

**MINUTES**

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

**COMMITTEE ON BUSINESS & LABOR**

**Call to Order:** By **CHAIRMAN BRUCE T. SIMON**, on March 20, 1995, at 8:00 AM.

**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 599, HB 580, HB 581 and HB 526  
(combined hearing on all four bills); SB  
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Executive Action: None.

HEARING ON HB 599, HB 580, HB 581, HB 526  
(Combined Hearing)

Opening Statement by Sponsor:

REP. JOHN A. MERCER, HD 74, Lake County, stated that HB 599 is co-sponsored by SEN. FRED VAN VALKENBURG at the request of the Governor to establish the Montana Partnership Act. If this historic bill is passed, a change will be made for Montana and the future of the young people of this state. He said there are fewer jobs even in expanding communities, while eastern Montana communities are getting smaller. Montana is really not planning for the future of this resource-rich and beautiful state. That is really what the new Montana Partnership Act is all about.

He outlined three important components of the act: The first is diversifying economy and creating jobs in the area of research and development. Montana does not have a large industrial base like other states have, and there are not big companies to do research and development. Montana has to look to its universities to do that. There are a number of federal programs willing and other entities willing to do research, but they require matching money to be put up by the state. The proposition is to set aside a portion of the money which would otherwise go into the Permanent Coal Tax Trust Fund and use that money as match for research and development for jobs, things small businesses can do and things for students to learn. One million dollars of the money would be placed in a permanent endowment which would be inside the Permanent Coal Tax Trust Fund to be combined with other research dollars to build up over the next 20 years. Twenty years from now, inside the Permanent Coal Tax Trust Fund there would be a research endowment so the state would no longer provide any money for research.

The second aspect of the bill, said REP. MERCER, regards communities. Everyone acknowledges serious problems in the communities with sewers, water projects or infrastructure. This bill would beef up the Treasure State Endowment Program. The only problem with the Treasure State Endowment is that it does not do enough now, although eventually it will. Under this act, for a 20-year period the state would put \$6 million into the Treasure State Endowment. Of the \$6 million, \$5 million would be used for enhancement of these various community projects. It would also expand the definition to infrastructure, public safety facilities such as jails, and building access for the disabled which is a serious problem for local governments. There would be a match required on this money, and the maximum amount of a grant would be \$500,000.

The last aspect of the bill concerns protecting Montana's heritage. The two projects identified are the acquisition of Nevada City and the Lewis and Clark Interpretative Center. One million dollars of this money would fund these historic projects.

The total amount of money used, \$10 million, would otherwise be deposited in the Permanent Coal Tax Trust Fund: \$6 million to the Treasure State Endowment of which \$1 million would go to historic projects and \$4 million in research and development with \$1 million to the Permanent Endowment. This bill is as bold as any bill that has been proposed, **REP. MERCER** said. It has numerous benefits which will be explained by the many proponents.

The only downside is the perception that somehow it is a cracking of the Permanent Coal Tax Trust Fund. This bill does not touch one penny in the Fund now; it diverts money that would otherwise go there. This has been done in numerous votes in this session and votes in other sessions. Permanent Coal Tax Trust money has been loaned out to all sorts of people: it is used to back bonds; it is spent on Arco lawsuits; it is used on the Treasure State Endowment where the interest has been lost to the general fund. The Permanent Coal Tax Trust moneys have been extended in many ways. There has not been an actual diversion. When something is done which is dramatic, something which is historic, something which will have a major impact on the state, it is something different than has been done in the past. The same programs cannot be passed year after year to deal with these issues. But if this action is not taken, research will not be developed in Montana. There will not be the benefits for the small businesses; there will be no benefits for the institutions of higher learning; there will not be jobs for the people who live here; infrastructure needs will not be addressed. Here is an opportunity to take care of these things. If the state wants to be tough on crime, here is the opportunity to help with local jails. While money is being put in to preserve the Capitol, facilities like Nevada City and the Lewis and Clark Interpretative Center need help. This is the way to invest in Montana's future.

**REP. MERCER** then asked if people realize where the Permanent Coal Tax Trust Fund money is. This money, he said, is primarily not in Montana. This money is being loaned to other people and other places so they can build and do the things they want to do. This is an opportunity to take a very small portion and do the things which will make a difference for Montana.

**SEN. FRED VAN VALKENBURG, SD 32, Missoula County,** said that it is particularly appropriate that **REP. MERCER** is a sponsor of this bill. For all the differences which they have had, he said they share a similar view with respect to participation in the legislative process. This is the kind of bill that really takes a partnership, and it will have to go far beyond **REP. MERCER** in order to succeed in this process. Three-fourths of the legislature must agree on this in order for it to become law. That is as it should be. The people of Montana have put a very significant hurdle in front of the legislature in order to spend the money which is in the Fund or will flow into it. It has not been easy to accomplish that goal in years gone by and it will not be easy in the next couple of weeks to accomplish that goal.

This bill is unique in the recent history of the legislature, a real attempt to look beyond a two-year time frame. This 20-year commitment is the kind of planning which is so essential to moving into the next century. The commitment being made in this bill is one which cannot be undone in the next legislature. It will take a real effort to undo this because a commitment to research and development is the absolute essence of a partnership between the state, its public universities and its business community.

**SEN. VAN VALKENBURG** said that it has been shown in numerous areas that this kind of partnership can be very productive in terms of producing a very high quality of life and high paying jobs. There are some very smart, very dedicated scientists working at the University of Montana, Montana State University and the other units of the University System. They want very much to be partners with state government and the business community in developing the economy. This kind of commitment will provide them with the incentive to devote their intelligence and dedication to that effort. The commitment in this bill to infrastructure development and historical preservation is very consistent with the concern for one another demonstrated throughout the history of Montana. It is not a matter of taking this money and spending it in a temporary way. It is spending it in a way which has a long-term benefit for Montana. The fund has grown to a point where the state must diversify and view what kind of investments will be made; all of that money should not be invested in highly secure lower return type investments. It should be diversified where it has a greater potential for return because of the amount it contains.

**GOVERNOR MARC RACICOT** strongly endorsed the bill and saluted the efforts of **REP. MERCER** and **SEN. VAN VALKENBURG**. He said that this is the fruition of an extraordinarily long period of work on behalf of many people and that it reflects an acceptable partnership that will provide a vehicle of addressing the future of the state in a very real and concrete way. The state has been challenged over the course of the last three to five years to re-tool the economy in the state, recognizing that the state, in the long run, will sustain the people throughout the course of history and particularly those who follow hereafter on the basis of a traditional extraction in economy alone. The consequence of wanting to be committed to a sustained yield mentality as well as making certain that a legacy is left so that Montanans' children and grandchildren can work and live in a state which is very special and needs to be taken care of as well as taking care of those historical artifacts and treasures which have been passed on to us for safekeeping. The state has been working diligently with a number of different people, all of whom are here, to bring about this possibility through the future. In the eyes of some this is a spending of resources that have been the product of hard labors over many years. This is an investment into the future of Montana. It is an opportunity to historically preserve the state. He strongly urged the very sensitive consideration of

this legislation. If it can be supported and is ultimately endorsed by the legislature, the state will inevitably in a few short years look back and feel very proud of a very thoughtful piece of legislation that steered Montana in the direction which was positive and productive and provided an opportunity for all Montanans to be involved in the future.

**REP. KARL OHS, HD 33, Madison County,** said HB 580 is a different approach to the preservation of some important historical sites. He presented a handout which contained historical information about Nevada City and its importance to the tourism industry.

**REP. OHS** talked about one particular case of Nevada City and Virginia City. The Bovey family saw the value of these two cities and worked hard in preserving it. The financial constraints and the obligations have made the Bovey family understand they can no longer bear that burden. If something is not done quickly, those historical pieces will be sold. The state needs to step in and set up a mechanism to save them. Besides the buildings in Nevada City, it also affects artifacts in the buildings. There is a music machine collection which is worth \$1 million and is the largest in the U.S. Besides on the rich artifacts the buildings themselves are valuable. He also noted that other historical projects would be possible in the future. **EXHIBIT 1**

**REP. ROSE FORBES, HD 42, Cascade County,** said that during the past decade Montana has changed from an economy based on resource extraction and agriculture to ones of service industries and tourism, the fastest growing industry in the state and a major factor of Montana's economy. The accommodation tax which was passed in 1987 has been the primary catalyst for the rapid growth of the visitor industry. In 1993 over 7.4 million visitors spent \$1.1 billion in direct expenditures. Those direct expenditures supported more than 33 thousand jobs and brought much needed economic diversification to the state. The eastern part of the state is a little more blessed with natural resources than the more mountainous west. The regains represented by Russell country and Missouri country have not fully shared in economic benefits and tourism growth. Great Falls, in particular, is dependent on Canadian shopper traffic. The C.M. Russell Museum and Giant Springs State Park, although first class attractions, cannot make Great Falls a tourist destination. This can be changed with HB 581. Through the hard work and vision of a dedicated group of people, the Lewis and Clark Historic Trail Interpretative Center was authorized by Congress in 1988. It is their hope to build another memorable Montana attraction with national feel, where people can learn about Lewis and Clark and the beginnings of Great Falls. In 1993 Congress appropriated \$300,000 to complete the center design. At that time, they also committed \$3 million for construction provided that a non-federal matching sum is raised by September of this year. To date, the Lewis and Clark Interpretive Center has raised more than \$1.8 million in cash and pledges. This bill is an excellent opportunity to help make this dream a reality. The Tourism

Advisory Council, the Department of Commerce, Montana Innkeepers Association, Travel Montana, the Governor's Office, **REP. SIMPKINS**, Conrad Burns, Pat Williams, Max Baucus, representatives and senators both past and present worked on this. This bill originated from recommendations on the use of bed tax funds to utilize the projected increases that will be collected in FY96 in the most beneficial way. The programs were chosen based on the relevance to the industries' strategic plan, the needs of the state and an awareness of increasing customer service in a highly competitive industry. The recommendation to create a grant program is highly attractive; funds could be used for bonding purposes. The fiscal note outlines the details very well.

**REP. EMILY SWANSON, HD 30, Gallatin County**, discussed the purpose of HB 526 and explained the context of the bill. Research and development in this state is a vital component of economic development and needs to continue. The state is a large rural area where there are huge differences between east and west, where 98% of the businesses have fewer than 50 employees, where 78% of Montanans work for small businesses. Small businesses cannot afford in-house research and development components themselves. Universities and other non-profit research centers have picked up that responsibility and have developed partnerships between private industry and the public enterprise to support research and development, to support economic development, to support the future of the state by allowing small businesses access to research to help them grow. This bill is a 20-year commitment to set up, over time, a way for universities and non-profit research centers to continue research and development without ongoing support from the state. However, she said, state support needs to be available there in the meantime. Historically, prior to 1985, support for research and development came out of the general fund: the Montana Science and Technology Alliance, funding of research and development through a loan program via MSTA. Research is not something which can be expected to achieve an immediate return on the investment. It requires a long-term investment. This bill would continue the state's partnership in technology development, provide predictability in the amount and length of the state's commitment, develop incentives for research centers to engage in projects with the highest potential for commercialization. Removing money from the trust requires a positive vote of three-quarters of the House and Senate. Rather than take the money out of the permanent trust, 15.393% of this goes into the general fund. Ten percent of the fifteen percent will be used to fund this program for 20 years. A chart was presented regarding the Coal Severance Tax. **EXHIBIT 2**

**Proponents' Testimony:**

**John Noys, President, Virginia City Preservation Alliance**, provided written testimony. **EXHIBIT 3**

**Mark Weber, Vice President, Virginia City Preservation Alliance,** provided written testimony and a packet containing information on Virginia City. **EXHIBIT 4 and 5**

**John Ellingson, Curator, Bovey Restorations,** for 23 years, supported this bill. The significance of Nevada City, he said is that past historic events which are significant and important to Montana history have taken place there. This sister to Virginia City grew from 1863 with the Alder Gulch gold rush. What was once the most populated place in Montana with 5,000 residents experienced the exciting era of road agents and their extermination by the Vigilantes. Nevada City is eligible to be on National Register with twelve of the original buildings still standing. Today, the most significant thing about Nevada City is that the past can be experienced again. A person can leave today's world and walk into the quiet streets of a century ago. Visitors can explore in detail what life was like: from general stores filled with thousands of items of new/old stuff in original boxes to blacksmith shops, wagon shops, saloons, livery stable, China town and homes of every economic class from the miner to what was in 1873 one of Montana Territory's finest mansions. All these, over fifty buildings, are cared for in incredible detail.

**Mr. Ellingson** said that Charles and Sue Bovey were unique people. They saved Virginia City and restored Nevada City not for profit but so that future generations could have a glimpse of what it was like in the past. They bought antiques, not with thoughts that they would gain in value but to protect them so that the not-yet-born could see them. They displayed that collection, not out of context in a glass case like some animal in a zoo removed from his environment but so a visitor could see the whole picture or the entire town complete to the tiniest detail. Nevada City does not only have its original buildings but now other buildings which represent the history of the entire state. Though many of the buildings were moved to save them from destruction, this does not limit their value. Among the most significant are Montana's oldest standing building, the oldest remaining public school and all of these were gathered into one place so visitors could see them and so the past could be protected. He noted that the Virginia and Nevada City area is the third largest tourist attraction in Montana following Yellowstone and Glacier parks. Its economic impact is great and if it were to be lost, that would be a great economic impact as well. Charley Bovey saved the chandelier from the old Supreme Court and has that at Nevada City Music Hall. The stained glass art which was once over the main stairway in the Capitol was saved. **Mr. Ellingson** said that other Montana treasures have been allowed to slip away: Columbia Gardens is but a fading memory; the Mint with its collection of Russell paintings could have been purchased for a relatively small amount but is now in Texas attracting millions of tourists to that region. The state should recognize the great gift the Boveys have assembled in Nevada City for the people of Montana and not lose it. **EXHIBIT 6**

**Merilee Tucker, Preservation Alliance of Virginia City,** voiced her support of HB 580. She said that many citizens of Virginia City, the surrounding area and from all over the state have had personal involvement with the reconstruction/restoration and operation of Nevada City. Many of them have worked there cleaning the displays, getting ready for the tourist season and have personally held the many artifacts collected by the Boveys. Since the possibility of the sale of these areas has come to the forefront, public concern and involvement in trying to preserve these precious Montana treasures have been massive. At meetings concerning these issues there has been 60% community involvement. People in the community and people from all over the world want to see Montana's history stay in Montana.

**Brian Cockhill, Director, Montana Historical Society,** said he supports HB 580 and HB 599. He said he did not want to minimize how much danger Nevada City faces. It is important that it be protected, and the state is the only vehicle that can achieve that. The Historical Society would be very happy to work with the members of the Virginia City Preservation Alliance to make this a going concern and one the state can be proud of. Nevada City is a very important aspect of tourism. Montana cannot keep the tourists in the state after they have found the campgrounds in Glacier and Yellowstone parks to be full. Other areas in the state can be made attractive to the visitor, and that will increase the number of tourists who will stay in the state and ultimately will be to the benefit of all.

**Gloria Hermanson, Montana Cultural Advocacy,** said they feel very strongly that Nevada City needs to be preserved and the Lewis and Clark Center needs to be realized. She said that this funding mechanism is the most appropriate.

**REP. BILL RYAN, H 44, Cascade County,** said he supports HB 581. It is the collaboration of efforts between many groups and gives the community the ability to match federal monies that are in place for this. This project has been designed, it is in place, it is on track and is a very responsible funding mechanism. He also said he supported HB 580 because that bill also has a very good mechanism for funding both areas.

**Mark Macek, Chairman of the Board, Great Falls Area Chamber of Commerce,** provided written testimony. EXHIBIT 7

TAPE 1, SIDE B

**Mike Labriola, President, Lewis and Clark Interpretive Center Fund, Inc.,** provided written testimony. EXHIBIT 8

**Marcia Staigmiller, President, Portage Route Chapter, Lewis and Clark Trail Heritage Foundation,** provided written testimony. EXHIBIT 9

**Jeff Baker, Commissioner of Higher Education, Helena,** said the fabric of the universities is comprised of three parts. The teaching component is the most important. The other two parts, which are intertwined with teaching, are the public service component and the research and development component. The University System last year was able to attract out-of-state money in the amount of \$50 million to support research and development. The money which comes into the state from research grant activity goes to support students in Montana. Research students are involved in the research at the universities, and undergraduates expand their learning potential and their learning opportunities as a result of those funds. They purchase equipment which would not be possible with the current operational funds. These bills will leverage out-of-state money or research money, which has become an exceedingly important component in being able to do some matching in order to attract that money into the state. The Business Partnership aspect is spoken to by the many kinds of activities which to along with this research component. The laser optic business which has developed in the state is a good example, and it is directly linked to the research components and laser optics which are being conducted at MSU.

**REP. CHASE HIBBARD, HD 54, Lewis and Clark County,** said he supports HB 599. **REP. HIBBARD** is fourth generation Montanan with very strong ties to Montana's number one industry, agriculture. He said he has a very keen sense of the state's past and is very concerned about the future of the state. This bill has some very good mechanisms to address the future of the state's vitality and its economic heritage. The use of the coal trust has been a very controversial in the state for a long time and will continue to be so. It was set up as a legacy for future generations of Montana so they could see something in return for the millions of dollars in natural resources which have been exported out of the state. However, he said, the future is now and the money is there to be used. This bill presents a very nice compromise. It does not invade the integrity of the trust, but only takes inflow into the trust which is a very appropriate use of the money. The time is now and it is important for the future of Montana. Montana must preserve the sense of its past because it helps define who we are and what we will be in the future. He said he agreed with the projects that have been presented and he also agrees with goals identified in the bill.

He said he also supports the research and development aspect. Having served as the Chairman of the Montana Science and Technology Alliance, he has seen first hand the value of research and development when concepts are developed in the University System and then taken out and commercialized. He then told of different organizations in Montana who had aided in the research field. The state needs to support research and development. The small companies have difficulty doing this research without the resources of the University System. There has been talk a long time about adding value to the natural resources, but Montana has

done a very poor job of it. Without adequate research, without the capability of taking that research and making something in a commercial way out of it, adding value to resources will not be accomplished. This is a way it can be done. It is for the future, our basic industries, for children, for agriculture. **REP. HIBBARD** called this bill a positive thing that Montanans can do for the state.

**Bob Gannon, President, Montana Power Company,** said he supports HB 599. MPC has two employees on a full-time basis, working in economic development activities within the service area. Others help in this effort. They work with existing businesses and with facilities like Micron on the introduction of potential new business. There is no question that infrastructure and technological capabilities are at the very heart of economic inquiries they deal with. These will only be magnified in the future. They believe that five years from now the impact of technology on the state's economy will dwarf the things which they experience now. This bill would provide a significant additional tool to support the cooperative efforts between the business community, the state and the educational community to enhance the economic expansion and the ability to compete in the global economy. MPC is presently in a re-licensing effort of the nine hydroelectric projects along the Missouri/Madison Rivers from Hebgan Dam to the dam in Great Falls. In that process, they are required to provide protection, mitigation and enhancement funds for recreation enhancement along the river. They have provided \$1 million to help in the Interpretative Center construction and development. It is an important project and is part of the effort to help through the funding which they have available in this re-licensing process

**Nigel Menz, President, Rebuild Montana Coalition,** said they support HB 599 because it provides a basic element of the original Coal Tax Severance Fund to mitigate the impacts of coal mining in Montana. Research adds more to the value of Montana than is spent. The U.S. puts one-half of one percent into research while other countries spend three to four percent on research. The federal government and the U.S. are changing that now and starting to increase the amount of money spent. Investment and infrastructure were important questions in a recent project to attract Micron into Butte. One of the first things the company was interested in was seeing money spent on infrastructure. Any money spent in these areas is only to the state's benefit.

**Keith Colbo, Montana Tourism Coalition,** testified in favor of HB 599. Their organization also supports HB 580 and HB 581. This bill presents to the Coalition a tremendous opportunity to the state. Three important aspects are contained in the bill: expansion of the economy, research activities it would fund, and strong community projects in terms of infrastructure.

**Mark Sevens, Vice President, D.A. Davison Company Great Falls,** said they support the Montana Partnership Act and its three-prong approach to investing in the future by investing in the fundamental research that leads to development and which leads to business and industries where research is conducted. It is not just theory, he said; it works. It has been demonstrated by the very substantial medical technologies industry in Utah, to a lesser extent, in Montana by the fiber optic businesses and this is an important investment for children. There are infrastructure needs in the state. The matching grant in the act addresses the sort of funding mechanism that will create substantial investment by local government. This bill preserves the heritage, as well, **Mr. Sevens** said.

**Rick Hill, Board Member, Montana Science and Technology Alliance,** said much of the money the University System draws upon to match federal grants for research and development has come through MSTA. The mechanism used to do that has not been a very good one but is used because there was not enough support to gain the three-fourths vote in order to utilize the currently suggested mechanism. This mechanism is a long-term commitment and one which will take a three-fourths vote to break. There is always competition for general fund dollars. It is no coincidence that the most prosperous companies in the world and the strongest economies are those which invest in their physical infrastructure.

**Stuart Doggett, Montana Innkeepers Association,** said they support the Montana Partnership Act and also indicated their support for the two working tourism projects of Nevada City and the Lewis and Clark Interpretive Center. They work with the Governor's Advisory Council to re-prioritized and refocus the bed tax revenue. The fund should be looked at for the new program that would enhance customer service, more funding for rural tourism projects and the development of matching grants. The MPA is an excellent proposal because it also provides an opportunities for local governments to improve infrastructure across the state.

**Maureen Rude, Administrator, Board of Housing,** said they support HB 599. Housing costs across Montana have rocketed, and rental markets are tight. There is a lack of land with appropriate infrastructure where affordable housing developments can be built. The cost of developing land is high especially when the infrastructure has to be extended to the land. These costs add significantly to the pre-unit cost of housing development. This bill would expand the financial assistance under the Treasure State Endowment in addition to expanding the amount of money available. It would allow public or non-profit entities to develop infrastructure for housing development. This would help leverage state resources with other resources which are currently available through various sources including federal grant plans, tax exempt housing bond monies, federal tax credit for housing and the federal home loan bank system. This would help to fill the gap in funding infrastructure currently existing in Montana.

**Jim Kambich, Montana Technology Companies,** discussed some of the programs by which his company has stimulated \$15 million worth of federal investment in R&D funds into their company. They supported all of the bills.

**Carl Schweitzer, Montana Contractors Association,** said they support HB 599. They appreciate the long-term commitment that this bill provides for infrastructure in the state. The two-year budgeting process used by other state government is not the most conducive for looking at the needs of infrastructure. People are looking for long-term needs. The jobs which would be created is the second feature. People make a good living on construction jobs. This will also bring economic development to the state.

**Alec Hanson, Montana League of Cities and Towns,** said they support HB 599. They helped develop the Treasure State Endowment Program. That program has worked well. Each year a list of projects is submitted to the legislature for funding. The only problem with the program is they were unable to fund all of the projects. There are a lot more public works that must be done. Small cities and towns across Montana have a difficult time funding major water and sewer projects. This bill gives them an edge and an opportunity to do these projects. This bill creates new jobs, and it allows the funding of water, sewer and streets at rates people can afford so living in the cities and towns does not become unaffordable. It will make a sizable investment in the future of the state.

**John Lawton, City Manager, City of Great Falls,** said the city commission of Great Falls will be approving its second \$100,000 contribution to the Lewis and Clark Project for the very important public and private partnership which will benefit Montana. Infrastructure underlies all business and economic activity in the state. It cannot do business and provide jobs with adequate water systems, sewer systems and roads. There is a need deficit which amounts to \$30 million in Great Falls. An infrastructure deficit is hidden, and the costs are always increasing. Private investment follows public investment.

**Gloria Paladechek, Richland Development,** said their county has contributed to the Coal Trust Fund over the years. The endowment program is a beneficial program. Local governments are finding it extremely difficult to meet the high cost of infrastructure and this would be a one-to-one match. Some responsibility would come from local governments in order to qualify to get a grant.

**David Owen, Montana Chamber of Commerce and Billings Chamber of Commerce,** said all of the bills are being supported.

**Kathy Masefield, President, Montana Preservation Alliance and Historic Preservation Officer, City of Helena and Lewis and Clark County,** said they are constantly asked if there is money to assist people with rehabilitation of structures. This bill will provide the funding for communities for the acquisition,

preservation and interpretation of significant historical sites and artifacts and will complement existing programs through financial incentives already provided for federal tax credits and local property tax abatement programs. Historic preservation through the rehabilitation, restoration and adaptive reuse provides opportunities for economic development and creates jobs for cities and counties. The historic legacy is one of the cornerstones of the state tourism industry and is the source of pride for the state. This will provide much needed funding to maintain the historic resources for many years to come.

**Gordon Morris, Director, Association of Counties**, said he supports HB 599. He wanted to go on record as thanking **REP. MERCER, SEN. VAN VALKENBURG and Governor Racicot** for their foresight on the issues and asked for the committee's favorable consideration.

#### Opponents' Testimony:

**Verner Bertelsen** provided written testimony in opposition of HB 599. **EXHIBIT 10**

**REP. BOB RANEY, H 26, Park County**, said he has always been a defender of the Coal Trust Fund. While the issues proposed are commendable, they should be done with ongoing funds. If there is enough confidence in what is proposed, the legislature should fund the program. Infrastructure funding should not be Coal Trust Fund; for one hundred years Montanans have built sewers, water systems and roads by digging into their own pocket. The state has been too cheap to fund necessary maintenance. The Trust Fund was initiated in the first place because the resource non-renewable. Over time, after digging into the fund for these types of things, there will not be anything left for the people who follow us. Twenty years ago, it was included in the Constitution, with the people's backing. That philosophy has held fast for two decades now, that a trust fund will remain inviolate. Half of the trust fund was put away for those who follow us in generations to come. All of the interest from the Trust Fund is spent. Fifteen percent is no longer rolled back. The proposal in this bill says that what we are doing today is more valuable than what may be coming along in the year 2020 when the Trust Fund could be \$1 billion and provide 15% or 20% of the general fund. **REP. RANEY** wondered why, if these programs are so good, the state fund won't fund them with general dollars; why they couldn't compete with all the other projects voted on. He further stated he did not want to argue about passing the bills, only with invading the Coal Tax Trust Fund. The state has the responsibility to preserve that non-renewable resource, the money which was put into the bank for those future generations, he concluded.

**Questions From Committee Members and Responses:**

**REP. DON LARSON** asked whether, if money is taken from the tourism bed tax specifically for the purchase of acquiring state historic treasures in Montana, there would be objection to amending the bill to allow the bonding of sewer and water projects. **REP. OHS** said he had not thought about that but the question is how much money that would take and how much support there would be. He then said he would certainly look at the proposal. **REP. LARSON** asked whether **REP. OHS** agreed that tourists impact the local sewer and water infrastructure in Montana. **REP. OHS** said he did.

**REP. ALVIN ELLIS** said testimony from the opponents indicated that putting this money into an endowment for future governmental use is better use of this money for the people than building infrastructure. He asked how infrastructure work could compound and thus bring a bigger return. **Mr. Sevens** said that opponents of the measure believe in investing the Coal Tax Trust Funds where they are currently invested. By investing in projects today, however, which have a pressing need, the state will be able to invest in the sorts of investments which are very long term. The children will benefit today from infrastructure improvements at a cost today and will enjoy the benefit for decades to come. They will also benefit from the research expenditure. They are long-term in nature because those are improvements and investments themselves. **REP. ELLIS** said \$20 million invested today in the permanent trust is likely to bring in a very similar amount 20 years from this date whereas \$20 million invested in infrastructure will have a much higher return for those communities in 20 years. **Mr. Sevens** agreed.

**TAPE 2, SIDE A**

**REP. PAVLOVICH** said that while the trust is an endowment for future generations, nobody has ever defined future generations. There have been cuts in the education system and the University System while this money is set aside for the future generation. He asked whether opponents can't believe that children in this generation should be using some of this money. **Mr. Bertleson** answered that they are; they are reaping the benefit of \$40 million in interest and every generation down the line will continue to reap that benefit. The intent was not necessarily to destroy the fund; it was put in there to produce money. **REP. PAVLOVICH** asked if **Mr. Bertleson** believes the children in this country are getting good education in comparison to the other countries of the world. **Mr. Bertleson** said he was in no position to answer that.

**Closing by Sponsor:**

**REPS. MERCER, OHS, FORBES and SWANSON** closed.

HEARING ON SB 313

Opening Statement by Sponsor:

**SEN. KENNETH MESAROS, SD 25, Cascade County,** said this bill is an act ensuring equal access for purchasers to drug manufacturers discounts; providing exceptions and penalties; granting rulemaking authority to the Department of Justice and providing an applicability date. **EXHIBIT 11**

Proponents' Testimony:

**Jim Smith, Executive Director, Montana State Pharmaceutical Association,** provided written testimony. **EXHIBIT 12**

**REP. JOHN BOHLINGER** stated he supports the bill.

**Peter Wolfram** introduced himself as a pharmacist who owns pharmacies in Butte, Big Sky and Columbia Falls. He said his companies purchase \$1 million worth of pharmacy supplies per year. They do not get the same discounts and they are being forced to compete on a playing field that is not level. He distributed a comparison of different pharmacy prices. **EXHIBIT 13**

**Gene Gerevich, President, Montana State Pharmaceutical Association,** provided articles dealing with the industry's price differences, definitions, prohibiting price discrimination, civil action for damages, enforcement-penalty, exceptions, rulemaking authority, codification instruction and applicability date. **EXHIBIT 14**

**Brad Griffin, Montana Retail Association,** provided written testimony. **EXHIBIT 15**

**Bill Stevens, Montana Food Distributors Association,** said they supported this bill.

**Kathy Boss** said she supports this bill.

**Carl Simmons** said he supports this bill.

**Tim Stratton, School of Pharmacy, University of Montana,** said this will enable many pharmacies in Montana to stay in business which would provide jobs for Montana graduates. Fewer and fewer graduates are able to remain in the state and find jobs.

**Wayne Hedman, Bitterroot Drug of Hamilton,** said he is the owner of Montana's oldest and longest continuously operated drug store. This drug store has been paying taxes and providing jobs since 1890. If drug stores do not associate themselves with chain pharmacies, they will not survive. Medicaid costs are not going to increase.

**Edmund Caplis, Executive Director, Montana Senior Citizens Association,** said they support this bill because it is a fairness issue.

**Charles Briggs, Director, Rocky Mountain Agency on Aging,** said he was not seeking to protect the profits of one portion of the drug industry over another. He wants to eliminate the cost shifting of prescription drugs to the local consumer who is not a member of one of the favored trade purchasing pools.

### **TAPE 3, SIDE A**

#### **Opponents' Testimony:**

**Steve Brown, Montana Pharmaceutical Association,** said this bill should not be enacted, that it will not accomplish what the proponents say it will. The bill will not benefit the consumers. If the desired effect of the bill is to eliminate the availability of discounts, then this will kill the incentive. If everyone has to pay the same price, the end result will be higher pharmacy prices. He then provided a chart of the retail prices of top selling prescription drugs, a chart of the pharmacy prices in Maine, examples of pricing for prescription drugs, and the case for fair prescription drug pricing. **EXHIBIT 16**

**Keith Colbo, Buttrey Food and Drug,** provided testimony of **Bill Beck, Director of Pharmacy, Buttrey Food and Drug.** **EXHIBIT 17**

**Jerome Anderson, GLAXO Representative,** said there is a solution available to independent pharmacists, a solution other than implementing price controls and government regulations. **EXHIBIT 18**

**Kayo Fossum, Montana Low Income Coalition,** said they are worried about this bill because of the impact on Medicaid, free samples and the indigent programs. They are currently offered a 15% discount or the best price. Currently, Montana's best price is 21%.

**Bill Olson, American Association of Retired People,** said they oppose this bill.

**Tom Schneider, Public Employees Retirement System,** said they oppose this bill.

**Tim Molar, Chairman, Montana Association of Retired Veteran Employees,** said there are 8,000 retirees living in Montana and 3,890 active employees. There is no assurance of any cost savings to recipients if this bill should pass. Some of their programs are threatened because of this legislation.

**Dennis Yost, Manager, Pharmacy Services, St. Peter's Hospital,** said they oppose this bill. Passage of this bill will change the

pricing structure so much it will raise hospital prices of pharmacy products and thus raise medical costs.

**Tom Hoppood, Health Insurance Association of America**, said they had been involved during this session and past sessions with health care reform. This bill is contrary to cost containment.

**Alan Barkley** opposed this bill.

Technical Testimony:

**Joyce Brown, Employee Benefits Bureau, Department of Administration, EXHIBIT 19; Nancy Butler, General Counsel, State Fund, EXHIBIT 20**

Questions From Committee Members and Responses:

**REP. MARSHALL** questioned the markup percentage. **Mr. Steve Brown** said he did not have that information. **Mr. Jerome Anderson** said he could not give the price structure. He then said the wholesale houses would need to be contacted.

**REP. JON ELLINGSON** asked for the names of the drug companies who are members of PHARMA. **Mr. Brown** named several companies. **REP. ELLINGSON** said the committee had been given a sheet with comparisons but asked for a list of the Maine pharmacies before the enactment of this same legislation. **Mr. Brown** said the survey was taken in the last two weeks and this information was not available, and he did not know what the impact on pricing in Maine.

**REP. ELLIS** asked for information about the program in Tennessee. **Mr. Brad Griffin** said Montana has almost 300 pharmacies statewide, not enough pharmacists to form a viable interest. Most of the members belong to large buying groups of 1000 to 1500 stores and they are still denied the discounts. **Mr. Smith** said the MSPA did join with Consultec to submit a bid on the program for the state and university employees program, but they were an unsuccessful bidder.

**REP. MCKEE** asked what was going to happen to pharmacies throughout Montana. **Me. Wayne Hedman** said there were two monumental problems facing them; managed care is a problem because they dictate the fees paid by pharmacists.

**REP. COCCHIARELLA** asked if litigation will arise. **Beth Baker, Department of Justice**, said she did not know.

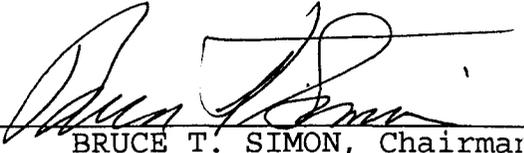
**REP. SLITER** questioned the price rise. **Mr. Anderson** said there was not one pharmacy paying a wholesale price for drugs.

Closing by Sponsor:

The sponsor closed.

ADJOURNMENT

Adjournment: 12:35 P.M.

  
\_\_\_\_\_  
BRUCE T. SIMON, Chairman

  
\_\_\_\_\_  
ALBERTA STRACHAN, Secretary

BTS/ajs

# HOUSE OF REPRESENTATIVES

## Business and Labor

ROLL CALL

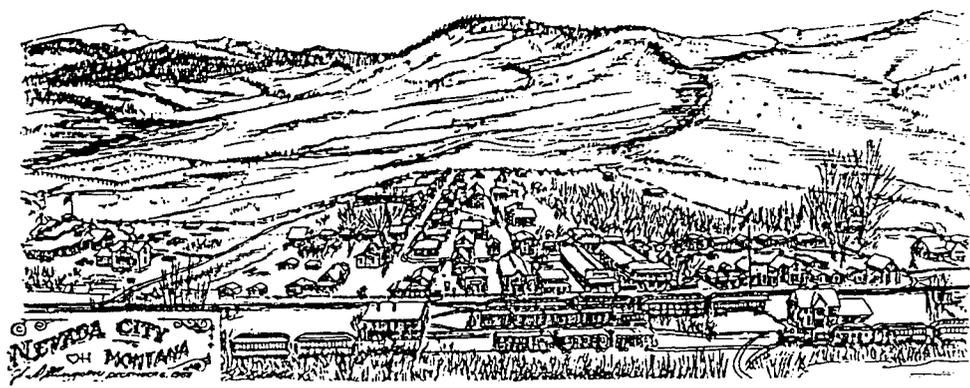
DATE 3-20-95

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		

EXHIBIT 1  
DATE 3-20-95  
HB 549, 580

# NEVADA CITY,

# MONTANA



GRAPHICS BY  
JOHN D. ELLINGSEN

The original of this document is stored at the Historical Society at 225 North Roberts Street, Helena, MT 59620-1201. The phone number is 444-2694.

# COAL SEVERANCE TAX

(\$80.6 MILLION/BIENNIUM FY 94-95 ESTIMATE)

38%	12%	50%
% of Total Local Impact ..... 6.650% Public Schools Equalization ..... 11.400% County Land Planning ..... 0.380% Renewable Resource Bond Fund ..... 0.475% Parks Acq. & Management ..... 0.000% State Library Commission ..... 0.380% Conservation Districts ..... 0.190% Renewable Resource Debt Service Fund ..... 0.475% Growth in Agriculture ..... 0.760% Capitol Art Works/Cultural & Aesthetic Projects ..... 0.635% Historic/Cultural Sites within /State Park System ..... 1.270% GENERAL FUND ..... 15.393%	Highway Reconstruction Trust Fund Account 15-35-108 FY88-FY03	Coal Severance Tax Trust Fund Article IX, Sec. 5, Montana Constitution

18

NEVADA CITY PURCHASE LEGISLATION (House Bill #580)

I. INTRODUCTION

Mr. Chairman & Committee members, I am John Noyes of Whitehall Montana. I own a business in Virginia City and also have the privilege of serving as President of the Virginia City Preservation Alliance. It is as President that I am appearing before this committee to testify on House Bill # 580. The bill, as introduced, provides for a non profit organization to act as the on site managing agent and to operate Nevada City, if it is purchased by the State of Montana. The Virginia City Preservation Alliance, working with Representative Ohs, is the organization that has agreed to take on the responsibility of operating and maintaining Nevada City for the people of Montana. The officers, board, and members of the alliance, business owners and residences of Virginia City and Nevada City have united to express their deep concern that there is a REAL and IMMEDIATE danger that Nevada City will soon be lost to the people of Montana and to the hundreds of thousands of visitors, from all 50 states and over 50 countries that visit Nevada City and Virginia City each year. This danger originated in late December 1994 with the decision by the Bovey Restoration Board of Directors to sell Nevada City. My testimony will review with you what the Virginia City Preservation Alliance is; the events that have occurred since the decision by Bovey Restorations; the discussions that have occurred between representatives of the State of Montana, Bovey Restorations, and the Virginia City Preservation Alliance; the administrative planning that the Preservation Alliance has started for Nevada City; and the revenue history along with ideas to expand the revenue generation possibilities of this unique display of Montana history.

II. VIRGINIA CITY PRESERVATION ALLIANCE

The Virginia City Preservation Alliance was formed to address the need of Virginia City residents, business owners and concerned visitors to have a group to represent our citizens and to interface with the National Park Service in its study of Virginia City's inclusion into the National Park System. The citizens and business people of Virginia City consistently show strong support of the alliance by attending informational meetings as well as board meetings and committee meetings. It is typical to have an attendance of 17% to 33% at meetings in the town.

## A. VISION STATEMENT

The Vision Statement for the Virginia City Preservation Alliance is included in your information packages. I would like to point out two statements that are of particular importance.

1. The Virginia City Preservation Alliance was created as a nonprofit partner to assist with public efforts to own, manage, and interpret historic and scenic properties in Virginia City and Nevada City, Montana.
2. The principal mission of the Alliance is to conserve, restore, and display structures and artifacts relating to the history of the towns of Virginia City and Nevada City, Montana and related historic sites.

The alliance is requesting assistance from the State to save this fine example of our heritage. We, in return, will be the partner that will preserve and maintain Nevada City for future generations.

## B. VIRGINIA CITY PRESERVATION ALLIANCE BOARD OF DIRECTORS

The Virginia City Preservation Alliance is organized into four areas of responsibility Officers, Directors, Advisory Board, and Committees.

The officers positions are President, Vice President and a combined Secretary/Treasurer with the President acting as the Chief Operating Officer of the Corporation.

The directors, listed in your hand outs, currently number 19 with a maximum possible of 29 possible. 51% of the Directors must be Virginia City citizens, property owners or business owners. The directors include business owners, Realtors, teachers, the Mayor of Virginia City, contractors, clergy, historian, attorneys, a retired judge, a banker, a printer and a rancher.

The Advisory Board is currently made up of six individuals that provide assistance to the Alliance with their unique qualifications: For example Richard Moe the President of the National Trust for Historic Preservation and Keith Swensen, Board Member of the Montana Preservation Alliance.

The Committees of the Alliance cover the areas of:

- o Interpretation and Education
- o Public Relations
- o Financial Reporting
- o Fund Raising
- o Auditing
- o Membership
- o Legislative Interface

### III. VIRGINIA CITY PRESERVATION ALLIANCE & NEVADA CITY

#### A. TIME LINE RESPONSE TO BOVEY RESTORATIONS

The origins of this bill request started with the decision by Bovey Restoration to sell Nevada City.

- o January 9, 1995 - The Virginia City Preservation Alliance was informed of the December 20, 1994 decision during our executive board meeting.
- o January 12th, members of the alliance were visiting the Montana Preservation Alliance in Helena to discuss possible options on the Nevada City sale. We learned that requests for bills were due in by 5PM that day. The alliance was able to meet with Senator Swysgood and Representative Ohs that day at 4PM. During that meeting Representative Ohs agree to submit a bill for the purchase of Nevada City.
- o January 30, the alliance was contacted by Sherri Hellefingler to assist in providing general information concerning the drafting of the bill.
- o February 6 - Mark Weber and I met with Brian Cockhill and Gloria Hermanson to further discuss the bill contents. At this time the Vice President and I agree that the Virginia City Preservation Alliance would commit our group to act as the managing agent for Nevada City.
- o February 8 - The representatives from the alliance, the Montana Historical Society, and Bovey Restorations met and concluded an agreement in principle surrounding the transfer of Nevada City to the State of Montana.
- o February 13 - The Virginia City Preservation Alliance at its executive board meeting formally voted to act as managing agent for Nevada City, if purchased by the State.

The Alliance has responded quickly to the crisis at hand and has stepped forward to take a major roll in saving Nevada City.

## B. AGREEMENT IN PRINCIPLE - BOVEY RESTORATION/STATE OF MT/VCPA

The agreement in principle discussed above is included in your information. In summarizing the contents of that document, I would like to point out the following:

- Bovey Restorations has agreed to sell the state:
  - o Nevada City buildings, land and artifacts
  - o The railway engines, cars, tracks and depots at Nevada City and Virginia City.
  - o The River of Gold Mining Museum
- All items to be sold will be appraised by a person that has been reviewed and approved by all three parties.
- The final amount of the sale will be determined by the appraisal. If the appraisal is greater than the bond values and the tax benefits of of donation of part of the value, Bovey has agreed to negotiate for an agreement with the Preservation Alliance to cover any remaining appraised value of the property.
- Bovey Restorations and the Virginia City Preservation Alliance will work together in preparation of turnover of the property to help bring the alliance up to speed on the daily operations of Nevada City and future scheduling of events.
- Bovey Restorations and the Preservation Alliance will work together to provide and plan for proper security and fire protection of Nevada City.
- All three parties have agreed that the agreement is a working document that will grow as we proceed with further negotiations

## IV. FUTURE PLANNING FOR NEVADA CITY

### A. ADMINISTRATIVE PLAN FOR NEVADA CITY

The Virginia City Preservation Alliance has begun planning for the expected turn over to the alliance of the assets of Nevada City. We expect that turn over date to be negotiated in the near future and to be sometime during the time period of May 1, 1995 and October 1, 1995. Our initial attempt at the administrative plan is included in your information. This document will be expanded and refined during discussions with the Montana Historical Society, Bovey, Restorations, and our board of directors and advisory board members over the coming months before turn over of Nevada City.

I would like to expand on a few of the items listed to give you a better understanding of our intent:

- Under Committee Management/Staffing Plan:

We intend to start with the current structure in use at Nevada City. I have also discussed the continuation of the current curator and historian for Nevada City. In this manner we will have a person who is high knowledgeable of the history of Nevada City and has been a hands on restorer for 23 years at Nevada City and Virginia City.

I have also discussed with the current office manager concerning her continuation with the alliance. She is familiar with the current businesses being run, the staffing requirements, seasonal operating requirements, and promotions of tour scheduling and booking.

The current general manager has agreed to assist us in continuing his duties, including the contacts and procedures for booking motion pictures.

- Under Committee / Establish Revenue Resources / Grants

We are currently apply for or investigating:

- o National Center for Preservation Technology and Training Grants - \$40,000
- o Special Project Grants - State Historic Preservation - \$5,000
- o Montana Community foundation Grants
- o Ruth and Vernon Taylor foundation Grants
- o Turner Foundation, Inc.

We also plan to investigate grants or donations from railroad and mining sources to enhance the railroad restoration and mining museum exhibits.

- Under Committee / Establish Revenue Resources / Private

We are currently proceeding with raising membership and donation money using the list of over 4000 visitors that signed cards in support of saving Virginia City and Nevada City, access to members of the National Historic Trust in Montana and members of the Montana Preservation Alliance. We also have been compiling a list for major contribution possibilities from individuals all over the country.

- Under Committee / Establish Lease Policy

We have agreed with the Montana Historical Society to use the Moss Mansion lease agreement as a guideline in the preparation of the lease with the Alliance.

I would like to mention at this point that the structure of leasing Nevada City will be established and run in a similar fashion as the Moss Mansion of Billings and the Dailey Mansion of Hamilton. We are not establishing an entirely new way of doing business within the state agencies.

B. CONCEPTS FOR EXPANDED REVENUE SOURCES

The detailed outline of revenue sources to be increase is included in your information; however, I need to point out the general direction we are planning to operate. The Virginia City Preservation Alliance is approaching the need to increase revenues by providing the following:

- o Utilize paying visitors and students in a program that will provide income to Nevada City at the same time that education and preservation are being conducted on site. This will give the visitors and students first hand experience involving preservation and historic site operations while providing income and preservation assistance to Nevada City.
- o We will provide in depth tours for student groups and paying history and preservation buffs into areas normally restricted to observation at a distance with in depth education by trained guides or the curator.
- o We will provide locations for visiting or in-house craftsmen to work at their craft and to provide for the visitors an experience of how life was experienced on the frontier. Rent or a percentage of the sales of the craftsmen will provide additional income to assist in preservation of Nevada City.
- o Access to actual period pieces and buildings will provide excellent reference for artists and sculptors to create original pieces or to conduct educational forums for visitors and students.

V. ADDITIONAL INFORMATION

A. CURRENT FINANCIAL SUMMARY FOR NEVADA CITY  
(Data is the average totals for last two years)

o TOTAL FOR NEVADA CITY & TRAIN  
Income = \$322,021  
Cost of Goods = \$ 29,802  
Operating Expenses = \$142,266  
  
Net Income = \$149,953

B. COUNTRIES / TERRITORIES VISITING AREA 1991 - 94

Antarctica, Argentina, austrilia, Austria, Belgium, Bolivia, Brazil, British Virgin Islands, Bermuda, Canada, Canary Islands, Chile, China, Colombia, Congo, Costa Rica, Croatia, Czechoslovakia, Czech Republic, Denmark, El Salvador, England, Estonia, Equador, Finland, France, Greece, Germany, Guam, Guatemala, Hong Kong, Hungary, Iceland, India, Indonesia, Ireland, Isreal, Italy, Japan, Jordon, Kenya, Korea, Liechtenstein, Lithuania, Loas, Luxembourg, Malaysia, Malta, Mexico, Mongolia, Netherlands, New Zealand, Nigeria, Northern Ireland, Norway, Okinawa, Panama, Paraguay, Philippines, Poland, Portugal, Puerto Rico, Russia, Saudi Arabia, Scotland, Singapore, Slovakia, South Aftica, South Korea, Spanin, Sri Lanka, Sudan, Switzerland, Sweden, Syria, Taiwan Thiland, Turkey, Venezuela, Vietnam, Wales, Zambia.

V. SUMMARY

Nevada City is a unique historical site containing pieces of history from all over Montana. This site with all the collection of artifacts representing 19th century Montana is in immediate and imminent danger of being lost forever to the citizens of Montana and to the thousands of visitors that come to Nevada City each year to see the old west. The decision to sell this valuable resource has already been made by Bovey Restorations. Interested buyers are currently waiting for the decision of this deliberative body. If you do not act to preserve Nevada City, within a year Nevada City and its contents will be sold in whole or at auction to the highest bidder and the pieces spread over our country and the world. If, on the other hand, you act to purchase this facility for the people of Montana, you will save our history for future generation of Montana citizens and for the visitors from all over the world that visit Montana each year to find the history of the old west.

**Testimony for Montana Legislative Session  
March 1995  
by: Mark H. Weber  
Vice Pres. Virginia City Preservation Alliance**

In the 1940's, Charley Bovey was driving through the town site of Nevada City when he noticed an old log cabin burning. He quickly found the nearest resident and informed him of the fire. The local resident was none other than Les Stiles, the man who had set the cabin on fire. Mr. Stiles informed Charley that he had to burn the old cabin because his horse might get hurt in it. This fire forged a long-lasting relationship between the two men and brought new life to an important part of Montana's golden past, the restoration of Nevada City.

Charlie Bovey as early as the 1940's knew the historical value of the old cabin and the other cabins remaining to be burned in Nevada City. In order to put an end to the continued demolition of Nevada City, he purchased the town site from Les and two other property owners.

Charlie Bovey, an extraordinary Montanan visionary, fifty years ago saw and recognized the historic significance of Nevada City. As a labor of love, he devoted much of his personal fortune into the restoration and preservation of Nevada City. Among the buildings he saved are twelve original structures.

One of the most famous is the small log cabin next to the site of the hanging of George Ives. X Beidler, executioner for the Vigilantes, stood on its roof and called for the quick execution of Ives. Another structure is Dr. Byam's house. Dr. Byam served as judge at the Ives trial. The Finney house is another original Nevada City structure. Cora Finney was responsible for saving the Nevada City townsite by refusing to sell her family home to the gold dredge company in the early 1900's. The Star Bakery, built in 1863, is Montana's oldest restaurant

building where 132 years later a warm cinnamon roll and a cup of coffee can still be purchased.

Besides these and other original buildings saved for our enjoyment in Nevada City, Charlie Bovey also used the townsite as a last haven for other historic Montana buildings that were no longer welcome on their original site. Sullivan's Saddlery, Montana's oldest standing wooden building built in 1847 and frequented by Charley Russell, can be found on the back streets of Nevada City. The Saddlery came from Fort Benton.

The oldest standing public school can be seen in Nevada City. It came from Twin Bridges. Professor Dimsdale's school sits in Nevada City. It was rescued from demolition in Virginia City. There are a total of over 75 buildings in Nevada City complete with 1800's artifacts.

The Sedman Mansion is a visual experience of domestic life in the 1860's. Inside the front door is the very fashionable parlor where music was played and people gathered for a Sunday social. Another room, the family library, was the setting for the evening pleasure of reading aloud. In the kitchen is a Charter Oak wood burning cook stove, an ice box, and a kitchen cabinet with a roll top where bread was kneaded and the mess hidden beneath. Upstairs is an indoor bathroom complete with a marble bathtub, the envy of the territory. Another building, Sullivan Saddler, hosts an Estate brand pot bellied stove and rocking chair where Charley Russell sat and conveyed his contempt for the automobile. The Elkhorn Barbershop is complete with its own original barbershop furnishings. Artifacts fill all the buildings with a surplus still in storage. Among significant artifacts are the Vaseline glass chandeliers and stained glass panels the originally graced the Senate and the barrel vault skylight over the grand stairway of this building.

Today over 200,000 visitors per year experience what it would have been like to live in an 1860's gold rush town. They stroll the backstreets, peer into a period mansion, examine the blacksmith and wagon shop, imagine Charlie

Russell sitting in the rocking chair at Sullivan's Saddlery, peer into Montana's oldest schoolhouse and wonder if they ever really used the razor strap, and ponder the Hanging Barn hearing the ropes snap taught and creek with the weight of the three men hanged there. Unfortunately, today in Nevada City there is no mutual attempt made to "tell the story". Tourist are left to their own imaginations to interpret the artifacts. The VCPA is committed not only to tell the stories to tourist but also to include programs that would reach out to our schools and colleges.

History can never be told as effectively as it can be experienced. As a teacher, I have used Bannack as a classroom, walked the streets and asked students to visualize Plummer standing there and taking a bullet in the arm, imagine Edgerton, appointed by Lincoln to govern the newly formed territory, arriving here with his wife and showing her the govendors mansion a 10x20 foot dirt floored cabin. I have used Virginia City and asked students to picture Clubfoot George working in the Dance and Stuart Building where he was arrested for being a road agent and was led up this main street and hanged with four other desperadoes. Two years ago, my class gave Henry Plummer his first trial in the historic Madison County Courthouse.

The educational opportunities in Nevada City go beyond the possibilities that exist in Bannack or Virginia City. They go beyond walking a class through the backstreets and narrating history. If the state passes HB 580, Nevada City could become a restoration construction school, where workers restoring a building would not just restore, they would also take time to explain to visitors what they were doing and why they were doing it.

The development of a hands-on program teaching preservation techniques in clothing, photographs, and paintings could be offered. The Elder Hostel through Western Montana College could be expanded to include classes in Nevada City.

The backstreets would be lined with period craftsmen doing blacksmithing, shoe making, tanning, and various other crafts of the time. Demonstrations of domestic life would be included such as candle making, food preserving, and soap making. Weekend classes could be offered in quilting and weaving, as well as, writing conferences for Cowboy poets and Western writers.

While all of this is being done, an interpretive center could be built into the current depot building that stands just across the street from the Nevada City Hotel. A small multimedia center could provide briefings before tourists and students venture into the streets of Nevada City. The room would also be used as a classroom for grade school, high school, and college students, as well as the Elder Hostel program.

Besides these on-premise educational opportunities, the VCPA could establish an outreach program where trunks of artifacts complete with lesson plans would be on loan to Montana schools. An inservice program for teachers could be established to help them use the Nevada City resources for their classrooms.

The VCPA is committed to developing the educational opportunities in Nevada City and extending these opportunities to visitors, elementary, high school, and college students, as well as, senior citizens involved in the Elder Hostle and other programs.

Nevada City, in addition to being a collection of historic Montana artifacts, has also been the set of several motion pictures. Little Big Man, Thousand Pieces of Gold, The Return to Lonesome Dove, Missouri Breaks, and Nobody's Girl are a small representation of the movie industry's use of Nevada City. The filming of Lonesome Dove alone brought over 20 million dollars to Southwest Montana.

Today the Nevada City finds itself in a similar plight as it did fifty years ago. Only this time it is not a rancher

EXHIBIT 4  
DATE 3-20-95  
HB 580

burning a few buildings, nor a gold dredge company seeking to devour the townsite, this time it is the Bovey family saying they can no longer carry the burden of maintaining and managing Nevada City.

I called Kirk Hansen, Vice President and general manager of Bovey Restorations, and asked him what would happen if the state did not purchase Nevada City. He told me that they had several options. Although he could not elaborate on any of them, he made it very clear that Nevada City would not exist beyond the 1995 tourist season. It would be gone, gone the way of Frontier Town by Helena, gone the way of the Columbia Gardens of Butte, gone the way of the Charles Russell collection from the Great Falls Mint Bar, gone the way of the Broadwater Hotel of Helena. How much more of our heritage is the State of Montana willing to sell? How much more of our tourist infrastructure are we willing to lose? How much of our pride are we willing to give over to the auctioneers gavel?

If the state passes this bill that is before us today Nevada City can continue to be a haven for endangered historic buildings. It can develop and expand the educational opportunities for everyone. Movies companies will continue to choose Nevada City as a movie set, and travelers will have even more reason to stop and experience this historic mining site, restored and preserved for the State of Montana by Charlie and Sue Bovey.

Vote yes to this bill and we will not find ourselves saying, "Do you remember Nevada City?"

EXHIBIT 5  
DATE 3-20-95  
HB 580

# Discover the Expedition...

## ...Continue the Vision.



The original of this document is stored at  
the Historical Society at 225 North Roberts  
Street, Helena, MT 59620-1201. The phone  
number is 444-2694.

The Significance of Nevada City

March 9, 1995

by

John D. Ellingsen

EXHIBIT 5  
DATE 2-20-95  
HB 580

The significance of Nevada City: there you can Experience the Past!

Many historic events, significant and important to early Montana history took place at Nevada City. Sister city to Virginia City, it grew with the 1863 Alder Gulch gold rush, and was once the second most populous place in Montana with about 5,000 residents. The short, but historic and exciting era of the road agents and their extermination by the Vigilantes begun with the trial of George Ives in late December, 1863, in Nevada City. Nevada City's site is eligible to be on the National Register of Historic Places, with twelve original buildings still standing.

But today, perhaps the most significant thing about Nevada City is that there you can Experience the Past! You can leave today's world and, like entering a time machine, walk the quiet streets of a century ago. You can explore in detail what life was like - in general stores filled with thousands of items of "new-old stock" in original boxes, in blacksmith, wagon, and saddle shops; in saloons, livery stables, China town, and so on; in homes of every economic class from the poorest miner's cabin to what was, in 1873, one of Montana Territory's finest mansions. All these, over fifty major buildings, are furnished in incredible detail!

Charles and Sue Bove were unique people. They saved Virginia City and restored Nevada City, not for profit, but so that future generations could have a glimpse of what life was like in the past. They bought antiques, not with thoughts that they would gain in value, but they collected them to protect them so that the not-yet born could see them. They displayed their collection, not out of context, not in isolation like an animal in a zoo removed from its environment, but so that visitors could see the whole picture, an entire town complete to the tiniest detail, where they can Experience the Past.

Nevada City has not only its original buildings, but now contains buildings that represent the history of the entire state. Though many of the buildings were moved here to save them from destruction, this does not diminish their value. All are real, among them some of the State's most significant including Montana's oldest standing wooden building, the oldest remaining public school, etc., gathered together in one place so visitors can see them and they can be protected.

The significance of Nevada City to Montana today is not only historic, but also economic. The Virginia - Nevada City area is the third largest tourist attraction in Montana, following Yellowstone and Glacier Parks. It's economic impact is great.

Other Montana treasures have been allowed to slip away. Columbia Gardens is a fading memory; the Mint collection of Russell paintings could have been purchased for a relatively small amount but is now in Texas worth millions and attracting visitors to another region; these and other landmarks important to our history have been lost forever. Let us recognize the great gift the Boveys have assembled at Nevada City for the people of Montana, and not lose it as well.

Thank you.

*John D. Ellinger*  
Box 323  
Virginia City - Montana  
69785

Testimony Presented by Mr. Mark Macek,  
Chairman of the Board, Great Falls Area Chamber of Commerce, In  
Support of Funding for the Lewis and Clark National Historic  
Trail Interpretive Center, March 20, 1995

For several years the Great Falls visitor industry did well after the Bed Tax was passed. We had money for marketing and our primary market audience, Canadian shoppers from Alberta, were eager to come to Great Falls. But our visitor industry was too dependent on Canadian shopping trade and the vicisitudes of the U. S. - Canadian dollar exchange rate. When the exchange rate began its rapid rise in 1992, our visitor traffic dropped in parallel. Our retailers, hoteliers, and restaurateurs have experienced as much as 15 to 20% losses in trade during the past two and one half years. Our problem is quite simple - we do not have sufficient attractions to make Great Falls a destination city. Last summer during our peak visitor season, Great Falls experienced an eight per cent drop in Bed Tax collections as compared to the same season the previous year - this while most of the rest of the state was enjoying increasing bounty from the visitor industry. The tourism industry is an important segment of our economy and the loss of significant visitor traffic means the loss of jobs in our town. Last year we also lost the jobs of one tanker squadron that was moved from Malmstrom AFB to Spokane. The Air Force has now recommended that we give up the remainder of our Malmstrom tanker group to Florida. We face the prospect of losing more than 900 additional jobs.

We do need help, but we have been helping ourselves. The benefits of tourism can play an important role in diversifying the Great Falls economy, but unlike some more scenic areas of the state we will have to build our attractions in order to make Great Falls a destination city. Our scenery may not be as spectacular, but we have a rich history that we can build on. For ten years many of our citizens have been working tirelessly to do just that with the Lewis and Clark National Historic Trail Interpretive Center.

We know that if we can build the Interpretive Center, people will come. According to 1992 figures from the National Travel and Tourism Awareness Council, 33% of the over 17 million international visitors to the United States visit historical places, making this the sixth most popular activity. Our project is a good investment for Montana as well as Great Falls. The old west began in Montana with the Native Americans many thousands of years ago. The first major meeting of the indian culture with the white culture here was during the Lewis and Clark Expedition. Both cultures will be featured in the Lewis and Clark Interpretive Center. The Center will fill a gap in the story of the expedition and help draw visitors to the Lewis and Clark points of interest which span the length and breadth of our beautiful state.

We ask you for help in seizing an opportunity that we have worked long and hard for. We ask you to remember that we have also been working to create a historic asset that will benefit the entire state. "If we build it, they will come!"

Testimony Presented by Mr. Mike Labriola,  
President of the Lewis and Clark Interpretive Center Fund Inc., In  
Support of Funding for the Lewis and Clark National Historic Trail  
Interpretive Center, March 20, 1995

Hundreds of volunteers have worked for more than ten years to realize the dream of building the Lewis and Clark National Historic Trail Interpretive Center. The effort began in 1984 with our city's centennial celebration and really took form when Congress passed Public Law 100-552 in October 1988. That legislation authorized construction and operation of the Center by the U.S. Forest Service on the banks of the Missouri River near Great Falls. The Federal Government initially provided \$250,000 for conceptual planning and design. Five more years of hard work were required before our congressional delegation succeeded in obtaining a commitment to complete the Interpretive Center.

In October 1993 Congress appropriated \$300,000 to complete the design, and also committed three million for construction - provided we match that sum with non-Federal dollars. The Great Falls community accepted the commitment by Congress as a contract and established the Lewis and Clark Interpretive Center Fund, Inc., a non-profit tax exempt civic group with the mission to raise three million. That is a daunting challenge for a city of 55,000. To date we have raised more than \$1.85 million in cash and pledges - and our efforts continue. There are but six months remaining however.

The bills before this committee are an opportunity to create an investment program, sustained by funds collected within the visitor industry that will help Montana Tourism grow. The projects funded, like the Lewis and Clark National Historic Trail Interpretive Center, and others, will bring even more visitors to the state, whose dollars will in turn pay back the investment with more jobs and with increased bed tax revenue.

I will like to conclude by emphasizing that the Lewis and Clark Interpretive Center will not be a continual drain on state resources because it will be owned, operated, and maintained by the U. S. Forest Service. I would also ask you to note that the Bicentennial of the Louisiana Purchase and Lewis and Clark Expedition is but eight years away and will provide a golden opportunity for Montana to be a focal point in the celebration of an epic story in our national history. The team of Ken Burns and Dayton Duncan has begun work on a film on the expedition, similar in scope to Burn's acclaimed documentary on the Civil War. The producers have already asked our Lewis and Clark Honor Guard to assist them with filming near Great Falls this summer. Would it not be wonderful for Montana if we were able to tell them that our dream of the Lewis and Clark National Historic Trail Interpretive Center will be a reality - for their viewers nationwide to enjoy.

# PORTAGE ROUTE CHAPTER

LEWIS &  
CLARK

TRAIL HERITAGE  
FOUNDATION INC.



EXHIBIT 9  
DATE 3-20-95  
HB 581

*We proceeded  
up the river passing a succession  
of rapids and cascades to the falls,  
which we had heard for several miles  
making a deafly sound.....I beheld  
these cataracts with astonishment...  
wm. clark  
june 17th, 1805*

TESTIMONY PRESENTED BY  
MARCIA STAIGMILLER, PRESIDENT, PORTAGE ROUTE CHAPTER  
LEWIS & CLARK TRAIL HERITAGE FOUNDATION

The defining moments of the Lewis & Clark epic and a young nation took place right here in Montana. It was here that they stepped off the trail marked by water and entered uncharted lands, mountains that were unseemingly endless and encounters with nature that were unbelievably harsh.

The Lewis & Clark Trail Interpretive Center located in Great Falls would NOT be a singular destination in Montana...it would repeat tis historical role as a defining point. A place where a nations destiny was changed forever. Anyone visiting the Center will find themselves drawn out on to the Trail, visiting more than 200 sites across our state. It becomes a 140 million square mile museum! Every Montana community along the Trail will benefit from the construction of this facility because it has been designated a "National" Interpretive Center with the credibility and status equal to that of a National Park. Montana will be a true destination point.

The Center will celebrate our nations heritage and the dicipline and values that have brought us all here today. The strength of this legislature is founded in the courage and footsteps shown by the Corps of Discovery and the government they represented.

As an educational facility it will not only emphasize history, it will stimulate interest in botany, medicine, ethnography, political science, trade, geography, economics and liturature.

The Lewis & Clark Trail Heritage Foundation has never had a permanent headquarters and because of its growth in membership and activities since 1984 the Foundation board has favored locating in Montana, at the heart of the Trail, the half way point, the LYNCHPIN of HISTORY where the expedition travelled more miles, camped more often, and faced more challenges than any other modern state. While there has been strong competition from St. Charles, St. Louis, Omaha, and Portland for this headquarters, volunteers, members throughout the state, have worked hard to ensure that the annual vote by the Foundation Board keeps the Great Falls Center

**P.O. BOX 2424 ..... GREAT FALLS, MONTANA ..... 59403**

designated as the premanente headquarters location. The archives and library of the Foundation that will be housed in the Center will provide students and scholars with valuable research materials. We will continue to publish and distribute a respected quarterly magazine, "WE PROCEDED ON" throughout the United States and several foreign countries from Montana.

The Center, MORE than history, is about DISCOVERY and curiosity, about developing a nations character. The impact of this epic journey on a young nation has not been adequately told. As we developed the concept of the Center we realized that there was a very important aspect of interpretation that heretofore had been ignored. The exhibitry and interpretation in the Center will be done from two points of view. From the members of the Corps of Discovery and a young expanding nation that they represented and that of a "crowded wilderness", a land where Native People lived in harmony with the land and whose way of life would be changed forever. This is an important chapter in history. The treatment of such a sensitive subject must be handled with grace and enthusiasim. The opportunity to tell this story in precisely the same location and in nearly the same pristine conditions is extraordinary. The investment by the people of Montana and this legislature will be well worth it. It is OUR story and it needs to be preserved and shared with the generations of today and the future.

PLEASE support this investment for our state.

Marcia Staigmiller

EXHIBIT 10  
DATE 3-20-95  
HB 599

March 20, 1995

Mr. Chairman; Members of the House Business and Labor Committee:

I am Verner Bertelsen. I served in the Montana House of Representatives from 1975 to 1985. I took part in the establishment of the Constitutional Coal Trust Fund and I rise in strong opposition to any attempt to divert the coal severance taxes which flow into the fund. Therefore, I ask you to reject H.B. 599.

Because coal is a depletable natural resource, Montana citizens voted to place 50 per cent of the coal severance tax into a permanent trust fund. These funds were to remain inviolate unless appropriated by 3/4 vote of each house of the legislature. This trust has not been violated, although every session many attempts have been made to raid the trust fund for every conceivable purpose. Our legislators have displayed very good judgment and protected Montana's Constitutional Coal Trust Fund.

Has this been good business? It certainly has. During the fiscal period from fiscal year 1981 through fiscal year 1992, eleven years, \$296.3 million dollars in interest was deposited in the General Fund. In the fiscal year 1994 alone, the permanent trust fund interest provided 47 million dollars in interest to help run State government. Of this amount, 40 million dollars went to the General Fund. Interest not earmarked for other funds is distributed 85 per cent to the General Fund and 15 per cent to the school equalization aid account.

The legislative fiscal analyst has forecast a balance of 516 million dollars in the trust fund for fiscal year 1995. Approximately 89 million dollars is anticipated in interest earnings from the Constitutional Coal Tax Trust Fund

Page 2.

in the 94-95 biennium. This is simply money we don't have to pay in taxes.

I'm sure you don't want me to take time to enumerate all the programs which have benefited from the trust fund interest such as: the Board of Investments, Clean Coal Technology, Highway Construction Funds, Montana Arts Council, and the Treasure State Endowment Program. I was interested to note that even Froid, Montana, where I was born, is benefiting from this program.

Somehow, it seems that some people feel that the 500 million dollars in the trust is a tremendous amount of money. However, in today's world, it isn't a large amount of money. It wouldn't run our State for six months. It wouldn't pay for one major environmental clean-up. In fact, it wouldn't even pay the Crow tribe's claim against Montana if they should win their suit. New Mexico had over 1.3 billion dollars in their trust in 1988. I don't know how big it is now. And their trust is absolutely inviolate...no invasion is allowed under their State constitution. They are not concerned that it is becoming too large.

In the original argument for establishing a permanent, inviolate coal tax trust fund, it was felt that whenever a depletable natural resource was removed, a certain portion should be set aside as an endowment for future generations. That was a good argument then and it is a good argument now. It would be a serious mistake to divert the flow of severance taxes from the permanent

Page 3.

Constitutional Coal Trust Fund. As was stated, many programs which now exist through the funding and protection of the Coal Trust Fund would suffer. The Coal Trust Fund would gradually die because inflation would destroy its viability. No fund which loses a continuing source of revenue can long stay viable.

One of the more damaging factors of this legislation would be the devastating affect it would have on many of our bonding programs, especially new bonds. According to Dorsey and Whitney, the amount of coal tax severance bonds that can be issued is directly tied to the annual deposits to the Coal Severance Tax Bond Fund. Certainly, we would not continue to enjoy the high bond rating we have. It is hard to estimate what this would cost our State, but we can be sure it would be plenty.

In a 1988 report to the legislature, I found this statement. "With continued nourishment and protection against incursions to satisfy temporary demands, the permanent trust can be expected to become Montana's premier financial resource." End quote.

Those of us who are opposed to this diversion of coal severance taxes, find ourselves at a tremendous disadvantage in this hearing. There has been no adequate notice of this hearing. At last report, I could not get a copy of this legislation. It appears that those who support H.B. 599 and have a strong lobbying presence here, were notified and have gotten word to their people. But how about the 219,403 people who voted against the Big Sky Dividend? This was 57 per cent of those voting on that measure at the

Page 4.

Primary Election in June of 1992. They were voting against diverting the flow of coal severance tax money from the trust fund. Since I haven't been able to see this legislation, I cannot say that it is just like the "Big Sky Divident," but the principal is the same. The result is the same. It will destroy the viability of the Constitutional Coal Trust Fund and generations from here on will not be properly compensated for the loss of this natural resource.

It was stated in 1988 that the Constitutional Coal Trust Fund was expected to become Montana's premier financial resource. I believe it has. The Constitutional Coal Tax Trust has been, and will continue to be, of almost inestimable value to the people of Montana. Don't be fooled by those who claim this legislation (H.B. 599) won't hurt the Constitutional Coal Tax Trust Fund. It is the beginning of the end for the Trust.

I strongly urge you to protect this precious asset...not only for the good it is doing now for the State and all of us, but also for the good of generations to come. To divert the flow of coal severance taxes from the Constitutional Trust Fund will destroy the fund, so I urge you to vote "No" on H.B. 599.

EXHIBIT 12  
DATE 3-20-95  
HB 313

## Senate Bill 313.

by  
Senator Ken Mesaros

### "Equal Access to Drug Manufacturers' Discounts"

A bill prohibiting the discriminatory pricing of prescription drugs based on class of trade designations used by pharmaceutical manufacturers

Submitted by

Montana State Pharmaceutical Association  
and the  
Montana Retail Association

For Additional Information  
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The original of this document is stored at the Historical Society at 225 North Roberts Street, Helena, MT 59620-1201. The phone number is 444-2694.



MONTANA STATE PHARMACEUTICAL ASSOCIATION

EXHIBIT ~~#~~ 12  
DATE 3-20-95  
HB 313

PO Box 4718 • 34 West Sixth Avenue • Helena, MT 59604 • 406-449-3843 • Fax 406-443-1592

March 20, 1995

Testimony of the Montana State Pharmaceutical Association  
**Senate Bill 313**  
by Jim Smith

Mr. Chairman and Members of the House Business and Industry Committee: Good Morning. My name is Jim Smith. I am the Executive Director of the Montana State Pharmaceutical Association. Our Association consists of approx. 350 licensed pharmacists and 150 licensed pharmacies in the state of Montana. Most of our members come from the independent retail sector of the pharmacy community in Montana; and we join the Montana Retail Association, and its members from the chain drug stores, in strong support of SB 313.

My job this morning is to go through SB 313 with you, Section by Section, line by line, definition by definition, term by term. The Bill was amended in the Senate and I will review those amendments with you. I will attempt to move quickly through the bill with you this morning so that other proponents will have time to testify. If you have questions, I'll try to answer them for you; or if I can provide you with any additional information, I'll try to get it for you.

We have, in SB 313, attempted to distill some very complex economic transactions into concepts and language suitable for inclusion in the Montana Codes Annotated. We tried to keep it simple; and to put only that statutory language that is absolutely required into SB 313.

SB 313 was amended in the Senate to give the Department of Justice, rather than the Department of Justice oversight responsibility for this legislation. You will see 'Commerce' stricken and 'Justice' inserted throughout the Bill, starting with the Statement of Intent. It was felt that Justice was being given responsibilities in the area of health care in this Session; and that SB 313 enforcement responsibilities would fall under that general area. Also, by removing Commerce as the cognizant state agency, the administrative hearing layer is removed, and parties will be able to take their case directly into a state District Court.

These are all new Sections. This is new, additional language that will be added to Title 30, Chapter 14 MCA, if passed. Title 30 is the Montana Consumer Protection Act. This is the appropriate place to codify SB 313 because we believe the Montana consumer will be the ultimate beneficiary if SB 313 is passed and made into law.

Examples of "SHADOW PRICING"

We know that discriminatory pricing takes place all over the U.S.

Do HMO/Mail Order customers in Montana get the benefits of these discounts???

Apparently NOT!

For example:

<u>DRUG</u>	Nationally, HMOs, mail order, etc. pay about <sup>1</sup>	In Montana, community pharmacy pays <sup>2</sup>	COMPARE RETAILS!	
			AARP retail v. price <sup>3</sup>	Community Pharmacy retail price <sup>3</sup>
Prozac 20mg/100ea	\$120.28	\$181.53	\$190.35	\$182.13
Tagamet 400mg/500ea	\$166.56	\$605.00	\$625.75	\$625.46
Calan 240mg/500ea	\$123.00	\$554.12	\$549.75	\$595.66
Slow-K 600mg/1000ea	\$7.89	\$143.95	\$149.55	\$161.72

- \* HMOs, Mail Order, etc., apparently fail to pass on lucrative discounts to their cash-paying customers
- \* HMOs, Mail Order, etc., realize a gross profit margin in the neighborhood of 75 percent on these sales
- \* Montana Community Pharmacy realizes a gross profit margin of less than 7 percent on these sales

<sup>1</sup> McKesson invoice dated 9/94.

<sup>2</sup> Actual community pharmacy cost, Helena, MT, 2/??<sup>13</sup>/95

<sup>3</sup> Quoted retail price from telephone survey, Helena, MT, 2/??<sup>13</sup>/95

I'll just begin, and try to share our thinking, our intentions and our understandings with the Committee.

The bill begins with the **Statement of Intent**. I do not think it's necessary for me to read the entire Statement; but the first paragraph sums it up very well:

**The legislature intends to promote, ensure and enforce competition among purchasers of drug products by eliminating price discounts that are based solely on 'class of trade' designations used by drug manufacturers.'**

The rest of the bill proceeds from there and is consistent with the Statement of Intent.

### **Section 1. Definitions.**

The definition of 'Charitable Health Care Provider' found on lines 25-27 of page 1 was stricken in the Senate. The term is adequately defined in Section 6, as you will see.

The other definitions, 1 through 7 represent our attempt to define, in statute, the essential interests involved in the buying, selling, purchasing and distribution of prescription drugs in the state of Montana. For the purposes of this bill, we've rendered these very complex economic transactions into a few simple definitions. The key definitions are as follows:

- **Manufacturers**                      These are the various drug companies that produce and sell prescription drugs. Our belief is that it is the manufacturers that establish the price, terms and conditions of drug sales, in Montana and across the country.
  
- **Wholesalers**                      These companies deliver drugs to purchasers at the contract price established by the manufacturer. Our belief here is that wholesalers do not establish the price, terms or conditions of the sales of drugs to purchasers.
  
- **Purchasers**                      These are the entities that buy drugs from manufacturers, whether it's a retail pharmacy buying group (like Valu-Rite or United Drug Stores), a chain operation (like K-Mart, Shop-Ko or Wal-Mart); or Institutional buyers, such as Hospitals, Nursing Homes, HMOs, Mail Order Pharmacies. For the purposes of this bill, they are all purchasers of drugs.
  
- **Covered Transaction**              Our intent is a very broad application of this definition. Basically, we believe every transaction, every sale in Montana is a 'covered transaction,' and as such subject to the provisions of SB 313.

## Section 2. Price Discrimination Prohibited.

This is the heart of the bill. The key language is found in:

**(1) In a Covered transaction, a manufacturer shall sell a drug, during the same time period, to all purchasers in this state on the same terms and conditions.**

Please note that this does not say 'for the same price.' Nor does it say, 'for the best price.' Our intent here is exactly as Senator Mesaros explained it in his testimony. To each manufacturer of prescription drugs we are saying: **tell us what criteria must be met in order to achieve price discounts. Nothing more. Nothing less.**

Section 2, (2) sets forth several rational, economic criteria that manufacturers may want to use in establishing the criteria for discounts: volume, market share movement, formulary, prompt payment, etc.

Section 2, (3) contains the prohibition against price reductions that are based solely on the 'class of trade' to which the purchaser belongs.

Section 2, (4) says that this applies to any purchase of a drug delivered for sale to a consumer in this state.

**Section 2 is the key, critical section of SB 313.** This is the Section that eliminates discriminatory pricing; that puts all purchasers on a level playing field; that eliminates the obsolete practice of granting discounts based upon 'class of trade' designations used by manufacturers.

While these designations may have been harmless when retail pharmacy did not compete with institutional purchasers, such as HMOs, Mail Order Pharmacies, etc.; in today's marketplace, retail is in competition with institutional purchasers; and manufacturers pricing policies should reflect that simple fact. SB 313 requires manufacturers to recognize that simple fact, and to act accordingly by renegotiating their contracts with purchasers.

Please note that Section 2 is no cure-all for retail pharmacy. The rational economic forces at work in the marketplace that are listed in (2) may still operate to the disadvantage of retail pharmacies, especially for those few that are not members of buying groups.

However, the elimination of the 'class of trade' designations is a major step in the right public policy direction, and that's what SB 313 is all about. Much will be left to the marketplace, even if SB 313 is passed and enacted.

## Section 3. Government Purchases... Prohibited.

Section 3 was stricken in the Senate. We are not aware of any entity of state or local government that is a direct purchaser of drugs.

#### **Section 4. Civil Action for Damages.**

Section 4 gives a purchaser the right to bring a civil action for damages against a manufacturer. Treble damages are established.

#### **Section 5. Enforcement--Penalty.**

Section 5 says that a county attorney, or the attorney general may enter an action to enforce the provisions of SB 313.

Reasonable Civil penalties are established in SB 313.

Incentives to bring actions are found in Section 5, in the form of specific instructions regarding the disposition of any penalties recovered through an action. This is identical to other section of the current law in Montana.

#### **Section 6. Exceptions.**

Our basic objective in SB 313 is to level the playing field and establish a fair competitive environment with those entities that are in competition with retail pharmacies. We recognized early on that retail is not in competition with certain segments of the market, and Section 6 sets forth exceptions to the provisions of SB 313.

The Amendments adopted in the Senate further clarifies our intentions with regard to these exceptions.

(1) As amended by the Senate, (1) was changed to read:

'a hospital or health care facility, as defined in Title 50, chapter 5, except for a health maintenance organization'

We have attached a list these facilities to this testimony. It includes virtually all of the 'charitable health care providers' in Montana.

(2) This applies to the federal government. To the best of our knowledge, the Veterans Administration is the only direct purchaser of drugs in Montana. If, however, a state institution, such as the Montana State Hospital at Warm Springs, or the Center for the Aged at Lewistown, is a direct purchaser, then they are exempt from the provisions of SB 313.

(3) This applies to the State Medicaid program. The federal government was able to extract some concessions from the manufacturers several years ago, through the OBRA, 1990 (Omnibus Budget Reconciliation Act of 1990). Basically, the manufacturers agreed to give rebates to state Medicaid programs. This clause makes it clear that SB 313 is not intended to interfere, interrupt, or otherwise have any impact whatsoever on the Medicaid Program.

We spent quite a bit of time in the Senate on the potential impact of the legislation on the Medicaid Program; and our conclusion is that there is no adverse impact on Medicaid because of SB 313.

(4) Is stricken from the SB 313.

### **Section 7. Rulemaking Authority.**

The Department of Justice is given the authority to write, adopt and enforce administrative rules pertaining to this law, consistent with legislative intent. As amended, this is a discretionary grant of rulemaking authority: **the Department may...** Only if experience indicates that administrative rules are necessary will they be written.

### **Section 8. Codification instruction.**

If enacted into law, SB 313 is to be codified as an integral part of Title 30, chapter 14, MCA, The Montana Consumer Protection Act.

This is what SB 313 is all about: How much consumers will be paying for their prescription medicines; how they will receive, or be able to receive, their prescription medicines; what kind of pharmaceutical are they are going to receive?

### **Section 9. Applicability Date.**

This act applies to sales made after October 1, 1995.

In conclusion, SB 313 is not a 'magic bullet' that will solve all the problems of price and the lack of competition in the pharmaceutical industry.

Nor, however, is SB 313 some kind of 'poison pill' that is going to cripple the pharmaceutical industry. Our association wants a healthy, profitable industry. We support this industry. We're the industry's first, oldest and best customers. We support Research and Development. We want a cure for MS, or MD, or AIDS found. We attempted to find some common ground, some compromise with the manufacturers before this session even began, but to no avail.

We have been very clear in our discussions and negotiations with interested parties that, if SB 313 is enacted into law; the response of the manufacturers will, in large part, determine the outcome and impact of this legislation upon consumers in Montana. The manufacturers may decide to litigate, to test this law in the courts? Some may decide to pull out of Montana, to cease selling their products in this state? Some may cancel contracts, or raise prices to their institutional purchasers as soon as possible?

On the other hand, they may decide that it makes good economic and clinical sense to keep retail community pharmacy in the business of filling prescriptions for people; and enter into good faith negotiations with all their purchasers in Montana in order to work out different pricing structures, incentives and discounts that can be extended evenly and equally to all purchasers that can meet the criteria established by each manufacturer.

That's the impact we hope SB 313 will have in the state of Montana.

SB 313 is a very small piece of a very big puzzle. For example:

- Other states are introducing similar legislation this winter.
- Senator Pryor is reintroducing the Pharmaceutical Marketplace Reform Act of 1994 (S. 2239) in this session of Congress.
- Major litigation is in progress, with trial dates in some actions set for February of 1996.

Our belief is that the combination of all of these initiatives, the cumulative impact of all of these efforts, will someday bring an end to the practice of discriminatory pricing, in Montana and in the rest of the country as well.

We're asking for your help in this effort.

Last, Mr. Chairman, we understand that the entire health care system, and the pharmaceutical industry in particular, is in a period of major 'restructuring.' We understand macroeconomic trends. We understand that these companies are just following good business practices, just being good capitalists.

But, retail community pharmacy is not going to be 'restructured' out of existence due to the unfair pricing practices of major drug companies--at least not without a fight. And not as long as we believe that there are people in Montana and communities in Montana that still need, want, and rely on their neighborhood drugstore and retail pharmacies for their prescription medicines.

Thank you Mr. Chairman And Committee Members. I'll be available for any questions you may have.

Community-based nursing homes — Center for the Aged, Title 53, ch. 21, part 4.

7. Health facility development, Title 90, ch.

**50-5-101. (Temporary) Definitions.** As used in parts 1 through 4 of this chapter, unless the context clearly indicates otherwise, the following definitions apply:

(1) "Accreditation" means a designation of approval.

(2) "Adult day-care center" means a facility, freestanding or connected to another health care facility, which provides adults, on an intermittent basis, with the care necessary to meet the needs of daily living.

(3) "Affected person" means an applicant for certificate of need, a member of the public who will be served by the proposal, a health care facility located in the geographic area affected by the application, an agency which establishes rates for health care facilities, a third-party payer who reimburses health care facilities in the area affected by the proposal, or an agency which plans or assists in planning for such facilities.

(4) "Ambulatory surgical facility" means a facility, not part of a hospital, which provides surgical treatment to patients not requiring hospitalization. This type of facility may include observation beds for patient recovery from surgery or other treatment.

(5) "Batch" means those letters of intent to seek approval for new beds or major medical equipment that are accumulated during a single batching period.

(6) "Batching period" means a period, not exceeding 1 month, established by department rule during which letters of intent to seek approval for new beds or major medical equipment are accumulated pending further processing of all letters of intent within the batch.

(7) "Board" means the board of health and environmental sciences, provided for in 2-15-2104.

(8) "Capital expenditure" means:

(a) an expenditure made by or on behalf of a health care facility that, under generally accepted accounting principles, is not properly chargeable as an expense of operation and maintenance; or

(b) a lease, donation, or comparable arrangement that would be a capital expenditure if money or any other property of value had changed hands.

(9) "Certificate of need" means a written authorization by the department for a person to proceed with a proposal subject to 50-5-301.

(10) "Challenge period" means a period, not exceeding 1 month, established by department rule during which any person may apply for comparative review with an applicant whose letter of intent has been received during the preceding batching period.

(11) "Chemical dependency facility" means a facility whose function is the treatment, rehabilitation, and prevention of the use of any chemical substance, including alcohol, which creates behavioral or health problems and endangers the health, interpersonal relationships, or economic function of an individual or the public health, welfare, or safety.

(12) "Clinical laboratory" means a facility for the microbiological, serological, chemical, hematological, radiobiological, cytological, immunohematological,

body for the purpose of providing information for the diagnosis, prevention or treatment of any disease or assessment of a medical condition.

(13) "College of American pathologists" means the organization nationally recognized by that name with headquarters in Traverse City, Michigan, which surveys clinical laboratories upon their requests and accredits clinical laboratories that it finds meet its standards and requirements.

(14) "Comparative review" means a joint review of two or more certificates of need applications which are determined by the department to be competitive in that the granting of a certificate of need to one of the applicants would substantially prejudice the department's review of the other applications.

(15) "Construction" means the physical erection of a health care facility and any stage thereof, including ground breaking, or remodeling, replacement, or renovation of an existing health care facility.

(16) "Department" means the department of health and environmental sciences provided for in Title 2, chapter 15, part 21.

(17) "Federal acts" means federal statutes for the construction of health care facilities.

(18) "Governmental unit" means the state, a state agency, a county municipality, or political subdivision of the state, or an agency of a political subdivision.

(19) "Health care facility" or "facility" means any institution, building, agency or portion thereof, private or public, excluding federal facilities whether organized for profit or not, used, operated, or designed to provide health services, medical treatment, or nursing, rehabilitative, or preventive care to any person or persons. The term does not include offices of private physicians or dentists. The term includes but is not limited to ambulatory surgical facilities, health maintenance organizations, home health agencies, hospices, hospitals, infirmaries, kidney treatment centers, long-term care facilities, medical assistance facilities, mental health centers, outpatient facilities, public health centers, rehabilitation facilities, residential treatment facilities, and adult day-care centers.

(20) "Health maintenance organization" means a public or private organization which provides or arranges for health care services to enrollees on a prepaid or other financial basis, either directly through provider employment or through contractual or other arrangements with a provider or group of providers.

(21) "Home health agency" means a public agency or private organization or subdivision thereof which is engaged in providing home health services to individuals in the places where they live. Home health services must include the services of a licensed registered nurse and at least one other therapeutic service and may include additional support services.

(22) "Hospice" means a coordinated program of home and inpatient health care that provides or coordinates palliative and supportive care to meet the needs of a terminally ill patient and the patient's family arising out of physical, psychological, spiritual, social, and economic stresses or concerns during the final stages of illness, and that includes the following: (a) home care programs for an essential component of the hospice program.

**PHARMACY NEWSWIRE**

**LOCATION, LOCATION, LOCATION.**

**I**f your pharmacy is in the South, you probably move more merchandise than those located in the Northeast or Midwest.

According to a Census Bureau report, from January 1994 through September 1994, drugstores and proprietary stores in the three regions had total sales of more than \$49 billion. Stores in the South had sales of more than \$20 billion; in the Midwest, more than \$15 billion; and in the Northeast, more than \$13 billion.

In all three regions, the month of March was most profitable. The least profitable month was February.

Pharmacists Association and the Michigan Pharmacists Association.

**A FRIEND IN HIGH PLACES.**

Rep. Richard Durbin (D-Ill.) recently shared his concerns about discriminatory pricing with independent pharmacy owners Steve and Pamela Bandy of Salem, Illinois.

"Thank you for contacting me to express your thoughts about health care reform.

"I share your view that pharmaceutical purchasers should be given equal access to the same types of discounts. In the absence of equal access provisions, many consumers, especially those whose prescriptions are filled by local independent pharmacists, must pay much more for prescriptions simply because they do not belong to a group favored by the pharmaceutical companies.

"I recently had a conversation with representatives from a pharmaceutical manufacturer who tried to explain their opposition to equal access language.

They admitted that the issue is not volume-based discounts because the equal access provisions that have been proposed in many health care reform proposals would permit legitimate volume-based differences to continue. At issue are the industry's price differences that are unrelated to volume. Their concern appeared to boil down to a question of profits: They did not see enough profit potential to justify providing to independent pharmacists the same level of discounts as they offer their preferred customers. I do not consider this an adequate reason for discriminatory pricing.

"Independent neighborhood and community pharmacists are important, not only for marketplace competition but in providing basic, front-line medical services that otherwise would not be available. Many of my constituents would see a real decline in the quality of their local health care services if their local pharmacists were forced out of business

by unfair pricing. You can be assured that I will keep in mind the importance of independent pharmacists as this issue is considered by Congress."

Durbin is currently a member of the House Committee on Appropriations.

**TOO, TOO MUCH.**

HMO patients spend almost twice as many days in the hospital as patients who receive non-HMO care, according to a recent study by

**A STRONG FORCE.**

**T**he number of women in the field of pharmacy has increased by 10 percentage points since 1980. In 1980, approximately 25 percent of pharmacists were women; in 1990, 35 percent were women.

health care consulting firm Milliman and Robertson.

The firm's guidelines state that utilization should run about 170 days per 1,000 members; HMO patients are hospitalized 315 days per 1,000 members.

On the rise, too, are monthly HMO premiums. From 1990 to 1993, average rates increased approximately 26 percent.

**JUNGLE JOURNEY.**

Following a successful continuing education trip to the Amazon rain forest in 1994, the Texas Pharmacy Foundation, the American Botanical Council, and International Expeditions are planning to sponsor three more "Pharmacy from the Rainforest" programs.

All scheduled for 1995, the programs will bring pharmacists and physicians, scientists and university presidents into the rain forest for a look at tropical medicines. "We were enriched not merely by the magnificent rain forest backdrop, but by the stimulating interactions between a diversity of students and faculty of many disciplines," said Jim Duke, leader of the first Amazon excursion. This year's locations

include Belize (May 20 to 28), Costa Rica (August 5 to 13), and the Amazon (October 21 to 28). For more information about the programs, contact Charlotte de Frances at International Expeditions, One Environs Park, Helena, AL 35080; 800-633-4734.

**NOT SO OVER THE HILL.**

**T**eenagers aren't the only patients who should be counseled about birth control. It seems that women 35 to 49 years old are at the same risk of having an unplanned pregnancy as those in their teens. Women older than 35 are also at a higher risk of giving birth to children with Down's syndrome and other birth defects.

*The voice of retailing  
in Montana!*



EXHIBIT 15  
DATE 3-20-95  
HB 313

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318 N. Last Chance Gulch ❖ Suite 2A ❖ Helena, MT 59601 ❖ 406-442-3388 ❖ Fax (406) 442-2633 ❖ 1-800-388-0236

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Good morning Mr. Chairman, members of the committee. For the record, my name is Brad Griffin representing the Montana Retail Association. The MRA counts among it's 700 members, chain drug companies such as Wal Mart, K-Mart, Shopko and Gibsons, all of whom have a pharmacy. We also represent a number of small pharmacies across the state. Please, don't be misled, this is an issue where the independent and chain drug are united. I rise in strong support of SB 313 because this bill is about fairness in pricing practices for pharmaceutical products.

This bill simply says to the manufacturers that they establish the criteria list for achieving the discounts. Whether it's volume, prompt payment, single point delivery or market share agreements - they, the manufacturer, set the criteria and let all retailers have access to the criteria.

Montana's main street pharmacist is at a severe disadvantage because of these unfair and discriminating pricing practices. This bill will force manufacturers to deal with retail pharmacists on the same terms and conditions as HMO's and mail order pharmacies with whom they are in competition in the market place. This bill will enhance competition in the marketplace, not lessen it and it should bring prices down for the consumers.

It may seem difficult to believe that manufacturers would

discriminate against retailers who do over 85% of the outpatient prescrip[tion market business. In fact it seems unbelievable. But the unbelievable becomes very believable when you realize that we are talking about the most profitable industry in America - one that generates a 17% net profit on sales of over \$60 billion dollars.

That, Mr. Chairman and members of the committee, is why the drug manufacturers are here in force today. To protect an incredibly lucrative market. And to prevent real competition from entering an arena where they are holding the cards.

Montana's pharmacies, the manufacturers oldest and best customers, stand before you to ask your help in rectifying these unfair pricing practices which are jeopardizing your local pharmacists very existence. We urge your support for SB 313.

EXHIBIT 16  
DATE 3-20-95  
HB 313

# The Case for Fair Prescription Drug Pricing

**The importance and benefits  
of this issue  
for your constituents.**

The original of this document is stored at the Historical Society at 225 North Roberts Street, Helena, MT 59620-1201. The phone number is 444-2694.



P.O. Box 5008 • (406) 761-3401 • 601 Sixth Street S.W., Great Falls, MT 59403

DATE: March 10, 1995  
TO: All Legislators  
FROM: Bill Beck, Director of Pharmacy  
SUBJECT: SENATE BILL NO. 313

Buttrey Food and Drug Company is a Montana-based company that currently operates 20 in-state retail pharmacies, 1 unit-dose pharmacy, and 1 mail order facility located in Great Falls.

Our in-state mail order facility has currently contracted with Montana State Employees, Montana University System and Cascade County Employees. We are engaged in negotiations with the members of the Montana Association of Health Care Purchasers, as is Express Scripts mail order facility located out-of-state.

Without the separate "classes of trade" offered by the pharmaceutical manufacturers, Buttrey could not effectively compete with out-of-state mail order facilities such as Express Scripts, RX America, Medco, and a host of others, for in-state Montana entities.

It is our opinion that this bill will not force the manufactures to offer lower costs and increased rebates to the retail pharmacies, but in fact cause all Montana pharmacies including our in-state mail order facility not to receive them.

The passage of Senate Bill No. 313 would prohibit Buttrey's in-state mail order facility from receiving the same cost structures and rebates secured by out-of-state mail orders.

This bill will ensure the closure of our in-state mail order facility. Thus our contracts with the State and University would be adversely affected, numerous jobs would be lost, and Montana dollars would be funneled out-of-state. This bill will increase costs to state government in the purchase of pharmaceuticals.

In our opinion this bill will not lower costs to Montana residents, but will simply move profits and revenues from Montana to out-of-state businesses.

Please call me at (406) 454-7201 to discuss any concerns you may have. I look forward to hearing from you.

EXHIBIT 18  
DATE 3-20-95  
HB 313

# **IS THERE A SOLUTION TO SAVE THE INDEPENDENT PHARMACISTS OTHER THAN IMPLEMENTING PRICE CONTROLS AND GOVERNMENT REGULATIONS?**

The original of this document is stored at  
the Historical Society at 225 North Roberts  
Street, Helena, MT 59620-1201. The phone  
number is 444-2694.

DEPARTMENT OF ADMINISTRATION  
STATE PERSONNEL DIVISION

EXHIBIT 19  
DATE 3-20-95  
HB 313



MARCRACICOT, GOVERNOR

MITCHELL BUILDING, ROOM 130  
PO BOX 200127

STATE OF MONTANA

(406) 444-3871  
FAX: (406) 444-0544

HELENA, MONTANA 59620-0127

Informational Testimony on SB313

TO: House Business and Labor Committee  
BY: Joyce Brown, Employee Benefits Bureau

Mr. Chairman, members of the Committee, I am not here to support or oppose SB313 but to provide updated information we have received since preparation of the fiscal note.

The fiscal note (bottom of the second page) indicates that SB313 would only have a probable long-range impact on the State Employee Benefit Plan. The State Employee Benefit plan is receiving mail-order prescription drug services from Buttrey Food and Drug under a three year contract which began this last September. The fiscal note indicates that the Employee Benefit Plan might lose these services at the end of the three years if SB313 passes and prevents Buttrey from effectively competing with out-of-state mail order services.

We have since received a legal opinion that under our contract language, Buttrey Food and Drug could potentially nullify the contract if SB313 passes and adversely affects their ability to provide mail order services. We have learned from Buttrey that they expect SB313 to jeopardize their mail order business. This makes the impact of SB313 on the State Employee Benefit Plan more certain and immediate.

Elimination of the only in-state prescription mail service would leave the Employee Benefits Plan with the options of:

1. Contracting with an out-of-state prescription mail service.
2. Going without a prescription mail service and relying solely on its contract with a pharmacy network.

We have determined that going without a prescription mail service would have a relatively small, but significant, fiscal impact on the Employee Benefit Plan. Contract prices offered by prescription mail services are slightly more favorable than those offered by pharmacy networks. The projected increase in prescription drug costs is \$150,645 next plan year and \$164,047 the following plan year. This is a three percent increase in pharmaceutical costs.

These cost increases would be born entirely by plan members.

EXHIBIT 20  
DATE 3-20-95  
HB 313

February 20, 1995

Senator John Harp  
Capitol Station  
Helena, Mt. 59601

Re: Senate Bill 313

Dear Senator Harp,

The State Fund is concerned with the potential consequences of Senate Bill 313. The Bill requires drug manufacturers to offer discounts on drugs to all purchasers (person who sells drugs directly to consumers) in Montana on the same terms and conditions. Apparently HMO's and mail order pharmacies receive discount amounts that retail pharmacies do not receive.

Our understanding is that if this Bill is passed, manufacturers may not want to provide a discount to any purchaser in this state.

The impact to the State Fund is that we would not be able to establish PPO's with the reimbursement reflecting a percentage discount off the wholesale price. Our only benefit will be an amount off the dispensing fee. We believe the inability for a purchaser, as part of a PPO, to offer a discount off the wholesale price to be a detriment to the State Fund's efforts in controlling the cost of medical expenses.

We urge your careful consideration of the bill, and appreciate your efforts in this matter.

Sincerely,

Nancy Butler  
General Counsel  
State Fund

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Business & Labor

COMMITTEE

BILL NO. SB 313

DATE 3-20-95 SPONSOR(S) \_\_\_\_\_

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PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
JEROME ANDERSON	GLAXO		✓	
CARL SIVAGE R.Ph	Montana State pharm			✓
Kathy Best	MT State Pharm. Assoc.			✓
Brad Griffin	MT Retail Assoc	313		✓
Allen Bartley	Columbia Falls Alumnae		✓	
Peter Wolfgamm	MSPA			✓
Gene Jurdich	M.S.P.A.			✓
Ken Bergman	M.S.P.A.			✓
Ron Campbell	DrugMact - MSPA			✓
Steve Lewis	PHARMA		✓	
Uncle Buck	Blue Cross Blue Shield MA		✓	
Tom Hopwood	Health Ins. Assoc. America		✓	
Charlie Briggs	Area IV Agency on Aging			✓

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

HOUSE OF REPRESENTATIVES

VISITOR'S REGISTER

Business & Labor

COMMITTEE

BILL NO. SB 313

DATE 3-20-95

SPONSOR(S) \_\_\_\_\_

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Bill Olson	AARP	SB 313	<input checked="" type="checkbox"/>	
WARD SHANAHAN	RITONE-POULENC ROUER PHARMACEUTICAL	SB 313	<input checked="" type="checkbox"/>	
JOHN BOLLINGER	HO 14	SB 313		<input checked="" type="checkbox"/>
Wayne Hedman	Bitterroot Drug New. Ho. off	313		<input checked="" type="checkbox"/>
JAY DISCOLL	MFT/MFSE	313	<input checked="" type="checkbox"/>	
Dennis VOST	MT Soc. of Neurologists	313	<input checked="" type="checkbox"/>	
Tom Schneider	Pharmaceutical MPEA	SB 313	<input checked="" type="checkbox"/>	
James T. MULAR	RETIREE NARKE	SB 313	<input checked="" type="checkbox"/>	
Ka. Fox	Montana low income	313	<input checked="" type="checkbox"/>	
Bob Bachini	Johnson & Johnson	SB 313	<input checked="" type="checkbox"/>	
Bill Stevens	MT Food Dist Assn	313		<input checked="" type="checkbox"/>
Keith L. Colbo	Buttrey Food & Drug	313	<input checked="" type="checkbox"/>	
Bill Bach	Buttrey Food & Drug	313	<input checked="" type="checkbox"/>	

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COMMITTEE

BILL NO. SB 313

DATE 3-20-95 SPONSOR(S) \_\_\_\_\_

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Robert Nickens	NAEDS	SB 313	X	
Beth Baker	Dept of Justice	SB 313	Informational	
TIM STRATTON, Ph.D. MISSOURI	MSPA	SB 313		✓
Ed Caples	MSCA	313		✓

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HOUSE OF REPRESENTATIVES

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COMMITTEE

BILL NO. HR 599

DATE 3-20-95

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Verner Bertelsen 1800 Winize Ave. Helena	Self	599	✓	
Gordon Morris	MACO	599	<del>✓</del>	✓
Spiria Palafichuk	Island Development	599		✓
Maureen Kade	Board of Housing	599		✓
MARIE SCHEER	DA (MPS)	599		✓
Chou Hhail	HO 54	599		✓
Tim BERGSTROM	MT. STATE FIREMENS' ASSOC.	599		✓
RYAN ED CROFT	OCITE	599		✓
A. Hill				✓
Ward Shanahan	PRESIDENT MONTANA HISTORICAL SOCIETY			✓
Bob Gannon	Mt. Power			✓
Neil M. Lewis	Rebuild Montana	599		✓
Bob Swanson	MSA	599		✓
Keith L. Colbo	Tourism Coalition	599		✓
Stuart Dosselt	MT Junkies Assoc.	599		✓

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599

Marcella Sherry  
Brian Cockhill

Montana Hist. Society

HOUSE OF REPRESENTATIVES

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Business & Labor

COMMITTEE

BILL NO. HR 581

DATE 3-20-95

SPONSOR(S) \_\_\_\_\_

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NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Jim Kambich	Mountain Technology	599		✓
Carl Schweitzer	MT Govt Ass'n	599		✓
Alec Hansen	LEASUE OF CITIES			✓
David Owen	MT Chamber	599		✓
Kathy MacCabe	MT Preservation Alliance	599		✓
" " "	Helena Lewis + Clark	599		✓
" " "	Historic Pres. Commission	580		✓

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