

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
54th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON BUSINESS & LABOR

Call to Order: By CHAIRMAN BRUCE T. SIMON, on March 21, 1995, at 8:00 A.M.

ROLL CALL

Members Present:

Rep. Bruce T. Simon, Chairman (R)
Rep. Norm Mills, Vice Chairman (Majority) (R)
Rep. Robert J. "Bob" Pavlovich, Vice Chairman (Minority) (D)
Rep. Vicki Cocchiarella (D)
Rep. Charles R. Devaney (R)
Rep. Jon Ellingson (D)
Rep. Alvin A. Ellis, Jr. (R)
Rep. David Ewer (D)
Rep. Rose Forbes (R)
Rep. Jack R. Herron (R)
Rep. Bob Keenan (R)
Rep. Don Larson (D)
Rep. Rod Marshall (R)
Rep. Jeanette S. McKee (R)
Rep. Karl Ohs (R)
Rep. Paul Sliter (R)
Rep. Carley Tuss (D)
Rep. Joe Barnett (R)

Members Excused: None.

Members Absent: None.

Staff Present: Stephen Maly, Legislative Council
Alberta Strachan, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing: HB 602
Executive Action: HB 599, HB 526, HB 580, HB 581, SB 354,
SB 313, HB 602

EXECUTIVE ACTION ON HB 599

Motion: REP. BOB PAVLOVICH MOVED HB 599 DO PASS. REP. MILLS MOVED THE GOVERNOR'S AMENDMENTS.

Discussion:

REP. NORM MILLS explained the Governor's amendments.

REP. LARSON asked if the committee was going to open the hearing on this bill again. Combining these four bills together changed the intent of the bill. He also stated that sponsors of the other three bills which were heard should be concerned because their bills might be jeopardized by the fact that this bill must go before the legislature and get a three-fourths majority of each house. His contention was that if that was going to be done, the hearing should be re-opened and the proponents and opponents of the bill should have a say. This is a major change; Coal Tax Trust Fund monies for infrastructure is one issue, and bed tax money is the other issue. That is a very complex combination of money.

CHAIRMAN SIMON said it was not his intention to re-open the hearing.

REP. LARSON said the funding source for REPS. OHS' and FORBES' bill is the bed tax. He wondered whether there is a funding source from the Coal Tax under this bill.

Linda Reed, Governor's Office said the funding source for all the projects in HB 599 are the deposits into the Coal Severance Tax Trust Fund.

REP. JON ELLINGSON said that, as he understood the bill as it was prepared yesterday, it is going to take about \$11.4 million out of the flow going into the Coal Tax Trust Fund. He asked whether the amendment affects that amount at all.

REP. MILLS said they were leaving the bed tax money alone. This will be funded generally out of the Coal Tax Trust Fund.

REP. LARSON said he objected to Linda Reed answering any further questions.

REP. MILLS said that during the previous conversation he had asked for permission for Linda Reed to answer all questions and it was granted.

CHAIRMAN SIMON said it was not granted. He said that REP. LARSON had asked a question and without objection Ms. Reed was allowed to answer. A member can object at any time to testimony during Executive Session from those who are not on the Committee.

REP. ALVIN ELLIS said he wished to speak in favor of the amendment and will speak just as strongly to table any attempt to raid the Bed Tax Fund. It is common knowledge among senior members of this committee that when a raid was made on the Bed Tax Fund four years ago, even though he did not realize how the bill was going to be presented, he spoke as an opponent of the

bill. That bill was carried by **REP. CHARLES SWYSGOOD** and was promoted by then **Governor Stevens**. It had absolutely nothing to do with politics and absolutely everything to do with the bed tax philosophy. When the bed tax was sold on accommodations, the motel and hotel trade was assured that it was going to enhance tourism. He said he was questioning that some of these ideas enhance quick tourism. That original raid was to build six large visitor information centers at Wibaux and various other places to inform tourists of what Montana had to offer. It is fraud to think they can build large centers with state money and not end up spending state money to keep them going. Centers in Red Lodge funded by local interests have a product to sell and they have enough interest there to spend the money to sell it. He said he believed that if there is funding, it should come from general tax revenues. This is not general fund money. What is being done with the Coal Severance Tax is taxing an industry and causing it to become less competitive; putting that money in an endowment fund for government, which is mostly spent to fund the highest bidder or the safest bidder in the case of the federal government, is if an industry is going to be taxed that is working for Montana it should go into those people's schools and interests. This will do that. Some of these projects are not local communities. Some of them are specifically oriented towards Great Falls or Montana City. This is for the benefit of all and a funding source like this is much more appropriate. He supported the amendment and strongly opposed any raid.

REP. MILLS said the amount in the bill is capped at \$10 million.

REP. DAVID EWER asked whether, if these amendments should pass, it is the intention of the committee the other bills will not be taken up for executive action.

REP. LARSON said he opposed the amendment. The state did not create the Coal Tax Trust Fund contrary to what **REP. ELLIS** said to fund tourist-related facilities. That trust fund has been carefully protected over the years, and it has gone into various things. The attraction for some of the bills was a philosophical point. Tourist caps should be used for infrastructure development and tourist impacted areas. He supported HB 580 and HB 581. He wanted them to stand alone. He does not want the state to fund tourist facilities through the Coal Tax. That is not an appropriate use and there is going to be opposition on the floor. The amendments should be discussed on their merit.

REP. JOE BARNETT asked for clarification on the funding of the bill from the Coal Tax Fund and whether that funding will not come from tourism.

REP. MILLS said yes.

REP. KARL OHS asked if all of these bills were going to be put into one bill.

REP. MILLS said there are places in the bill where the bill has been marked in yellow, those are the explanations for the amendment. There is money in here for the purchase of Nevada City.

CHAIRMAN SIMON said the amendments speak to the infrastructure in the research portions of other bills. This bill originally came in with Nevada City and the Great Falls project.

REP. MCKEE asked whether, if and when HB 599 came out to the floor for debate, there would be a possibility of the other three bills also coming out.

CHAIRMAN SIMON said there was the ability to table bills in this committee, and then could be taken off the table at any time and sent to the House floor. If this bill is not successful, these other bills are available.

REP. PAVLOVICH said this bill could be passed out of committee along with the others; they would not need to be debated on second reading on the same day.

REP. ELLINGSON, regarding the reduction of the statutorily appropriated amount to the general fund \$2.4 million to \$850,000, asked the rationale for reducing it to \$425,000 on an annual basis.

Linda Reed said the intention is to only use the flow into the trust fund for these particular projects. That is indicated by not only a dollar amount but a percentage amount. The attempt here is only to compensate the general fund for the lost interest on the diversion of that flow. Because of the way that flow can be taken into the research and development part and the infrastructure, it minimizes both the input into the general fund and the trust fund.

REP. ELLINGSON said this is going to have a \$2 million less negative impact on the flow which goes into the Coal Tax Trust Fund.

Linda Reed said that was correct.

REP. ELLINGSON said instead of an annual basis it is a biennial basis or the lesser of \$6 million per year or 30%. He asked if that tops the \$6 million down to \$4 million.

Linda Reed said yes. The Treasure State Endowment projects themselves are approved by the legislature each biennium. There is no reason to move the \$6 million into the special revenue account now because it will only sit there. They have elected to leave it in the trust fund for the next two years and move those amounts at the end of each biennium so the interest will accrue to the general fund. That is why the number can be reduced from \$2.4 million to \$850,000 per biennium. In the amendment the

monies which will flow into the research and development special revenue account, the interest on that account will also accrue to the general fund rather than the research and development endowment as the bill was originally written. The general fund will be getting the benefit of accruing interest.

REP. ELLINGSON asked if it were accurate to characterize the changes that are made in these sections to say that the amendments will provide that there is a \$5 million smaller demand per year out of the flow from the coal tax revenues.

Linda Reed said that was correct.

REP. ELLINGSON said he felt the figure was no longer \$10 million a year.

Linda Reed said the figure is \$10 million a year. There is \$4 million devoted to research and development and \$6 million to the Treasure State Endowment infrastructure. There is not now the additional \$2.4 million going to the general revenue.

REP. ELLINGSON said he did not see where the \$6 million to the Treasure Endowment Fund is located.

Linda Reed said that on page 6, subsection 9 it was statutorily appropriated the lesser of \$6 million or 30% of the annual deposits from the permanent fund to the Treasure State Endowment special revenue account.

REP. ELLINGSON asked if this was on a biennial basis.

Linda Reed said that on a biennial basis this would end up being \$12 million or the lesser of the 30% of annual deposit.

REP. ELLINGSON said it was not being cut by \$12 million.

Ms. Reed said it is cut by the amount which goes into the general revenue account.

REP. PAVLOVICH said the figure was quoted at \$12 million.

Ms. Reed said the program's intent is to provide funding for two broad sections of infrastructure. One of them will be matching grants and research and development and the second will be the enhancement of the Treasure State Endowment Fund. The goal of the program will be to provide \$4 million a year to research and development and to provide \$6 million to enhance the Treasure State Endowment. If the program is approved by the legislature each biennium, each annual deposit of \$6 million will accumulate to \$12 million for disposition in those biennial projects. On an annual basis the figure is \$10 million (\$4 million + \$6 million), although the Treasure State piece will only be approved on a biennial basis. The legislature approves these projects.

REP. PAVLOVICH asked if this also includes REP. HARRINGTON'S bill which had been killed on the floor for funding of historic projects. He asked whether this bill will include that legislation also.

Ms. Reed said she was not familiar with that piece of legislation, but this does have a portion of the Treasure State Endowment piece which will be dedicated to the historic preservation projects.

REP. ELLIS said it was a well-known fact that over time it is better to invest in stocks than it is in interest. While the risk is greater over time, the value of those assets grow with the economy. The return increases on those assets which are purchased in stocks. When bonds or U.S. government securities are purchased, the same value is invested over time so it is dependent on interest rates. These interest rates average out. The return on investments stay the same. That is why he disapproves of endowment funds for government. It is much better to invest that money into infrastructure because, like stocks, the value of that asset put in sewers or water systems or roads becomes more valuable to people. More could be provided for the future by investing in assets whose value appreciates with the economy and becomes worth more to people rather than assets which will always be worth the same because the face value of a bond is always the same depending on fluctuations and interest rates.

REP. DAVID EWER said he objected to the amendments because of the process. This now is a big amalgamation to consolidate with this amendment.

Vote: Motion carried to adopt the Governor's amendment 13-5 with REPS. COCCHIARELLA, ELLINGSON, EWER, LARSON and TUSS voting no.

Motion/Vote: REP. PAVLOVICH MOVED HB 599 DO PASS AS AMENDED. Motion carried 13-5 with REPS. COCCHIARELLA, ELLINGSON, EWER, LARSON and TUSS voting no.

EXECUTIVE ACTION ON HB 526

Motion/Vote: REP. DEVANEY MOVED HB 526 DO PASS. A roll call vote was taken and motion failed 7-11 with REPS. SIMON, MILLS, BARNETT, DEVANEY, ELLIS, EWER, HERRON, KEENAN, MARSHALL, OHS and SLITER voting no.

Motion/Vote: REP. ELLIS MOVED HB 526 BE TABLED. Motion carried 11-5 with REPS. PAVLOVICH, COCCHIARELLA, FORBES, LARSON, MCKEE and TUSS voting no.

EXECUTIVE ACTION ON HB 580

Motion: REP. OHS MOVED HB 580 DO PASS.

Discussion:

REP. EWER said he supports the bill. He felt that everyone understood what was going on here. These are two different issues though. The legislature has every right to change the use of tax money if it is agreed upon. There must be ways found to get tourists to Montana. This would help do that. The state needs to start finding money for Virginia City and Nevada City.

REP. ELLIS said the reason people come to Montana is not for the scenery but also for culture. That culture exists all over without spending money on centers that may or may not actually attract tourists in the quantity sufficient to pay for the investment. These investments must stand on their own against competitive investments. He opposed a raid on the bed tax money because the way the money is being spent is very beneficial in two ways. It is primarily being spent through all the different countries.

REP. JOE BARNETT said he opposed this bill.

REP. EWER said this bill only requires a majority vote.

Vote: A roll call vote was taken which failed 7-11 with REPS. SIMON, MILLS, BARNETT, DEVANEY, ELLIS, FORBES, HERRON, KEENAN, MARSHALL, MCKEE and SLITER voting no.

Motion/Vote: REP. BARNETT MOVED HB 580 BE TABLED. Motion carried 11-7 with REPS. PAVLOVICH, COCCHIARELLA, EWER, LARSON, OHS and TUSS voting no.

EXECUTIVE ACTION ON HB 581

Motion: REP. ROSE FORBES MOVED HB 581 DO PASS.

Discussion:

REP. EWER said the process was important. This is a "bastardization of the process," he said.

REP. ELLIS said HB 599 is a better bill. He does not think the other bills are in any way changed.

Vote: A roll call vote was taken which failed 8-10 with REPS. SIMON, MILLS, BARNETT, DEVANEY, ELLIS, HERRON, KEENAN, MARSHALL, MCKEE and SLITER voting no.

Motion/Vote: REP. PAVLOVICH MOVED HB 581 BE TABLED. Motion carried 10-8 with REPS. PAVLOVICH, COCCHIARELLA, ELLINGSON, EWER, FORBES, LARSON, OHS and TUSS voting no.

EXECUTIVE ACTION ON SB 354

Motion: REP. PAVLOVICH MOVED SB 354 BE CONCURRED IN. REP. PAVLOVICH MOVED THE FORRESTER AMENDMENTS.

Vote: Motion carried to adopt the Forrester amendments 18-0.

Motion: REP. PAVLOVICH MOVED THE #2 FORRESTER AMENDMENTS.

Discussion:

CHAIRMAN SIMON explained the #2 Forrester amendment.

TAPE 1, SIDE B

Vote: Motion carried to adopt the #2 Forrester amendments 18-0.

Motion/Vote: REP. PAVLOVICH MOVED SB 354 BE CONCURRED IN AS AMENDED. Motion carried 16-2 with REPS. SLITER and KEENAN voting no.

EXECUTIVE ACTION ON SB 313

Motion: REP. ELLIS MOVED SB 313 BE CONCURRED IN.

Discussion:

REP. JACK HERRON said he favored the bill because it is a fairness issue. This legislation affects older people.

REP. BARNETT asked what happens once the playing field has been leveled. He asked why discounts should be offered or whether the price rise should be for everyone with a resultant increase of cost.

CHAIRMAN SIMON said he wished to address this question because it affects why he opposes the bill. On page 3 it first speaks to civil damages. Civil penalties of not less than \$1000 and not more than \$5000 for each violation could potentially comprise thousands of transactions each which could be considered a separate violation. The person who commits the violation may not sell drugs in the state which means a manufacturer could be banned from doing business in the state as a result of this penalty. This bill does not say how long the penalty would be in force. These penalties are so severe, manufacturers will believe it is too risky to get involved. No discounts would be available to Montana and the medication goes to the top price. These penalties are horrendous and are the stiffest penalties of any violation. Consequently, everyone in Montana will be paying the top price and there will be no discounts available. This bill would also require the attorney general to investigate one of the companies which may be involved. If there is any recovery, half of the recovery goes to the county in which the action is brought.

Motion/Vote: REP. SLITER MOVED CONCEPTUAL SLITER AMENDMENTS.

Discussion:

Steven Maly explained the amendments.

Vote: Motion carried to adopt the Sliter amendments 18-0.

Motion: REP. SLITER MOVED THE #2 SLITER AMENDMENTS.

Discussion:

REP. MCKEE said she strongly resists the amendment because it has totally changed the meaning of the bill. She said this should not be a part of the discussion.

REP. SLITER said he favored the amendment because the committee has been given much information on this bill and to pass a bill like this now without a termination date is not good.

REP. ELLINGSON said there have been a lot of accusations that this bill might raise prices. He said he had spoken with some pharmacists in Missoula who have indicated there is no rational reason for the prices to rise. The drug companies might force contracts on the hospitals which might force a price rise. If there is a sunset clause on this bill, the attention is focused on the committee to allow review of the legislation in two years. If the drug companies have forced through unjustified price increases, then the bill can be extended or action can be taken against the drug companies.

REP. COCCHIARELLA said she opposed the bill and the amendment. This bill should not be passed at this time and wait two years to implement this kind of legislation based on the fact those laws which have been passed Maine are trying to repeal.

REP. ELLIS said he favored the amendment.

REP. PAVLOVICH said he opposed the attorney general being involved in the bill. The bill should be worked for two years and if it does not work, it will be gone.

Vote: A roll call vote was taken to adopt the #2 Sliter amendment which carried 13-3 with REPS. SIMON, COCCHIARELLA and EWER voting no. REPS. FORBES AND LARSON refrained from voting because of being absent with no proxy.

Motion: REP. ELLIS MOVED SB 313 BE CONCURRED IN AS AMENDED.

Discussion:

REP. PAVLOVICH questioned the removal of the section on not selling drugs in the state.

REP. SLITER explained that section 3 conflicted.

REP. HERRON questioned the changing of the penalties.

REP. ELLIS said substantial penalties were needed in this bill.

REP. TUSS said this bill addresses class designations. So this bill is not a penalty on each and every drug transaction it is a penalty if the class of trade is violated.

REP. EWER said if the state thinks it will kick the drug companies into a different mode of operation, prices will not be driven down.

CHAIRMAN SIMON said mail order pharmacies would not be touched at all with this bill. That is interstate commerce. The company which gets hurt here is a Montana company that is currently selling drugs under a contract to state employees like a mail order pharmacy does but it is an in-state operation. That business is going to be destroyed for them, and the state will be looking to an out-of-state contractor.

REP. MARSHALL stated he favored the bill.

Motion: REP. COCCHIARELLA MOVED TO ADOPT THE #1 COCCHIARELLA AMENDMENT.

Discussion:

REP. ELLIS said this bill affects classes of customers. It allows big business to clarify customers for their own advantage.

Vote: A roll call vote was taken to adopt the #1 Cocchiarella amendment which carried 9-8 with REPS. MILLS, BARNETT, DEVANEY, ELLINGSON, ELLIS, HERRON, MARSHALL and MCKEE voting no. REP. FORBES refrained from voting because of being absent with no proxy.

Motion: REP. COCCHIARELLA MOVED THE #2 COCCHIARELLA AMENDMENT.

Discussion:

REP. ELLIS said the motivation of REP. COCCHIARELLA is to kill this bill. Putting this amendment in this bill will do nothing.

REP. COCCHIARELLA said she was trying to make a very bad bill better with the amendment.

REP. ELLINGSON asked whether, if this amendment were to pass, there would be an inconsistency between this amendment and the prohibition under the new section 2.

REP. COCCHIARELLA said the amendment enhances the language.

Vote: A roll call vote was taken to adopt the #2 Cocchiarella amendment which failed 2-14 with REPS. SIMON, MILLS, PAVLOVICH, BARNETT, DEVANEY, ELLINGSON, ELLIS, HERRON, KEENAN, MARSHALL MCKEE, OHS, SLITER and TUSS voting no. REPS. FORBES and LARSON refrained from voting because of being absent with no proxy.

CHAIRMAN SIMON relinquished the chair to VICE CHAIRMAN PAVLOVICH.

Motion: REP. SIMON MOVED THE SIMON AMENDMENT.

Discussion:

REP. BARNETT stated he opposes the amendment.

Vote: Motion carried to adopt the Simon amendment 11-6 with REPS. ELLIS, OHS, MCKEE, HERRON, BARNETT and MARSHALL voting no. REP. FORBES refrained from voting because of being absent with no proxy.

Vote: A roll call vote was taken which passed 13-5 with REPS. SIMON, COCCHIARELLA, EWER, KEENAN and OHS voting no.

TAPE 2, SIDE A

VICE CHAIRMAN PAVLOVICH relinquished the chair back to CHAIRMAN SIMON.

HEARING ON HB 602

Opening Statement by Sponsor: REP. SAM KITZENBERG, HD 96, Valley County, said this bill is an act authorizing loans to local government for businesses estimated to employ at least 50 people; providing that loans may be used to provide infrastructure for a business; providing for repayment of the loans through infrastructure fees; and providing a tax credit for infrastructure fees paid. He then provided further written testimony. **EXHIBIT 1**

Proponents' Testimony:

Rick Jones, Department of Commerce, said his role with the department is to recruit new and expanding businesses to Montana. He said there are opportunities which may require significant investment in local infrastructure. Local government sometimes cannot afford through the existing programs or rate structures to make substantial investments in new infrastructure to attract business opportunities without significant hikes in their local rate structures. This is often resisted by the existing local user. Local governments cannot often wait for other programs which would be available to finance infrastructure such as Treasure State Endowment Fund, Community Development Block Grant, EPA construction grants, etc. This bill makes the provisions more accessible to smaller business opportunities and smaller communities. It may be more appropriate to encourage smaller

companies to locate in the state. There are not 2000 employee plants eagerly coming to Montana very often anyway. He then provided testimony from **Dixie Swanson, Legislative Committee, Montana Economic Developers Association**, as part of the testimony. **EXHIBIT 2**

David Owen, Montana Chamber of Commerce, said they supported the concept of taking the idea of the Micron bill and making it more universally acceptable by pushing the level down. There should be caution, however, in the provision as it identifies 50 people. Expanding business is extremely important.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

REP. MARSHALL said he was in favor of these programs to help the state. He is concerned about how programs would be monitored and where there is the protection. **Mr. Jones** said the Board of Investments' management of the loan program is the best tool. The Board will take a very strong role.

REP. DEVANEY asked what the position of the loan as far as an obligation to the government. **REP. KITZENBERG** said it was not addressed in the bill.

REP. EWER said this bill would empower the Board of investments to make loans to local governments. Local governments would make an investment in infrastructure so that a company with job creation would locate here. He asked about the loan arrangement between the company and the community so the community can pay back the Board of Investments. **Mr. Jones** said the loan arrangement would be under any currently available legal method whether it would be a general obligation which would be subject to a vote of the electorate or through a special revenue bond dedicating the user fees. **REP. EWER** said there is no method in general obligation bonds whereupon a particular entity could be singled out to pay more than its share. **Mr. Jones** said he was not an expert on utility rate structures. The loan is not to be repaid at all through property taxes. It is to be paid through utility rate structures created by the local government providing the service to the user. In most of the cases, the infrastructure improvements being discussed are dedicated to the repayment structure. **REP. EWER** asked if the committee is aware of the laws regarding user charges having to be set so there is sufficient revenues brought in. They want a company to pay for all of this. The residents are going to pay also. **Mr. Jones** said the way it is being considered is that the existing system presumably is being paid by the existing rate base. Costs associated with amortizing and operating that system are being covered by the current rate base. The additional debt created by the infrastructure and improvement will be financed by additional

fees based on the rate structure that will be paid by that user. It will not be tied for the construction to operation of existing system but will be an increment over and above those annual operating and amortization laws.

CHAIRMAN SIMON said he was involved in a lot of the discussion on the Micron bill. If a road is built to a particular location, money will not be reimbursed from user fees. An additional system development fee would be negotiated and be a part of the loan agreement the city would have documentation in place with the entity creating the jobs that would assure the Board of Investments they would get the loan repaid. **Mr. Jones** said the Board of Investments needed to be satisfied that there is adequate payment provision.

CHAIRMAN SIMON said that is precisely the concern **REP. EWER** has. The Board has a high standard they must reach. It must be clear on the record that the Board of Investments' standards which will be used will be looked to and any agreement which is put together would become the working document. The Board would then authorize a loan to the local government, and it would be a tight document. It would give strong assurances to the Board that the loan which is being made to the local government will be repaid. This is not a general obligation of the taxpayers. It is based upon collateral, which is the infrastructure. The collateral is useless. He asked whether it would be negotiated between the entity coming in and the local government. **Mr. Jones** said yes but the committee was getting ahead of itself.

CHAIRMAN SIMON said this was not so, it needed to be talked about because it is going to fall to the responsibility of the Board of Investments to make these loans. They need to understand what the legislature is thinking about when this legislation is passed. This is not a premature discussion but one which is right on target as far as what is contemplated here. The Board of Investments will follow strict guidelines in making sure the public is protected and the loans will be repaid.

REP. ELLIS asked how many jobs were involved in the malting facility. **Mr. Jones** said it was in 1989 and there were 200 jobs involved. The Canola plant in Butte employed about 40-400 people. The alcohol plant in Great Falls employed 100.

REP. ELLIS said he detected a note of concern about this bill not threatening existing businesses. **Mr. Jones** said he did not have specific language to protect that but he said his concern was that it could be a very good program.

REP. ELLINGSON said one aspect of the bill which concerns him is the possibility of retail establishments coming to the Board and asking for assistance. If it was decided this would need to be for the creation of jobs in the primary sector, he wondered whether that would have a sufficient economic definition. **Mr. Owen** said there was a good idea of what primary means and the

answer is yes. He did not know the answer to the contractual questions.

REP. EWER asked if it were the sense of the sponsor that all of the necessary ingredients as far as legislation would be in place so that there would be sufficient law on the books that if there were a viable company, a loan could be done between the Board of Investments and local government and some arrangement could be made between local government and the company. REP. KITZENBERG said yes. These are legitimate concerns. In speaking with Mr. Pancich, he said he understood that this is an economic development bill and that it is only as good as the company that can pay the fees. The Board is going to want to look at that company's ability to create the cash flow to be able to service the debt to the county and they would be looking very hard at that. There will be a lien on the infrastructure.

CHAIRMAN SIMON asked if REP. KITZENBERG could supply a copy of Mr. Pancich's testimony to the committee. REP. KITZENBERG said yes.

Closing by Sponsor:

The sponsor closed.

EXECUTIVE ACTION ON HB 602

Motion: REP. ELLIS MOVED HB 602 DO PASS. REP. SLITER MOVED THE KITZENBERG AMENDMENTS.

Discussion:

REP. PAVLOVICH stated he did not understand the second amendment.

Steven Maly explained the amendments.

REP. ELLINGSON requested that the Kitzenberg amendments be segregated into numbers 1, 2-4.

Vote: Motion carried on the Kitzenberg #2, #3, #4 and #1 on the second page 18-0.

Motion: REP. ELLINGSON MOVED A SUBSTITUTE ELLINGSON AMENDMENT.

Discussion:

REP. EWER said not to define "primary" in the amendment. He then explained why the Board of Investments uses "primary" for their interpretation under its existing policies and practices.

CHAIRMAN SIMON said he wanted to offer an amendment that would say "full time and permanent" which REP. ELLINGSON could include in his amendment.

Motion/Vote: REP. ELLINGSON MOVED TO INCORPORATED THE LANGUAGE OFFERED BY CHAIRMAN SIMON IN HIS AMENDMENT. Motion carried to adopt the Ellingson amendment 18-0.

Motion/Vote: REP. ELLIS MOVED HB 602 DO PASS AS AMEND.

Discussion:

REP. EWER stated that the Board of Investments will take respect to primacy to Montana. It is not an easy concept to define. He also said that all of the pieces were not in place in this bill which will effectuate this legislation but the Board of Investments will make every good faith effort. For the record, politicians don't pressure the Board of Investments. That is not a fair statement. This bill will raise people's expectations.


REP. MILLS said he was concerned about the ability of the cities or local entities to borrow this money without a vote of the people or without some enabling statements to that effect.

REP. EWER said there were a lot of different avenues which governments have to borrow money. They can do it with revenue bonds, general obligation bonds, industrial revenue bonds. Some will and some won't need a vote of the people.

Vote: Motion carried on HB 602 18-0.

ADJOURNMENT

Adjournment: 11:20 A.M.



BRUCE T. SIMON, Chairman



ALBERTA STRACHAN, Secretary

BTS/ajs

HOUSE OF REPRESENTATIVES

Business and Labor

ROLL CALL

DATE 3-21-95

NAME	PRESENT	ABSENT	EXCUSED
Rep. Bruce Simon, Chairman	X		
Rep. Norm Mills, Vice Chairman, Majority	X		
Rep. Bob Pavlovich, Vice Chairman, Minority	X		
Rep. Joe Barnett	X		
Rep. Vicki Cocchiarella	X		
Rep. Charles Devaney	X		
Rep. Jon Ellingson	X		
Rep. Alvin Ellis, Jr.	X		
Rep. David Ewer	X		
Rep. Rose Forbes	X		
Rep. Jack Herron	X		
Rep. Bob Keenan	X		
Rep. Don Larson	X		
Rep. Rod Marshall	X		
Rep. Jeanette McKee	X		
Rep. Karl Ohs	X		
Rep. Paul Sliter	X		
Rep. Carley Tuss	X		



HOUSE STANDING COMMITTEE REPORT

March 21, 1995

Page 1 of 4

Mr. Speaker: We, the committee on Business and Labor report that House Bill 599 (first reading copy -- white) do pass as amended.

Signed: _____

Bruce Simon
Bruce Simon, Chair

And, that such amendments read:

1. Page 2, line 23.

Strike: "demonstrates a"

Insert: "has the"

Strike: "path to"

Insert: "potential for"

2. Page 3, line 3.

Following: "."

Insert: "Unallocated interest and earnings from the research and development special revenue account must be deposited in the general fund."

3. Page 3, line 6.

Strike: "an"

Insert: "a research and development"

4. Page 3, line 21.

Following: "."

Insert: "The governor shall reflect the termination of participation in the program in the budget submitted to the next regular session of the legislature."

5. Page 3, lines 25 and 26.

Following: ", the"

Insert: "state"

Following: "interest" on line 25

Committee Vote:

Yes 13, No 6.

651557SC.Hbk

Strike: remainder of line 25 through "contributions" on line 26
Insert: "thereon"

6. Page 3, lines 28 and 29.
Following: "(2)" on line 28
Strike: remainder of line 28 through "fund." on line 29

7. Page 4, line 5.
Strike: "office of the governor"
Insert: "department of commerce"

8. Page 4, line 30.
Strike: "an"
Insert: "a research and development"

9. Page 5, line 27.
Strike: "an annual"
Insert: "a biennial"

10. Page 5, line 28.
Strike: "\$2.4 million"
Insert: "\$850,000"

11. Page 6, line 4.
Following: "to the"
Insert: "research and development"

12. Page 6, line 7.
Strike: "an annual"
Insert: "a biennial"

13. Page 6, line 8.
Following: "million"
Insert: "per year"
Following: "of the"
Insert: "annual"

14. Page 6, line 10.
Following: "._"
Insert: "The transfer of the funds to the special revenue account must be made on a semiannual basis in the amount necessary to service bonds provided for in [section 10]. All other transfers under this subsection must be made at the end of the biennium."

15. Page 7, line 26.
Strike: "projects"

16. Page 8, line 5.

Following: "i."

Insert: "and"

17. Page 8, line 6.

Strike: subsection (viii) in its entirety

Renumber: subsequent subsections

18. Page 8, line 7.

Strike: "; and"

19. Page 8, line 8.

Strike: "(x)" through "contents"

20. Page 8, line 12.

Following: line 11

Insert: "(c) "Project" means:

(i) construction, installation, and expansion of infrastructure;

(ii) construction or renovation of public health and safety and correctional facilities;

(iii) construction or modification of existing public facilities to provide access for individuals with disabilities;

(iv) construction or installation of infrastructure for public housing;

(v) acquisition, rehabilitation, and preservation of historic places and artifacts."

Renumber: subsequent subsections

21. Page 9, line 2.

Strike: "(3) (a) (x)"

Insert: "(3) (c) (v)"

22. Page 10, line 11.

Strike: "(3) (a) (x)"

Insert: "(3) (c) (v)"

23. Page 10, lines 18 and 19.

Following: "(1)" on line 18

Strike: remainder of line 18 through "loaned" on line 19

Insert: "The board of investment shall loan"

24. Page 10, line 26.

Following: "(4)"

Insert: "and must bear interest at a rate not to exceed the rate earned on the short-term investment pool"

25. Page 11, lines 12 and 13.

Following: "part"
Strike: "2"
Insert: "18"

-END-



HOUSE STANDING COMMITTEE REPORT

March 21, 1995

Page 1 of 5

Mr. Speaker: We, the committee on Business and Labor report that Senate Bill 354 (third reading copy -- blue) be concurred in as amended.

Signed: _____

Bruce Simon, Chair

Carried by: Rep. Simon

And, that such amendments read:

1. Title, line 5.

Following: "REGISTRATION;"

Insert: "PROVIDING THAT A PERCENTAGE OF THE FEES BE USED FOR AN
EDUCATION PROGRAM;"

2. Title, line 10.

Following: "39-3-705,"

Insert: "39-3-706,"

3. Page 5, line 3.

Following: "Fees"

Insert: "-- education program"

4. Page 5, line 9.

Strike: "\$70"

Insert: "\$80"

5. Page 5, line 12.

Insert: "(5) The department shall establish, cooperatively with
representatives of the building industry, an industry and
consumer information program, funded with 15% of the fees,

Committee Vote:

Yes 16, No 2.

651553SC.Hbk

to educate the building industry about the registration program and to educate the public regarding the hiring of building contractors.

(6) The fee for a joint application for a certificate of registration and an independent contractor exemption may not exceed the fee charged for a certificate of registration."

6. Page 5, lines 19 and 23.

Strike: "substantial"

7. Page 5, line 28.

Strike: "PERSON"

Insert: "contractor"

Following: "OF"

Strike: "A"

Insert: "another"

8. Page 5, line 29.

Following: "COVERAGE"

Insert: "for the other contractor or for any employee of the
other contractor"

Strike: "PERSON"

Insert: "contractor"

9. Page 5, line 30.

Following: "THAT THE"

Insert: "other"

Strike: "PERSON"

Insert: "contractor"

10. Page 7, line 12.

Following: "(15)"

Insert: "to a contract security company, licensed under Title 37,
chapter 60, operating within the scope of the license; or
(16)"

11. Page 7, line 19.

Strike: "All"

Insert: "Except for telephone books, all"

12. Page 7, lines 22 and 23.

Following: "section of" on line 22

Strike: remainder of line 22 through "other" on line 23

Following: "directories" on line 23

Insert: ", excluding telephone books,"

13. Page 10, line 5.

Strike: "and whether a contractor is bonded"

14. Page 11, lines 1 and 2.

Following: "investigations --" on line 1

Strike: the remainder of line 1 through "injunctions" on line 2

Insert: "citations"

15. Page 12, lines 4 and 5.

Following: "shall" on line 4

Strike: the remainder of line 4 through "to" on line 5

16. Page 13, line 9.

Strike: "-- appeal"

Following: "determination --"

Strike: "failure"

Insert: "appeal, -- duty"

17. Page 16, line 24.

Strike: "another"

Insert: "any person or entity"

18. Page 16, line 25.

Strike: "other"

Insert: "person or entity"

19. Page 16, line 26.

Strike: "to the other"

20. Page 17, lines 1 through 5.

Strike: lines 1 through 5 in their entirety

Insert: "(i) of \$6,000 for a general contractor or \$4,000 for a specialty contractor if the contractor is a sole proprietor, an independent contractor, or a corporate officer working as

an individual without employees; or
(ii) equal to a contractor's average monthly employee payroll, based on 12 consecutive months' payroll, as estimated by the commissioner. However, the amount may not be less than \$6,000 for a general contractor or \$4,000 for a specialty contractor and may not exceed \$25,000 for any contractor."

21. Page 17, line 7.
Strike: "insuring"
Insert: "guaranteeing"

22. Page 17, lines 11 and 12.
Following: "labor" on line 11
Strike: the remainder of line 11 through "contractor" on line 12

23. Page 18, line 5.
Following: "due,"
Strike: "the" through "furnished,"

24. Page 18, line 13.
Strike: "transmit"
Insert: "mail"

25. Page 18, line 14.
Following: "registrant"
Insert: "at the address"
Following: "the"
Insert: "registrant's"

26. Page 18, line 25.
Strike: line 25 in its entirety
Re-number: subsequent subsections

27. Page 19, line 11.
Insert: "

Section 29. Section 39-3-706, MCA, is amended to read:
"39-3-706. Liability of ~~person~~ contractor contracting with another contractor ~~for failure to require bond~~. Any ~~person~~ A contractor contracting with a another contractor who fails to require the other contractor to ~~acquire the surety bond provided for in 39-3-703(1)~~ be registered pursuant to [sections 1 through

March 21, 1995

Page 5 of 5

251 is liable to the employees of ~~that~~ the other contractor for their wages and fringe benefits on that particular job.""

Renumber: subsequent sections

-END-

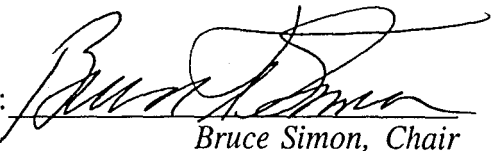


HOUSE STANDING COMMITTEE REPORT

March 22, 1995

Page 1 of 2

Mr. Speaker: We, the committee on Business and Labor report that Senate Bill 313 (third reading copy -- blue) be concurred in as amended.

Signed: 
Bruce Simon, Chair

And, that such amendments read:

Carried by: Rep. Bohlinger

1. Title, line 10.

Following: "DATE"

Insert: "AND A TERMINATION DATE"

2. Page 1, line 27.

Page 3, lines 5, 6, 13, 19, 20, and 25

Page 4, lines 4, 7, and 9

Following: "through"

Strike: "7"

Insert: "6"

3. Page 2, following line 26.

Insert: "(4) A pharmacy or pharmacist may not charge a dispensing
or ingredient fee based solely on the class of trade to
which the purchaser belongs."

4. Page 2, line 27.

Strike: "(4)"

Insert: "(5)"

5. Page 2, line 30 through page 3, line 2.

Strike: section 3 in its entirety

Committee Vote:
Yes 13, No 5.

660804SC.Hdh

Renumber: subsequent sections

6. Page 3, line 14.

Following: "DEPARTMENT," on line 14

Strike: "ONE-HALF OF THE AMOUNT OF"

7. Page 3, lines 15 and 16.

Strike: "GENERAL" on line 15 through "THE" on line 16

8. Page 3, line 17.

Strike: "THE ENTIRE AMOUNT OF"

9. Page 4, line 13.

Insert: "NEW SECTION. Section 9. Termination. [This act]
terminates July 1, 1997."

-END-



HOUSE STANDING COMMITTEE REPORT

March 21, 1995

Page 1 of 2

Mr. Speaker: We, the committee on Business and Labor report that House Bill 602 (first reading copy -- white) do pass as amended.

Signed: _____

Bruce Simon, Chair

And, that such amendments read:

1. Page 2, line 9.

Following: "jobs"

Insert: "in the primary sector of the economy"

2. Page 2, line 10.

Following: "Montana"

Insert: "on a permanent, full-time basis or result in the expansion of a business estimated to employ at least an additional 50 people in Montana on a permanent, full-time basis"

3. Page 2, line 22.

Strike: "\$1 million"

Insert: "\$500,000"

4. Page 3, line 22.

Following: "created"

Insert: "or expanded"

5. Page 3, line 23.

Following: "chapter"

Insert: "30 or"

Committee Vote:

Yes 17, No 1.

651556SC.Hbk

6. Page 3, line 25

Following: "."

Insert: "The credit may be carried forward or carried back for 7
tax years."

-END-

HOUSE OF REPRESENTATIVES

BUSINESS AND LABOR COMMITTEE

ROLL CALL VOTE

DATE 3-21-95 BILL NO. HB 599 NUMBER 2

MOTION: Do pass as amended

NAME	AYE	NO
Rep. Bruce Simon, Chairman	✓	
Rep. Norm Mills, Vice Chair, Maj.	✓	
Rep. Bob Pavlovich, Vice Chair, Min.	✓	
Rep. Joe Barnett	✓	
Rep. Vicki Cocchiarella		✓
Rep. Charles Devaney	✓	
Rep. Jon Ellingson		✓
Rep. Alvin Ellis, Jr.	✓	
Rep. David Ewer		✓
Rep. Rose Forbes	✓	
Rep. Jack Herron	✓	
Rep. Bob Keenan	✓	
Rep. Don Larson		✓
Rep. Rod Marshall	✓	
Rep. Jeanette McKee	✓	
Rep. Karl Ohs	✓	
Rep. Paul Sliter	✓	
Rep. Carley Tuss		✓

HOUSE OF REPRESENTATIVES

BUSINESS AND LABOR COMMITTEE

ROLL CALL VOTE

DATE 3-21-95 BILL NO. SB313 NUMBER 1

MOTION: Be concur as amend

Carried

NAME	AYE	NO
Rep. Bruce Simon, Chairman		✓
Rep. Norm Mills, Vice Chair, Maj.	✓	
Rep. Bob Pavlovich, Vice Chair, Min.	✓	
Rep. Joe Barnett	✓	
Rep. Vicki Cocchiarella		✓
Rep. Charles Devaney	✓	
Rep. Jon Ellingson	✓	
Rep. Alvin Ellis, Jr.	✓	
Rep. David Ewer		✓
Rep. Rose Forbes	✓	
Rep. Jack Herron	✓	
Rep. Bob Keenan		✓
Rep. Don Larson	✓	
Rep. Rod Marshall	✓	
Rep. Jeanette McKee	✓	
Rep. Karl Ohs		✓
Rep. Paul Sliter	✓	
Rep. Carley Tuss	✓	

HOUSE OF REPRESENTATIVES

BUSINESS AND LABOR COMMITTEE

ROLL CALL VOTE

DATE 3-21-95 BILL NO. SB323 NUMBER 3

MOTION: #2 Cocchiarella amendment

Failed

NAME	AYE	NO
Rep. Bruce Simon, Chairman		✓
Rep. Norm Mills, Vice Chair, Maj.		✓
Rep. Bob Pavlovich, Vice Chair, Min.		✓
Rep. Joe Barnett		✓
Rep. Vicki Cocchiarella	✓	
Rep. Charles Devaney		✓
Rep. Jon Ellingson		✓
Rep. Alvin Ellis, Jr.		✓
Rep. David Ewer	✓	
Rep. Rose Forbes		
Rep. Jack Herron		✓
Rep. Bob Keenan		✓
Rep. Don Larson		
Rep. Rod Marshall		✓
Rep. Jeanette McKee		✓
Rep. Karl Ohs		✓
Rep. Paul Sliter		✓
Rep. Carley Tuss		✓

HOUSE OF REPRESENTATIVES

BUSINESS AND LABOR COMMITTEE

ROLL CALL VOTE

DATE 3-21-95 BILL NO. SB313 NUMBER 2

MOTION: Cocchiarella amendment #1

Carried

NAME	AYE	NO
Rep. Bruce Simon, Chairman	✓	
Rep. Norm Mills, Vice Chair, Maj.		✓
Rep. Bob Pavlovich, Vice Chair, Min.	✓	
Rep. Joe Barnett		✓
Rep. Vicki Cocchiarella	✓	
Rep. Charles Devaney		✓
Rep. Jon Ellingson		✓
Rep. Alvin Ellis, Jr.		✓
Rep. David Ewer	✓	
Rep. Rose Forbes		
Rep. Jack Herron		✓
Rep. Bob Keenan	✓	
Rep. Don Larson	✓	
Rep. Rod Marshall		✓
Rep. Jeanette McKee		✓
Rep. Karl Ohs	✓	
Rep. Paul Sliter	✓	
Rep. Carley Tuss	✓	

HOUSE OF REPRESENTATIVES

BUSINESS AND LABOR COMMITTEE

ROLL CALL VOTE

DATE 3-21-95 BILL NO. SB313 NUMBER 1

MOTION: #2 Sliter Amendment

Carried

NAME	AYE	NO
Rep. Bruce Simon, Chairman		✓
Rep. Norm Mills, Vice Chair, Maj.	✓	
Rep. Bob Pavlovich, Vice Chair, Min.	✓	
Rep. Joe Barnett	✓	
Rep. Vicki Cocchiarella		✓
Rep. Charles Devaney	✓	
Rep. Jon Ellingson	✓	
Rep. Alvin Ellis, Jr.	✓	
Rep. David Ewer		✓
Rep. Rose Forbes		
Rep. Jack Herron	✓	
Rep. Bob Keenan	✓	
Rep. Don Larson		
Rep. Rod Marshall	✓	
Rep. Jeanette McKee	✓	
Rep. Karl Ohs	✓	
Rep. Paul Sliter	✓	
Rep. Carley Tuss	✓	

HOUSE OF REPRESENTATIVES

BUSINESS AND LABOR COMMITTEE

ROLL CALL VOTE

DATE 3-21-95 BILL NO. HB581 NUMBER 1

MOTION: To pass

Fails

NAME	AYE	NO
Rep. Bruce Simon, Chairman		✓
Rep. Norm Mills, Vice Chair, Maj.		✓
Rep. Bob Pavlovich, Vice Chair, Min.	✓	
Rep. Joe Barnett		✓
Rep. Vicki Cocchiarella	✓	
Rep. Charles Devaney		✓
Rep. Jon Ellingson	✓	
Rep. Alvin Ellis, Jr.		✓
Rep. David Ewer	✓	
Rep. Rose Forbes	✓	
Rep. Jack Herron		✓
Rep. Bob Keenan		✓
Rep. Don Larson	✓	
Rep. Rod Marshall		✓
Rep. Jeanette McKee		✓
Rep. Karl Ohs	✓	
Rep. Paul Sliter		✓
Rep. Carley Tuss	✓	

HOUSE OF REPRESENTATIVES

BUSINESS AND LABOR COMMITTEE

ROLL CALL VOTE

DATE 3-21-95 BILL NO. HB 580 NUMBER 1

MOTION: To pass

Fails

NAME	AYE	NO
Rep. Bruce Simon, Chairman		✓
Rep. Norm Mills, Vice Chair, Maj.		✓
Rep. Bob Pavlovich, Vice Chair, Min.	✓	
Rep. Joe Barnett		✓
Rep. Vicki Cocchiarella	✓	
Rep. Charles Devaney		✓
Rep. Jon Ellingson	✓	
Rep. Alvin Ellis, Jr.		✓
Rep. David Ewer	✓	
Rep. Rose Forbes		✓
Rep. Jack Herron		✓
Rep. Bob Keenan		✓
Rep. Don Larson	✓	
Rep. Rod Marshall		✓
Rep. Jeanette McKee		✓
Rep. Karl Ohs	✓	
Rep. Paul Sliter		✓
Rep. Carley Tuss	✓	

HOUSE OF REPRESENTATIVES

BUSINESS AND LABOR COMMITTEE

ROLL CALL VOTE

DATE 3-21-95 BILL NO. 526 ^{HB} NUMBER _____

MOTION: Do pass

Motion fails

NAME	AYE	NO
Rep. Bruce Simon, Chairman		✓
Rep. Norm Mills, Vice Chair, Maj.		✓
Rep. Bob Pavlovich, Vice Chair, Min.	✓	
Rep. Joe Barnett		✓
Rep. Vicki Cocchiarella	✓	
Rep. Charles Devaney		✓
Rep. Jon Ellingson	✓	
Rep. Alvin Ellis, Jr.		✓
Rep. David Ewer		✓
Rep. Rose Forbes	✓	
Rep. Jack Herron		✓
Rep. Bob Keenan		✓
Rep. Don Larson	✓	
Rep. Rod Marshall		✓
Rep. Jeanette McKee	✓	
Rep. Karl Ohs		✓
Rep. Paul Sliter		✓
Rep. Carley Tuss	✓	

HOUSE OF REPRESENTATIVES

BUSINESS AND LABOR COMMITTEE

ROLL CALL VOTE

DATE 3-21-95 BILL NO. HB599 NUMBER 1

MOTION: Amendment Governor

NAME	AYE	NO
Rep. Bruce Simon, Chairman	✓	
Rep. Norm Mills, Vice Chair, Maj.	✓	
Rep. Bob Pavlovich, Vice Chair, Min.	✓	
Rep. Joe Barnett	✓	
Rep. Vicki Cocchiarella		✓
Rep. Charles Devaney	✓	
Rep. Jon Ellingson		✓
Rep. Alvin Ellis, Jr.	✓	
Rep. David Ewer		✓
Rep. Rose Forbes	✓	
Rep. Jack Herron	✓	
Rep. Bob Keenan	✓	
Rep. Don Larson		✓
Rep. Rod Marshall	✓	
Rep. Jeanette McKee	✓	
Rep. Karl Ohs	✓	
Rep. Paul Sliter	✓	
Rep. Carley Tuss		✓

EXHIBIT 1
DATE 3-21-95
HB 602

HB 602

MONTANA ECONOMIC INCENTIVE ACT

BY REPRESENTATIVE SAM KITZENBERG, HD #96

This bill authorizes the Board of Investments to make loans to local governments to create infrastructure for businesses that will create jobs in Montana.

The loan is made to the local government for infrastructure purposes to employ at least 50 people. The loan has a maximum amount of \$20 million and a minimum amount of \$500,000, and that is because we are making the loans in \$10,000 per job. You have to have a minimum of 50 jobs to qualify 50 times the \$10,000 per job is \$500,000. Half a million dollars is the minimum loan amount. The maximum is \$20 million ²⁰⁰⁰ jobs. The loans are made to local governments to do infrastructure like streets, roads, water, sewer, those kinds of things that a business may need. The idea is that the local government will repay the loan through some sort of infrastructure tax credit that the business receives. So, the local government will charge the business the cost of the infrastructure; for example, if they put in a water system for the business to allow the business to locate the water use fees that the business pays, will go to the local government to repay the state. The business will get a tax credit against its income taxes it

pays to offset those fees to the local government. So, the states' benefit is through the income taxes collected from the workers We are creating job opportunities in Montana. We are creating economic development through the local construction projects to create the infrastructure that can benefit the whole community. We are using coal severance tax permanent trust fund to benefit local government and future generations through creating infrastructure and jobs in Montana. Essentially, everyone comes out as a wash because the local government gets the loan they repay through the service fees for the infrastructure provided. The business that we locate in Montana creates at least 50 jobs; a nice size business in Montana, gets a benefit because it gets to offset those fees on their corporate income taxes initially, and the state benefits because we get the income taxes from the workers who are located there.

LINE-by-Line

(What this bill does) '

176305. Section One. This is the existing in state investment program and that directs the Board of Investments to invest up to 25% of the coal severance tax trust fund in Montana. We specifically provide that investments made prior to this section are not included in the loans made for infrastructure so that there is still directed to try to invest in other Montana things other than these infrastructure loans to local governments.

The second section, 176309, deals with investment preferences and here is where we create the direction to the board to make loans to enhance economic

development and create jobs that will result in at least employment of 50 people in Montana. That is where our 50 person criteria comes in.

The next section, 176311, is where we provide the criteria for the loan, the dollar amounts, where we have the cap of \$20 million, the minimum of \$10,000 per job, or the minimum amount of \$500,000, so that is where the dollar amounts on the loan. Then there are some criteria that in making the loan the board should consider the number of jobs to be created from the project, the impact of the jobs on the community, long term effect on personal and corporate income taxes and the ability of the community to provide the infrastructure through other means and other matters that the board feels are important. These are guidelines for the board to consider as to whether these loans should be made or not.

The next section, 176312, deals with state participation in the loan and there we just had to put in an internal reference. It is really a non-substantive change. We had to change an internal reference to allow these types of loans to be made.

The next section is section 5 of the bill. It is a new section. This is where we provide for the infrastructure tax credit and this is where we deal with the local government's repayment and the business's ability to offset against its taxes. The infrastructure use payments it makes to local governments that has provided the infrastructure.

When we make the loan, the loans go to local governments, the local government then will get the loan and it will have to use it for specified purposes,

for example a water system, a sewer system, roads. Normally those would be made through some sort of a special improvement district in the local community. The benefited users of those service would then pay fees to pay off the SID. In this case the amount is going to be paid by the state to the local government through the loan, then the local government will put in the water or sewer system. As the business locates, it starts using the water and sewer system, it will pay the fees to the local government. The local government will pay those fees to the state to repay the loan. The business will benefit by getting to deduct, as a credit from its income taxes, that it would pay the amount of those fees it is paying to the local government, so essentially the business is repaying the state but we are not charging its income taxes to offset the amount of that loan until that loan is paid off.

The benefit to the state under this is that at least 50 people who are employed there will be paying property taxes to the community and income taxes to the state, so that is where the benefit to the state accrues and you have the long term benefits of expansion of the job base, new infrastructure in place to allow other businesses to locate and that is how that section works and that is the bill.

Codification -

That is where we are going to put into the existing body of law this new section.

HOW IS IT DIFFERENT FROM MICRON 1 AND WHY IS IT NEEDED?

Micron, as passed, and we coordinate this bill with that Chapter too - it is already law provided for jobs of businesses - the structure is the same - except that the number of people the business had to employ had to be a minimum of 200 people under the Micron proposal and the size of the loans were \$20 million based on that same calculation. There are a number of smaller businesses that could be benefited from that type of program, but the other bill, Senator Lynch's SB 100, was primarily aimed at the Micron project although it was never mentioned by name in that bill, so this will allow, if you will, many Microns' and smaller but just as desirable companies to come into the state. We will provide the same sorts of incentives to local government to provide the needed services to allow those businesses to come in. It is a wash in terms of costs, and the long term and potential benefits are enhanced for everyone. So it allows communities to competitively pursue the location of businesses if you will on a smaller basis. I mean a 50 person company is in Montana a very nice sized company. You can go from anywhere from 50 up to ²⁰⁰⁰ in this. It provides the flexibility that Senate Bill 100 did not.

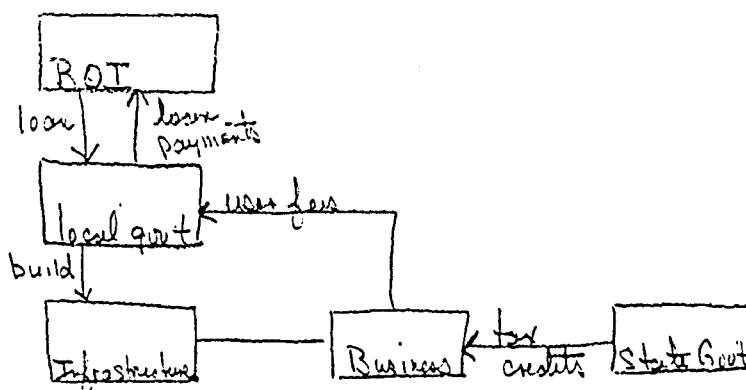
WHY USE COAL TAX TRUST ?

We do similar types of investments now. This is not significantly different from some other things we have done other than it is specifically jobs oriented. The Treasure State Endowment program for example, is designed to allow local governments to have access to state funds that are essentially coal severance tax flow through funds to use for infrastructure. This is where a specific project is coming in and will have immediate job creation impact to give them the money on a non prioritized need. Say the towns water system is bad, so it is a public health concern this is more of a job focus infrastructure bill as

opposed to a public health infrastructure which is already there. This is an economic development proposal is what it is designed as and the flexibility in the numbers will allow many more communities to compete. Already again Butte is looking at a frozen food manufacturing ~~coming~~ ^{coming} in. They may not create 200 jobs but they may create a 100 jobs right away. That is something that under the other bill wouldn't be allowed and there is already some things that could make a play on this bill.

ARE THERE ANY TOWNS THAT WOULD BENEFIT FROM THIS BILL?

The proposed plant in Shelby that may or may not come in, spring readily to mind. It is very possible that Shelby may need to expand its water and sewer systems and some streets and roads if something like that steel manufacture came in there. THEY'RE ALL KINDS OF LOCATIONS AND IDEAS. There may be a major trucking company that would want to relocate in Montana, if we could have a hub for them somewhere - that the Port of Butte facility is one that I am just thinking of that I know of right in this area that would readily use something like this. I think there are just all kinds of possible things that are going to happen.



New and existing
Section 2(2)

EXHIBIT 1

DATE 3-21-95

HB 602

Amendments to House Bill No. 602
First Reading Copy

Requested by Representative Kitzenberg
For the Committee on

Prepared by Greg Petesch
March 18, 1995

1. Page 2, line 22.

Strike: "\$1 million"

Insert: "\$500,000"

EXHIBIT 2
DATE 3-21-95
HB 602

Montana Economic Developers Association

321 East Main, Suite 413

Bozeman, MT 59715

406-587-3113

"Representing all of Montana's economic development community!"

March 21, 1995

Members of the House Business & Labor Committee
Montana House of Representatives
State Capitol Building
Helena MT 59620

Dear Chairman Simon and Members of the Committee:

The Montana Economic Developers Association is an organization that includes over 60 individuals in the state of Montana who have economic development as their primary function.

These individuals represent every major community in the state and many smaller communities which are seeking to create economic growth and jobs for their areas.

The Montana Economic Developers Association strongly supports the passage of HB 602.

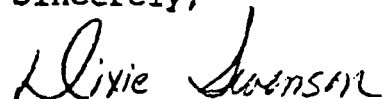
This bill will provide another economic development tool for the State of Montana. The MICRON project caused the passage of SB 100 because we all discovered that Montana needed to be able to help finance public infrastructure to support the development of larger industries. Of course, MICRON represented 3,500 jobs, and therefore, the bill was written to place a 2,000 job threshold on participation in the program.

It became clear to many of us that if the program was useful to help create 2,000 jobs, it could be much more useful (and perhaps more realistic) to use the program to help create businesses with 100 and 200 jobs -- a large economic development project by Montana terms.

The amendments in this bill make it a good tool for economic development for the state, and we urge its passage.

Thank you.

Sincerely,



Dixie Swenson
MEDA Legislative Committee