

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

HOUSE COMMITTEE ON BUSINESS & ECONOMIC DEVELOPMENT

Call to Order: By Sen. Thayer, on April 12, 1989, at 10:00 a.m.

ROLL CALL

Members Present: All with the exception of:

Members Excused: None

Members Absent: Reps. Glaser and Thomas

Staff Present: Sue Pennington

Announcements/Discussion: Rep. Pavlovich said this is a joint committee meeting with the Senate Business & Industry Committee.

HEARING ON SENATE BILL 472

Presentation and Opening Statement by Sponsor:

Sen. Gene Thayer said that because it is getting late in the session and the bill was introduced late, this is a good way for both committees to save time and speed this bill on its way, hopefully. Since I am going to be the person carrying this bill I will turn this hearing over to Rep. Pavlovich. This bill has been put together over a period of approximately 1 year. Even though it was introduced late, it is not something that was dreamed up in the last week or two. This legislation is patterned somewhat after the tax increment legislation that was adopted about 10 years ago. I'm not sure how many communities adopted this. The city of Great Falls did. This act would allow the same sort of thing for industrial parks.

Testifying Proponents and Who They Represent:

Evan Barrett, Executive Director, Butte/Silver Bow Corp.
Dr. Dennis Winters, MT Marketing Development
Kay Foster, City of Billings
Sen. J.D. Lynch, Butte
Alex Hansen, MT League of Cities & Towns
Jim Tutwiler, MT Chamber of Commerce
Rob Morwick, Missoula Chamber of Commerce

Proponent Testimony:

Mr. Barrett said this bill is designed to meet a real need we have in Montana to help develop our economy. We have

worked on this bill for quite some time. We did not want to bring a bill forward that was not ready. We worked with economic development groups, chamber of commerces, cities, tax increment experts, and bond council trying to put together a good solid bill. How we can be competitive in the economic world today is a serious issue. For every 1,000 industrial expansions in this country that happen, there are 15,000 communities competing for those expansions. That places any community's odds at 15-1 to start getting any industrial expansion. Competing is very difficult. As we tried to envision how to develop the economy in Montana there are only a few ways you can do it. What we are talking about is primary jobs, bringing money in from the outside. That is economic growth, passing the same dollars around is not economic growth. The alternatives we have are: a lot more people on retirement, have a lot of transfer payments come in, we welcome that as a mode to bring money from the outside, maybe become a hi tech heaven--this is more likely to be around MIT. The real opportunities for economic growth in Montana are built around our resources; energy-oil and gas, hard-rock mining, forest products, agriculture. These are our resource bases, that is our opportunity for growth. We have options on creating more money for Montana through those resources. There are basically two approaches to it: simply produce more, cut more trees, dig more coal, sell it if we can, do more mining and so on. Sometime we will run into the supply and demand factor. We can produce more or we can do more with those resources. That gets to the concept of value adding. Value adding is a simple concept but very complex to accomplish. We are talking about doing more with these resources before they leave the state. Secondary and third level production on these resources. The intention of this bill is to provide the mechanism whereby Montana communities can create a platform for growth if you will. Something that sets them up so that they are prepared for the growth, so they can attract these value adding industries. Value adding industries require intense capital, at least the secondary industries which this is focusing on, require intense levels of capital. They require significant infrastructure. You don't bring an Anheuser Busch thing in here unless you have a piece of property that has everything they need right there. Butte thinks Anheuser should go to Billings, everything they would need is right there. Most communities are not blessed with the infrastructure in place that attracts secondary value adding industries. This bill is designed to give them the vehicle for doing it. The bill is an expansion of the uses and taxes from financing so that you can utilize the taxes and financing not only for uptown and downtown blight but for what is the current biggest need in Montana, which is economic development. You can do it by focusing on infrastructure development. That is why we are supporting this bill. It will allow a local community to find an area along the railroad track that is a good starting point because of the transportation concerns. If

they have 200 acres but lack infrastructure, the local government can define that 200 acres as tax increment district. Then the trick is to get your anchor tenant in that district along the railroad. They begin paying property taxes, these taxes then are used within the district for putting in water lines, sewer lines, curbs, roads, spurs to the railroad track, things that are necessary to attract secondary value adding industry. The money also, according to the bill, will provide a little for administration, some could be utilized doing feasibility studies for industrialization in that district. One of our current shortfalls is feasibility money, no one has it more. Lastly it provides for the opportunity for direct assistance. It also allows the bonding provision of the tax increment bond to be used for these same purposes. There are two amendments which are necessary and I have copies for each of you and I will explain them.

Dr. Winters said that all communities have just one question: are we going to survive? That is all they are asking. They ask can we add value to our resources here, can we create jobs? I want to present a concept in value adding as clearly as possible. How do we add value? Our resources are mining, forest products, and agriculture. We need to develop secondary businesses here in Montana for our resources. Right now we mine talc, phosphate, and copper; we need businesses in Montana to produce goods from these resources so they don't leave the state to be produced.

Ms. Foster said she was representing Billings Chamber of Commerce, Yellowstone County Economic Office, and the City of Billings. Mr. Barrett presented this plan to all three groups within the last two weeks. They are very supportive of the concept.

Sen. Lynch said he thinks this is a good way to increase our communities' economy. I urge the committees to support this bill.

Mr. Hansen said his organization supports this bill. Tax increments work; you look at Butte and Billings, there is the proof it works.

Mr. Tutwiler said his organization supports this bill. The point has been made by the other speakers that the need is there and that this program will work for Montana.

Mr. Morwick said Missoula supports this bill. Value adding is the way to the future for Montana and we would like to see it helped along in any way possible.

Testifying Opponents and Who They Represent:

Julie Hacker, Missoula

Opponent Testimony:

Ms. Hacker said her group consists of taxpayers and we pay the bills and we are also privately funded and organized on our own. We are opposed to SB 472. It is robbing Peter to pay Paul. Do you believe that taxes assessed and collected for certain purposes should be used for other purposes than those for which they were collected? Various people pleading for more money include local government, schools, public employees, anybody who has anything to do with receiving tax money is asking for more. Tax increment financing compounds the problem and increases the tax growth on the individual taxpayers in our local communities. We understand and believe that the added value concept is essential to our state's economy. But tax increment funding is not the way to achieve that goal because it diverts funds from already established agencies into a new agency. We believe that economic development projects should stand on their own and that it is an obligation of this legislature to set up a situation in the state of Montana that will make this place attractive to businesses. We feel that if the business and industry people of the state are concerned that perhaps it is high time that the legislature of the state of Montana uses the investment that we have been saving for our future now. By that I mean to appropriate and grant money for infrastructure in our local communities for the purpose of economic development from the Coal Tax Trust Fund. Ladies and gentlemen, I submit to you the future of Montana is now. I hope that you defeat this bill and give due consideration to using some coal tax money for infrastructure and economic development in Montana.

Questions From Committee Members: Rep. Simon asked Ms. Hacker if she understood that Section 8 refers to the taxable value, increasing the taxable value, the same amount of tax will be collected, the incremental money is what goes for tax paid above and beyond the old taxable value. The cities and counties will not lose a dime of the present taxes. Do you understand that? Ms. Hacker said that our position is that a project should be able to stand on its own and within 5 years should be 100 percent back on tax rolls.

Rep. Hansen asked Mr. Barrett if tax increment money is to produce more taxes within that increment district? Mr. Barrett said yes. Mr. Barrett said the funds would have to be used for economic infrastructure development projects within the district or for the district.

Rep. Hansen asked Mr. Barrett how long the increment money lasts? He said the statute is a 10 year statute unless it can be extended by bonding.

Rep. Wallin said Mr. Barrett had been talking about industrial parks and I think mostly of warehouses in industrial parks. I don't see that they add value to

property. So I guess that is my question. Mr. Barrett said they don't now and that is one of the problems. For example, we have an industrial park in Butte, it is a light industry type. We need some heavy industry, but it is not just the people that have it already, it is the people that don't have it. We don't have value adding just because of the issue do you have an industrial park. We have a number of reasons that we need to go after to do value adding in a rational way. One of the tools and a critically important one is to have the infrastructure. Most communities are not positioned for growth for that. We have the primary industry, but we need to get into the secondary industry for value adding and the light and supporting industry. The secondary industry requires intense infrastructure.

Rep. Simon asked Mr. Barrett if we have any zoning that is not light or heavy industrial in the state of Montana? Mr. Barrett said we have many different zones. Do you mean other industrial ones? Rep. Simon said on page 3 it says zoned light or heavy industrial. Do we have other types of industrial zoning beyond that? If it is zoned for industrial use the words light and heavy are needless words. Mr. Barrett said if you sought to amend that to just say zoned for industrial use would not bother me. Rep. Simon said this is just technical on my part, but they seem unnecessary. Rep. Simon asked Mr. Barrett if the various projects that can be allowed under this particular form of financing on pages 8 and 9, number 1 is planned acquisition, number 6 is acquisition of infrastructure deficient areas or portions thereof and number 8 is assemblage of land development so on so forth. They all sound like land acquisition to me, I am trying to understand the difference between land acquisition and acquisition of infrastructure deficient areas or portions thereof is. What is the difference? Mr. Barrett said there is no real significant difference between number 1 and number 6. The reason was, when it was drafted, it was going to stand alone as a section of law and there was reason for it to be stated that way. But since then it has been melded in with the existing statutes. So 6 is essentially a replication of 1. Number 8 is different. It basically allows the local governments to assemble land for development and then resell it, either keep it and lease it, it gives some powers, basically similar to chapter 42, which are not shown in this bill. It makes it clear that land assemblage by a local government could be done.

Closing by Sponsor: Sen. Thayer said we have had a good hearing on this bill and I appreciate the House members coming here to hear this bill. Specifically I want to say that we have support from the Gallatin Development Corporation and Great Falls Chamber of Commerce. If we do nothing and don't pass a bill like this we will be standing still. I think if that empty piece of land is bringing in nothing that is all it is going to bring in for a long time. I appreciate the

concerns of Ms. Hacker's group. I don't want to take away the concerns they have but the fact of the matter is you are getting nothing now. There is nothing wrong with the plans to set up this kind of vehicle to attract an industry to be the anchor. This is getting somebody to be the anchor to get the ball rolling and then with the additional increments as things develop, use that to attract more businesses and people. If this bill passes we will have a vehicle that will bring in and start some small businesses like the gentleman in eastern Montana making silver belt buckles. He now employs 90 people. That is incredible. We have many raw products here in Montana with which we can do the same thing. I think we can have a lot of companies employing 10 to 20 people. That is where the action is going to be. I recommend this bill and also ask the committee to adopt the amendments that were passed out. There were other recommendations made but I don't know how critical they were. We will discuss them in executive action.

Rep. Pavlovich thanked the Senate Business & Industry Committee for asking the House Business & Economic Development Committee to participate in this joint hearing. We can't do anything in our executive action unless this bill gets out of the Senate and we have to suspend the rules. We will wait until that time comes up. The House members are adjourned.

ADJOURNMENT

Adjournment At: 11:10 a.m.


REP. BOB PAVLOVICH, Chairman

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SB 472
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Amendments to Senate Bill No. 472
First Reading Copy

Requested by Evan Barrett
For the Committee on Business and Industry

Prepared by Mary McCue
April 12, 1989

1. Page 9, line 17.

Following: "district"

Insert: "; and

(11) the provision of direct assistance to secondary, value-adding industries to assist in meeting their infrastructure and land needs within the industrial district"

2. Page 9, line 21.

Following: "increment"

Insert: "derived from an urban renewal area"

3. Page 9, line 23.

Strike: "or industrial infrastructure development projects"

4. Page 9, line 25 to page 10, line 1

Strike: "or industrial infrastructure development costs"

5. Page 10, line 2.

Following: "7-15-4289."

Insert: "The tax increment derived from an industrial district may be pledged for the payment of revenue bonds issued for industrial infrastructure development projects or of general obligation bonds, revenue bonds, or special assessment bonds issued to pay industrial district costs described in 7-15-4288 and 7-15-4289."