND 80-12-301, MCA."

Presentation and Opening Statement by Sponsor:

Representative Cobb, House district 42, stated that in 1983 the legislature created the agricultural loan authority and allowed the authority to issue bonds for people to acquire farm or ranch land or a down payment on the acquisition of farm or ranch land or the construction of depreciable property used on farm or ranch land. The authority cannot exceed \$40,000,000 in issuing bonds in order to run the program. His idea was to purchase applicant loans from an applicant's financial institution or bank. The programs never worked as there were no bonds sold. The reason they can't sell the bonds is because there is no backing or potential backing by the state in cases of default so what this Bill did was to fix the program up in case they want to run the program. Before, it said the state did not have full faith in credit for backing of the bonds and they took that away. Now, it is more like a moral obligation bond like the economic development bonds they sell. If there was a default they could come to the legislature and ask to have them paid off. The legislature would not have to and that would allow the state to sell these bonds and actually participate and try to help these people buy up their lands or help a farmer get started. They also expanded it from just agriculture land or farmer to all agriculture businesses to allow anybody in the agriculture business to be able to try to get these loans or bonds. The other thing they did was to allow this authority, not to just buy the bonds, but to sell them and he thinks this is a more important issue. The Board of Investments did not like to handle the loans under \$50,000 and they would be quite willing to buy up packages of loans. They allowed this agriculture authority to package the loans in the event they bought them and the Board of Investments would buy them. This would be like a secondary market they are creating in the state which they don't have right now.

Testifying Proponents and Who They Represent:

None

Proponent Testimony:

None

Testifying Opponents and Who They Represent:

None

Opponent Testimony:

None

Questions From Committee Members:

Representative Kimberley wondered what the Bill was doing in Appropriations because he had not heard the word "money". Rep. Cobb stated this agriculture loan authority act was created in 1983 to allow this authority to issue \$40,000,000 worth of bonds in order for ranchers or farmers to go out and buy land. The trouble was, they couldn't sell the bonds because the bonds did not have any backing by the state so there was no use selling the bonds. So they changed it so there is some kind of obligation by the state so they can go in and ask if there is a default the legislature will pay off the debt. They have had bonding authority since 1983 but have never sold the bonds.

Representative Bardanoue asked if these would become General Obligation Bonds now? Rep. Cobb said no but they will be like the economic development bonds. There is a moral obligation. They fixed the law to make it work but the question is do you want to make it work this year?

Representative Swift asked Rep. Cobb if he thinks the program did not have any takers initially? He noticed it was amended for a new worth of \$250,000. Rep. Cobb stated if you just try to get the ones in debt you could have trouble keeping them alive and you want to have some options so those who are better able to pay you can still take their loans.

Representative Cody stated if the program is not working and has not worked then why are we continuing to fix something and does Rep. Cobb see a need for it now? Rep. Cobb stated the bonding will lower the interest rates 1% or 2% or maybe 3% but what they did create in this is a secondary market and the Board of Investments is looking to buy up packages of these small loans but somebody has to go out there and hook them together.

Representative Bardanoue stated it says it shall be appropriated to keep reserves up and wondered what it would cost? Rep. Cobb stated that is existing law. The Bonds were never sold so there was no money to have for a reserve.

Representative Thoft stated he could not remember this thing. It seemed to him as though the banks were handling these things and he feels the banks should take some responsibility. Rep. Cobb stated that is partly true and it was supposed to work that way. You went to the banks to buy it, the banks have to agree to it and then they help sell the loan.

Representative Peterson asked Rep. Cobb if they even want this now and does it affect the bonding ability, does it cause some other problems? Rep. Cobb stated they never look at over-all bonding problems in the state they just keep bonding, so he wants to make sure when you vote for \$40,000,000 you're trying not to bond too much. This program will work if you can do the secondary market.

Representative Bardanouve asked about the moral obligation and maintaining a capital reserve account. How much money do they have to maintain in the account if these bonds are sold? Rep. Cobb stated if you have a moral obligation bond and if it goes into debt you have to come back to the legislature and ask for the minimum amount of money needed, in case of defaults, to keep that reserve going. Rep. Bardanouve stated we are relying too much on Bonds and are becoming Bond happy. Rep. Cobb agreed but hoped this would help people in agriculture to get loans.

Representative Marks asked about the intent on Page 4. Corporations were excluded from participating previously and wondered about the intent. Rep. Cobb stated that was the existing law and he did not want to touch that. They still can't and all they are trying to do is create a secondary market and also get the bonds sold so they can do something out there because these will sell.

Closing by Sponsor:

Representative Cobb closed.

Representative Bardanouve closed the hearing on House Bill 722.

Tape 4, Side B, 000

DISPOSITION OF HOUSE BILL 433

Motion:

Representative Grady moved to bring House Bill 433 back off the table and to reconsider the action. Motion passed.

Discussion:

Representative Grady stated this Bill sets up a Commission for the State Historical Society. Rep. Cody asked where in the Bill it amended down the number of Commission members? Rep. Grady answered by handing out the amendments to be presented. Rep. Peterson asked if they decided the Historical Society could do this investigation? Rep. Bardanouve stated the general consensus at the time the motion was made was that the Society could do the work themselves without the Bill.

Representative Thoft stated it was like the Disaster Committee they took the money away from.

Amendments, Discussion, and Votes:

Representative Grady moved the amendments. He stated this money comes out of Accommodations tax and allows them to set up this commission to review the Historical Society. What the amendments do is lower the commission from 15 to 9 members and they will only meet four times during the study period and amends the amount of money down from \$20,000 to \$9,019.

Motion carried. Two nays.

Recommendation and Vote:

Representative Grady moved the Bill as amended. Representative Swift asked what the \$9,000 would be used for if it was not for this commission. It was explained the \$9,000 comes from the 1% of the bed tax that currently goes to the Historical Society and those funds are spent on a number of different things. Some of it is spent on signage, some on tours of the Capitol, and some is spent on miscellaneous items relative to the Historical Society. This Bill would indicate that this amendment money out of that bed tax would be spent for these purposes. Motion to Do Pass House Bill 433 as amended failed.

DISPOSITION OF SENATE BILL 308

Motion:

Representative Menahan moved Do Pass.

Discussion:

Representative Menahan stated it extends criminal investigation and prosecution from coal tax allocation.

Representative Swysgood said some money has been appropriated to the account in the subcommittee and they did not fund a 50-50 match but did fund the current match in the second year of 25-75. He wondered if this is an increase in funding over what they have appropriated.

Representative Quilici stated in the testimony today, Attorney General Racicot stated was that we wouldn't fund the Western Task Force into 1991 because the federal funds were drying up and we said we would try to get the other funds somewhere else. He said with this Bill this will also fund the 1991 biennium for the Western Task Force, the undercover people and investigators.

Representative Marks stated he was supportive of what they are trying to do but he feels they can come in and fend for themselves for appropriations.

Representative Peterson stated she thinks drug culture is relatively new but the extreme importance of this kind of surveillance is critical. She would agree with Representative Marks that if they wanted to put a sunset clause on this coal money then let them do so, but she thinks the importance of the program is really for Montana.

Representative Bradley asked if this is considered in the Attorney General's budget? Rep. Quilici stated this was part of it that was addressed and they didn't put it in but funded them for the match for fiscal 1990 but did not fund the match for fiscal 1991. They said it was started with federal funds and they didn't think they had the general

fund money at the time to put in there.

Representative Bradley stated they spend all that time on the subcommittees trying to prioritize and these other things come in and she feels it isn't because they don't have merit.

Representative Bardanoue stated he respects the new Attorney General very much but earlier he testified that he did not need this earmarked money and if he could not justify a program in his department then he should not have the money. Now he comes in and wants the committee to earmark \$1,250,000 which was never earmarked before.

Representative Swysgood stated when they heard this in the subcommittee they fully funded them the first year of the biennium and were \$250,000 short of funding them the difference between the federal match for 1990 and what it will be in 1991. He would have felt much better if they had come in to this committee and asked for the difference between what the federal match is going to be in 1991 and what we funded them and he could have supported that. This would be about \$1,000,000 less than what he is asking for. He has funding for the first year of the biennium, full funding for both units, and is short about \$250,000 for the second.

Representative Quilici stated the vote was not unanimous out of the subcommittee but it prevailed and they did not fund them the second year of the biennium.

Amendments, Discussion, and Votes:

None

Recommendation and Vote: Vote was taken on Rep. Menahan's motion for a do pass. Motion failed.

DISPOSITION OF HOUSE BILL 739

Motion:

Representative Menahan moved Do Pass on this Bill which allocates a portion of the "bed tax" from state agencies to the general fund.

Discussion:

None

Amendments, Discussion, and Votes:

None

Recommendation and Vote: Voted, passed.

DISPOSITION OF HOUSE BILL 716

Motion:

Representative Swift moved to do pass this Bill which will revise western judicial district.

Discussion:

Representative Cody commented that it may not cost any money this year but what you are saying that somewhere down the line Missoula will come in and want another judge and that is where the cost starts.

Amendments, Discussion, and Votes:

None

Recommendation and Vote: Voted, passed.

DISPOSITION OF HOUSE BILL 282

Motion:

Representative Thoft moved a Do Not Pass on HB 282, Detention center standard commission. Motion to Do Not Pass.

Discussion:

Representative Thoft referred to Page 3 of the Bill and stated the language really disturbs him as the standards are to be adopted by 1991 but that no facility be closed for non-compliance. He thinks what that language means is this commission can actually go around and close jails and thinks this is a dangerous Bill.

Amendments, Discussion, and Votes:

None

Recommendation and Vote:

Voted, passed.

Tape 4, Side B, 427

DISPOSITION OF HOUSE BILL 759

Motion:

Representative Nisbet moved do pass on Bill 759 to appropriate money for grants to medical research facilities.

Discussion:

Representative Thoft asked if they could go to the in-state investment to get the money. Rep. Nisbet stated they can't afford to pay back any kind of loan even though it is \$2,000,000 because they are non-profit and that is why they want the grant.

Representative Bradley asked if this is for a building and Rep. Nisbet said yes. Rep. Bardanoue stated this will come out

of the coal trust.

Representative Peterson asked if they could amend this to make it a loan?

Representative Thoft stated he cannot imagine there is \$8,000,000 of government money sitting there that they can't find \$2,000,000.

Representative Swysgood stated they need to look at some way they can get this Bill out of here because one way or another it is going out of this committee. If they turn it down it will be taken out of here. They need to have a mechanism in place first.

Representative Nisbet stated it is a State of Montana Bill and does not set a \$2,000,000 grant to Great Falls but sets up a medical research facility projects account. Anybody in this state can apply for that money if they can meet the requirements. It does not state any locality in the state specifically.

Amendments, Discussion, and Votes:

Representative Peterson stated she would like to put in an amendment that substitutes the word "loan" for the word "grant" to see if people who have \$2,000,000 to pick up another \$8,000,000 can't be creative enough to find some way to pay back the \$2,000,000.

Recommendation and Vote:

Representative Nisbet's motion that House Bill 729 do pass was voted and passed.

DISPOSITION OF HOUSE BILL 722

Motion:

Representative Cobb moved to Table HB 722, Revise Montana Agricultural loan authority act. Vote passed. 4 nays.

Discussion:

None

Amendments, Discussion, and Votes:

None

Recommendation and Vote:

None

Tape 5, Side A, 000

DISPOSITION OF HOUSE BILL 277

Motion:

Representative Marks moved House Bill 277 do pass. This

appropriation would provide state funds to support public television.

Substitute Motion: Substitute Motion by Representative Bradley to amend House Bill 277, to reflect the intent which is \$100,000 for the biennium.

Discussion: Representative Bradley said it was her understanding that the bill was amended down to \$100,000 for the biennium and it came out of the House Education subcommittee on a 3 to 2 do pass recommendation.

Amendments, Discussion, and Votes: The amendment was voted, passed.

Substitute Motion: Motion by Representative Bradley that House Bill 277 do pass as amended.

Recommendation and Vote: Voted, passed.

Do pass as amended.

DISPOSITION OF HOUSE BILL 500

Motion:

Representative Quilici moved HB 500 do pass. This Bill would create college savings bond program to fund certain university facilities. Representative Marks made a substitute motion to table the Bill.

Discussion:

Representative Marks stated this is an outright bonding program rather than a revenue bond program. Discussion followed.

Amendments, Discussion, and Votes:
None

Recommendation and Vote:
Substitute motion to table passed.

DISPOSITION OF SENATE BILL 95

Motion:

Representative Bradley moved Do Pass on Senate Bill 95.

Discussion:

Discussion followed.

Amendments, Discussion, and Votes:

Representative Menahan moved to amend to \$27 instead of \$30.

Recommendation: Voted, passed.

Representative Bradley moved to do pass as amended.

Recommendation and Vote: Voted, passed.

DISPOSITION OF HOUSE BILL 761

Motion:

Representative Swysgood moved the amended Bill to strike \$25,000 from general fund.

Discussion:

none

Amendments, Discussion, and Votes:

The amendment was vote, passed, Representative Quilici voted no.

Motion: Motion by Representative Swysgood that House Bill 761 do pass as amended.

Recommendation and Vote: Voted, passed, Representative Cobb voted no.

DISPOSITION OF HOUSE BILL 72

Motion:

Representative Bradley moved to table HB 72.

RECOMMendation and Vote:

Voted, passed.

DISPOSITION OF HOUSE BILL 329

Motion:

Representative Menahan moved do pass HB 329 to appropriate funds for an upper Clark Fork river basin coordinator.

Discussion:

Discussion followed.

Amendments, Discussion, and Votes:

None

Recommendation and Vote:

Vote passed.

DISPOSITION OF HOUSE BILL 609

Motion:

Representative Kimberley moved do pass on HB 609 to establish water quality rehabilitation account.

Discussion:

None

Amendments, Discussion, and Votes:

None

Recommendation and Vote:

Vote passed. Four nays.

DISPOSITION OF HOUSE BILL 663

Motion:

Representative Bradley moved do pass on HB 663 to include Hospice care as a mandatory medicaid service.

Discussion:

Discussion followed.

Amendments, Discussion, and Votes:

None

Recommendation and Vote:

Vote passed. Rep. Cobb voted no

DISPOSITION OF HOUSE BILL 640

Motion:

Representative Menahan moved do pass on HB 640 to sell bonds to renovate metallurgy building at Montana Tech.

Discussion:

Discussion followed

Amendments, Discussion, and Votes:

Representative Marks made a substitute motion to Table.
Discussion followed.

Recommendation and Vote:

Substitute motion to Table passed.

ADJOURNMENT

Adjournment At: 6:20 p.m.



REP. FRANCIS BARDANOUE, Chairman

FB/sk

6202.min

DAILY ROLL CALL

HOUSE APPROPRIATIONS

COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date

3/17/89

NAME	PRESENT	ABSENT	EXCUSED
REPRESENTATIVE BARDANOUVE	✓		
REPRESENTATIVE SPAETH			✓
REPRESENTATIVE PECK	✓		
REPRESENTATIVE IVERSON	✓		
REPRESENTATIVE SWIFT	✓		
REPRESENTATIVE QUILICI	✓		
REPRESENTATIVE BRADLEY	✓		
REPRESENTATIVE PETERSON	✓		
REPRESENTATIVE MARKS	✓		
REPRESENTATIVE CONNELLY	✓		
REPRESENTATIVE MENAHAN	✓		
REPRESENTATIVE THOFT	✓		
REPRESENTATIVE KADAS	✓		
REPRESENTATIVE SWYSGOOD	✓		
REPRESENTATIVE KIMBERLEY	✓		
REPRESENTATIVE NISBET	✓		
REPRESENTATIVE COBB	✓		
REPRESENTATIVE GRINDE	✓		
REPRESENTATIVE CODY			
REPRESENTATIVE GRADY	✓		

STANDING COMMITTEE REPORT

March 18, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Appropriations report that
House Bill 739 (first reading copy -- white) do pass .

Signed: Francis Bardanoue

Francis Bardanoue, Chairman

STANDING COMMITTEE REPORT

March 18, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Appropriations report that House Bill 739 (first reading copy -- white) do pass.

Signed: 
Francis Bardanouve, Chairman

STANDING COMMITTEE REPORT

March 18, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Appropriations report that
House Bill 716 (first reading copy -- white) do pass .

Signed: Francis Bardanouve


Francis Bardanouve, Chairman

STANDING COMMITTEE REPORT

March 18, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Appropriations report that House Bill 282 (second reading copy -- yellow) do NOT pass .

Signed: 
Francis Bardanouve, Chairman

STANDING COMMITTEE REPORT

March 18, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Appropriations report that
House Bill 759 (first reading copy -- white) do pass .

Signed: Francis Bardanouve, Chairman

STANDING COMMITTEE REPORT

March 18, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Appropriations report that HOUSE BILL 277 (first reading copy -- white) do pass as amended .

Signed: Francis Bardanouve Chairman

And, that such amendment read:

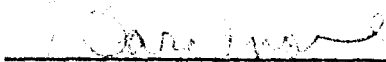
1. Page 3, line 1.
Strike: "\$435,800"
Insert: "\$100,000"

STANDING COMMITTEE REPORT

March 18, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Appropriations report that SENATE BILL 95 (third reading copy -- blue) be concurred in as amended .

Signed: 
Francis Bardanouve, Chairman

And, that such amendments read:

1. Page 2, line 1.
Following: "\$35"
Strike: "\$30"
Insert: "\$27"

10
STANDING COMMITTEE REPORT

3/18/89
March 18, 1989

Page 1 of 2

Mr. Speaker: We, the committee on Appropriations report that HOUSE BILL 761 (first reading copy -- white) do pass as amended.

Signed: Bardanoue
Francis Bardanoue, Chairman

And, that such amendments read:

1. Page 1, line 10.
Following: "APPROPRIATING"
Strike: "MONEY FROM THE GENERAL FUND"
Insert: "CHECK-OFF FUNDS"
2. Page 2, line 11.
Strike: "THE SEARCH AND RESCUE ACCOUNT"
Insert: "THE DEPARTMENT OF JUSTICE"
3. Page 2, line 11.
Strike: "50 cents"
Insert: "\$1"
4. Page 2, line 12.
Strike: "50 cents"
Insert: "\$1"
5. Page 2, line 15.
Strike: "50 cents"
Insert: "\$1"
6. Page 3, line 3.
Following: "(3)"
Strike: "A"
Insert: "With written approval of its county sheriff, a"
7. Page 3, line 15.
Following: "from the"
Strike: "general fund"
Insert: "search and rescue state special revenue account"

March 18, 1989

Page 2 of 2

8. Page 3, line 16.

Following: "department of justice"

Strike: "to the credit of the search and rescue account
established in [section 1] . All funds in the account are
appropriated to the department."

STANDING COMMITTEE REPORT

March 18, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Appropriations report that
House Bill 329 (first reading copy -- white) do pass .

Signed: 
Francis Bardanouve, Chairman

STANDING COMMITTEE REPORT

March 18, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Appropriations report that
House Bill 609 (first reading copy -- white) do pass .

Signed: _____
Francis Bardanouve, Chairman

Alvia

3/1/89
1:10 pm
[initials]

STANDING COMMITTEE REPORT

March 18, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Appropriations report that
House Bill 663 (third reading copy -- blue) do pass .

Signed: *Francis Bardanouve*

Francis Bardanouve, Chairman

EXHIBIT 1
DATE 3-17-89
HB 717

BACKGROUND INFORMATION TO HB717

Board Goal

The Board of Investments (the Board) seeks to implement a program that would lend money to farmers who in return would assign their federal Conservation Reserve Payment (the CRP) contracts to the Board. The Board would obtain the cash for the program by issuing bonds which would be repaid from the annual federal CRP payments. Implementing such a program requires amending the Economic Development Act which is the purpose of HB717. Further details on the federal CRP program and the anticipated structure of the Board's bond program follow.

Background of Federal Conservation Reserve Program

The Conservation Reserve Program, administered by the Agriculture Stabilization and Conservation Service (the ASCS) of the United States Department of Agriculture (the USDA), was authorized by Title XII of the United States Food Security Act of 1985 and is governed by regulations contained in 7.C.F. Part 704. CRP was established in order to conserve and eliminate over production on forty to forty-five million acres of highly erodible land across the United States. Under this program, a potential participant may bid his land under federal erodibility guidelines established by the Soil Conservation Service (the SCS) of the USDA. If the bid is accepted, a contract is entered into between the participant and the Commodity Credit Corporation (the CCC) of the USDA.

The state of Montana and other states have been authorized to be successors in interest to CRP contracts without dollar limitation; such authority has been approved through a standard memo of understanding and successor in interest agreement approved by the USDA.

The following sets forth some of the terms of the CRP contract between the CCC and the CRP participant.

The CCC agrees, subject to the availability of funds, to:

- 1) pay the participant an annual rental income equal to the accepted per acre bid price multiplied by the number of eligible acres placed in the CRP (CRP payment) during the period of the contract;
- 2) share the cost of establishing eligible conservation practices with the CRP participant; and,
- 3) provide the CRP participant with the technical assistance necessary to carry out the contract.

The CRP participant agrees to:

- 1) place into the CRP specified eligible acres of cropland and to implement a conservation plan in accordance with scheduled completion dates for a period of ten crop years;

- 2) establish and maintain a permanent vegetative cover to reduce erosion;
- 3) not allow grazing, harvesting or other commercial use of forage from the CRP land and not produce any agricultural commodity on converted wetland or highly erodible land; and
- 4) file required reports to the local ASCS office.

After CRP participants have agreed to implement the approved conservation plan, annual CRP payments will be made after October 1 of each year of the contract period in the form of cash, commodity certificates or in any combination of payments established in accordance with 7. C.F.R. Part 77.

If the CRP participant breaches the CRP contract, the CCC may terminate the CRP contract, in which event the CRP participant will forfeit all rights to payments under the CRP contract, refund all payments previously received together with certain specified amount of interest, and pay specified liquidated damages.

If a new owner or operator purchases or obtains the right and interest in or right to occupy the CRP lands such new owner or operator may become a participant in the CRP contract with the same terms, conditions and obligations.

Monitoring and Enforcing CRP Compliance

The approximately 49 ASCS offices within the state are responsible for disbursing CRP payments and monitoring compliance in their respective counties. ASCS employees report to and their operations are administered by both state and county Agricultural Stabilization and Conservation (ASC) committees. State ASC committees are composed of three members who are appointed by the Secretary of Agriculture. A county ASC committee is made up of three regular members, each of whom serves a staggered three-year term. County ASC committee members are elected by eligible farmers in the local administrative area of the county. Generally, these committees meet once a month or as determined necessary.

The monitoring conducted by ASCS offices entails on-site inspections of acres enrolled in the CRP to ensure that the CRP participant has complied with the CRP contract terms and conditions. Approximately 15 percent of all CRP farms are randomly selected and spot-checked for compliance.

CRP participants are required to file an annual acreage report in their county. County ASCS offices use local newspapers, radio and monthly newsletters to alert CRP participants of their filing requirement on or before the established final reporting date for the county, generally no later than July 15. In addition, CRP participants are notified by

newsletter of specific measures which they must carry out to ensure that their CRP acres are properly maintained annually and throughout the life of the CRP contract. These news releases generally are mailed two to three weeks before field inspections begin.

The inspections are part of a process intended to ensure that violations are detected early and to encourage correction; they are not designed to find ways of removing CRP participants from the CRP. If a farm inspection finds the CRP participant in violation, the violation is reported to the county ASC committee and a notice to take corrective measures is sent to the CRP participant. The county ASC committee normally gives the CRP participant 15 days from the date of notice to correct the violation. Based on the nature of the violation and corrective measures taken, the ASC committee may or may not charge the CRP participant a maintenance default penalty. If, for example, a CRP participant corrects a weed problem brought to his attention, he may not be charged a penalty; if, on the other hand, the CRP participant has harvested a portion of his CRP fields, it is likely he will be assessed a penalty. The amount of the penalty can either be paid directly by the CRP participant, or deducted from his CRP payment; it will vary according to the gravity of the violation, as a proportion of the number of CRP acres in violation, and as a percentage of his annual CRP payment. The CRP participant remains ineligible to receive any portion of his CRP payment until he brings his CRP acres into compliance.

Any producer adversely affected by a county ASC committee's determination has the right to appeal that decision to the state ASC committee, and if dissatisfied with the state committee determination, to the Deputy Administrator, State and County Operations, in Washington, D.D.

Through the Board's position as successor in interest, the Board will be in a position to assure CRP contract compliance as further described herein.

Compliance Record

The CRP has been in operation since 1986. Approximately 28 million acres across the United States are currently enrolled in CRP. According to the USDA, there have been virtually no compliance problems that have required the termination of individual CRP contracts, and both contractual and maintenance default problems appear to have affected substantially less than one percent of CRP contracts. USDA maintains that the vast majority of the contractual problems have involved questions concerning the formation of the CRP contract (eligibility criteria) rather than maintenance of the property in accordance with CRP standards over the life of the CRP contract.

Appropriations for CRP

CRP is a line item in the overall USDA budget that is presented through the Office of Management and Budget to Congress. In fiscal years 1986 and 1987, USDA was given authority to fund CRP through transfers from the CCC, which has a \$30 billion borrowing authority from the U.S. Treasury. In fiscal years 1988 and 1989, funds for CRP came from congressional appropriations. According to the national ASCS office, Congress has never failed to appropriate funds annually for any long-term USDA program. Should such failure or delay in appropriation occur, ASCS has the option of making CRP payments in commodity certificates, provided they are sufficiently backed by grain held in USDA storage. Any delay in appropriation will not result in termination of CRP contracts by the USDA.

CRP Enrollment in Montana

Summary data through the seventh CRP sign-up which does not include the sign-up ending in March, 1989, is shown below. Montana currently has 2,264,770 acres in CRP through 6,228 contracts. At approximately \$37.50 per acre, total CRP payments in Montana now exceed \$84,000,000 annually. The average contract covers about 364 acres and \$13,000 in annual payments.

<u>Top 10 CRP Counties</u>	<u>Total Acres</u>	<u>% of Federal Limit</u>	<u># of Contracts</u>	<u>Average Size of Acres</u>
Blaine	91,390	66.7	208	439
Chouteau	128,759	40.5	301	428
Daniels	142,501	97.4	401	355
Hill	97,646	32.7	254	384
McCane	103,889	76.1	233	446
Phillips	126,531	99.7	239	529
Roosevelt	95,114	48.8	355	268
Sheridan	113,158	65.3	420	269
Toole	110,851	63.7	261	425
Valley	139,978	70.9	341	410

These ten counties have collectively 1,149,817 acres enrolled in the CRP program and comprise 51 percent of Montana's total enrolled CRP acres.

A table showing CRP acres in all counties is presented in Appendix 1.

Background to HB 717

HB 717 needs to be viewed in context with the entire law it amends, the Economic Development Bond Act of 1983 (the Act). This act enables the Board to promote and foster economic development by using various types of bond mechanisms. For example, the Board can issue bonds that are

exempt or subject to federal income taxes. The Board's bonds to finance its CRP program would be subject to federal income taxes (but not Montana state income taxes). The Board can issue bonds that have no backing of the state's credit; these bonds are called stand-alone bonds because they have no financial backing of the state. The Board can issue bonds that are indirectly backed by the state by issuing moral obligation bonds which provide that the Governor request the Legislature to restore a deficiency in the moral obligation bond's debt service reserve fund. The Board's bonds for its CRP bonds would be stand-alone bonds and would not be backed by the state and the state would not be liable for the debt service.

The Act establishes a clear legislative intent as to the public merits of economic development and prescribes the boundaries, limitations, and responsibilities the Board is subject to. The Board has, through the current Act, almost all the authority and prudent limits necessary to effectuate a CRP bond program.

HB 717 addresses two areas in which current law needs additional flexibility. First, HB 717 expands the definitions of "project" to include the repayment of debt and the use of loan funds for farm-related working capital. While the current law clearly allows agricultural projects to obtain financing under the Act, the original Act was written somewhat within the context of federal law governing federally tax-exempt bond users which prevents the use of refinancings and working capital. Given that the Board will use federally taxable bonds, the current limitations seem from a policy view, not only unnecessary, but too limiting for optimizing the program benefits to farmers.

The second area for legislative authorization is the need to defray ongoing operational costs such as the cost of loan servicing. HB 717 provides for ongoing statutory authorization to defray operation costs. The magnitude or complete dimension of such costs are not known at this time.

All costs will be borne by the CRP program and not through any other Board or state source.

Board Parameters, Benefits and Potential Program Size

The Board's program is a loan program, not a straight sale of contract. Farmers remain responsible for federal CRP compliance. The proceeds are treated as a loan by the IRS (a favorable point). The use of the proceeds is limited to buying, refinancing or operating the farm.

The benefits of the program are outlined below:

<u>Remaining CRP Contract Life</u>	<u>Minimum % of CRP Payments in Up-Front Cash</u>	<u>% Goal of CRP Payments in Up-Front Cash</u>
10 yrs	55%	60%
8 yrs	62%	67%
6 yrs	68%	73%

- A minimum amount of up-front cash will be contractually assured, if not realized, participation not required
- The amount of up-front cash depends heavily on market rates
- The Board will do everything possible to maximize up-front cash to farmers in concert with providing sufficient safety to bondholders.

Potential program size:

- 2.3 million acres CRP @ \$37.50 = \$800+ million total cash flow
- 55% capitalization = \$440 million in bonds
- 25% program utilization = \$100 million program size.

Preliminary Program Structure

While subject to change, the Board's CRP program will have the following characteristics:

- 1) Any CRP enrollee will be eligible to participate in the Board's CRP bond program providing that such enrollee has not previously been in violation of the CRP contract (additional credit evaluation guidelines are being considered, no final decision has yet been made).
- 2) The Board's program is a loan program, not a straight sale of the CRP contract.
- 3) CRP contracts will be assigned to the Board subject to recourse.
- 4) Proceeds are to be used to refinance existing farm debt, acquire property or enhance working capital.
- 5) During the marketing and application phase, applicant may be subject to a commitment fee.
- 6) Assigning a portion of the acreage subject to an existing CRP contract will be allowed to give participants the flexibility in

obtaining the cash amount needed from loan proceeds. However, CRP contracts must be assigned for the full term of their remaining years.

- 7) A first mortgage on the CRP acreage and an easement and other covenants will be required giving the Board and its agent the right to assure program compliance.
- 8) Funds which will be held in reserve through a 2 1/2 percent bond capitalization and a 2 1/2 annual hold-back mechanism will be used to pay for monitoring program compliance and to pay for the costs of enforcing program compliance. Some rebate mechanism to participants who are in compliance is anticipated.
- 9) Approved SCS conservation program must be established.
- 10) For participants whose CRP land has not established a satisfactory cover as per the SCS conservation plan, partial loan proceeds will be held in escrow to cover reseeding and other compliance efforts until cover is established.

Preliminary Bond Structure

The following is a preliminary bond structure which is subject to change, however, this is the Board's current position on these points.

- 1) Issuer: Montana Board of Investments.
- 2) Amount: The initial issue is estimated to be approximately \$10,000,000 to \$20,000,000. The total amount of bonds will vary depending on the amount of CRP payments assigned to the Board by participating farmers.
- 3) Form of Bonds: Taxable serial bonds issued in registered form in minimum denominations of \$5,000.
- 4) Maturities: Bonds will mature annually on March 1, beginning March 1, 1990 and running until the last payment is received under CRP contracts to participating farmers (not to exceed 10 years). The average maturity of the issue is estimated to be approximately six years.
- 5) Interest Rate: Bonds will bear interest at a fixed rate according to a serial maturity schedule with principal paid on March 1st of each year.
- 6) Interest Payment Dates: Bonds will be sold as at par value, with semi-annual interest payable on March 1 and September 1 of each year. A certain amount of capitalized interest may be necessary as part of the bond issue.

- 7) Source of Payment: Bonds will be special limited obligations of the Board payable from qualifying loans originated through a loan originator. These loans, in turn, will be payable from CRP payments made by the USDA under contracts with participating farmers. The Board will be designated as the recipient of 100 percent of the CRP payments now received by participating farmers under program agreements and will assign its rights to those payments to a trustee for the benefit of bondholders.
- 8) Security: Bonds will be secured by the recourse loans made to participating farmers. Loans themselves will be secured by (a) the Successor in Interest Agreements designating the Board as recipient of 100 percent of any CRP payments made to participating farmers (see Source of Payment above) and (b) all funds on deposit with the trustee under the indenture including reserve funds. The loan agreement will require participating farmers to take all steps necessary to ensure continued compliance under CRP.
- 9) Sizing of Bonds: The issue would be sized as the maximum amount of bonds which could be supported by 97 1/2 percent (due to the anticipated 2 1/2 percent compliance holdback mechanism) of the CRP payments of each farmer.
- 10) Subordinate Series of Bonds: The bond issue would be divided into two series. Series A bonds totalling 90 percent of the issue would have senior lien on all program revenues and funds. Series B bonds totalling 10 percent of the issues would have a subordinate lien to the Series A bonds and would likely be purchased by the Board.
- 11) Reserve Fund: A reserve fund would be created equal to 2 1/2 percent of the bond amount. This reserve would serve as a source of funds to (a) meet any compliance costs and (b) to make any payments of principal and interest as necessary.

The 2 1/2 percent excess payments would be available to be added to the reserve each year. A minimum reserve level of 2 1/2 percent of the bond amount would be set and if maintained, the 2 1/2 percent excess would be returned to the farmer on an annual basis. Interest earnings would accumulate and remain in the reserve fund. Any funds remaining in the reserve at the end of the program will be disbursed on a pro-rata basis to farmers in compliance.

Individual escrows would be set aside for farmers from loan proceeds which would be released when the SCS determined that grass cover had been established.

- 12) Compliance with CRP Contracts: The Board would be responsible for insuring compliance under the CRP contracts and would monitor the acreage participating in the program. CRP acreage is monitored for compliance by the ASCS through its offices in each County.

The ASCS audits acreage and imposes fines and penalties for acreage which is out of compliance.

- 13) Memorandum of Understanding: The program would operate in accordance with a Memorandum of Understanding entered into with the CCC.
- 14) Loan Originating and Contracting Monitoring Agreements: The Board anticipates entering into loan origination and contract monitoring agreements with private sector entities to assist in originating loans and perform monitoring and correction functions.

Loan Originator and Contract Monitor

The Board intends to employ the services of both a loan originator and a contract monitor. The loan originator would accept and process loan applications, be available to explain the program and originate approved loans to be funded through a Board bond sale. The contract monitor would monitor CRP compliance, and take corrective compliance action as needed. The Board has requested loan originator/contract monitoring services from a number of interested parties and will notify the general public via a legal notice that a request for a proposal for such services is welcomed by the Board.

Timetable

- 1) Design Stage: January-June, 1989
 - a) Finance Team assembled
 - b) Roles of loan originator and contract monitor defined
 - c) Program structure finalized
 - d) loan originator and contract monitor hired
- 2) Marketing and Program enrollment: July-September, 1989
 - a) Board and Servicer market CRP program
 - b) Loan originator accepts & processes applications
- 3) Funding of Loan Closing: October-December, 1989
 - a) Establish cycle I cutoff date, approx. Sept. 1
 - b) Size bond issue to fund cycle I participants
 - c) Sell bonds
 - d) Lend bond proceeds to farmers
 - e) Fund reserves
 - f) Pay bond and program costs
- 4) Repeat process 2 and 3 indefinitely

5) Contract Monitor

- a) Begins compliance efforts after funds lent to farmers
- b) Take corrective action as necessary

Points of Special Interest

In discussing a Board CRP bond program with legislators, the farm community, and other interested parties, the following questions of special interest arose and while not definitive, answers and responses are presented below:

- 1) The Board plans to take a first mortgage on CRP acreage land; what's to prevent the state from owning significant amount of agricultural land as a result of foreclosure?

The Board is concerned about protecting the annual CRP payments. The Board will take all possible steps to preserve the payments and recover compliance enforcement costs. The Board will sell foreclosed land only to bona-fide agricultural operators.

- 2) How is the Board going to record mortgages on applicable CRP acres that presently may not be adequately described for a mortgage filing?

It is anticipated that the Board would take a mortgage on the next recordable size of acres over the particular CRP acres.

- 3) Many potential users of the Board's CRP bond program may already have a mortgage or other lien on their CRP land; how will the Board treat such requests?

Participants will be required to obtain subordinated positions or partial releases from such liens. It can be expected that some lienholders may demand loan paydown or that loans be made current before such subordination or release is given.

- 4) Many different people may be a party to a single CRP contract; how will the Board treat such parties?

Land owners will have to give their consent to assign their share of a CRP contract to the Board; tenants, if desiring to participate in the Board's program, would also have to assign their positions.

- 5) Has the tax treatment of the Board's program been finalized?

A private letter ruling has been issued by the IRS for South Dakota regarding their program. It is a standard practice to rely

on such a letter ruling when the fact situation is the same as it will be in the Montana program. State income tax treatment is currently being researched.

- 6) Who bears the financial risk associated with the Board's CRP bond program?

Bondholders will bear the risks of government nonpayment, and payment interruptions due to noncompliance. Such risks must and will be clearly stated in the offering statement. The bonds would be revenue bonds of the Board and payable only through the payments contained in its CRP program. It is anticipated that the Board as an investor of funds will be asked to buy approximately 10 percent of the CRP bonds on a subordinated basis, i.e., paid concurrently but directly after nonsubordinated bondholders. The options for bond issuance and letter of credit coverage is being actively pursued by the Board and will be obtained if available and demonstratably cost effective.

ESTIMATED UPFRONT LOAN AMOUNT NET OF ALL COSTS
\$10,000 ANNUAL CRP PAYMENT

<u>Bond Rate</u>	<u>8 Payments Remaining</u>	<u>9 Payments Remaining</u>	<u>10 Payments Remaining</u>
9%	50,664	54,436	57,821
10%	48,922	52,403	55,499
11%	47,273	50,488	53,321
12%	45,712	48,682	51,278

NOTE: A portion of loan proceeds may be required for capitalized interest depending upon the timing of the bond closing.

Interest Rate Calculation

Estimated Interest Rate on Loan

Bond Rate	Variable
Costs of Issuance	.60%
Loan Origination Fees	.35%
Compliance Monitoring	.25%
Trustee Fees	.05%
Credit Enhancement Fees	.25%
Annual Hold Back	.50%
Reserve Fund	<u>.44%</u>
Total	Bond Rate - 2.44%

NOTE: The annual hold back and reserve fund would be returned to farmers if not required by the program.

Appendix 1

CONSERVATION RESERVE PROGRAM CUMULATIVE TOTALS

<u>COUNTY</u>	<u>25% CROPLAND</u>	<u>SIGNUPS 1 THRU 6</u>		<u>SIGNUP 7</u>		<u>TOTALS</u>	
		<u>Acres</u>	<u>Contracts</u>	<u>Acres</u>	<u>Contracts</u>	<u>Acres</u>	<u>Contracts</u>
Beaverhead	32,225	1,678.8	5	1,417.1	2	3,095.9	7
Big Horn	117,125	16,786.7	35	428.7	2	17,215.4	37
Blaine	137,075	81,348.1	174	10,042.1	34	91,390.2	208
Broadwater	37,850	23,643.0	46	1,740.4	7	25,383.4	53
Carbon	37,350	11,406.7	54	2,648.8	2	14,055.5	56
Carter	40,150	37,142.2	104	4,268.5	9	41,410.7	113
Cascade	118,150	54,560.3	201	5,431.5	22	59,991.8	223
Chouteau	318,125	113,904.4	261	14,854.5	40	128,758.9	301
Custer	31,200	20,448.8	52	1,964.6	7	22,413.4	59
Daniels	146,275	134,623.3	379	7,877.3	22	142,500.6	401
Dawson	116,100	49,271.9	154	6,741.2	32	56,013.1	186
Deer Lodge	3,825	0.0	0	0.0	0	0.0	0
Fallon	67,198	60,601.2	192	3,287.3	12	63,888.5	204
Fergus	168,800	59,697.1	178	5,378.0	24	65,075.1	202
Flathead	27,100	10.0	1	0.0	0	10.0	1
Gallatin	70,075	7,834.0	21	1,645.1	4	9,479.1	25
Garfield	68,800	51,549.5	112	3,437.4	9	54,986.9	121
Glacier	123,525	50,698.0	119	1,729.3	8	52,427.3	127
Golden Valley	34,525	33,789.1	92	818.6	3	34,607.7	95
Granite	9,200	0.0	0	0.0	0	0.0	0
Hill	298,450	73,054.9	189	24,591.6	65	97,646.5	254
Jefferson	13,550	5,745.6	18	31.2	1	5,776.8	19
Judith Basin	82,850	17,411.9	57	2,441.1	6	19,853.0	63
Lake	51,400	0.0	0	229.1	1	229.1	1
Lewis & Clark	21,475	7,803.3	26	705.1	3	8,508.4	29
Liberty	150,125	59,848.9	138	11,900.6	29	71,749.5	167
Lincoln	3,325	0.0	0	0.0	0	0.0	0
McCone	136,575	84,492.2	197	19,397.1	36	103,889.3	233
Madison	26,850	9,666.0	29	0.0	0	9,666.0	29
Meagher	18,425	7,219.9	23	0.0	0	7,219.9	23
Mineral	1,525	0.0	0	0.0	0	0.0	0
Missoula	12,775	70.0	1	23.6	1	93.6	2
Musselshell	33,999	32,483.6	72	1,298.4	8	33,782.0	80
Park	31,975	9,036.8	27	1,291.5	5	10,328.3	32
Petroleum	21,356	15,130.8	30	2,634.2	7	17,765.0	37
Phillips	126,850	117,579.4	220	8,951.3	19	126,530.7	239
Pondera	146,550	29,539.8	108	1,559.1	12	31,098.9	120
Powder River	40,150	16,989.8	49	4,223.1	11	21,212.9	60
Powell	14,825	0.0	0	0.0	0	0.0	0

<u>COUNTY</u>	<u>25% CROPLAND</u>	<u>SIGNUPS 1 THRU 6 Acres Contracts</u>	<u>SIGNUP 7 Acres Contracts</u>	<u>TOTALS Acres Contracts</u>
Prairie	35,025	18,082.8 57	3,309.4 5	21,392.2 62
Ravalli	24,800	2,024.1 9	283.5 1	2,307.6 10
Richland	120,200	36,298.7 128	14,692.4 45	50,991.1 173
Roosevelt	194,875	77,936.1 300	17,178.1 55	95,114.2 355
Rosebud	45,275	31,557.3 43	10,141.2 12	41,698.5 55
Sanders	12,525	1,238.4 2	0.0 0	1,238.4 2
Sheridan	173,400	101,963.4 369	11,194.7 51	113,158.1 420
Silver Bow	2,550	0.0 0	0.0 0	0.0 0
Stillwater	61,900	53,908.1 144	4,988.6 12	58,896.7 156
Sweet Grass	23,525	3,255.4 14	123.1 2	3,378.5 16
Teton	138,100	64,026.7 203	4,153.4 23	68,180.1 226
Toole	173,900	89,451.6 208	21,399.5 53	100,851.1 261
Treasure	10,750	4,001.7 11	243.4 1	4,245.1 12
Valley	197,425	110,222.1 268	29,755.8 73	139,977.9 341
Wheatland	34,025	25,088.6 69	885.9 4	25,974.5 73
Wibaux	46,300	28,017.9 100	5,357.0 23	33,374.9 123
Yellowstone	<u>89,500</u>	<u>40,378.0 112</u>	<u>5,559.3 24</u>	<u>45,937.3 136</u>
CUMULATIVE	4,321,778	1,982,516.9 5,401	282,252.7 827	2,264,769.6 6,228

NOTICE CRP-115

EXHIBIT

MEMORANDUM OF UNDERSTANDINGBETWEEN THE STATE OF AND THE COMMODITY CREDIT CORPORATIONConservation Reserve Enhancement Program

This Memorandum of Understanding is entered into between the _____ ("the State"), and the Commodity Credit Corporation ("CCC") of the United States Department of Agriculture. The parties agree as follows:

1. This agreement involves the Conservation Reserve Program ("CRP") which is authorized by Title XII of the Food Security Act of 1985 and carried out by CCC. The regulations governing the CRP are found at 7 C.F.R. Part 704.
2. The State will carry out a special conservation reserve enhancement program under which the State makes certain enhancement payments to CRP participants. The State will, in exchange for making such payments to CRP participants, enter into agreements with CCC under which the State agrees to succeed to the interests of the CRP participants with respect to the CRP contracts. This Memorandum of Understanding sets forth the terms and conditions under which the State may be a successor in interest to the CRP contracts and receive the payments which are due and payable under those contracts.
3. The State may succeed to CRP contracts with respect to acreage subject to those contracts on farms located in whole or in part within the State.
4. The State must assume interest in all of the acreage subject to the CRP contracts by lease, right of occupancy, or otherwise. In assuming such interest, the State must maintain control over that acreage for the full period remaining under the CRP contract.
5. The State upon succeeding to the original CRP contract will be fully responsible for compliance with the terms and conditions of that contract, together with such other terms and conditions as may be specified in the successor-in-interest agreement to the CRP contract (i.e. Form CRP-1D Addendum).
6. Any payments that are due under the CRP contract for which the successor-in-interest agreement is entered into between the State and CCC will be subject to set-off with respect to debts that are owed by the CRP participants whose interest is being succeeded to by the State but only for those debts owed by such participant which are on the debt register of the County Agricultural Stabilization and Conservation Service (ASCS) Office, for the county or counties where the land is located, as of the date the agreement is executed. The debts that are on the debt register in the ASCS office are those debts that are due and owing by the CRP participants and have been reduced to claims.

EXHIBIT 1

7. CCC may make payments under the successor-in-interest agreement in the form of cash or commodity certificates. Payments made using commodity certificates shall be made in accordance with the regulations (7 C.F.R. Part 704) that are applicable to such certificates.
8. In order to succeed to a CRP contract, the State and the CRP participant whose interest under the CRP contract is being succeeded to by the State must sign a successor-in-interest agreement to the original CRP contract. The State must comply with all of the terms and conditions specified in that agreement and the original CRP contract.
9. No successor-in-interest agreement to a CRP contract shall become effective without the approval of the county ASC committee.
10. In the event that any CRP payments due the State under a successor-in-interest agreement to a CRP contract are inadvertently paid to the original CRP participants rather than the State, the State shall recover those payments from the CRP participants as its sole and exclusive remedy.
11. Section 1234 (f)(4) of the Food Security Act of 1985, as added by section 322 of the Disaster Assistance Act of 1988, provides that the annual maximum payment limitation that is applicable to the total amount of rental payments that an owner or operator may receive under the Conservation Reserve Program shall not be applicable to a State, political subdivision, or agency thereof in connection with agreements entered into under a special conservation reserve enhancement program.
12. This Memorandum of Understanding shall become effective as of the date of the last signature to this memorandum and may be terminated by mutual agreement in writing.

It is so agreed and understood.

(signature/date)

(signature/date)

for the State of _____

Executive Vice President
Commodity Credit Corporation

(print name)

(title)

(address)

NOTICE CRP-115

EXHIBIT 2

REPRODUCE LOCALLY. Include form number and date on all reproductions.

CRP-1D Addendum
(11-01-88)

Form Approved - OMB No. 0560-0125

U.S. DEPARTMENT OF AGRICULTURE
Commodity Credit Corporation

SUCCESSOR-IN-INTEREST AGREEMENT

(ADDENDUM TO CRP CONTRACT NO. _____)

NOTE

The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a): The authority for requesting the information is to be supplied on this form is the Food and Security Act of 1955, P.L. 86-198, and the regulations promulgated thereunder (7 CFR Part 104); and the Internal Revenue Code (26 USC 5108). The information requested is necessary for CCC to administer and process the debt in order to a Special Conservation Reserve Enhancement Program to assist in determining eligibility, and to determine the correct parties to the contract. The information may be furnished to other USDA agencies, the Department of Justice, or other State and Federal law enforcement agencies, and is required in order to a court judgment, or administrative review. Public reporting burden for this collection of information is estimated to average 18 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing burden, to Department of Agriculture, Commodity Credit Corporation, Office of Management and Budget, Paperwork Reduction Project (0560-0125), Washington, D.C. 20250.

This agreement is entered into between: (1) the State of _____ ("the State"); (2) the undersigned participant(s) ("CRP participants") in Conservation Reserve Program ("CRP") contract No. _____ ("the CRP contract"); and (3) the Commodity Credit Corporation ("CCC") of the United States. The parties agree as follows:

1. The State is carrying out a special conservation reserve enhancement program in accordance with the Memorandum of Understanding between CCC and the State effective as of _____ ("MOU") and agrees to succeed in the interests of the CRP participants in accordance with the terms and conditions of the MOU and to comply with the terms and conditions of the CRP contract.
2. The CRP participants are participating or intend to participate in a special conservation reserve enhancement program conducted by the State and agree to the State succeeding to the interests of the CRP participants.
3. The State assumes responsibility for submitting any documents needed to determine compliance with the MOU and the CRP contract.
4. The terms of the CRP contract shall continue in force except as specifically modified by this Addendum.
5. All CRP payments to be made under the CRP contract as of the date that this Addendum is entered into or which become due and owing after that date, whether to be made in commodity certificates or otherwise, shall be made to the State or made pursuant to an assignment of payment made by the State.
6. The CRP participants certify that all parties who contracted with CCC under the CRP contract have signed this Addendum and that the parties signing this Addendum for the CRP participants have the authority to do so. The State certifies that the person signing this addendum has the authority to do so.
7. This Addendum shall become effective as of the date of the last signature thereto.

It is so agreed and understood.

A. Signature of State Representative and Date	Title	Name and Address of Agency
B. Signature of CRP Participants	Date	Address
Signature	Date	Address
Signature	Date	Address
C. Signature of Commodity Credit Corporation	Date	Title

This program or activity will be conducted on a nondiscriminatory basis without regard to race, color, religion, national origin, age, sex, marital status, or handicap.

N.D. loan program awaits OK from USDA

North Dakota farmers will soon be able to get a loan from the Bank of North Dakota and use their annual Conservation Reserve Program payments to repay the loan.

The program must still be approved by USDA.

Under the plan, farmers with land enrolled in CRP would be eligible to borrow up to 95 percent of the value of their contract with the USDA. The value is the total of the payments. Then that value is discounted approximately 60 percent to reflect the time value of the money as the bank waits for repayment through the 10 years of CRP payments.

USDA would repay the loan by assigning the farmer's annual payments to the Bank of North Dakota, which would participate with local lenders in making the loans.

Mickelson: CRP loans help save farms

Associated Press

PIERRE, S.D. — The first loans made under a new South Dakota farm financing program have helped at least a couple of farmers save their land, says Gov. George Mickelson.

One of the first loans went to Daniel Lipp of Timber Lake, who lost his farm because of foreclosure a year ago.

"This allowed him to pay off his foreclosed loan," the governor said. "This puts him back in business and gives him operating capital."

Lipp says he lost his land because he couldn't pay a Farmers Home Administration loan. The Bank of Hoven provided a loan so he could get the land back, and the state loan will allow him to repay the Bank of Hoven and also buy some livestock for the ranch, he said.

"I hope to get a little livestock in and hoping to stay on the farm. I had no more credit, so I had nowhere else to go."

I hope to get a little livestock in and hoping to stay on the farm. I had no more credit, so I had nowhere else to go.

Daniel Lipp
Timber Lake, S.D., farmer

Mickelson says the state has recently closed the first half-dozen loans under the new farm financing program. The state financing plan is tied to the federal Conservation Reserve Program, which pays farmers to idle land subject to erosion for a period of 10 years.

The state program allows South Dakota farmers to get a lump-sum payment up front for land they have enrolled in CRP. In exchange, the state will get the annual payments the farmers would have received

from the federal government. The state has issued \$10 million in bonds at an interest rate of nearly 10 percent to get the money needed for the lump-sum payments. The bonds will be repaid with the annual payments the farmers would have received from the federal government over the life of the CRP program.

Because the state must pay interest to the bondholders, the lump-sum payments to farmers will amount to less than the farm-CRP. *Continued on next page*

CRP

Continued from previous page

ers would have received if they had taken the annual federal payments.

The lump-sum payment is, in effect, a loan at 11.3 percent. Mickelson says the loans will allow farmers and ranchers to reorganize their debts at less than the current prime lending rate.

In the next month, 90 more loans will be made under the program, the governor said.

The applications already received exceed the \$10 million available from the first bond issue, but he says farmers should continue to apply because additional bond issues will be sold to provide financing for more loans.

Clint Roberts, administrator of the program, says another of the first loans made under the program has also allowed a farm family to reclaim its land.

The farmer, who had tears in his eyes when he received the loan check, "was able to give a check to the Farm Credit System and buy back his land," Roberts said.

Mickelson says it took a long time to get Congress and Wall Street financiers to understand and accept the loan program.

"I didn't think it would take this long to put together, but it's worth it," the governor said. □

EXHIBIT 1

DATE 3-17-89

HB 619

Amendments to HB619

First Reading Copy

Committee on Appropriations

March 17, 1989

DEPARTMENT OF ADMINISTRATION

1. Page 2, following line 13.

Insert: "Tort Claims 1989 988,000 Proprietary"

This budget amendment will fund increasing costs of outside legal counsel to defend tort actions brought against the State of Montana.

DEPARTMENT OF HIGHWAYS

2. Page 2, line 17.

Strike: "State Special"

Insert: "Proprietary"

This budget amendment changes the program's funding source.

3. Page 2, following line 23.

Insert: "Maintenance
Winter Maintenance 1989 1,500,000 State Special"

This budget amendment increases maintenance program funds, the result of a harder winter than was anticipated.

4. Page 2, following line 25.

Insert: "The department is authorized to provide an inter-entity loan from the highway earmarked revenue account in the state special revenue fund to the motor pool internal service account in the proprietary fund. This inter-entity loan authorization is effective upon passage and must be repaid to the highway earmarked revenue account no later than June 30, 1993."

This special language was requested by the agency.

DEPARTMENT OF STATE LANDS

5. Page 3, following line 6.

Insert: "Bond Forfeitures 1989 34,928 State Special
Bond Forfeitures 1989 2,000 State Special
Forestry Division
Pass-Through 1989 85,000 Federal Special"

The amendments covering bond forfeitures will allow the department to spend funds collected due to the forfeiture of reclamation bonds. The one-time, special forestry division pass-through monies fund federally-approved local government or private projects in the areas of timber bridge initiatives and rural economic diversification.

DEPARTMENT OF COMMERCE

Aeronautics

6. Page 3, line 9.

Strike: "65,000"

Insert: "81,000"

This amendment will allow the department to spend increased federal funds available through the Federal Aviation Administration's Airport Improvement Program.

7. Page 3, following line 9.

Insert: "The unexpended fiscal year 1989 Federal Aviation Administration grant authority is reappropriated for fiscal year 1990."

This amendment will continue the appropriation for the FAA grant to FY 1990.

Transportation

8. Page 3, following line 14.

Insert: "Transportation/UMTA 1989 50,000 Federal Special
The unexpended fiscal year 1989 federal UMTA grant authority is reappropriated for fiscal year 1990."

This amendment will allow the expenditure of federal Urban Mass Transportation Administration funds to implement anti-drug procedures for small transit operators.

9. Page 3, following line 16.

Insert: "DEPARTMENT OF AGRICULTURE
Agricultural Development

The unexpended fiscal year 1989 ag marketing federal grant authority is reappropriated for fiscal year 1990."

This amendment will continue the appropriation for the federal ag marketing service grant from FY89 to FY90. The grant is to assess and study the likely success of alternative crops.

DEPARTMENT OF INSTITUTIONS

Corrections Division

10. Page 3, line 23 through line 25.

Strike: line 23 through line 25 in their entirety.

This amendment withdraws the Criminal Justice and Corrections Advisory Council budget amendment.

MONTANA ARTS COUNCIL

11. Page 4, following line 8.

Insert: "The unexpended fiscal year 1989 National Endowment for the Arts grant is reappropriated for fiscal year 1990."

This will allow expenditure of remaining grant funds in fiscal 1990.

DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES

Centralized Services Division

12. Page 5, following line 12.

Insert: "Social Security

Contract	1989	15,600	Federal Special"
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This amendment will fund computer programming and start-up costs for a new Social Security Administration program to assign social security numbers to newborns as a voluntary service.

Director

13. Page 5, line 14.

Strike: line 14 in its entirety.

This amendment withdraws contracted services funds for the cleanup costs of the Burlington Northern diesel fuel leak at Livingston.

DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

Assistance Payments

14. Page 5, following line 19.

Insert: "WIN Demo	1989	206,364	Federal Special"
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This amendment will allow the state to accommodate a federal change in designating the state agency to receive federal work incentive program training funds for AFDC clients. The funds are passed through to the departments of Family Services and Labor and Industry.

Vocational Rehabilitation

15. Page 5, following line 21.

Insert: "Supported Employment	1989	193,958	Federal Special"
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This amendment will allow the department to provide additional job training and placement services to severely disabled persons.

DEPARTMENT OF FAMILY SERVICES

16. Page 6, following line 2.

Insert: "DEPARTMENT OF FAMILY SERVICES

Refugee	1989	127,422	Federal Special
---------	------	---------	-----------------

The unexpended fiscal year 1989 refugee grant authority is reappropriated for fiscal year 1990."

This amendment will allow the department to spend additional federal grant funds for Indo-Chinese refugees. The funds will provide training in English as a

second language and job training in order to reduce dependence on public assistance.

do #2

THE MONTANA UNIVERSITY SYSTEM

33 SOUTH LAST CHANCE GULCH
HELENA, MONTANA 59620-2602

(406) 444-6570



EXHIBIT 2
DATE 3-17-89
HB 619
COMMISSIONER OF HIGHER EDUCATION

TO: Representative Kadas

FROM: Jack Noble
Deputy Commissioner for
Management and Fiscal Affairs

DATE: March 15, 1989

SUBJECT: Budget Amendments - HB 619

Attached are the summaries for the budget amendments to HB 619. Included are the following.

<u>Agency</u>	<u>Amount</u>
EMC - Student Fee Revenue	\$225,200-
WMC - Student Fee Revenue	68,808-
Great Falls VTC - Student Fee Revenue	<u>111,148-</u>
Total Fee Amendments	\$405,156
Agricultural Experiment Station:	
Federal Funds	\$108,515
Livestock Sales	<u>67,000</u>
Total	\$175,515-
Commissioner of Higher Education:	
Sheeo/Ford Foundation Grant	\$ 15,000-

The technical amendments are usually prepared by the LFA upon request by a legislator. If you could submit the attached material the agencies affected would greatly appreciate it. The hearing is scheduled for Friday the 17th.

EXHIBIT

DATE

3-17-89

HB

739

DEPARTMENT OF REVENUE



STAN STEPHENS, GOVERNOR

MITCHELL BUILDING

STATE OF MONTANA

HELENA, MONTANA 59620

MEMORANDUM

To: Chairman Bardonoue and Members of the House
Appropriations Committee

From: Jeff Miller, Administrator Income & Misc. Taxes

Re: Administrative Concerns with HB 739

Date: March 17, 1989

The Department of Revenue takes no position on House Bill 739. The Department will however, continue to be charged with the administration of the Accommodations Tax. Therefore, we wish to go on record as indicating how we would intend to administer the changes proposed by this legislation should they become law.

HB 739 requires Accommodation Tax paid by the State to be refunded to the general fund. The bill is silent as to the distribution and specific accounting these changes will require. We propose to treat this refund to the general fund in the same manner as we now handle the Department Administrative charge. That is we will deduct the State paid Accommodation Tax percentage from total collections before tourism country, county, and city distribution percentages are applied.

For example in FY 88 the State paid \$64,730 or 1.3 % of this year's projected estimated collections of \$5,001,000. Therefore we would deduct 1.3 % from the gross collections before making distributions to the Department of Commerce. The appropriate percentage would be adjusted annually as State expenditures or overall collections fluctuate.

We believe a deduction from the gross will greatly simplify the accounting for the inn keepers and the Department and is much preferable to requiring specific, detailed accounting for these small dollar amounts. Finally, it would be our intent to promulgate rules consistent with this approach unless the Legislature directs us to do otherwise by placing specific instructions in the bill.

4621
EXHIBIT 308
DATE 3-17-89
#3 SB 308

6A

Great Falls Tribune
Friday, March 17, 1989

Opinion

Now is not the time to falter in the battle against drugs

Money, education and legislation are needed to hold the line against drugs in Montana.

That line has become increasingly long — stretching far from large cities to the small towns of Montana, once considered immune to illegal drugs.

Experts cite several reasons for drug problems in small towns: a depressed rural economy, a ready market with less competition than big cities and remote settings where neighbors may be miles away and law enforcement scarce.

When Sen. Max Baucus took the podium in the U.S. Senate recently and talked about cocaine confiscations being up 266 percent, a 100 percent rise in arrests related to cocaine distribution and sixth graders using crack, he wasn't talking about Los Angeles or New York City. He was talking about Billings. He was talking about our children, not those living in a ghetto.

And when Attorney General Marc Racicot went to the Legislature and asked for \$1.1 million in coal severance tax funds to maintain drug enforcement, he wasn't asking for extravagant programs or expansions. He was asking for little more than to maintain the status quo — protecting our children.

The \$1.1 million will be used to help pay for two years of continued operation of undercover drug teams in Billings and Missoula. Without the funding, there will be no drug team in Missoula and the Billings team's future would be in doubt, according to Margaret Morgan, Racicot's executive assistant.

"If the Billings team receives the money it usually gets from the coal board, that portion could be used to fund a third drug team in Great Falls or Helena," she said.

Since the Billings team was established in 1982 and the Missoula team in 1987, they have paid

off. Last year the two handled 189 major cases, seizing or purchasing more than \$3 million in illegal drugs. The teams have run drug enforcement schools and analyzed thousands of samples.

A portion of the \$1.1 million would be spent for a criminal intelligence information section, approved in 1985 but never funded. "This is a high priority because we need an organized intelligence network," Morgan said. The program would allow law enforcement to collect and analyze information and use it more readily.

While the attorney general is trying to hold on to the drug teams, the Legislature will be tackling the drug problem from a different angle. Before this session ends, legislators will have their chance to address the problem.

"There are a number of bills that would toughen the drug laws," Morgan said. Some are still in committee and some stand a chance of being lost in the paper shuffle.

Bills ranging from mandatory sentencing for certain drug offenses to revision of forfeiture laws and legal penalties for sale or possession of drugs near schools are among bills introduced.

Those bills could make law enforcement's job easier, according to Morgan. As a general rule, the laws would not cost any additional taxpayers' money. "They (the offenders) are already in front of the judge," she said. The bills would simply make it tougher on them.

The three-pronged attack on drugs should not be eased. The schools are doing their part with programs teaching children about the dangers of drugs. Law enforcement must be adequately funded to do its part and the Legislature should dig out the drug bills it has tucked away and do its part.



STAN STEPHENS
GOVERNOR

State of Montana
Office of the Governor
Helena, Montana 59620
406-444-3111

March
~~February~~ 17, 1989

Dear Representative Peterson: # 12

I urge you to refer the proposed constitutional amendment which would impose limitations on the growth of total state expenditures to the people for their consideration.

Both you and I know the difficulty of keeping the growth of public spending within the abilities of our taxpayers to support. This constitutional amendment would aid us in that fiscal management task, yet it is a moderate approach to that end.

It permits growth of public spending to accommodate inflation, population growth and real income growth of our state's people. The amendment does not attempt to micro-manage our governmental affairs; it only limits the sum total of all spending in the state, leaving the allocations within the total to the normal political processes. The amendment provides exceptions during emergency conditions in the state.

Because of the recent Supreme Court ruling on equalization of school funding, we are, perhaps, now going through the most far-reaching fiscal reorganization that Montana's public sector has ever experienced. Taxpayers need assurance during this transition period and the years beyond that their total tax burden will not grow at an unreasonable rate. This constitutional amendment can help provide them that protection.

Join with me in supporting this constitutional amendment. Let us make this a non-partisan matter. I believe that this is an important enough reform of our fiscal procedures that the people should receive this amendment for their consideration by either the referendum or initiative process. However, the added weight of the legislature's endorsement would be most welcome to these endeavors.

Sincerely,

STAN STEPHENS
Governor

3441
7/20/89
EXHIBIT 2
DATE 3-17-89
441
SB

Administration's proposed amendments to SB 441

Page 1, Lines 22-23 Strike "... and local government..."

Page 4, Lines 22-23 Strike "... general election to be held
in November 1990..." and Insert "... next qualifying general
election under MCA 13-1-104..."

On July 22, 1986,

under the Big Sky,

Charlie Kuralt turned

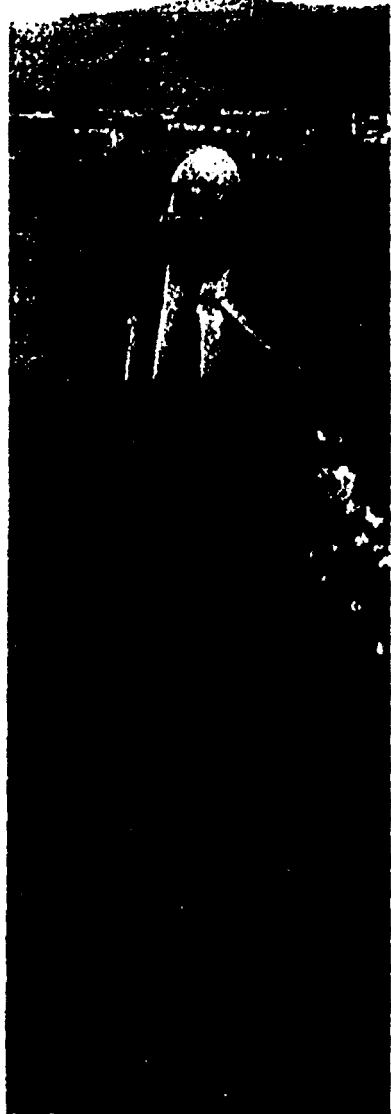
his thoughts toward

Montana and the

Museum of the Rockies

in this groundbreaking

address . . .



I think any reporter coming before a history-minded crowd like this in times like these would be remiss if he didn't briefly analyze the situation of the Rocky Mountain present . . . the depression in mining and ranching and agriculture . . . and the reaction elsewhere in the nation . . . and just discuss where the Rocky Mountain region is and where it's going from here . . . and I sure wish Dan Rather were here to do all that for you — because I can't. CBS never lets me cover anything important.

They have kept me on the church suppers and county fairs beat for nearly 20 years, out there "On the Road." We all have our duties at CBS. Mike Wallace and Dan Rather and those other guys have theirs, and I have mine. Mine is to be sure no musical saw player, or swimming pig, or guy who has a car that runs on corncobs goes unremarked on national television . . . and my standing instructions are, if I come upon a real news story out there on the road, to be sure to call some real reporter to come cover it.

The stories I have done in the Rocky Mountains have not been about politics or politicians or controversies or calamities. They have been about prospectors and cowboys and sheep shearers and beer can collectors . . . the famous jackalopes of Wyoming — unable to breed except during flashes of lightning . . . that's why they're so rare . . . or the famous fur-bearing fish of the Yellowstone River . . . which look like ordinary native cutthroat trout during the summer but grow a protec-

tive coat of fur to help them survive the winter; a prospector out of Gardiner, Montana, grew so fond of me over a few drinks at the K-Bar there that he gave me his only mounted example of the fur-bearing cutthroat, and I have it yet.

I have done stories in this region about the wildflowers and the wild horses, and the wild rivers and some of the wild folk . . . and I am grateful not to have to do civilized stories of the sort you expect to find on the front pages or on the network evening news. CBS just lets me wander where I wish, so I go moseying along, feeling the seasons change. CBS doesn't even know where I am. They don't care where I am.

And since the place where I would rather be is right here in the northern Rockies, right here is where I often am.

It is hard to explain the hold Montana can exert upon a one-time North Carolina farm boy. Let me read you a passage from a California farm

I wish every school child could have the adventure of following the trail of Lewis and Clark with their diaries in hand.



Charles Kuralt, Bea Taylor, and Ed Groenhout visit at the banquet following groundbreaking.

boy who put it pretty well. John Steinbeck, in *Travels with Charlie*:

"I am in love with Montana. For other states, I have admiration, respect, recognition, even some affection, but with Montana it is love, and it's difficult to analyze love when you're in it . . .

"It seems to me Montana is a great splash of grandeur. The scale is huge, but not overpowering. The land is rich with grass and color, and the mountains are the kind I would create if mountains were ever put on my agenda. Montana seems to me to be what a small boy would think Texas is like from hearing Texans.

"Here for the first time I heard a definite regional accent unaffected by TV-ese, a slow-paced warm speech. It seemed to me that the frantic bustle of America was not in Montana. Its people did not seem afraid of

shadows in a John Birch Society sense. The calm of the mountains and the rolling grasslands had got into the inhabitants.

"It was hunting season when I drove through the state. The men I talked to seemed to me not moved to a riot of seasonal slaughter but simply to be going out to kill edible meat. Again my attitude may be informed by love, but it seemed to me that the towns were places to live in rather than nervous hives. People had time to pause in their occupations to undertake the passing art of neighborliness . . .

"But I see that as usual, love is inarticulate. Montana has a spell on me. It is grandeur and warmth . . . Of all the states, it is my favorite and my love."

I, too, fell in love with Montana at first sight. My own passion was not for the mountains, but for the valleys, and not for the valleys, exactly, but for the rivers that run through the valleys, and not for the fastest or deepest rivers, exactly, but for the smaller ones which would support a floating dry fly. But here is what happens in the northern Rockies . . . One comes to fish, but he walks through fields of flowers to reach the stream, and learns to love the roses and thistles and yellow daisies and wild iris. At the edge of the bank, he sees the work of the beaver, and shares the place with muskrats and with mink. He thinks he's there to fish, but pretty soon he's there to see the heron in the morning and hear the coyote in the night, and by then he is captured by the mountains, and after he departs . . . in his dreams far away to the east, he sees the golden eagle riding the thermals.

What a tall order it is to try to capture the Rockies in a museum, and what a worthy ambition: To bring people indoors for an hour to help them understand the magnificence that is all around them out of doors. And not the natural beauty only, but the mark that has been made on the land by its earliest inhabitants, the dinosaurs of a million years ago, and by its later ones — the people of 10,000 years ago as revealed by the museum's excavation at Indian Creek in the Elkhorn Mountains.

Fabulous men and women have walked here . . . the most astonishing people in all the gaudy story of America . . . Lewis and Clark among them. I wish every school child could have the adventure of following the trail of Lewis and Clark with their diaries in hand . . . up the Missouri to the Three Forks, up the Jefferson to the three tributaries they named for President Jefferson's virtues — Wisdom, Philosophy and Philanthropy . . . too many syllables for the prospectors who came later and renamed them Big Hole, Beaverhead and Ruby . . . and



Charles Kuralt, Mick Hager,
and Bea Taylor lead the way
in groundbreaking.



then up over the Lemhi Pass,
down to the Salmon River
country, and eventually,
arduously, to the Snake and the

*Human beings
come and go, but
the mountains
remain to divide
the eternal
rain and direct
it toward oceans
a continent apart.*

Columbia to the sea. Lewis
and Clark deserve a Homer to
tell of their Odyssey, and as
leaders of one of the most suc-
cessful expeditions of all of
human history, they may have
one someday as their trip
through the Rockies, hard
reality, fades into legend in
the mists of time. John Colter,
who was with Lewis and
Clark and returned to become
the first mountain man cross-
ing the Wind River Mountains
and the Teton Range alone
and on foot . . . the first white
man to describe Yellowstone's
geysers . . . they laughed at
the very idea and called it
Colter's Hell.

The incredible Manuel Lisa
knew these mountains, and
the young Jedediah Smith . . .
and Jim Bridger, old Gabe, the
Blanket Chief . . . and Kit Car-
son and Joe Meek.

Our children, who are said
to be uninterested in American

history, could not fail to be
absorbed by the incredible,
and usually short, lives these
trappers lived in these moun-
tains. Here is one of my
favorite paragraphs of Ameri-
can history, tossed off by
DeVoto sort of incidentally, in
Across the Wide Missouri:
It's the spring of 1832 in
Idaho:

"Milton Sublette had got into
a brawl with a Bannock war
chief and had been stabbed. Joe
Meek, now a veteran mountain
man, 22 years old, stayed behind
to comfort his last hours and
close his eyes. But Milton took a
lot of killing, and after six weeks
was as good as new. He and Joe
rode off to find their brigade.
Near the Green River they met a
village of Snakes and for some
reason these usually friendly
Indians had their back up. They
were going to kill Sublette and
Meek, but a war chief who had
enough coups to satisfy public

opinion got their killing postponed and that night helped them escape. Snake women were held to be the prettiest of all squaws, and this chief had a nubile daughter, whose name Joe Meek renders Umentucken Tukutsey Undewatsey and translates the Mountain Lamb. She made an understandable impression on the two. After the rendezvous, Milton took his brigade into country where this band might be found, found them, and married the Mountain Lamb. Two years later, Sublette going home, Meek married her too."

How do you get those guys into a museum? Or Klitty O'Leary, Madame Bulldog, of Livingston, Montana, who tipped the scales at 190 pounds, stripped, and stripped, it is solemnly recorded, is what she was most of the time. She threw Calamity Jane out of her establishment right into the street. Did Calamity Jane try to fight back? A woman who knew them both said, "Calamity was tougher'n hell, but she wasn't crazy."

Charles Kuralt shares a banquet table with Alberta Balr and Don North of Burlington Northern.



How do you get E. H. Weeds of Fish Springs, Utah, into a museum? In 1904, he drove into Eureka looking for the sheriff. He had the body of his partner, A. F. White, wrapped in a blanket on the floor of his buckboard. The sheriff said, "What happened?" Mr. Weeds said, "He kept singing while I was trying to read." They gave Mr. Weeds 8 months in the county jail, and he passed the time, peacefully, reading.

Then there was the story from Ubet, Montana, once the best-known stage station in Montana Territory. It had a two-story log hotel with cold rooms. One winter night was so cold that a salesman who was staying in one of the rooms came down about three o'clock in the morning to warm up by the fire in the dining room. He sat there by the fire and nodded off. About 4:30, a stage driver came in with a frozen face and icicles hanging from his mustache, and his hands lumps of ice. The salesman woke up and saw him standing there and said, "My God, which room did you have?"

These ancient Mesozoic rocks have looked down on Coronado, Pike, Bonneville, Fremont and Powell, they have looked down on Sacajawea and Cameahwait, and Jim Bridger and John Bozeman and Calamity Jane and Charlie Russell and Charlie Balr, and tens of thousands of fur trappers, miners, trail blazers, big dreamers, homesteaders. These mountains have seen much bravery, much generosity, much cruelty and cowardice and greed . . . In short, much humanity.

But human beings come and go. Virginia City, Montana was home to 18,000 people once, to 192 at the last census. Human beings come and go, but the mountains remain to divide the eternal rain and direct it toward oceans a continent apart . . . the rivers remain, and the cutthroat in the rivers, the alders and the aspen and the willows remain, and the grass and the willows, and the deer asleep under the willows, and the stars in the Big Sky.

How do you get it all into a museum? You don't, of course. If we were not awed by these majestic mountains — the beauty of them and the natural and human history we find here — we wouldn't even try. But human beings from the first primitive cave painter, have felt the impulse to make a record of the things by which they are awed, to get it down somehow so others passing that way would know what had come before. It is that same impulse which brings us together tonight. The Museum of the Rockies is our cave painting, our Parthenon or Uffizi Gallery or time capsule, our message to the future, from this land we all love.


CHARLES KURALT

FOREWORD

How can one account for the thrill of finding a fossil? Partly it comes from the straightforward excitement of unearthing buried treasure; partly, from the romance of realizing that the object in your hand was alive millions of years before mankind appeared on earth; and partly, from the exultant realization that, no matter how common the fossil you have found, you are the first human being to see that particular one.

Oddly, few books about fossils convey anything of this delight. *Digging Dinosaurs* is the exception. Here, unusually and thrillingly, is captured all the excitement of the search and the discovery. I have had the rare good fortune of crawling alongside Jack Horner as he made his way up the side of a gulch in the Montana badlands, picking out, with his uncannily sharp eye, fragments of dinosaur eggshells and the tiny bones of the nestlings that emerged from them, and of hearing him bring to life in words the scene around us when it was thronged with vast numbers of nesting giants. I can, therefore, vouch for the accu-

racy with which this book re-creates that experience—and that, by itself, will make it a joy to read for anyone who has any interest in the natural world.

But this book is something more. Lots of us find fossils. A few people find new species of fossils. But only one or two have the insight and deductive skill, the persistence and sheer good fortune to make discoveries that lead paleontology into completely new areas of interpretation. Jack Horner is one of those people. Not only has he discovered new kinds of dinosaurs, he has revealed whole new aspects of their behavior that bring them to life as never before.

His account of how he did so is a kind of detective story. It begins with the discovery of clues and ends by using them to solve a mystery. Like all good detective stories, it is difficult to put down and you want to know what will happen next. But there is, of course, a huge difference. Detective stories unravel the mystery of a single fictional death. This story reveals the truth about a multitude of actual lives. No extinct animals have gripped our imagination more vividly than dinosaurs. Few have been written about more extensively. But this marvelous yet modest book sets up a new milestone in the advance of our understanding of these astounding creatures.

David Attenborough
London, August 1988

ROBERT D. CORETTE
Prudential Financial Service Center
P.O. BOX 509
BUTTE, MONTANA
59703

March 14, 1989

Representative John Vincent
State Capitol Post Office
Capitol Building
Helena, MT 59620

Dear Representative Vincent:

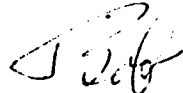
You have before you House Bill 769 which is an appropriations bill for one-third of the cost of the operation of the Museum of the Rockies for the biennium. Another one-third of the cost of the operation is self-generated at the Museum and the last one-third comes from outside support.

I have been a Director of the Museum of the Rockies for six years and I can assure you that it is a 7 million dollar asset owned by Montana State University, or if you desire, by the State of Montana. Consequently, one-third of its support should be by the State.

You may or may not know that it is the third largest tourist attraction in Montana, after Yellowstone and Glacier. It is considered one of the few outstanding museums in the United States and if you haven't seen it, I urge you to do so.

I hope that you will give your support to House Bill 768.

Sincerely,



Bob Corette

HAMILTON STORES

INCORPORATED

YELLOWSTONE NATIONAL PARK

SUMMER ADDRESS
P. O. BOX 250
WEST YELLOWSTONE,
MONTANA 59758
(406) 646-7325

March 7, 1989

WINTER ADDRESS
226 E. CANON PERDIDO
P. O. BOX 2700
SANTA BARBARA, CALIF. 93120
(805) 963-0701

OFFICE OF
TREVOR H.S. (TERRY) POVAH
PRESIDENT

The Honorable John Vincent
1020 S. 3rd
Bozeman, MT. 59715

Dear Mr. Vincent:

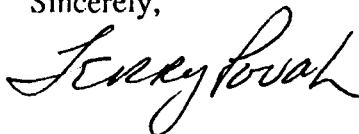
As a Montanan and Director of the Museum of the Rockies I am vitally interested in its future which will, of course, depend upon the funding it receives. The Museum was constructed and equipped with private funding and given to the State. Plans call for new permanent exhibits over the next five years at a cost of \$3 million which will also be obtained from private funds and given to the State.

Operating funds of over \$800,000 per year will be provided from donations, earned income and grants, however, for the biennium an additional \$747,535 will be required to cover the cost of additional staff and space. Unless this funding, which will be included in the Montana State University budget request as a Program Modification, is approved the Museum's staff, programs and hours all will be drastically reduced.

Tourism, as you know, is a leading industry in Montana. The more the State has to offer, the more people it will attract who will stay in the area longer and, consequently, increase State revenues. The Museum of the Rockies attracts many visitors to the State, and it's programs and exhibits will serve over 1 million people during the next five years plus many millions more worldwide will be made aware of Montana through the Museum's research and the media attention it attracts. I believe the Museum is a great asset to Montana, worthy of State financial support and that responsible funding can be obtained if it is derived one-third from the State, one-third from earned income and one-third from private support.

The funds that would be provided under the Montana State University budget are essential to the growth and future of the Museum and I urge you to vote in favor of this budget when it comes before the legislature. Thank you for your consideration.

Sincerely,



THP/opb

HB 768
EXHIBIT 2
DATE 3-17-89
HB 768

Testimony in Support of HB 768

Beatrice Taylor, Bozeman, Montana

I am here today representing the philanthropic sector of the community, - both as a donor and as Chairman of the Capital Campaign. As a donor, my husband and I were instrumental in funding the Taylor Planetarium to open April 1 at the Museum of the Rockies. As the Museum's Capital Campaign Chairman, I work in a volunteer capacity and donate approximately 600 hours per year. I have worked closely with the Museum of the Rockies for over 8 years, and have helped generate \$7.2 million for our expansion.

It is highly unusual for private donors to give generously to State institutions. Our blend of the private and public sectors utilizes the best of both worlds - a State affiliation, as a department of Montana State University, and an entrepreneurial freedom, through government by a private Board of Trustees, that allows us the flexibility to solicit widespread support from the private arena. The Museum of the Rockies represents a new approach to public/private funding - one that relies on individual generosity supported by a State conscience towards the education of its people.

Donors are willing to make an investment in Montana - in its economic revitalization - by helping to provide educational and cultural benefits not otherwise available. They have made this additional commitment over and above the taxes they pay to the State and they have entered into this unique partnership with the full expectation that the State would accept its responsibility to help in the maintenance and operating expenses of its facility. It is important that the State not lose faith with these people. Donors cannot be expected to give their money to a State institution that is not supported by the State to which it belongs!

Since we initiated our campaign 8 years ago, we have raised over \$7.2 million from private sources. Of this amount, 13 donors gave over \$100,00 each to account for \$6.2 million of the total. At the other end of the scale, 181 smaller donors gave from \$10 to \$1,000 to total \$48,000. These smaller gifts often represent an even greater sacrifice on the part of the donor; these are the gifts that touch our hearts. All gifts to the capital campaign are in addition to memberships and other gifts for operations.

Volunteers play an important part in the success of our fund-raising efforts. Citizens from all walks of life participate at the board level, as campaign workers

on our local campaigns, and as regular volunteers within the museum. Last year, at the Museum of the Rockies, over 120 volunteers donated their time and talents to make our budget dollars go as far as possible. They gave time valued at \$96,000; next year they will give half again as much.

Why do they give of their time and money? They believe that the Museum of the Rockies is fulfilling a mission that is not otherwise addressed in this state - namely, to look at the scientific and cultural history of the Northern Rocky Mountain Region from the beginning of time to the present, in order to give both residents and visitors alike a greater sense of their own heritage. They want to promote the exciting research being done by our staff, most notably that on dinosaurs being conducted by Jack Horner. Our donors believe that the staff is capable of producing exhibits second to none. They want to be a part of the most exciting thing that is happening in Montana!

One of the first questions I am asked by major donors is "What is the State's level of commitment on this project?" In the past I was able to point to an arrangement whereby the State contributed 1/3 of our operating budget, the Board of Trustees and Museum programs supplied 1/3, and staff-generated grants and contracts provided the balance. This blend of support represents a responsible mix that ensures the highest performance at every level.

With decreased university funding, the moneys available to the museum have also dropped below the anticipated levels. It is crucial that the State restore its 1/3 level of funding to assure donors that their investment in Montana is protected by a firm commitment on the part of the State. People will continue to give towards equipment and exhibits, but it is one of the realities of life that donors are not anxious to spend their money on such expenses as heat and electricity - particularly in a building that belongs to someone else. Our new, enlarged facility will require larger expenditures for maintenance and salaries and private donors cannot be expected to carry the additional burden.

Built and equipped with private money, the new Museum of the Rockies is our gift to the people of Montana. We can never forget that, despite the tremendous generosity of our private donors, the Museum is a State institution. Without the commitment on the part of the State to support the Museum of the Rockies, additional funds will be difficult, if not impossible, to generate.

Although the Museum opens April 1, our task is not complete. We will continue to need money from outside sources for an estimated \$3 million needed for new permanent exhibits and renovation of old ones. The staff will continue to allot a

portion of its time to writing grant proposals to fund research and special projects. We will continue to manage efficiently to maximize income from operations.

I will continue to donate my time, working with our Director of Development and soliciting funds from throughout the country for new exhibits and research programs. Private donors will continue to give towards exhibits and programs, but they cannot carry the full burden for a museum that is, in fact, a State institution. Without additional help from the State, our budgets will have to be re-allocated and we will not have the funds necessary to continue and expand our outreach programs that have the potential to touch every life in Montana.

We are not asking for a handout; we are asking for the State to make an investment in a State-owned institution that has been provided through private donations that have already totalled \$7 million. Our program modification request of \$370,000 per year represents a 5% investment, when matched against the \$7 million gift. For this the State receives unparalleled opportunities for students of all ages, national and international recognition, and tourism benefits on a par with our finest natural resources.

Thanks to the hard work by many people, ours has been a success story that does credit to the entire State. We have achieved a high level of visibility that focuses attention on the State and we stand in a position to make a significant economic impact. We will continue to carry our share of the load, but it is important that this Legislature help us make the Museum of the Rockies the success it can be. Together we can build a better Montana.

Passing HB 768 will send a clear signal to the business and philanthropic community that Montana accepts its role in promoting educational and cultural opportunities for residents and visitors. Through a unique and profitable partnership, Montana will continue to prosper and send a signal to the rest of the world that "all is well on the western front." I urge you to endorse and vote for HB 768.

4th
B 768
EXHIBIT 3
DATE 3-17-89
HB 768



TESTIMONY BY LAURIE SHADOAN
BOZEMAN AREA CHAMBER OF COMMERCE

BEFORE THE APPROPRIATIONS COMMITTEE
HOUSE BILL 768

Chairman Bardanouve, Members of the Appropriations Committee, I am Laurie Shadoan of the Bozeman Chamber of Commerce.

Although the Museum of the Rockies has tremendous opportunities in education, the opportunities for the State of Montana in tourism are far greater. I believe that few people understand the enormous impact the Museum will make on the State of Montana.

On April 1, 1989, the Museum of the Rockies will be dedicated to the State of Montana for our Centennial year. This date will begin the realization of the dreams of hundreds of people that have contributed to or have been involved with the Museum expansion.

The Museum is expected to serve more that 1 million visitors in the next 5 years, a \$15 million direct impact, or a \$45 million impact using a multiplier of 3 times.

The advertising that the Museum of the Rockies has generated in numerous national magazine articles, television programs, and newspaper articles is truly priceless.

The Bozeman Chamber strongly urges your support of HB 768, as a wise investment in the future of Montana. Thank you.

NAME: Bentrice Taylor DATE: 3/17/89

ADDRESS: 6400 Bostwick Rd Bozeman

PHONE: 587 3269

REPRESENTING WHOM? Museum of the Rockies

APPEARING ON WHICH PROPOSAL: HB 768

DO YOU: SUPPORT? ☒ AMEND? ☐ OPPOSE? ☐

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

THE MICROBUSINESS DEVELOPMENT ACT
House Bill 765

-SYNOPSIS-

The purpose of the Microbusiness Development Act is to assist in the finance and development of the small, locally-owned businesses that make up the majority of the Montana economy. The program will provide the capital for market-rate loans, administered at the community level, in amounts up to \$20,000, for firms having fewer than ten employees and gross revenues of less than \$500,000 per year.

Such businesses constitute 82.5% of all enterprises in the state, and produced virtually all job growth in Montana in the 1980's, yet currently (because of the diseconomies of small scale in lending) have no institutional source of finance--whether from banks or public programs. Average loan size for the SBA is over \$100,000; average loan size for the Coal Tax Loan Program is over \$300,000. The cost of credit investigation and servicing for small commercial loans likewise prevents banks from being active in microbusiness lending.

Management training and oversight go together with the money, to make sure the loans are secure and the projects financed are successful. Clients who do not have a professional-quality business plan and finance proposal, together with proper record-keeping, accounting and other management systems, will have to complete a business training program (provided by the local corporation that administers the loans) designed to produce these critical elements for business success.

The combination of training and oversight with small and appropriate amounts of finance is a key feature of the program, which is modeled on six years of successful experience by a community loan fund in Minneapolis, called WEDCO. The experience at WEDCO, and with some pilot projects in Montana, shows that revolving funds which combine management training with finance have lower loan-loss rates than an average commercial bank.

The legislation requests a one-time appropriation of \$2.2 million dollars from the Instate Investment Fund of the coal tax trust to create a development loan fund administered by the Department of Commerce. Development loans (interest-only loans at a rate sufficient to cover State administrative costs), in maximum amounts of \$200,000, will be made to qualified microbusiness development corporations (MBDC's) to capitalize community-based revolving loan funds.

Microbusiness development corporations are defined to be nonprofit corporations whose function is to provide management training, technical assistance and access to finance to microbusinesses, and to monitor the performance of microbusiness loan recipients. Detailed qualifications, rules and guidelines for these corporations will be developed by the Department of Commerce, in conjunction with an advisory board of thirteen members representing the financial community, local development groups and microbusiness owners.

In general, MBDCs will be required to demonstrate their ability and plan to: 1) provide training and financial oversight; 2) administer a revolving loan fund; 3) investigate and qualify loan proposals; and 4) secure sufficient sources of operating income. MBDCs will also be required to demonstrate broad-based community support, and a sufficient market or client base to fully utilize the proposed revolving loan funds. In selecting among competing proposals, attention will also be given to geographic representation of and service to all areas of the state, including both rural and urban communities.

Development loan funds may be used by the MBDC's to make direct loans to microbusinesses, not to exceed \$20,000 to any one business; or funds may be deposited to guarantee loans made by financial institutions to microbusinesses, with the same dollar limitation per loan and per business. Development loan funds may not be used for any other purpose, including operating expenses of the MBDC; however, interest earned on deposits or loans from these funds may be used for operating expenses.

Matching contributions to the revolving loan funds will be required, on the ratio of one dollar from other sources to each three dollars of program funds. Upon a finding of nonperformance or noncompliance in administration of revolving loan fund, a corporation may be declared in default and required to remit the full amount of the development loan. To this end, development loans will be secured against the corporation's receivables (its entire loan portfolio).

Support for this initiative has been universal among all those with whom the idea has been discussed, and who have aided in developing the draft legislation: bankers, businesspeople, local development corporations, job training and educational organizations, and technical staff at the Business Assistance Division and Board of Investments.

Sufficient organizational experience, and financial and training expertise, exist in communities throughout the state to project that at least eight to ten local microbusiness development corporations can be qualified and capitalized within the first two years of program operation.

765
②
EXHIBIT 2
DATE 3-17-89
HB 765

QUESTIONS AND ANSWERS
on the
MICROBUSINESS DEVELOPMENT ACT

1. What will the program cost, and how will it benefit the state?

a) COSTS:

A small and declining general fund appropriation will be needed to start the program, until enough development loans have been made for interest income to cover administrative costs. We estimate a need for \$64,000 in the 1st year, \$20,000 in the 2nd, and zero in the 3rd and thereafter.

The state will also lose interest earnings of 8.15% on the 2.2 million appropriated from the Instate Investment Fund. Once the full appropriation is drawn, that amounts to \$179,300 per year.

b) BENEFITS:

For microbusiness, investment per job created is extremely low. At least one new job will result from every \$5,000 of development loan funds invested (micro-loans will leverage additional private investment, in many cases). In the first round of investment, 440 jobs will be created. At even a below-average wage of \$13,000 - \$14,000 each, that means \$5.9 million in new personal income, producing

a \$207,240 increase in annual state income tax revenues.

More gains will come from reductions in welfare and unemployment costs. We estimate that at least 30% of jobs created or retained--132 in all--will be filled by people who would otherwise be receiving unemployment or welfare benefits. At an average reduction in costs of \$3,060 each, that means

a \$403,920 savings to welfare/UI programs.

These calculations are conservative in every respect. Investment per job generated is as low as \$1,668 for some micro-loan programs. The wage level used above is 20% less than average production wages in Montana. Reductions in welfare and unemployment cases could be much higher. Still more gains, not taken into account, will come from increases in licensing, excise and other consumption taxes.

Gains far exceed costs; and the loan pool will be invested not just once, but perpetually reinvested in small, locally owned Montana businesses, continuing to create new jobs and related benefits. Turnover, or full reinvestment, should occur about once every two to three years for small loans of this kind.

2. Is this trust-busting?

The principle author of the Instate Investment Act agrees that the use of funds contemplated here is entirely in accord with the original intent of the Act. What is being done is to free a small part of the Fund from the constraints of trust fund fiduciary regulations--constraints that now prevent the money from being used to make small loans to truly small businesses. And the appropriation from the IIF is not to be spent: it is to be invested, over and over again, in small companies at the community level. Capital is sequestered from operating expenses; is secured; and is recoverable.

3. What about security?

(a) Loss rates for combined training/finance/oversight programs are lower than regular bank loss rates, and can be covered from loan loss reserve requirements placed on the MBDC's.

(b) Capital (the development loan fund) will be strictly sequestered from operating funds at the state and local level; any repayments of principle to the state will go back into the development fund.

(c) Principle on development loans will be secured by a first lien on all microbusiness loans of each MBDC: a minimum ratio of 1.3 : 1 of collateral to investment.

(d) Principle can be recovered in two ways:

i) Through default, in case of nonperformance by an MBDC, in which case the corporation's receivables revert to the microbusiness development fund;

ii) Through non-renewal of the interest-only feature of the development loans. These loans will be made on an interest-only basis for a set term. If it is decided not to renew at the end of the term, an amortization schedule can be negotiated, to recover principle in a gradual fashion that does not disrupt the income or operations of the MBDC.

4. Where will the MBDC's get their operating income?

About one-third will come from interest earnings on microbusiness loans. If development loans to MBDC's are made at 4% (enough to cover administration at the state level), and microbusiness loans are made at the current market rate of 13%, net interest earnings will be about \$20,000 per year. The remainder of a typical \$60,000 operating budget could come from fee income for training and loan packaging, local government support, private contributions, private foundations, federal grants, or the 1/10 mill levy for economic development available to Montana counties.

5. Why not low-interest loans to the microbusinesses?
Why should they pay market rate?

The intent of this program is to finance economically sound and competitive expansion or start-up projects whose only fault is that they are too small to receive attention from existing public programs or regular commercial lenders. The economist's definition of a competitive project is one that can pay market rates. This program overcomes a market failure known as diseconomies of scale: the subsidy is in the credit investigation, management training and oversight costs, not the interest rates.

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EXHIBIT 3
DATE 3-17-89
HB 765

SUMMARY

Survey of Montana Banks on Market for Microbusiness Lending

On March 2, 1989, a questionnaire was mailed to 175 Montana banks, to help determine if there is a market for small commercial loans (under \$25,000) to small companies, accompanied by management technical assistance and oversight. Forty-two banks have returned the questionnaire.

1. One third of the respondents agreed that there is some size below which commercial loans become impractical for a private lender. Twenty-four percent said loans of \$15,000 or less were rare or unlikely.

2. More than 83% said there was a size below which SBA guaranteed loans become impracticable--and 64% said SBA guaranteed loans below \$25,000 were rare or unlikely.

3. Asked to identify commercial financing needs not met by current private and public lenders, respondents checked the following categories:

Equity capital	45.2%
Venture capital	83.3%
Risk capital	88.1%
Debt finance of working capital	52.4%

4. Ninety percent of all respondents said administrative costs of commercial loan investigation and servicing were higher than costs for personal loans; 52% said commercial loan costs to the bank were two or more times greater than personal loan costs.

-continued-

4. Estimate of Micro-Lending Market. Twenty-six banks responded to questions on the likely market size for an institution in their market area, specializing in commercial loans under \$25,000, and providing management training and oversight. These statistics are derived from their estimates:

a. Number of loans made per year (average):	32
b. Dollars loaned annually (average):	\$661,923
c. Sum of dollars loaned (all responses):	\$17,210,000
d. Total population served (all responses):	370,500
e. <u>Annual micro-loan market per 1,000 population:</u>	<u>\$46,451</u>
f. <u>Annual micro-loan market, Montana:</u>	<u>\$37,160,000</u>

Methodology of Market Estimate. All respondents' individual estimates of the total annual dollar lending market for a new institution specializing in micro-loans in their own market area were summed [(c), above]. Each respondent also identified the population range of the market area for which the market estimate was made. Midpoints of the individual market population ranges were summed, for all responses, to give the total population for which the estimates were given [(d), above]. 3,000 was used as the midpoint of the lowest range, and 85,000 as the midpoint of the highest range.

Total annual dollar market was divided by total population served, and multiplied by 1,000, to yield the dollar market estimate per 1,000 population. [(e), above]. This procedure was equivalent to calculating the dollar market per 1,000 population for each response, and then calculating the average market per 1,000.

Finally, the annual dollar micro-loan market per 1,000 population was multiplied by 800 to yield an estimate of the total Montana lending market for micro-loans [(f), above]. By reducing respondent's estimates to a loans per 1,000 figure, we avoided "double-counting" multiple responses referring to a single market area.

The market identified by this survey is seventeen times greater than the total amount of revolving loan fund capitalization requested for the microbusiness finance program.

TALLY SHEET

Survey of Montana Banks on Microbusiness Lending

Respondents: 12 loan officer 28 executive officer
2 unidentified 42 total responses

A. With regard to commercial loans only, secured by the assets or cash flow of a business enterprise, in your experience and judgment:

1. Is there a loan size below which it becomes, generally speaking, impracticable for a private lending institution to undertake the credit investigation and servicing costs of a commercial loan?

N=42 14 Yes 28 No
33.3% 66.7%

2. If yes, please check the loan size below which commercial loans from private lending institutions become rare or unlikely, even for otherwise feasible projects:

N=42 0 \$75,000 5 \$25,000 2 \$15,000
2 \$50,000 1 \$20,000 4 \$10,000

23.8% SAY LOANS UNDER \$15,000 ARE RARE.

3. Is there a loan size below which it becomes impracticable (because of processing costs or other considerations) for a private lending institution to apply for an SBA guarantee on a commercial loan?

N=42 35 Yes 7 No

83.3% SAY YES.

4. If yes, please check the loan size below which SBA guarantee applications become rare or unlikely, even for otherwise feasible projects:

N=42 2 \$75,000 13 \$25,000 2 \$15,000
12 \$50,000 3 \$20,000 3 \$10,000

64% SAY LOANS BELOW \$25,000 ARE RARE.

B. Please check the types of commercial financing for which you feel there actually is a need in your market area that is not met by current private and public finance institutions.

N=42 45.2% 1. Equity [19 yes, 23 no]

83.3% 2. Venture capital (large-scale, quasi-equity, high risk/return) [35 yes, 7 no]

88.1% 3. Risk capital (mid to large-scale, debt financing, less well secured than is normally "bankable")
[37 yes, 5 no]

52.4% 4. Debt financing of working capital
(inventory/receivables)

6 \$100,000 or greater 5 \$25,000 or less

11 \$50,000 - \$100,000 (1 responded to all 3)

C. With regard to very small-scale commercial loans (\$25,000 or less) please give your best estimate of the following:

N=23 1. Number of inquiries/applications your institution receives annually for loans in this size range:

(avg) 41

2. Number of loans you would estimate are actually closed, annually, from this applicant/inquirer pool:

(avg) 18

D. If there were an institution in your market region specializing in very small scale commercial loans (sub \$25,000), and capable of carrying out intensive credit investigation, management training and loan servicing in that area, what would be the size of the market for that institution?

N=23 1. Likely number of feasible projects, i.e., loans closed per year:

(avq) 32

2. Likely amount of total investment annually: (avg) \$661,923

E. Population of market area for which estimates in (C) and (D) are made:

N=40	18	5,000 or less	4	15,000 - 25,000
------	----	---------------	---	-----------------

10 5,000 - 15,000 6 25,000 - 50,000 2 75,000 +

F. Please compare the administrative cost of investigating, setting up and servicing a commercial loan secured by business assets (equipment, inventory, etc.) to the costs of other types of loans of similar size and term:

1. Compared to personal loans (signature loans), commercial loan costs are:

N=42 0 less 4 equal 16 somewhat greater
 16 2 - 3 times greater 6 more than 3X greater

2. Compared to consumer loans (appliances, autos), commercial loans costs are:

N=42 3 less 5 about equal 15 somewhat greater
 13 2 - 3 times greater 6 more than 3X greater

DEPARTMENT OF COMMERCE



STAN STEPHENS, GOVERNOR

1424 9TH AVENUE

STATE OF MONTANA

(406) 444-3494

HELENA, MONTANA 59620-0401

ASSESSMENT

Survey of Montana Banks -- Microbusiness Lending

The attached analysis is a summary of responses to a survey on commercial financing needs, mailed to all Montana banks on March 2, 1989. In particular, the survey attempted to assess the need and market for specialty institutions providing intensive credit investigation, management training and oversight linked to "micro-lending," i.e., commercial loans of \$25,000 or less.

This is not a scientific survey and its results should be interpreted cautiously, for two reasons.

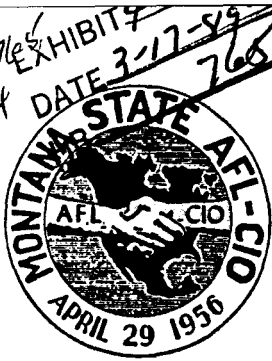
1. Though it is a large sample survey (42 responses out of a bank "universe" of 175), it is not a strictly random survey. There was broad representation of all sizes of institutions and market areas. But ultimately, this is a survey of those who chose to respond. Those who did not may have quite a different pattern of opinion.
2. No pretesting was done on the questionnaire, so we are not entirely certain how respondents interpreted the questions. Most important, in questions D.1. and D.2., an estimate was requested of the market for a specialty micro-lending institution. Respondents may have understood we meant to assess the additional market for a new institution in their area; or they may simply have assessed the total market for micro-loans, including the market they already serve as banks.

The market identified, however, is extremely large -- over 36 times the \$1.1 million to be invested annually by the micro-business finance program. It is reasonable to conclude that specialty institutions (the micro-business development companies proposed under the program) can either create an additional micro-loan market equal to 1/36th of the existing market, or win a 1/36th share of the existing market.

With these caveats in mind, the survey offers a valuable contribution to our understanding of commercial financing needs in the state.

Bob Heffner
SBDC Director

March 10, 1989



Box 1176, Helena, Montana

JAMES W. MURRY
EXECUTIVE SECRETARY

ZIP CODE 59624
406/442-1708

TESTIMONY OF DON JUDGE ON HOUSE BILL 765 BEFORE THE HOUSE APPROPRIATIONS
COMMITTEE, MARCH 17, 1989

Mr. Chairman and members of the Committee, for the record, I am Don Judge representing the Montana State AFL-CIO in support of House Bill 765 which establishes a microbusiness development corporation grant program in the State of Montana.

This legislation is a positive step forward in our state's search for new economic activity and our efforts to broaden and diversify Montana's economy. Attention to the financial needs of small businesses engaged in adding value to our state's rich array of natural resources is a sound economic tool. While many of these small businesses will probably not become affiliated with organized labor, many of our members involved in the mining, manufacturing, crafts and building trades will benefit from increased economic activity in Montana.

For these reasons, we support House Bill 765. We do have one concern with this bill, however. While we strongly support an economic partnership encompassing labor, business, and the public sector, this bill calls for the creation of an advisory council with no provision for membership from labor. Successful partnerships on the local level have included strong participation from organized labor. We suggest that this legislation also recognize the need for partnership and cooperation of labor.

Thank you.

HB
7655
EXHIBIT 5
DATE 3-17-89
HB 765

THOMAS E. TOWE
2525 Sixth Avenue North
Billings, Montana 59101
(406) 248-7337

Mr. Robert A. Heffner, Director
Small Business Development Center
Department of Commerce
Capitol Station
Helena, MT 59620

Dear Mr. Heffner:

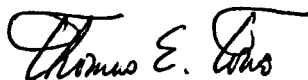
Thank you for sharing your information regarding the Micro Business Development Act with me. I have reviewed the information and do appreciate your efforts to help small businesses.

I agree completely with the focus of the Act towards small businesses in the State of Montana. I also agree completely with your concept of combining management training and oversight with small loans. The concept involved in the Act, therefore, is one that I can support and approve. You may use my endorsement for whatever purposes you wish.

I do agree that because of the low interest rate and the lack of security on the proposed loan program, a three-fourth's vote of the Legislature would be required to set aside the Micro Business Development Loan Fund. I have some concerns about the degree of interest subsidy contemplated in the bill, and I fear many Micro Business Development corporations may not have the expertise and the resources to carefully screen all loan applicants. Thus, I think we should be prepared to accept some failures. Nevertheless, I think the risk is one worth taking and, in the long run, the long-term benefits to Montana should be substantial.

Good luck!

Sincerely yours,



Thomas E. Towe

TET:mp

cc: John Vincent, Speaker of the House



HB
765-6
EXHIBIT 6
DATE 3-17-89
HB 765

GALLATIN DEVELOPMENT CORPORATION
P.O. BOX 1114
BOZEMAN, MONTANA 59771-1114
(406) 587-3113

March 15, 1989

MEMO

TO: Francis Bardanouve
House Appropriations Committee

FR: Linda Wyckoff, Executive Director *LW*

RE: House Bill #765
Microbusiness Development Act

The following is a written testimonial to be presented by Laurie Shadoan on behalf of the Gallatin Development Corporation in Bozeman to the House Appropriations Committee at 9:00 a.m. on March 17, 1989.

On behalf of the Gallatin Development Corporation, a local economic development organization with an emphasis on business recruitment and job creation in Montana, I would like to voice our support for House Bill 765.

As an economic development corporation in Bozeman, we frequently receive inquiries about sources of capital for businesses which have fewer than 10 employees and less than \$500,000.00 in gross revenue. The microbusiness finance program will enable local communities in Montana to support small businesses by providing such firms with needed capital in cases where traditional bank financing is not an option.

The Bill represents a progressive step in economic development in Montana, a recognition that microbusinesses are a significant source of job growth in our state. This appropriation is particularly appealing in that the funds will be available for reinvestment, again and again, at the community level.

We are pleased to support HB 765 and ask that the Committee give it serious consideration.

LW/jb

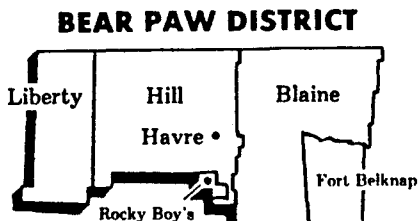
CC: John Vincent ✓
Dorothy Bradley

B
765-7

Bear Paw Development Corporation

of

Northern Montana



EXECUTIVE DIRECTOR:
Tony Preite
DEPUTY DIRECTOR:
Dick King
ADMINISTRATIVE ASSISTANT:
Jenny Morse

EXHIBIT 7
DATE 3-17-89
HB 765

P.O. BOX 1549 HAVRE, MONTANA 59501

TELEPHONE: 406-265-9226
406-265-5602

BOARD OF DIRECTORS

Dan Morse, President
Ordell Klindworth, Vice President
Robert Moog, Secretary
Ray Gehlen, Treasurer
Joe Rosette

Richard Sangrey
Raymond Parker, Jr.
Donoven Archambault
Art Rambo

Jim Coffman
Don Driscoll
Ken Stam
Rod Becker

March 15, 1989

Wade Nason
Office of the Speaker of House of Representatives
Capitol Station
Helena, MT 59620

RE: HB 765

Dear Mr. Nason:

The Bear Paw Development Corporation is a local non-profit development organization serving Hill, Blaine and Liberty Counties, and the Fort Belknap and Rocky Boys Indian Reservations. I am writing today to express our support for House Bill 765 which would create a Revolving Loan Program for small businesses with fewer than ten employees and less than \$500,000 gross income, referred to in the legislation as "microbusinesses."

Our organization has provided economic development services to our area since 1968. We are acutely aware of the needs of many local businesses for financing, management and marketing assistance. The intent of the proposed legislation is to fill a gap that currently exists in meeting these needs. It is our experience that if this gap is filled, microbusinesses will be able to create many new job opportunities in Montana.

We have recently established a Revolving Loan Program to provide risk capital and working capital to basic industries. We anticipate that our loans will average over \$100,000 per borrower. The proposed legislation, which would provide small loans up to \$20,000, would enable us to expand our loan program to include many very small businesses in all sectors of our economy including retail and commercial.

We encourage the Legislature to move forward and enact HB 765. All of Montana will benefit.

Sincerely,

Tony Preite
Executive Director

LB
765-8

EXHIBIT

DATE

HB

8
3-17-89

765

3-16-89

For Representative John Voinant

Please give favorable consideration to House Bill 765,
THE MICROBUSINESS DEVELOPMENT ACT. This bill represents
an opportunity for the very small business to get
financing in the form of market-rate loans up to
\$20,000. This type of financing is rarely available
through traditional lending sources such as banks
and/or the SBA. Thank you for voting for House Bill
765.

*Warren F Taylor
Great Falls**FAX # 452-0623*

*PS John this was sent to
Representatives Jerry Nicks
Ed Bradley & John Cobb.*

MISSOULA COUNTY

BOARD OF COUNTY COMMISSIONERS

• Missoula County Courthouse • Missoula, Montana 59802
(406) 721-5700

EXHIBIT
DATE
HB

9
3-17-89
765

BCC-89-175
March 16, 1989

Francis Bardanoue, Chairman
Appropriations Committee--Room 104
Montana House of Representatives
Capitol Station
Helena, MT 59624

Dear Chairman Bardanoue and Committee Members:

We are writing in support of HB-765, which would create the microbusiness finance program. The proposed use of \$2.2 million from the In-State Investment fund to capitalize community revolving loan funds for microbusinesses makes good business sense and is consistent with the In-State Investment Act.

The microbusiness market is not currently being served by commercial banks or other loan programs such as the SBA or the Coal Tax Loan Program. The overhead costs are too high for commercial banks to make business loans under \$25,000, the SBA loan program does not look at applications under \$100,000, and the Coal Tax Loan Program does not look at applications under \$300,000. Nevertheless, the Department of Commerce estimates that a \$37 million market exists every year for loans in the microbusiness category, and the market is failing to provide these loans. There are many microbusiness owners who are good managers with sound project ideas but who cannot find needed capital under current market conditions simply because their businesses are too small.

Missoula County has provided seed money to Montana WEDGO and the Missoula Community Business Incubator to set up a local community revolving loan fund to provide small business assistance and capital. One of the advantages we have seen in supporting this community revolving loan fund is that management training and oversight are provided to small business owners along with the capital. The prudence of this approach is evident in lower loan loss rates (according to information provided by the Department of Commerce) than average loan loss rates experienced by commercial banks. Another important advantage of this revolving loan fund from our point of view is that it provides financing for cottage industries, which produce jobs and help people move from public assistance into the job market.

BCC-89-175
March 16, 1989
Page Two

For these important reasons, we urge your support HB-765.
Thank you for your consideration of these remarks.

Sincerely,

MISSOULA BOARD OF COUNTY COMMISSIONERS


Barbara Evans, Chairman

NOT AVAILABLE FOR SIGNATURE

Janet L. Stevens, Commissioner


Ann Mary Dussault, Commissioner

BCC/lm

cc: Missoula Representatives
Gordon Morris, Executive Director
MACo

Barbara Richard
EXHIBIT 10
DATE 3-17-89
HB 765

OUTLINE

Remarks of Barbara Welch Richard
Director, PhillCo Economic Growth Council
Malta, Phillips County

My name is Barbara Welch Richard. I am a business consultant, and by contract, the Community Development Director for the City of Malta.

I want to address two aspects of House Bill 765.

1. Can small communities manage a revolving loan fund as proposed by HB765, and provide the business counselling required by the Act; and

2. Is \$20,000 enough to capitalize a viable enterprise?

1. **MANAGEMENT:** The City of Malta (pop. 2500) has developed and managed for five years a revolving loan fund comprising over 40 loans, and totalling \$600,000, plus interest. The source was Community Development Block Grants for housing rehabilitation. So far, we have not lost any of our loans, although at present there is some delinquency requiring action.

The Towns of Dodson and Saco in Phillips County are also managing revolving funds, and have a similarly low loan-loss rate.

COUNSELLING: I believe that small communities have the capacity to provide the business counselling required by HB 765. The members and officers of our Economic Growth Council are successful business people, with years of experience. The Act provides means of paying operating costs for providing this service with a paid staff. This staff would be under the direction of the directors and officers of the organization.

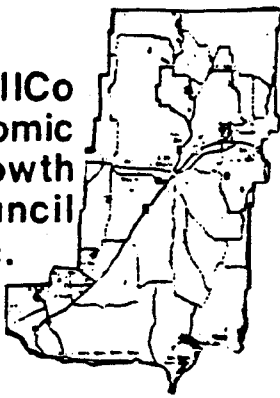
2. **CAPITAL REQUIREMENTS:** In my private business consulting activity, I am contacted by individuals wanting to start or expand their businesses. In the past two years, I have had 10 such contacts. I had to tell 9 of those that their proposed project was too small for any kind of public financing or business assistance. The financing requested was usually between \$5,000 and \$20,000.

The Department of Commerce's Small Business Development Center has filled part of the gap in management assistance, but the most common request still is small loans.

CONCLUSION: I sincerely hope that this bill will be favorably reviewed and passed, since it will fill a great need for Montana.

Thank You

PhillCo
Economic
Growth
Council
Inc.



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. . .
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. . .
. . .

BOX 1365
MALTA, MT. 59538
PHONE: 406-654-2467

LARRY THORSON, CHAIRMAN

March 15, 1989

Chairman, House Appropriations Committee
Helena, Mt. 59620

Dear Chairman:

The PhillCo Economic Growth Council strongly supports House Bill 765, the Microbusiness Development Act.

Our organization cites as a goal assistance to new and expanding business and industry. Malta has over 130 businesses, and less than 20 of these employ more than 10 people. Malta has had 10 new businesses started in the last five years with less than \$20,000 in capital for each. These businesses now employ over 20 people.

We have developed the expertise locally to manage and administer revolving loan funds. The City of Malta, the Town of Dodson and the Town of Saco all have revolving funds established by Community Development Block Grants for housing rehabilitation. The loan-loss rate is very low among these programs.

Our organization has the capacity to provide the business counselling required by the Act. Our membership comprises many successful business people who are very interested in the economic life of the community. Through the DOC Certified Cities program, we have developed the ability to assist our local businesses, especially start-ups.

We urge you to support the Microbusiness Development Act.

Sincerely,

Larry Thorson, Chairman
PhillCo Economic Growth Council

City of Malta

Malta, Montana

March 15, 1989

House Appropriations Committee
Francis Bardanouve, Chairman
Helena, Mt. 59620

Dear Committee:


The Malta City Council supports House Bill 765, the Microbusiness Development Act.

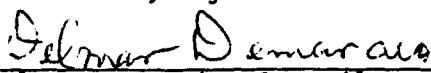
We have supported economic and community development in Malta and Phillips County for nearly ten years. We regularly fund these activities as part of the Planning Department in our City Government.

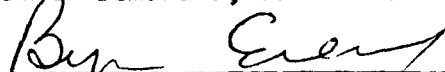
Malta has established and is managing a revolving loan fund for these purposes, generated by income from past Community Development Block Grants for Housing Rehabilitation. The program now includes nearly fifty loans to individual homeowners, totalling \$600,000, and is five years old. Our loan-loss rate so far is nil.

We believe that the PhillCo Economic Growth Council has the capacity to provide the business counselling that will be required for the Microbusiness Development Program.


Sincerely,


G.L. Adams, Mayor of Malta


Delmar Demarais, Councilman


Byron Ereaux, Councilman


Karl Harms, Councilman


Billy Crowder, Councilman

Back Room 10
EXHIBIT 3-17-F9
765
PhilCo
Economic
Growth
Council
Inc.

BOX 1365

MALTA, MT. 59538

PHONE: 406-654-2467

LARRY THORSON, CHAIRMAN

March 15, 1989

Chairman, House Appropriations Committee
Helena, Mt. 59620

Dear Chairman:

The PhillCo Economic Growth Council strongly supports House Bill 765, the Microbusiness Development Act.


Our organization cites as a goal assistance to new and expanding business and industry. Malta has over 130 businesses, and less than 20 of these employ more than 10 people. Malta has had 10 new businesses started in the last five years with less than \$20,000 in capital for each. These businesses now employ over 20 people.

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Our organization has the capacity to provide the business counselling required by the Act. Our membership comprises many successful business people who are very interested in the economic life of the community. Through the DOC Certified Cities program, we have developed the ability to assist our local businesses, especially start-ups.

We urge you to support the Microbusiness Development Act.

Sincerely,



Larry Thorson, Chairman
PhilCo Economic Growth Council

U.S. SMALL BUSINESS ADMINISTRATION

FEDERAL OFFICE BUILDING, ROOM 528

301 SOUTH PARK, DRAWER 10054

HELENA, MONTANA 59626-0054

TESTIMONY FOR MICRO BUSINESS DEVELOPMENT ACT

HOUSE BILL 765

Friday, March 17, 1989

Christison. I am Assistant District Director for Business at the Small Business Administration, where I've been employed 25 years. For 13 of those years, I worked with the existing SBA in the area of liquidation, dealing with businesses that at that time, I had an opportunity to study those businesses that over 80% fail due to lack of management ability -- namely, management of personnel, lack of marketing skills, lack of capital in general, just a lack of understanding of how to run a

Statistics show that 88% of businesses that fail do so because of the manager's lack of ability to operate the business. The exciting new legislation is that for the first time a small amount of start-up capital are tied to a training, counseling, and business

communities in Montana have programs established already for financing. Butte has the business incubator. Missoula, Bozeman have university-supported and SBA-supported Small Business Development Centers plus active SCORE chapters. Small Business Development Centers established in Helena, Glendive, and Kalispell. But, these are not coordinated with a lending program, yet they need to be. We need to provide for these people after they have received counseling and a more formalized package of financing with required training. It has proved to be effective nationally through the incubator

Statistics say 80% of businesses fail in the first 5 years. Businesses placed in an incubator environment (counseling, training, and help) have an 80% success ratio after the first five years. This is due largely to nurturing, training, counseling, and help with marketing and securing financing.

For example, the Bitterroot Local Development Corporation has been operating under these circumstances for many years and has been very successful. One of the reasons this project is more successful than some others is that the Board of Directors makes sure a business gets the financial and help from not only the Board itself but other local organizations. They are monitored closely to make sure they are able to make sure they are able to market their products and find sources of capital when they have outgrown the help available from the Development Corporation.

We receive daily requests for management assistance, management training, and all amounts of finance. Many of the businesses who come to us have a viable product, but do not have the skills to get it financed, and effectively market the product after it is

EXHIBIT 12
DATE 3-17-89
HB 765

MR. CHAIRMAN, COMMITTEE MEMBERS:

THANK YOU FOR THE OPPORTUNITY TO TESTIFY ON BEHALF OF HOUSE BILL 765 - THE MICROBUSINESS DEVELOPMENT ACT. I AM JOHN CRONHOLM, SBA DIRECTOR FOR MONTANA, AND OUR AGENCY HAS DONE SOME STUDIES WHICH MAY HELP YOU CONSIDER WHETHER OR NOT THIS LEGISLATION IS NEEDED. THE FIGURES THAT I AM GOING TO SHARE WITH YOU ARE NATIONAL STATISTICS, BUT I AM CONFIDENT THAT THEY ARE EQUALLY RELEVANT TO MONTANA. SBA'S DATA BASE SHOWS FEWER THAN 15,000 BUSINESSES WITH MORE THAN 500 EMPLOYEES, AND FEWER THAN 75,000 WITH MORE THAN 100 EMPLOYEES. IN CONTRAST, THERE ARE APPROXIMATELY 3.3 MILLION BUSINESSES WITH FROM 1 TO 19 EMPLOYEES.

USING ANOTHER SIZE CRITERIA, THERE ARE 8.4 MILLION BUSINESSES THAT FILE TAX RETURNS ON INCOMES OF LESS THAN \$25,000 PER YEAR. THESE ARE COMMONLY KNOWN AS MICRO BUSINESSES. MANY OF THESE ARE WAGE AND SALARY WORKERS WHO OPERATE A BUSINESS "ON THE SIDE," AND THEIR NUMBER HAS GROWN PHENOMONALLY IN RECENT YEARS. FROM 1979 TO 1984 THE NUMBER OF INDIVIDUALS REPORTING SUCH INCOME INCREASED BY 468%. I BELIEVE IT IS SAFE TO ASSUME THAT THIS TREND WILL CONTINUE.

WHEN WE SPEAK OF BUSINESS IN THE UNITED STATES, WE NORMALLY THINK OF A BUSINESS WITH EMPLOYEES, WITH A SPECIFIC BUSINESS LOCATION, USUALLY IN AN URBAN OR SUBURBAN LOCATION. THE REALITY IS THAT THE TYPICAL BUSINESS IN THE UNITED STATES IS A BUSINESS WITH ONE INDIVIDUAL WORKING LESS THAN FULL TIME. THE NEXT MOST COMMON BUSINESS IN THE UNITED STATES IS A SELF-EMPLOYED INDIVIDUAL WORKING FULL TIME. BUSINESSES WITH EMPLOYEES ACTUALLY REPRESENT A MINORITY OF THE TOTAL NUMBER OF BUSINESSES. EVEN THESE BUSINESSES NEED MONEY TO GET STARTED.

HOW MUCH FUNDING IS NEEDED? BECAUSE OF THEIR SIZE, THEIR START UP NEEDS ARE ACTUALLY SMALLER THAN MANY PEOPLE WOULD EXPECT. SOME 30% OF THEM APPEAR TO REQUIRE NO OUT-OF-POCKET CAPITAL INVESTMENT.

AN ADDITIONAL 40-45% OF THESE BUSINESS START UPS REQUIRE INITIAL CAPITAL OF LESS THAN \$5,000. COMBINING THESE TWO ELEMENTS, SBA ESTIMATES THAT SOME 70% OF THE ANNUAL SMALL BUSINESS START UPS REQUIRE LESS THAN \$5,000.00 IN TOTAL INITIAL CAPITAL.

AND WHERE DO THEY GET THIS MONEY? NOT SURPRISINGLY, BANKS ARE THE PREDOMINANT SOURCE OF FUNDS FOR THOSE WHO NEED TO BORROW. HOWEVER, FAMILY AND FRIENDS RATE UP THERE WITH UTILIZATION OF PERSONAL RESOURCES AS FUNDING VEHICLES.

AND THAT BRINGS US TO HB 765. MOST LENDERS WITH WHOM SBA PARTICIPATES ARE UNWILLING TO CONSIDER COMMERCIAL LOANS OF LESS THAN \$25,000. THEIR REASONS VARY, BUT MOST GO TO THE COST BENEFIT RATIO OF BOOKING SUCH A CREDIT. OUR OWN FIGURES TEND TO BEAR THIS OUT. LAST YEAR WE APPROVED 357 LOANS FOR \$48 MM, AN AVERAGE OF JUST UNDER \$135,000 PER LOAN. SMALL WONDER THAT LESS THAN 10% OF OUR LOANS FUND NEW BUSINESSES.

IN SUMMARY, IT IS MY OPINION THAT THE NEED EXISTS FOR SMALL LOANS TO FUND BUSINESS START UPS. THE MATCHING OF MANAGEMENT ASSISTANCE WITH FINANCIAL ASSISTANCE MAKES THIS LEGISLATIVE PROPOSAL EVEN MORE ATTRACTIVE AND I URGE YOUR FAVORABLE CONSIDERATION.

EXHIBIT 13
DATE 3-12-89
HB 765

TESTIMONY H.B. 765
"Microbusiness Finance Program"

Submitted by: Lynn Robson
1014 South Grand
Bozeman, Montana 59715
(406) 587-4077

5 years sole proprietor- book store
1 year partnership-computer retail
7 years JTPA program director
Developing Director, Headwater's Entrepreneur Resources,
Inc.-a micro-business incubator
Convener, Women's World Banking/Montana

Over the past several years the term "economic development" has commanded the lion's share of conversation in Montana. When we discuss tax structure education, job training, tourism, child care...you name it...somehow, those subjects all come around to "economic development". Raising revenue to provide basic services to Montana's citizens requires economic development. When we talk about developing our economy there are some basic tenets endemic to the discussion

1. Do not export jobs.
2. Do not export capital.
3. Import capital.
4. Develop community-grown employment for stability and retention of capital.
5. Extend the base of jobs and capital capture through value added enterprises.

H.B. 765 addresses these tenets and many of the issues facing the 1989 Montana Legislature. It addresses these issues through accelerating and developing something that is natural to Montana--small, community-based businesses.

In 1986 Montana invited economist David Birch to study our economy. He pointed out that Montana's growth can be attributed to small companies. Firms with 20 or fewer employees created 6,200 jobs while large firms lost 4,000 jobs. Virtually all the new jobs were created by "home-grown", local companies--3,700 in all--while firms whose headquarters were out of state cost Montana 1,500 jobs. Dr. Birch identified 256 significantly growing companies in Montana. He said that if we want to be more than a third world country, to be competitive we should have more like 2,000 significantly growing companies in Montana. Our tax base would raise, the brain drain would cease and our dismal burden of 6.5% unemployed, 10% public assistance and approximately 20% poverty-waged workers would decrease.

Other states and other programs have tested the solution proposed in this bill. Over 100 micro-business capitalization projects have been funded by the federal government with varying degrees of success--from 1% to 15% default. Even so, a far cry from the usual 50% default rate of businesses as a whole.

Last summer Jeff Rupp, Director of Bozeman Human Resources Development Corporation, Lloyd Bender Director of MSU based Survey Research Center and I visited Vermont to learn about their ten year old state micro-business capital fund. Those people very candidly shared with us the characteristics that have worked well in the program and those that did not. The capital fund was underfunded initially allowing for insignificant impact and great difficulty in growth management of the principal. Technical assistance has only existed three of the ten years eventhough the default rate is a 5% average over the ten years. This past year the program made 48 loans. All of the loans have been under \$10,000 and the managers have learned to move their clients more quickly to main-stream lending institutions.

There are many good and interesting models. In Montana over the past serveral years our communities have been developing a wide variety of technical assistance programs for micro-businesses from Butte's Community Incubator to Brownings Co-operative Marketing Enterprise. The MSU based Agriculture Extention program offers state-wide business training, the Business Assistance Division of the Montana Department of Commerce offers state-wide technical assistance, as do SCORE, the Small Business Administration, the University System Program for Excellence not to mention many private providers.

loans they can defend to their stockholders. This bill proposes public policy that is not a "safety net", but a "ladder"; it is a public/private partnership that will enable banks to increase their lower risk commercial loans and allow the public to put more people to work while building a stable tax base.

This bill addresses the need immeidately while establishing a long term solution. I urge you to pass this excellent proposal.

Roberson
EXHIBIT 14
DATE 3-17-89
HB 765



Bill & Pam Bryan's

OFF THE BEATEN PATH

PERSONAL ITINERARY PLANNING FOR THE NORTHERN ROCKIES
109 EAST MAIN STREET BOZEMAN MONTANA 59715 406.586.1311

TESTIMONY H.B. 765

"Microbusiness Finance Program"

Submitted by: Bill and Pam Bryan, Principals
Off The Beaten Path
109 E. Main
Bozeman, MT 59715
(406) 586-1311

Our business is four years old. It began operation as a travel planning service for people wanting to vacation in the Northern Rockies, with two employees and now has expanded to 6 full-time people. We are foreseeing an increase to 15 full-time equivalent in three years as our expansion plans materialize.

We support the concept of a community based microbusiness finance program because when we began our business it took us a year to capitalize our business mainly through out of state investors. We assumed local banks would not have been interested due to the experimental nature of our business and because it is a service business. An in place microbusiness program would have been useful to us and saved us thousands of dollars in expenses we incurred pursuing out of state investors. As our business expands capital is difficult to find in spite of our progress toward our business goals. A microbusiness finance program could help us greatly speed up our rate of growth. We urge you to pass this bill in order to support community based enterprise.

William L. Bryan Jr.
Paucela R. Bryan

15
3-17-89
765

GALLATIN DEVELOPMENT CORPORATION
P.O. BOX 1114
BOZEMAN, MONTANA 59711-1114
(406) 587-3113

March 15, 1989

MEMO

TO: Francis Bardanouve
House Appropriations Committee

FR: Linda Wyckoff, Executive Director *LW*

RE: House Bill #765
Microbusiness Development Act

The following is a written testimonial to be presented by Laurie Shadoan on behalf of the Gallatin Development Corporation in Bozeman to the House Appropriations Committee at 9:00 a.m. on March 17, 1989.

On behalf of the Gallatin Development Corporation, a local economic development organization with an emphasis on business recruitment and job creation in Montana, I would like to voice our support for House Bill 765.

As an economic development corporation in Bozeman, we frequently receive inquiries about sources of capital for businesses which have fewer than 10 employees and less than \$500,000.00 in gross revenue. The microbusiness finance program will enable local communities in Montana to support small businesses by providing such firms with needed capital in cases where traditional bank financing is not an option.

The Bill represents a progressive step in economic development in Montana, a recognition that microbusinesses are a significant source of job growth in our state. This appropriation is particularly appealing in that the funds will be available for reinvestment, again and again, at the community level.

We are pleased to support HB 765 and ask that the Committee give it serious consideration.

LW/jb

CC: John Vincent
Dorothy Bradley

X A
lph
EXHIBIT 16
DATE 3-17-89
HB 765, 1989

CIP - Creativity Innovation Productivity - has mailing list of 128. CIP is a local chapter to unite innovators, inventors, copyrighters, artists and those who desire to be creative for the purposes of developing creativity, creating new and better products and services, as well as marketing such products and services. All need financing in one degree or another to get their products to market and enhance the economic development of Montana, their communities and Montana Made Products.

We have on file in the RC&D office, 152 projects that have requested funding assistance - to start a business - to expand a business - to sustain a business. This funding is necessary to promote their Montana Made Products, to increase opportunities of youth, create and maintain jobs, community development, expand value added products, enhance opportunities for small businesses in the timber related industry.

Most of our requests come from the small business sector seeking funding and financing. These small businesses at the present time are limited in funding resources in the state of Montana. Since 90% of the jobs are created within the realm of small businesses, it would benefit the economy of the state of Montana to provide a

program which will benefit this area of economic development.

The majority of new jobs will be created through new businesses and expansion of existing business and industry. Local businesses are important because of their payroll, tax base and support of community activities.

It is therefore of the utmost importance and urgency that we develop a financial capital source for small and rural enterprises.

EXHIBIT 17
DATE 3-17-89
HB 765

TESTIMONY OF
Colleen Allison, Mayor of the City of Columbia Falls
Director on the Board of Flathead Economic Development Corp.
Director on the Board of North Valley Remanufacturing Network
Director on the Columbia Falls Economic Development Board

BEFORE THE HOUSE APPROPRIATIONS COMMITTEE
ON
HB 765

"MICROBUSINESS DEVELOPMENT CORPORATION GRANT PROGRAM"

Mr. Chairman, members of the Committee, for the record my name is Colleen Allison, Mayor of the City of Columbia Falls.

During my seven years as Mayor there is an ever growing need to assist the business sector in starting new business's and retaining the business community we have.

One of the areas is the need for smaller amounts of capital infusion. This is not normally available to the majority of these people. Nor, do we find assistance in management set-up.

I urge the passing of HB765 AS PRESENTED. I am sure that the need is consistent across our state.

EXHIBIT 18
DATE 3-17-89
HB 765

TESTIMONY OF
Carol Daly, Executive Director
Flathead Economic Development Corporation

BEFORE THE
House Appropriations Committee

ON
HB 765
"Microbusiness Development Corporation Grant Program"

Mr. Chairman, members of the Committee, for the record, my name is Carol Daly. I am executive director of the Flathead Economic Development Corporation, a private, non-profit organization dedicated to the promotion of business creation, expansion, and relocation to the Flathead Valley.

Since September I have counseled scores of individual entrepreneurs who are highly motivated and, frequently, very innovative, regarding their financial and technical assistance needs. Many of these people wish to begin small businesses utilizing their skills and knowledge to serve either local or national markets with a variety of services and/or products.

For most, this will be their first independent business venture. What stands between these entrepreneurs and realization of their ambitions is a lack of previous business management experience and the availability -- or lack thereof -- of small amounts of start-up or expansion capital. The purpose of HB 765 is to fill these two gaps, to couple the provision of on-going technical assistance with the access to new business capital. These gaps presently exist not because of the unwillingness of local financial institutions or economic development organizations to fill them, but because of the high cost of issuing small loans through conventional commercial lending institutions, and the lack of a tie between the lending and technical assistance processes.

The need for this program -- and the success of others like it elsewhere in the country -- will be echoed by others testifying today. The Flathead Economic Development Corporation simply lends its voice in support HB 765 as presented.

Amended
EXHIBIT Amended #1
DATE 3-17-89
HB 765

MEMO

March 15, 1989

TO: Chairman and Members, House Appropriations Committee

FR: Mike Letson, Director
Department of Commerce

RE: Proposed Amendments to HB 765

After consultation with the Governor's Office, the Department of Revenue and the Office of Budget and Program Planning, the Department of Commerce has concluded that we can support House Bill 765, if it is adopted with the attached amendments to the introduced bill.

The proposed amendments: (1) restructure the microbusiness finance program as a pilot project, limited to a maximum of three project operators, funded to a maximum of \$250,000 each, and having a sunset provision at four years from the effective date of the bill; (2) require revolving loan fund operators to set aside loan loss reserves of at least 1.5% per year of outstanding microbusiness loan balances; (3) raise the cap on individual microbusiness loans from \$20,000 to \$25,000, and raise the cap on development loans to the revolving loan fund operators from \$200,000 to \$250,000.

By starting the microbusiness finance program as a pilot project, we can take a prudent and circumspect approach to a program which draws on, and may expose to risk, trust funds that have been set aside for the benefit of future generations of Montanans. Limiting initial operations to three projects allows us to test the program design in different settings (both rural and urban), rather than committing much larger amounts of funds, on a broad scale, to an untested program. Requiring loan loss reserves provides further protection against loss of principle.

Raising the cap on microbusiness loans to \$25,000 widens the market and the scope of projects which the program can address, and sets a more realistic "break point" below which commercial loans from existing institutions become rare or unlikely. The increase in the cap on development loans to revolving loan fund operators corresponds to the increase in the maximum size of individual loans, and enables more diversification and greater security for revolving loan fund portfolios.

PROPOSED AMENDMENTS
House Bill 765

March 17, 1989
Page 1 of 42

1. Page 2, line 23
Strike: "\$20,000"
Insert: "\$25,000"

2. Page 3, line 1
Strike: "\$20,000"
Insert: "\$25,000"

3. Page 3, line 4
Strike: "\$20,000"
Insert: "\$25,000"

4. Page 11, line 20
Strike: "\$20,000"
Insert: "\$25,000"

5. Page 11, line 22
Strike: "\$20,000"
Insert: "\$25,000"

6. Page 12, line 2
Strike: "\$20,000"
Insert: "\$25,000"

7. Page 12, line 4
Strike: "\$20,000"
Insert: "\$25,000"

8. Page 6, line 20
Following: "loans."

Strike: subsection (2) in its entirety.

Insert: "(2) It is the purpose of [this act] to test the design and feasibility of a program to encourage and assist in the creation, development and finance of businesses with fewer than 10 full time equivalent employees and gross revenues of less than \$500,000 a year. The microbusiness finance program created in [Section 4] is intended as a pilot project, restricted to a maximum of three project operators, funded to a maximum of \$250,000 each, for a period of four years from the effective date of [this act], after which period repayment of funds made available under this program shall commence.

(3) It is intended that the process of certification of microbusiness development corporations and selection among competing proposals for development loans shall be an open and competitive process, allowing access to the competition to all interested communities and organizations and selecting for award of development loans those projects which are best qualified according to the criteria established under [Sections 4 through 6].

PROPOSED AMENDMENTS
House Bill 765

March 17, 1989
Page 2 of # 2

9. Page 9, line 17

Following: "loans."

Strike: "."

Insert: "; (8) requiring the establishment and maintenance of loan loss reserve funds by certified microbusiness development corporations and specifying the rate, as a percentage of principle lent in microbusiness loans, at which interest income must be set aside for loan loss reserves. However, the loan loss reserve rate may not be less than 1.5% a year."

10. Page 9, line 25.

Strike: "\$200,000"

Insert: "\$250,000"

11. Page 10, line 1

Following: "corporation."

Strike: remainder of line 1 through "\$350,000" on line 4.

12. Page 18, line 23.

Insert: "NEW SECTION. Section 13. Sunset Provision -- audit and evaluation of the microbusiness finance program -- repayment of development loans -- reversion of program funds to general fund.

(1) An audit, an analysis of costs and benefits and an evaluation of the microbusiness finance program will be conducted by the Office of the Legislative Auditor, beginning October 1, 1992, and the findings of this audit, analysis and evaluation must be reported to the Legislature no later than January 15, 1993.

(2) No development loans shall be made after June 30, 1992.

(3) All interest-only development loans made by the Department shall have terms ending no later than June 30, 1993.

(4) Amortization schedules for repayment of all development loan funds to the development loan account shall be negotiated and shall be in effect no later than June 30, 1993.

(5) All funds in the development loan account on July 1, 1993, and all funds deposited in that account after July 1, 1993, shall revert to the general fund.

(6) The microbusiness finance program shall continue in existence until June 30, 1996, for the purpose of winding up its affairs and collecting repayments of development loan funds.

(7) on July 1, 1996, or when all development loan funds have been collected or recognized as loan losses, whichever date is earlier, all funds in the microbusiness finance program administrative account shall revert to the general fund.

13. Page 18, line 24.

Renumber: Section 11.

Amendments to House Bill No.765
First Reading Copy

Qate
EXHIBIT

DATE

3/17/89

HB

765

For the Committee on House Appropriations

Prepared by LFA
March 20, 1989

1. Page 2, line 12.

Strike: "\$20,000"

Insert: "\$25,000"

2. Page 2, line 23.

Strike: "\$20,000"

Insert: "\$25,000"

3. Page 3, line 1.

Strike: "\$20,000"

Insert: "\$25,000"

4. Page 3, line 4.

Strike: "\$20,000"

Insert: "\$25,000"

5. Page 6, line 20.

Following: "loans."

Strike: subsection (2) in its entirety.

Insert: "(2) It is the purpose of [this act] to test the design and feasibility of a program to encourage and assist in the creation, development and finance of businesses with fewer than 10 full time equivalent employees and gross revenues of less than \$500,000 a year. The microbusiness finance program created in [Section 4] is intended as a pilot project, restricted to a maximum of six project operators, funded to a maximum of \$250,000 each, for a period of four years from the effective date of [this act], after which period repayment of funds made available under this program shall commence.

(3) It is intended that the process of certification of microbusiness development corporations and selection among competing proposals for development loans shall be an open and competitive process, allowing access to the competition to all interested communities and organizations and selecting for award of development loans those projects which are best qualified according to the criteria established under [Sections 4 through 6]."

6. Page 9, line 25.

Strike: "\$200,000"

Insert: "\$250,000"

7. Page 10, line 1.

Following: "corporation."

Strike: remainder of line 1 through "\$350,000" on line 4.

8. Page 11, line 20.

Strike: "\$20,000"

Insert: "\$25,000"

9. Page 11, line 22.

Strike: "\$20,000"

Insert: "\$25,000"

10. Page 12, line 2.

Strike: "\$20,000"

Insert: "\$25,000"

11. Page 12, line 4.

Strike: "\$20,000"

Insert: "\$25,000"

12. Page 18, line 10.

Strike: "\$2,200,000"

Insert: "\$1,500,000"

13. Page 18, following line 23.

Insert: "NEW SECTION. Section 11. Sunset Provision -- audit and evaluation of the microbusiness finance program -- repayment of development loans -- reversion of program funds to general fund.

(1) An audit, an analysis of costs and benefits and an evaluation of the microbusiness finance program will be conducted by the Office of the Legislative Auditor, beginning October 1, 1992, and the findings of this audit, analysis and evaluation must be reported to the Legislature no later than January 15, 1993.

(2) No development loans shall be made after June 30, 1992.

(3) All interest-only development loans made by the Department shall have terms ending no later than June 30, 1993.

(4) Amortization schedules for repayment of all development loan funds to the development loan account shall be negotiated and shall be in effect no later than June 30, 1993.

(5) All funds in the development loan account on July 1, 1993, and all funds deposited in that account after July 1, 1993, shall revert to the general fund.

(6) The microbusiness finance program shall continue in existence until June 30, 1996, for the purpose of winding up its affairs and collecting repayments of development loan funds.

(7) on July 1, 1996, or when all development loan funds have been collected or recognized as loan losses, whichever date is earlier, all funds in the microbusiness finance program administrative account shall revert to the general fund."

Renumber subsequent sections.

4401
HB 76
EXHIBIT 1
DATE 3-17-89
HB 763

House Bill 763
IN-HOME SERVICES

In-home Services\$250,000 a year

The Aging Services Bureau contracts with Montana's 11 Area Agencies on Aging to develop services for the elderly that maximize independence and help them remain in their own homes -- services such as home delivered meals, homemaker and home chore services, personal care, skilled nursing, home health aides, medically related transportation, respite care, physical therapy and health screening.

A 1985 study prepared for the U.S. Congress indicates that, nationally, 20 percent of people over age 65 are at risk. In FY 88, the Area Agencies on Aging provided in-home services to 7,093 older Montanans. However, if 20 percent of the approximately 120,000 older Montanans are at risk, there are some 24,000 who could potentially need in-home services. In 1987, six of the 11 Area Agencies estimated that 25 percent of their in-home clients were at risk without access to the in-home services program. Given the cost of institutionalization, the provision of in-home services makes good economic sense.

A number of factors will make in-home services even more vital in the years ahead. More elderly citizens and dramatic increases in health care costs will increase the demand for in-home services. Trends toward earlier hospital discharges and families and friends living further apart will further increase the need for home care. Montana's rural nature makes it more difficult to provide services in our smaller communities, especially given the reduction in county home-attendant staff made by the 1985 Special Legislative Session.

To receive state funded in-home services, older Montanans must qualify for one or more of the following: advanced age (75 or older), living alone, without transportation, moderate to low income, and one or more chronic diseases that limit the performance of daily activities.

EXHIBIT 2
DATE 3-17-89
HB 763

M O N T A N A

5th LEGACY LEGISLATURE

March 17, 1989

TO: House Appropriations Committee

FROM: Fred Patten, President 5th Legacy Legislature

RE: HB No. 763 -- "AN ACT TO APPROPRIATE FUNDS TO
PROVIDE ADDITIONAL IN-HOME SERVICES FOR THE AGING."

In-home services were initiated in 1980 and have been provided each year since in only a few areas of Montana. In 1986 the state expended approximately \$282,568 to serve 850 seniors needing in-home services. Many more seniors are in need of these services to be able to remain independent and in their own homes. Additional funding for these services is vitally needed.

In-home services help keep people independent and able to remain in their own homes longer -- a preferable alternative to nursing home care. Inclusion of \$500,000 in additional funding in the 1989 budget would provide in-home services for more seniors in more areas of Montana.

We urge your support of House Bill 763.

(See attachments.)

IN-HOME SERVICES VS NURSING HOME CARE

Conservatively estimated, an investment of \$250,000 in in-home services could prevent the higher cost of \$12,536,548.

COST OF NURSING HOME CARE IN MONTANA: (Based upon information from the Department of SRS-Medicaid Bureau)

The average expenditure for a days stay in a long-term care facility (nursing home) for the Medicaid Program is estimated to be \$27.95 per day or \$10,200 per year. The average total cost (State Medicaid, Social Security, personal resources) is estimated to be \$50 or \$18,250 per year.

IN-HOME SERVICES POPULATION SERVED:

The "at risk" elderly population, have one or more of these characteristics:

Advanced age (75 and older).

Living alone.

Lacking transportation.

Moderate to low income.

One or more chronic diseases that cause some limitation in the performance of daily living.

In 1986 the Aging Services Network surveyed the various contractors to estimate the number of clients are at risk of early institutionalization without access to in-home services. This survey and national surveys conducted on the risk of institutionalization estimated that between 20 to 25% of the 65 plus population were at risk. A conservative estimate is that 24,000 of Montana's 120,000 elderly population are at risk of early institutionalization.

COST COMPARISONS BETWEEN IN-HOME SERVICES AND NURSING HOME CARE:

Based upon current data on the provision of in-home services, the average cost per client is \$364. More than 7,000 senior citizens are now being served. Of these 7,000 seniors, we estimate that over one third receive two or more services in their home. This is consistent with national trends which indicate that the aging population being served in their homes is older and sicker than in previous years, and in need of a greater mix of services to maintain their independence.

An additional investment in in-home services of \$250,000 can serve approximately 687 senior citizens at the FY88 rate of \$364 per client. If these same seniors were to require nursing home care, the cost to the state Medicaid Program would be at least \$7,007,400, based upon the average expenditure of \$10,200 per year. The cost to the senior citizen, family, and Social Security could be an additional \$22.05 per day or an additional \$5,529,148 per year.

Conservatively estimated, an investment of \$250,000 could prevent the higher cost of \$12,536,548.

IN-HOME SERVICES
MONTANA'S AGING SERVICES NETWORK
1987 AND 1988

SERVICE	FY87			FY88		
	UNITS	CLIENTS	UNIT COST	UNITS	CLIENTS	UNIT COST
HOME CHORE	16,487	652	7.35	7,024	566	6.18
HOME DEL. MEALS	332,336	6,039	3.38	501,492	7,098	2.83
HOME HEALTH AIDE	11,449	552	11.77	8,391	319	9.52
HOMEMAKER	77,912	2,784	7.34	93,268	3,293	7.99
HEALTH SCREENING	22,165	4,096	1.61	17,232	4,132	5.07
MED TRANSPORT	5,973	4,532	2.40	1,553	450	6.49
PERSONAL CARE	14,201	1,004	10.79	12,543	1,103	8.86
PHYSICAL THERAPY	216	90	20.83	97	48	46.39
RESPIRE CARE	3,245	47	3.04	3,079	59	2.78
SKILL NURSING	2,486	907	15.88	1,538	217	36.29
TELE. REASSURANCE	3,924	47	4.40	17,150	233	.65
TOTAL UNITS	540,394			663,367		
AVER. COST/UNIT	\$4.40			\$3.89		
TOTAL CLIENTS	6,039			7,098		
AVER. COST/CLIENT	\$394			\$364		

EXPENDITURES

TOTAL FUNDS	\$2,378,870		\$2,590,065
FEDERAL	1,141,858 (48%)		1,217,330 (47%)
STATE	356,830 (15%)		362,609 (14%)
LOCAL	499,563 (21%)		569,814 (22%)
CLIENT CONT.	389,619 (16%)		440,312 (17%)

PROJECTIONS OF ADDITIONAL FUNDING (BASED UPON AVERAGE COST IN FY88)

ADDITIONAL \$50,000/YEAR

137 CLIENTS (SENIOR CITIZENS)
12,853 UNITS OF SERVICE
OR
17,668 HOME DELIVERED MEALS
OR
6,250 UNITS OF HOMEMAKER SERVICES

ADDITIONAL \$250,000/YEAR

685 CLIENTS (SENIOR CITIZENS)
64,265 UNITS OF SERVICE
OR
88,340 HOME DELIVERED MEALS

4B 763 2
EXHIBIT 13-17-89
DATE 143
HB
Senior Helping Hands Program

7 North 35th Street

Billings, Montana 59101

(406) 259-3111

March 15, 1989

"BE IT EVER SO HUMBLE, THERE'S NO PLACE LIKE HOME"

The decision to live independently in your own home for the duration of life is not always a choice given to us. We do recognize, of course, that there are some physical or mental conditions that are to serve for it to be safe living at home without constant care. However the percentage of the elderly who fall in this category is small, only 2% to 4%. The remaining 96 to 98% of our elderly population is capable of living at home, some with intermittent care, others without assistance of any kind. The goal of the State In Home Services is to assist in preserving the independence and dignity to the frail elderly that need a small amount of help.

In the AREA II AGENCY on aging we served in 1987-1988 1070 different Aeniors with 24,920 hours of service for homemaking, house chores personal care, respite care, and skilled nursing plus 3102 persons with 10,166 Health Screening, and so far in 1988-89 have served 518 different Seniors with 7,928 hours of service with 3,541 elder receiving 4,885 HOURS OF HEALTH SCREENING and 3,642 receiving outreach for 16,661 hours of service.

I would like at this time to read you a letter from a client that tells you what in home services mean to our elderly.

We do not duplicate Medicaid Waiver in our area, as the elderly being served are those that are noteligible for Medicaid Waiver and cannot afford private pay.

There is nothing more heart breaking than to tell a 90 year old person that you have to put them on a waiting list because most of them do not ask for help unless and until it is necessary.

This program not only benefits the frail elderly, but benefits the Taxpayers in that a person with 2 to 3 hours of help at home costs on the average of \$16 to \$24 per day, one time a week, while without this help they would be in a Nursing Home or other facility which could cost \$55 up to \$75 a day. The elserly who own their homes remain on tax roles, also many of these folks, because of health reasons need this help still have much in the way of knowledge and skills that they can share with younger persons.

We have been able to help many Seriors to live in dignity and independence for eight (8) to ten (10) years.

I would sincerely ask you on behalf of the wonderful Senior Citizens in the State of Montana who built our wonderful State to help them maintain this dignity and independence that they all treasurer.

3-11-'88

Dear Mrs. Crow,

I don't know how to thank you for all the wonderful help you have given - and are giving to me now.

My husband passed away Dec. 17, '87. There was a time he was so very ill and I couldn't get him in a nursing hom as the Dr. had advised as there were no beds available at that time. I had had several very difficult surgeries and was not very well myself, but I had to take care of him at home. I'm sure I could not have done it without your "helping hands". I finally was able to get him in a nursing home.

Due to all of our illness's our money just seemed to melt away. I was able to pay my way at that time however.

Now I find that since he passed away I have been very ill the past few months and needed help and couldn't afford it. I called you - and you and your "helping hands" were there for me. Also I'm sure for many others in my situation. What a Blessing! I have not been able to do much housework and the dear lady you sent me is so wonderful, so cheerful and is giving me the help I desperately need with the housework! At this ~~this~~ time I can only thank you from the bottom of my heart and God Bless You All!

My Grateful Thanks,

Ginger Bolster

Dear Ms. Crow:

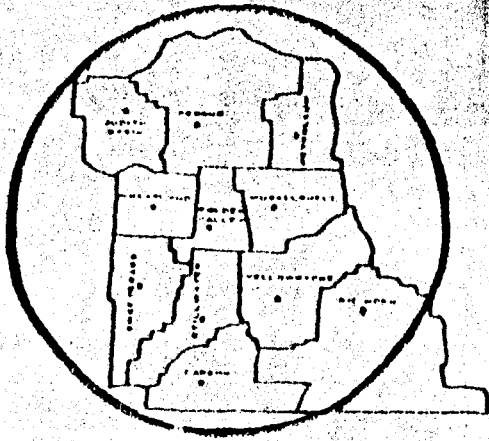
I would like to thank the Senior Helping Hand Organization for the Homemaker's Service.

I am a 64 year old disabled, single woman, with a pulmonary disease which greatly limits my activities. I am no longer able to do some of the household chores that must be done. I appreciate very much, the services of a very nice young woman who comes into my apartment and does these chores for me. I am on a fixed income and would not be financially able to hire regular household help at the minimum wage. I am able to care for myself, so this service enables me to live in my own home and enjoy the independence we all desire. Thank you all, again. Your help is a great blessing to me.

Sincerely,

Vona

Vona Weishaar
2 Bear Paw
1301 Industrial Ave.
Billings, Montana
59101



AREA AGENCY ON AGING MONTANA - AREA II

2031 HEWITT DRIVE
BILLINGS, MONTANA 59102
PHONE (406) 656-6746

March 15, 1989

IN HOME SERVICE

The eleven (11) Counties we serve are: Big Horn, Golden Valley, Carbon, Wheatland, Yellowstone, Sweetgrass, Stillwater, Fergus, Judith Basin, Petroleum, Musselshell.

The age group we serve are from sixty (60) years to the largest group, the frail eighty (80) and ninety (90) year olds.

Most people we serve are low income women living alone and generally few or no relatives.

People we serve are low-income and have many medical problems, are in need of home service to keep them there.

Twenty five (25) percent of the budget comes from voluntary donations.

It is a proven fact that in-home service has kept many elderly at home, out of nursing homes and out of non-licensed facilities, in the long run saving Medicaid funds.

People are happiest in their own environment.

Demands on in home service are not being met as far as funding goes, we have a waiting list for the frail elderly.

The in-home program is one of the best investments of Public funds because it allows the Elderly Person who doesn't need twenty four hr care to stay in their own home, saves taxpayers dollars, as in home service averages \$8.00 per two (2) hour visit, compared to \$55.00 per day for those who are in an institution. It allows the home owner to remain on the tax roll, the most important reason, it allows them to preserve their INDEPENDENCE and DIGNITY.

S. J. STAN ROGERS
AREA 11 ADVOCATE FOR
SENIOR CITIZENS

464
NB 763

EXHIBIT 4
DATE 3-17-89
HB 763

SENIOR HELPING HANDS PROGRAM INC.

**Provides
In-Home
Service for
Senior
Citizens**



7 North 35th Street
Billings, Montana
59101
(406) 259-3111

EXHIBIT 63 S
DATE 3-17-89
HB 763



1988-1989
MONTANA STATE LEGISLATIVE COMMITTEE

CHAIRMAN
Mrs. Molly L. Munro
4022 6th Avenue South
Great Falls, MT 59405
(406) 727-5604

SECRETARY
Mr. John C. Bower
1405 West Story Street
Bozeman, MT 59715
(406) 587-7535

March 17, 1989

TO: The House Appropriations Committee

FROM: Le Dean Lewis, American Association of Retired Persons

RE: House Bill No. 763
Additional In-Home Services For The Aging

Roughly two-thirds of our older persons require long-term care assistance. The need for assistance with personal care and basic activities of daily living increases dramatically with age. Our nation's health care needs have changed, it is now as important to insure against the risk of chronic illness as that of acute illness. In-home services must be made available when the need for personal care and assistance in daily living activities, are needed.

As individuals age, they require a range of personal, social and supportive services. Such services make it possible for them to remain a vital part of their communities. Providing in-home services help people live independently and maintain self-sufficiency and often prevent premature or unnecessary institutionalization, especially those in rural areas.

The population aged 75 and over is projected to grow by 51% from 1980 to 2005. While individuals in this group are clearly at risk of becoming institutionalized, they can live independently in their own communities when provided with appropriate services.

The really important point to keep in mind, is what this bill will do for our senior population. Montana in many ways is still "the old west". You have to have had, a stout and hardy character to survive the ever-changing seasons and when we reach this final season of life and need help, a dollar amount cannot be put on the emotional and physical needs of our seniors.

Let's in fact, work harder and find more ways to step out in Montana and be a leader in long-term care for our aging population.

The American Association of Retired Persons strongly urges your passage of HB-763.

American Association of Retired Persons 1909 K Street, N.W., Washington, D.C. 20049 (202) 872-4700

Louise D. Crooks *President*

Horace B. Deets *Executive Director*

ofh 6
HB 763

EXHIBIT 6
DATE 3-17-89
HB 763

HOUSE BILL 763
IN HOME SERVICES FOR THE ELDERLY

THE ADVISORY AND EXECUTIVE BOARDS OF THE AREA V AGENCY ON
AGING - ANACONDA SUPPORT HOUSE BILL 763.

THIS APPROPRIATION WILL ALLOW THIS AGENCY TO RENDER SERVICE
TO AN ADDITIONAL 110 FRAIL, AT RISK ELDERLY WHO COULD BE
INSTITUTIONALIZED WITHOUT IN-HOME SUPPORT.

WE ARE IN FAVOR OF AND URGE YOU TO SUPPORT HB 763.

440
433
EXHIBIT 1
DATE 3-17-89
HB 433

AMENDMENTS TO HOUSE BILL NO. 433

1. Page 1, Line 16
Following: "of"
Strike: "15"
Insert: "9"
2. Page 1, Line 18
Following: "(a)"
Strike: "two"
Insert: "one"
3. Page 1, Line 20
Following: "(b)"
Strike: "two"
Insert: "one"
4. Page 1, Line 22
Following: "(c)"
Strike: "two"
Insert: "one"
5. Page 1, Line 24
Following: "(d)"
Strike: "two"
Insert: "one"
6. Page 2, Line 1
Following: "(e)"
Strike: "three"
Insert: "two"
7. Page 2, Line 3
Following: "(f)"
Strike: "three"
Insert: "two"
8. Page 2, Line 7
Following: "than"
Strike: "two"
Insert: "one"
9. Page 2, Line 22
Following: "least"
Strike: "quarterly"
Insert: "four times in the course of the study"
10. Page 3, Line 23
Following: "least"
Strike: "eight"
Insert: "five"

11. Page 4, Line 7

Following: "appropriated"

Strike: "\$8,000 to the Montana Historical Society for the biennium ending June 30, 1991, for use by the commission."

Insert: "\$9,019 to the Montana Historical Society from the Accomodations Tax allocated to the Montana Historical Society (MCA 15-65-121) for the biennium ending June 30, 1991, for the use of the commission."

VISITORS' REGISTER

Appropriation COMMITTEE

BILL NO. 717

DATE 3-17-89

SPONSOR Grinde

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Appropriations COMMITTEE

DATE _____

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

COMMITTEEBILL NO. 83 4/11

DATE _____

SPONSOR Age

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Phil Campbell	MEA		X

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

COMMITTEE

BILL NO. HB 768DATE MARCH 17, 1989

SPONSOR _____

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
JUDY WEAVER	100 HERITAGE DR BOZ	✓	
Beatrice Taylor	6415 Bostwick Rd BZN	✓	
Audrey O'Connell	303 S. Bozeman BZN	✓	
Joyce M. Grande	Lemay / Mardonsdale	✓	
Ann Thore	Bozeman, MT	✓	
Suzie Judge	Helena, MT	✓	
Laurie Shardon	Bozeman Chamber	X	
Jim Twissler	MT CHAMBER COM	✓	
Teil Dodge	Headwaters RCN	X	
John Rogers	FDA-Helen	X	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

COMMITTEE

BILL NO. HB 765DATE March 17, 1989

SPONSOR _____

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
DAVID W. MARTIN	DEER LODGE	✓	
Bob Heffner Dpt of Commerce	Helena	✓	
Laurie Shadon	Bozeman Chamber	X	
Quinn Twiler	MT CHAMBER COM	✓	
Daniel Kemmis	Missoula	✓	
Bob Panchich	Helena	✓	
GARY MASON	CORVALLIS	✓	
Judy Smith	MSLA	✓	
Bell/Kumrace	MSLA	✓	
Jerry Christson SBA.	Helena Mt	✓	
Raymond	Bozeman	✓	
Chirley (Wings)	Bozeman	✓	
Ann Prowske	MAPP	✓	
Ted Sledge	Headwaters RC&D	✓	
Wesley Buason	Headwaters RC		
Cliff Napp	HROC Boz	✓	
JOHN FITZ	BRVDC	✓	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

Appropriations COMMITTEE

BILL NO. 761DATE 3-17-89SPONSOR Rep. Moore

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Jim Gillett	Clancy, MT ^{Elkhorn} Search & Rescue	X	
Ralph DeCunzio	Clancy MT	X	
Dan Hawkins	Helena, MT	X	
Chuck O'Reilly	Mt. Shasta & Peace Officers	X	
DAVE KOSTECKI	Box 2581 Missoula	X	
Don Leah	516 So 6 St Butte	X	
Bob Christen	1814 Tracy Ave	X	
David Bell	2605 Arcadia MS LA	X	
Kip Smith	Clancy, MT	X	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

10/2

DATE March 17-1989

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

COMMITTEE

BILL NO.

HB 763

DATE

3/17

SPONSOR

Addy

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
JUDITH CARLSON	MSCA	HB 763	
JANE ANDERSON	ANACONDA ANG. ✓	✓	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

APPROPRIATIONS

COMMITTEE

BILL NO. HB 739DATE 17 MAR 89SPONSOR BOHARSKI

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
BOHARSKI	HD 4	✓	
PATTERSON	HD 97	✓	
Janie Dippy	Montana Inkysen	✓	

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

ROLL CALL VOTE

HOUSE APPROPRIATIONS COMMITTEE
 DATE 3/17/89 BILL NO. 433 NUMBER 1

NAME	AYE	NAY
REPRESENTATIVE SPAETH		
REPRESENTATIVE PECK		
REPRESENTATIVE IVERSON	✓	
REPRESENTATIVE SWIFT		✓
REPRESENTATIVE OUILICI	✓	
REPRESENTATIVE BRADLEY	✓	
REPRESENTATIVE PETERSON		✓
REPRESENTATIVE MARKS		✓
REPRESENTATIVE CONNELLY	✓	
REPRESENTATIVE MENAHAN	✓	
REPRESENTATIVE THOFT		✓
REPRESENTATIVE KADAS		
REPRESENTATIVE SWYSGOOD	✓	
REPRESENTATIVE KIMBERLEY	✓	
REPRESENTATIVE NISBET	✓	
REPRESENTATIVE COBB		✓
REPRESENTATIVE GRINDE		
REPRESENTATIVE CODY	✓	
REPRESENTATIVE GRADY	✓	
REPRESENTATIVE BARDANOUE	✓	

TALLY

11 5

Sylvia Kinsey
Secretary

Representative Bardanoue
Chairman

MOTION: Reconsider

ROLL CALL VOTE

HOUSE APPROPRIATIONS

COMMITTEE

DATE 3/17/89 BILL NO. 433 NUMBER 2

NAME	AYE	NAY
REPRESENTATIVE SPAETH		
REPRESENTATIVE PECK		
REPRESENTATIVE IVERSON		✓
REPRESENTATIVE SWIFT		✓
REPRESENTATIVE OUILICI	✓	
REPRESENTATIVE BRADLEY		✓
REPRESENTATIVE PETERSON		✓
REPRESENTATIVE MARKS		✓
REPRESENTATIVE CONNELLY	✓	
REPRESENTATIVE MENAHAN	✓	
REPRESENTATIVE THOFT		✓
REPRESENTATIVE KADAS		
REPRESENTATIVE SWYSGOOD		✓
REPRESENTATIVE KIMBERLEY	✓	
REPRESENTATIVE NISBET	✓	
REPRESENTATIVE COBB		✓
REPRESENTATIVE GRINDE		✓
REPRESENTATIVE CODY		✓
REPRESENTATIVE GRADY	✓	
REPRESENTATIVE BARDANOUE	✓	

TALLY

7 10

Sylvia Kinsey
Secretary

Representative Bardanoue
Chairman

MOTION: 433 Be amended - Do Pass.

filed

ROLL CALL VOTE

HOUSE APPROPRIATIONS

COMMITTEE

DATE 3/17/89BILL NO. SB 308NUMBER 3

NAME	AYE	NAY
REPRESENTATIVE SPAETH		
REPRESENTATIVE PECK		✓
REPRESENTATIVE IVERSON		
REPRESENTATIVE SWIFT	✓	
REPRESENTATIVE OUILICI		✓
REPRESENTATIVE BRADLEY		✓
REPRESENTATIVE PETERSON	✓	
REPRESENTATIVE MARKS		✓
REPRESENTATIVE CONNELLY		✓
REPRESENTATIVE MENAHAN		✓
REPRESENTATIVE THOFT	✓	
REPRESENTATIVE KADAS		
REPRESENTATIVE SWYSGOOD		✓
REPRESENTATIVE KIMBERLEY		✓
REPRESENTATIVE NISBET		✓
REPRESENTATIVE COBB		✓
REPRESENTATIVE GRINDE		
REPRESENTATIVE CODY		✓
REPRESENTATIVE GRADY		✓
REPRESENTATIVE BARDANOUVE		✓

TALLY

3Sylvia Kinsey
SecretaryRepresentative Bardanouve
ChairmanMOTION: 308Do Passfailed

4

ROLL CALL VOTE

HOUSE APPROPRIATIONS

COMMITTEE

DATE 3/17/89 BILL NO. 716 NUMBER 4

NAME	AYE	NAY
REPRESENTATIVE SPAETH		
REPRESENTATIVE PECK		
REPRESENTATIVE IVERSON	✓	
REPRESENTATIVE SWIFT	✓	
REPRESENTATIVE OUILICI		✓
REPRESENTATIVE BRADLEY	✓	
REPRESENTATIVE PETERSON	✓	
REPRESENTATIVE MARKS		✓
REPRESENTATIVE CONNELLY	✓	
REPRESENTATIVE MENAHAN		✓
REPRESENTATIVE THOFT	✓	
REPRESENTATIVE KADAS		
REPRESENTATIVE SWYSGOOD	✓	
REPRESENTATIVE KIMBERLEY		✓
REPRESENTATIVE NISBET		✓
REPRESENTATIVE COBB	✓	
REPRESENTATIVE GRINDE		
REPRESENTATIVE CODY		✓
REPRESENTATIVE GRADY	✓	
REPRESENTATIVE BARDANOUVE		✓

TALLY

9 7

Sylvia Kinsey
Secretary

Representative Bardanouve
Chairman

MOTION:

7/6

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Pansu

ROLL CALL VOTE

HOUSE APPROPRIATIONS

COMMITTEE

DATE 3/17/85

BILL NO. 282

NUMBER 5

NAME	AYE	NAY
REPRESENTATIVE SPAETH		
REPRESENTATIVE PECK		
REPRESENTATIVE IVERSON	✓	
REPRESENTATIVE SWIFT	✓	✓
REPRESENTATIVE OUILICI	✓	
REPRESENTATIVE BRADLEY	✓	
REPRESENTATIVE PETERSON	✓	
REPRESENTATIVE MARKS	✓	
REPRESENTATIVE CONNELLY	✓	
REPRESENTATIVE MENAHAN		✓
REPRESENTATIVE THOFT	✓	
REPRESENTATIVE KADAS		
REPRESENTATIVE SWYSGOOD	✓	
REPRESENTATIVE KIMBERLEY		✓
REPRESENTATIVE NISBET		✓
REPRESENTATIVE COBB	✓	
REPRESENTATIVE GRINDE		
REPRESENTATIVE CODY		✓
REPRESENTATIVE GRADY	✓	
REPRESENTATIVE BARDANOUE	✓	

TALLY

Sylvia Kinsey
Secretary

Representative Bardanouve
Chairman

MOTION: Do not pass

Pass

ROLL CALL VOTE

HOUSE APPROPRIATIONS

COMMITTEE

DATE 3/17/85 BILL NO. 759 NUMBER 6

NAME	AYE	NAY
REPRESENTATIVE SPAETH		
REPRESENTATIVE PECK		
REPRESENTATIVE IVERSON	✓	
REPRESENTATIVE SWIFT	✓	
REPRESENTATIVE OUILICI	✓	
REPRESENTATIVE BRADLEY		✓
REPRESENTATIVE PETERSON	✓	
REPRESENTATIVE MARKS	✓	
REPRESENTATIVE CONNELLY	✓	
REPRESENTATIVE MENAHAN	✓	
REPRESENTATIVE THOFT	✓	
REPRESENTATIVE KADAS		
REPRESENTATIVE SWYSGOOD	✓	
REPRESENTATIVE KIMBERLEY		✓
REPRESENTATIVE NISBET	✓	
REPRESENTATIVE COBB		✓
REPRESENTATIVE GRINDE		✓
REPRESENTATIVE CODY	✓	
REPRESENTATIVE GRADY	✓	
REPRESENTATIVE BARDANOIVE		✓

TALLY

✓ 6

Sylvia Kinsey
Secretary

Representative Bardanouve
Chairman

MOTION:

NB 759

Do Pass Nisbett

passed

7

ROLL CALL VOTE

HOUSE APPROPRIATIONS COMMITTEE
 DATE 3/17 BILL NO. 277 NUMBER 7

NAME	AYE	NAY
REPRESENTATIVE SPAETH		
REPRESENTATIVE PECK		
REPRESENTATIVE IVERSON		✓
REPRESENTATIVE SWIFT		✓
REPRESENTATIVE OUILICI	✓	
REPRESENTATIVE BRADLEY	✓	
REPRESENTATIVE PETERSON		✓
REPRESENTATIVE MARKS		✓
REPRESENTATIVE CONNELLY	✓	
REPRESENTATIVE MENAHAN	✓	
REPRESENTATIVE THOFT		✓
REPRESENTATIVE KADAS		
REPRESENTATIVE SWYSGOOD		✓
REPRESENTATIVE KIMBERLEY	✓	
REPRESENTATIVE NISBET	✓	
REPRESENTATIVE COBB		✓
REPRESENTATIVE GRINDE		✓
REPRESENTATIVE CODY	✓	
REPRESENTATIVE GRADY	✓	
REPRESENTATIVE BARDANOUVE	✓	

TALLY

9 8

Sylvia Kinsey
Secretary

Representative Bardanouve
Chairman

MOTION:

None to Table

No Pass as Am

Passed

ROLL CALL VOTE

HOUSE APPROPRIATIONS

COMMITTEE

DATE 3/17/89

BILL NO.

500

NUMBER

8

NAME	AYE	NAY
REPRESENTATIVE SPAETH		
REPRESENTATIVE PECK		
REPRESENTATIVE IVERSON	✓	
REPRESENTATIVE SWIFT	✓	
REPRESENTATIVE OUILICI		✓
REPRESENTATIVE BRADLEY		✓
REPRESENTATIVE PETERSON	✓	
REPRESENTATIVE MARKS	✓	
REPRESENTATIVE CONNELLY		✓
REPRESENTATIVE MENAHAN		✓
REPRESENTATIVE THOFT	✓	
REPRESENTATIVE KADAS		
REPRESENTATIVE SWYSGOOD	✓	
REPRESENTATIVE KIMBERLEY		✓
REPRESENTATIVE NISBET		✓
REPRESENTATIVE COBB	✓	
REPRESENTATIVE GRINDE	✓	
REPRESENTATIVE CODY		✓
REPRESENTATIVE GRADY	✓	
REPRESENTATIVE BARDANOUVE	✓	

TALLY

10

7

Sylvia Kinsey

Secretary

Representative Bardanouve

Chairman

MOTION:

Table

Passed

9

ROLL CALL VOTE

HOUSE APPROPRIATIONS

COMMITTEE

DATE 3/17/89

SB

BILL NO.

95

NUMBER

9

NAME	AYE	NAY
REPRESENTATIVE SPAETH		
REPRESENTATIVE PECK		
REPRESENTATIVE IVERSON		✓
REPRESENTATIVE SWIFT	✓	
REPRESENTATIVE OUILICI		✓
REPRESENTATIVE BRADLEY		✓
REPRESENTATIVE PETERSON		✓
REPRESENTATIVE MARKS	✓	
REPRESENTATIVE CONNELLY	✓	
REPRESENTATIVE MENAHAN	✓	
REPRESENTATIVE THOFT	✓	
REPRESENTATIVE KADAS		
REPRESENTATIVE SWYSGOOD	✓	
REPRESENTATIVE KIMBERLEY		✓
REPRESENTATIVE NISBET		✓
REPRESENTATIVE COBB		✓
REPRESENTATIVE GRINDE		
REPRESENTATIVE CODY	✓	
REPRESENTATIVE GRADY	✓	
REPRESENTATIVE BARDANOUE	✓	

TALLY

9 7

Sylvia Kinsey
SecretaryRepresentative Bardanouve
Chairman

MOTION:

Amend to 27

Passed

ROLL CALL VOTE

HOUSE APPROPRIATIONS

COMMITTEE

DATE 3/17/89

BILL NO. 329

NUMBER 10

NAME	AYE	NAY
REPRESENTATIVE SPAETH		
REPRESENTATIVE PECK		
REPRESENTATIVE IVERSON	✓	
REPRESENTATIVE SWIFT	✓	
REPRESENTATIVE OUILICI	✓	
REPRESENTATIVE BRADLEY	✓	
REPRESENTATIVE PETERSON	✓	
REPRESENTATIVE MARKS	✓	
REPRESENTATIVE CONNELLY	✓	
REPRESENTATIVE MENAHAN	✓	
REPRESENTATIVE THOFT		✓
REPRESENTATIVE KADAS		
REPRESENTATIVE SWYSGOOD	✓	
REPRESENTATIVE KIMBERLEY	✓	
REPRESENTATIVE NISBET	✓	
REPRESENTATIVE COBB		✓
REPRESENTATIVE GRINDE		✓
REPRESENTATIVE CODY	✓	
REPRESENTATIVE GRADY	✓	
REPRESENTATIVE BARDANOUE	✓	

TALLY

14 3

Sylvia Kinsey
Secretary

Representative Bardanouve
Chairman

MOTION:

Do Pass

Pass

ROLL CALL VOTE

HOUSE APPROPRIATIONS

COMMITTEE

DATE 3/17/85BILL NO. 640

NUMBER

11

NAME	AYE	NAY
REPRESENTATIVE SPAETH		
REPRESENTATIVE PECK		
REPRESENTATIVE IVERSON	✓	
REPRESENTATIVE SWIFT	✓	
REPRESENTATIVE OUILICI		✓
REPRESENTATIVE BRADLEY		✓
REPRESENTATIVE PETERSON	✓	
REPRESENTATIVE MARKS	✓	
REPRESENTATIVE CONNELLY		✓
REPRESENTATIVE MENAHAN		✓
REPRESENTATIVE THOFT	✓	
REPRESENTATIVE KADAS		
REPRESENTATIVE SWYSGOOD	✓	
REPRESENTATIVE KIMBERLEY		✓
REPRESENTATIVE NISBET		✓
REPRESENTATIVE COBB	✓	
REPRESENTATIVE GRINDE	✓	
REPRESENTATIVE CODY		✓
REPRESENTATIVE GRADY		✓
REPRESENTATIVE BARDANOUE	✓	

TALLY

9 8

Sylvia Kinsey
Secretary

Representative Bardanoue
Chairman

MOTION:

Sub Motion Marks - tablepassed