

MINUTES

MONTANA SENATE
51st LEGISLATURE - REGULAR SESSION
COMMITTEE ON BUSINESS AND INDUSTRY

Call to Order: By Chairman Gene Thayer, on April 12, 1989,
at 10:00 a.m., room 312-2, State Capitol

ROLL CALL

Members Present: Chairman Thayer, Vice Chairman Meyer,
Senator Boylan, Senator Noble, Senator Williams,
Senator Hager, Senator McLane, Senator Weeding,
Senator Lynch

Members Excused: None

Members Absent: None

Staff Present: Mary McCue, Legislative Council

Announcements/Discussion: Chairman Thayer called to order,
a joint hearing, for SB 472, of the House Business and
Economic Committee and the Senate Business and Industry
Committee. Chairman Thayer asked House Chairman
Pavlovich to preside, while he presented the bill.

HEARING ON SENATE BILL 472

Presentation and Opening Statement by Sponsor: Senator
Thayer, Senate District 19, stated SB 472 was the
result of more than a year's work. He said various
development communities around the state had been
working on the bill, including Butte, Anaconda, Great
Falls, and Billings. He said the legislation was
patterned after the tax increment legislation that was
adopted about 10 years ago. He stated the bill was an
act authorizing municipalities to create tax increment
financing industrial districts to assist in financing
necessary industrial infrastructure to encourage the
attraction, growth, and retention of secondary, value-
adding industries. He said, in the interest of time,
he would turn the testimony over to those who would
explain the workings of the bill.

List of Testifying Proponents and What Group They Represent:

Evan Barrett - Executive Director, Butte Local
Development Corporation
Butte-Silver Bow Chamber of Commerce
Dr. Dennis Winters - Montana Marketing Development
Kaye Foster - Billings Chamber of Commerce
Yellowstone County Economic Development Offices
City of Billings
Senator J.D. Lynch - Senate District 54, Butte, Silver
Bow, Anaconda, and Deer Lodge
Alex Hanson - League of Cities and Towns
Jim Tutwiler - Montana Chamber of Commerce
Rob Morawick - Missoula Chamber of Commerce

List of Testifying Opponents and What Group They Represent:

Julie Hacker - Missoula County Freeholders Association

Testimony: Evan Barrett thanked the two committees for suspending the rules, and hearing this bill jointly. He said they had worked long and hard with economic development groups, the chambers of the cities, with tax increment experts, and with the bond councils to develop this bill. He said the bill was designed to meet a real need which existed in Montana. He said the question was, how Montana could be competitive in the economic world today, and it was a serious issue. He said, that for every 1,000 industrial expansions taking place in the country, there were 15,000 communities competing for those expansions. He stated, when trying to envision how to develop Montana economy, there were a only few ways we could accomplish it. He cited the primary job, was to bring money, into Montana, from the outside. He termed that function as what economic growth truly was. He said they had reviewed the alternatives available.

Mr. Barrett said our real opportunities for economic growth were built around our natural resources; energy, oil, gas, mining, and forest products. He termed the options were in how to create more money for Montana with those resources. He said we could simply produce more, but supply and demand would become a factor. He stated the other alternative, was to do more with the resources. He said that brought the value adding concept, and SB 472 provided the mechanism whereby Montana could structure for attracting value adding industries. He said secondary value adding industries required intense capital and significant infrastructure. He said the

state could create a platform for growth, by preparing a piece of property to have everything needed, right there. He said most Montana communities were not blessed with the infrastructure in place, and this bill was designed to give a vehicle for developing that infrastructure.

Mr. Barrett said the bill was simply an expansion of the use of taxable increment financing. He said Montana's current biggest need was economic development, and it could be provided through a focus on infrastructure development. He stated SB 472 would allow local communities to locate an area, define it as a tax increment district, and acquire an anchor tenant to create a property tax base. He described the next step as reapplying the property tax to the necessary development, of the designated district, to be used in attracting secondary value adding industries. Within the bill, the money would provide for administration, and feasibility studies of industrialization within that district. He said the bill also provided for the opportunity for direct assistance. He said the tax increment financing of the district allowed a capacity for the community to apply direct assistance if they wished. The bill contained a section describing the uses of tax increment funding. He said the bill allowed bonding provisions for the tax increment law, to be used for the same development purpose.

Mr. Barrett offered amendments to the bill. (See Exhibit #1) He said he believed the bill would help communities compete for value added businesses. He said this was a needed economic development tool for our state, and urged passage of the infrastructure development plan.

Dr. Dennis Winters said his travels around the state had always brought one same question, as to whether they were going to survive? He said they also asked if they could add value to their resources here, and create jobs. He said he wanted to present the concept of value added so everyone could have the same basic concept.

He asked if anyone knew of any place in the world, which had as many resources as Montana? He stated we had more resources than almost any other place in the world. He said we had to take our resources, and turn them into manufactured products. He said we had the talc for paper, clothing, silverware, ceramics, and plastics, and we were not producing those products in

Montana. He said Montana had to take over the process of diversifying, and developing an economic force of our own. He said every secondary business we developed, could employ people. He said we produced cattle, pigs, and sheep, but there currently wasn't a packing plant in the state, so all of the secondary products were being produced somewhere else. He said we wouldn't have a packing plant, because there wasn't a tendency for a plot in the state, to commit to develop one. He said the secondary business development was necessary for developing a market in Japan, because they weren't interested in buying from us, until the meat was cut up. He said that if we wanted to keep people in Montana, they had to invest in the secondary infrastructure. He said we had to build a secondary infrastructure before we could attract secondary industry. He stated that came in the form of sewer systems, electrical lines, sanitation treatment plants, and all the necessities for business. He stated SB 472 tried to give local communities the opportunity to add value to industry, by providing a pot of money to begin from.

Kaye Foster said Mr. Barrett had presented his plan before all of the groups she was representing, and they were enthusiastically supporting the concept proposed in SB 472.

Senator J.D. Lynch said he wanted to echo the appreciation Mr. Barrett expressed to the Senate Business and Industry Committee, and Chairman Thayer. He said he saw SB 472 as a very viable option for increasing Montana's economy, and asked the committee to find favor with the bill.

Alex Hanson said they supported the bill. He said the bill expanded the tax increment plans in urban renewals for industrial development, which was very critical. He said that if you looked at tax increment finances around Montana, they proved themselves as working. He said they raised the value of the tax increments. He said the improved tax value in those districts would improve all tax levels in the state, and result in better towns. He said the bill answered some needs in Montana today, because infrastructure played a vital role in the creation of jobs and the development of industry.

Mr. Hanson spoke of legislatures interim study of infrastructure, endorsed two years ago. He said they had a speaker from North Carolina who said one of the

key ingredients for development was the ability to provide infrastructure. Some of the larger companies had come to North Carolina and said that if the state could provide the basic infrastructure they needed, the companies would locate in North Carolina. North Carolina provided the necessary infrastructure, and has moved from one of the poorer developed areas, to where their property and their state is booming. Mr. Hanson said he thought we had to try duplicating that performance in Montana, and he felt SB 472 was a very important first step in that direction.

Jim Tutwiler said they strongly supported any initiative which encouraged and fostered value added development. He gave some statistics that measured the amount of growth in value added economies, in competing states and Montana. He said that during a ten year period, from 1977-1986, the map of growth in value added industry for Washington State was a plus 74%, in Idaho it was a plus 82%, in North Dakota it was a plus 50%, in South Dakota it was a plus 124%, in Montana it was a plus 13%. He stated the comparison made it clear that Montana needed to increase that growth, and SB 472 offered that possibility.

Rob Morawick said they wanted to lend their support of SB 472, they thought value added was the way of the future in the state. He said they would like to help it along in any way possible.

Julie Hacker said they were a group of tax payers who stood opposed to SB 472. She read exhibit #5 into the record. She said they understood and believed that the added value concept was essential to the state's economy, but tax increment financing was not the way to achieve that goal, because it diverted funds from other agencies that were already established. She said they believed economic development projects should stand on their own, and be fully on the tax rolls within a five year period. She asked for a no vote for SB 472.

Questions From Committee Members: Senator Lynch said they had 200 acres in Butte which was not paying any taxes. He said the way to attract business was to have that sewer line in, and the water line in. By attracting new business your whole tax structure would be improved. He asked if she didn't feel that eventually, by getting new business, it would reduce her taxes by getting more new people paying taxes? Mrs. Hacker said, through this bill the tax increment district could go for ten or twelve years, but once they have

sold bonds, that money was tied up indefinitely until the bonds were retired. She said she believed the problem was bigger than any small solution, and she thought the bill was a small solution. She said it was not the answer to Montana's problems. She said they supported economic development, but she felt they were taking money collected for one purpose, and using it for another.

Representative Simon asked Julie Hacker if she understood that Section 8 referred to increasing the taxable value, so the amount of money paid to the school districts, and all the other services, was the same amount of taxes that had always been collected. He said the only incremental money, was money collected from the taxes paid for the new added value which was above and beyond what was being collected now. He said the cities and counties will not lose a dime of present taxes. He asked her if she realized the present taxable value was froze?

Julie Hacker said she understood that, but they felt a project should be able to stand on its own, and within 5 years be 100% back on tax rolls.

Representative Stella Jean Hansen asked if tax increment money was to produce more taxes within a district, would this project have to be within the tax increment district? Mr. Barrett said no, the funds would have to be used for project economic infrastructure development projects within the district, that are for the district. He said that except for a small amount of money which might be used for administration, the money have to go back into the district.

Representative Hansen asked, if you issued bonds for an industrial park that was outside the tax increment district, would that fit the parameters of tax increment law? Mr. Barrett said yes, there could not be an overlapping of an existing urban renewal tax increment district with an industrial district. He said that was included in the statutes. He said that area must be zoned for heavier life industry, and that generally takes it out of downtown areas.

Representative Hansen said it would not be of any use to a community unless they had that kind of a situation within their increment district. Mr. Barrett said no, it was very useful for communities that didn't have a tax increment district. He said any community that had an industry wanting to come in, could draw up an

increment district before that industry came in, then they could make further development. He said they didn't need to have an existing urban renewal increment district to do an industrial increment district.

Representative Hansen asked the present duration for increment money? Mr. Barrett said it was basically it was a ten year statute, unless it was extended by bonding.

Representative Wallin asked where added value came in, because most industrial parks he thought of were warehouses? Mr. Barrett said the industrial parks didn't have added value now, and there were a number of reasons new value adding needed pursued in a rational way. He said one of the critically important tools was to have the infrastructure. He said most communities were not positioned for growth for that. He said the secondary value adding industry was the process of making the products, and that was where your light support industry went. He said that if a little guy wanted to start a value adding industry, he couldn't do it without the infrastructure. He said today's world market required more, than our previous satisfaction of being exporters of commodities.

Representative Blotkamp asked for an explanation to the tax increases and responsibilities? Mr. Barrett said, basically, you created a tax increment district, obtained your base tenant, collected taxes, and the tax money could be used to put in roads. He said maybe the 2nd year you could add the water system, the 3rd year could provide a sewage treatment plant, and so on. He said, through all this, communities were trying to attract other businesses, each of which added to the capacity to strengthen the infrastructure. He said the property taxes in that district were kept for use in that district, to enhance the development of that district.

Representative Blotkamp asked if those who owned the property, paid the taxes? Mr. Barrett told him yes.

Senator Williams asked, if a business started on the outside edge of the district, what would their taxes be? Mr. Barrett said the infrastructure may or may not raise the value of that particular property. He said any business started outside of the tax increment district, increased in value just as it normally would, and the taxes went for all of the usual things, not into the increment district.

Senator McLane asked if this was just for starting a company, or could a business expand into this district? Mr. Barrett said an expansion into the district would be fine, because it applied to any growth in the district.

Representative Simon asked if Montana had any zoning that was not light, or heavy industrial? Representative Simon said, on page 3, section 3, line 22, it said zoned for light or heavy industrial. He said that if we had other types of industrial zoning beyond that, it seemed those words were superfluous. Mr. Barrett said they could be left out and that would be fine.

Representative Simon said pages 8 and 9, section 9, concerned the different types of land acquisition. He said they all sounded like land acquisition to him, and he was trying to understand the difference between land acquisition and acquisition of infrastructure deficient areas. Mr. Barrett said there was no difference between number (1) and (6), but originally it was to stand alone in a section of the law, so there was reason to state it. He said that since that original drafting, it had been melded into existing statute. He said (8) allowed local governments to assemble land for development and then resell it, keep it, lease it. He said it gave power, similar to powers found elsewhere in chapter 42, which were not shown in this bill.

Representative Simon asked if a value added park, would accept an industrial company that wasn't a value added type company, into the park? He asked if they were to be turned down, were they required to pay full taxes to be applied to the total taxing districts, and be excluded from the tax increment district? Mr. Barrett said the bill, as it was, would not preclude a non value adding entity from being included in increasing the value of the district. He said he felt they would improve the tax valuation of the district. He said the bill stated the purpose of the district must be to attract secondary value adding industrialization, and the money must be invested primarily in the infrastructure.

Representative Simon asked if the first person who applied to the district wasn't a value adding company, would the district sponsors be liable for suit, for violating the intent of the law. Mr. Barrett said he thought local governments could set up any series of regulations, establishing what the purpose of the park would be.

Mr. Barrett told Representative Wallin he didn't think the provisions of this bill applied to high tech parks. He said the infrastructure was totally different, and their requirements were different. He said you could take an empty, existing industrial park, apply this, and utilize the resources in increment, if the infrastructure was adequate. He said there were some benefits to existing parks, but the primary benefits were to places where there was no development. He said it was also possible to take an existing industrial park that wasn't full, and do an expansion of their infrastructure.

Closing by Sponsor: Senator Thayer said this was a good hearing, and he appreciated the cross reference of support. He presented a letter of support from the Gallatin Development Corporation, exhibit #6, and one from the Great Falls Chamber of Commerce, exhibit #7.

He said that if they did nothing, and didn't pass a bill like this, we would just be standing still. He said that if there was a piece of land that was not utilized, no one benefited, and this bill set up a vehicle that would attract industry, and provided an anchor to get the cycle started. He said Montana had so many raw products, that we could have a lot of small companies employing 10 to 20 people. He said the bill was a good vehicle and he recommended it, with the proposed amendments. (Exhibit #1)

Announcement: House Chairman Pavlovich thanked the Senate for including them in the hearing. He stated the House Committee could not take executive action on SB 472, until the bill reached the House, and the rules were suspended. He adjourned the House committee.

DISPOSITION OF SENATE BILL 472

Discussion: None

Amendments and Votes: Senator Lynch made a motion to adopt the Amendments, in exhibit #1, to SB 472. (Exhibit # 1) The motion Carried Unanimously.

Discussion: Chairman Thayer said the language of "light or heavy industrial" was common language, and maybe it was in there to differentiate. He said that when you get into zoning matters, terms of this type are probably necessary.

Recommendation and Vote: Senator Lynch made a motion SB 472 DO PASS AS AMENDED. The motion Carried Unanimously.

DISCUSSION OF HOUSE BILL 765

Announcement: Chairman Thayer said Speaker Vincent had sent word to ask the committee to hold up executive action on HB 765, they would have to take action on Friday. He said he suspected the administration was offering some amendments, and a compromise was trying to be worked out. He said the House would have to suspend the rules to accept that bill anyway, so he thought this was the committees opportunity to accommodate the bill, by allowing time for compromise.

DISPOSITION OF SENATE JOINT RESOLUTION 21

Discussion: Senator Lynch told Senator Williams he thought the cost of the studies would be about \$8,000, because the Council was recommending that only three studies be funded.

Recommendation and Vote: Senator Lynch made a motion SJR 21 DO PASS. Senator Williams seconded the motion. The motion Carried Unanimously.

DISPOSITION OF HOUSE BILL 600

Recommendation and Vote; Senator Williams made a motion HB 600 BE CONCURRED IN.

Discussion: Chairman Thayer said the testimony was that the administration felt that this would not be cost effective, and that it may cause some problem. They had expressed that it may be the right direction, but the wrong vehicle, and needed a lot of work.

Recommendation and Vote: Senator Lynch made a Substitute Motion HB 600 BE NOT CONCURRED IN.

Chairman Thayer asked if that was a debateable motion?
Senator Lynch said yes.

Discussion: Senator Williams said this may not be the vehicle, but we need something, within the state, for someone to come in and do some economic development or value added. He said there were a lot of obstacles to get over.

The Question was called for. The motion Carried, with Senator Williams opposing, the motion HB 600 BE NOT CONCURRED IN.

ADJOURNMENT

Adjournment At: 11:30 a.m.



SENATOR GENE THAYER, Chairman

GT/ct

ROLL CALL

BUSINESS & INDUSTRY COMMITTEE

DATE 4/12/89

51st LEGISLATIVE SESSION 1989

NAME	PRESENT	ABSENT	EXCUSED
SENATOR DARRYL MEYER	✓		
SENATOR PAUL BOYLAN	✓		
SENATOR JERRY NOBLE	✓		
SENATOR BOB WILLIAMS	✓		
SENATOR TOM HAGER	✓		
SENATOR HARRY MC LANE	✓		
SENATOR CECIL WEEDING	✓		
SENATOR JOHN "J.D." LYNCH	✓		
SENATOR GENE THAYER	✓		

Each day attach to minutes.

SENATE STANDING COMMITTEE REPORT

April 12, 1989

MR. PRESIDENT:

We, your committee on Business and Industry, having had under consideration SB 472 (first reading copy -- white), respectfully report that SB 472 be amended and as so amended do pass:

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 through 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."

AND AS AMENDED DO PASS

Signed: 

Gene Thayer, Chairman

W.C.
4/12/89
3:12 p.m.

SENATE STANDING COMMITTEE REPORT

April 12, 1989

MR. PRESIDENT:

We, your committee on Business and Industry, having had under consideration SJR 21 (first reading copy -- white), respectfully report that SJR 21 do pass.

DO PASS

Signed: 

Gene Thayer, Chairman

4/12/89
3:30 p.m.
ECREJI21.412

SENATE STANDING COMMITTEE REPORT

April 12, 1989

MR. PRESIDENT:

We, your committee on Business and Industry, having had under consideration HB 600 (third reading copy -- blue), respectfully report that HB 600 be not concurred in.

Sponsor: Vincent (Thayer)

BE NOT CONCURRED IN

Signed: 

Gene Thayer, Chairman

4/13/89
3:30 P.M.

Amendments to Senate Bill No. 472
First Reading Copy

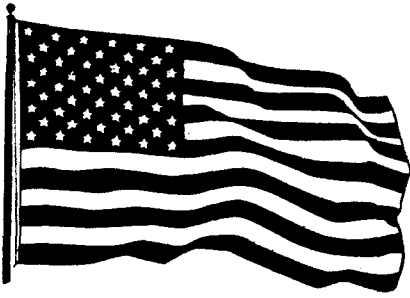
Requested by Evan Barrett
For the Committee on Business and Industry

Prepared by Mary McCue
April 12, 1989

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Following: "district"
Insert: "; and
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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."

4/12/89

EXHIBITS WERE MISNUMBERED. THERE ARE NO EXHIBITS NOS. 2-4 FOR THIS DAY.



**Missoula County
Freeholders Association**

**Organized 1977
Incorporated 1984
Working For You!**

Missoula County Freeholders Association, Inc.
Box 7643 • Missoula, Montana 59807-7643

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 5

DATE 4/12/89

BILL NO. SB 472

April 12, 1989

To: Senator Gene Thayer and members of
Business and Industry Committee

Re: S.B. 472

Our organization stands opposed to SB 472 because we see this proposal as a classic example of the ROB PETER TO PAY PAUL scenario.

We ask that you first ask yourselves a question-----

Do you believe that taxes assessed and collected for a certain purpose should be distributed and be spent for that purpose?

During our tenure as observers of the legislative process we observe various tax beneficiaries pleading for more money--local government, schools, public employees, etc. Tax-increment financing compounds the problems of these agencies and increases the tax load on the taxpayers.

We understand and believe that added-value concept is essential to our state's economy but tax-increment financing is not the way to achieve that goal because it diverts funds from already-established agencies into a new agency not directly related, collects funds for one purpose and uses it for another.

Further, it is our position that economic development projects should stand on their own and that it is the obligation of the legislature to set up a situation in the state that would level the taxes and make this place attractive to business without skimming tax dollars from local governments and schools. We support tax-incentives for new industry but the projects should stand on their own and be fully on the tax rolls within a five year period.

page two

EXHIBIT NO. 5 pg. 2DATE 4/2/89BILL NO. SB 472

Section 8 -----all mill levies are applied to the tax-increment provision and bond issues for construction of schools and other projects are not exempt thus causing a higher debt-service for the remaining taxpayers of the district. We understand that all mill levies are applied to the district. This tax-increment district as it exists in Missoula now yields approximately 1 million dollars per year and roughly 55% of the money in the fund was collected on levies for the schools. A recent bond issue in Missoula will yield another bonanza for the agency while the schools are spending reserve funds and trying to keep their programs intact.

Please give this a NO vote.

GALLATIN DEVELOPMENT CORPORATION
P.O. BOX 1114
BOZEMAN, MONTANA 59771-1114
(406) 587-8113

April 11, 1989

Senator Gene Thayer, Chairman
Business and Industry Committee
~~Capital Station~~
Helena, MT 59620

Dear Senator Thayer:

I am pleased to represent the Gallatin Development Corporation in supporting the proposed legislation to establish Tax Increment Financing Industrial Districts.

The extension of existing bonding mechanisms to include industrial districts under the proposed law represents a progressive step in economic development in Montana. The development of local infrastructures to support value-adding industries is an important prerequisite to the diversification of Montana's economy. We join other economic development organizations state-wide in wholeheartedly recommending you support this legislation.

Sincerely,

Linda Wyckoff
Linda Wyckoff
Executive Director

LW/JB

CC: Senator Paul Boylan

SB 472

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 7

DATE 4/12/89

BILL NO. SB 472



**GREAT
FALLS AREA
CHAMBER OF COMMERCE**

P.O. BOX 2127
926 CENTRAL AVENUE
GREAT FALLS, MONTANA 59403
(406) 761-4434

April 12, 1989

TO: The Senate Business & Industry Committee

FROM: Roger W. Young, President,
Great Falls Area Chamber of Commerce

SUBJECT: Tax Increment Financing Industrial Districts SB472

The Great Falls Area Chamber of Commerce supports the passage of SB472 which would authorize municipalities to create tax increment financing industrial districts which would allow cities like Great Falls to finance necessary industrial infrastructure encouraging the attraction, growth, and retention of secondary value adding industry.

We have discussed this proposed legislation with City officials who have likewise expressed their support for this bill.

Although Great Falls has no immediate plans for creating such a TIF industrial district, we do recognize its potential.

cc Cascade County Delegation

DATE

4/12/89

COMMITTEE ON

Business & Industry

Please sign

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Julie Hacker	Ms. Co. Truckers	SB472		X
Norman Tull		472		
Bess Idema	MLCT	SB472	✓	
Rob Morawic	Missoula Chamber	477	✓	
Bob Hefner	Dept of Commerce	765	✓	

(Please leave prepared statement with Secretary)