

OFFICE OF THE GOVERNOR
STATE OF MONTANA

BRIAN SCHWEITZER
GOVERNOR



JOHN BOHLINGER
LT. GOVERNOR

May 12, 2005

Carroll South, Executive Director
Montana Board of Investments
PO Box 126
Helena, MT 59620

Dear Carroll:

This letter is written as a clarification of the position of the Schweitzer administration regarding the implementation of SB 133 – the “Fund of Funds” bill.

As you know, final action on the funding of the startup of implementation of SB 133 was left unfunded by the legislature.

There was approximately \$200,000 in seed administrative funds needed to finance the start-up of the "fund of funds". That would have paid for costs of setting up the Board and paying for travel, issuing RFPs, selecting a fund manager, and the efforts to secure the initial capital. Apparently, once the initial capital was raised, the fund would have been self-supporting, including administration.

The \$200,000 was not originally in HB 2, although the need for it was talked about in both House and Senate Committee hearings on SB 133. When the HB 2 free joint conference committee met, the Administration included the \$200,000 for SB 133 implementation was on its list of needed additions to the bill.

The \$200,000 was inserted in the bill on Friday but later was removed by the conferees on Saturday. The bill then passed without it.

Thus there are no funds appropriated for the startup. Regretfully, the Dept of Commerce has no slack in its small general fund budget to pick up the costs.

Because of that, we have had to take the position that the bill will not be implemented unless \$200,000 of alternative private funds are secured and deposited with the State Commerce Department.

In the meantime, we cannot and will not begin to implement the law that was left unfunded by the legislature. We will not be working on staffing, rule-making, writing request for proposals, hiring or any activity by the Department of Commerce.

**Economic Affairs Committee Meeting
June 24, 2005**

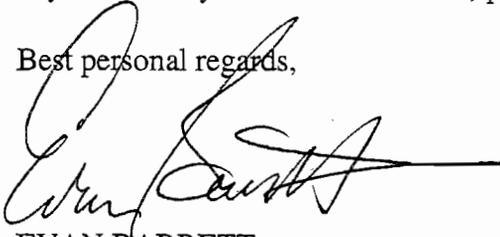
Exhibit #8

Letter to Council South, Board of Investments
Re: SB 11 Implementation
May 12, 2005
Page 2 of 2

Additionally, the Governor's Office will not be proceeding on the appointment of the SB 133 Board as there is nothing that the Board can act upon at this time. Further, there are no funds to pay for Board activity including travel and communication.

If you need any further information, please feel free to contact me.

Best personal regards,

A handwritten signature in black ink, appearing to read "Evan Barrett", written over the typed name below.

EVAN BARRETT
Chief Business Officer

CC: Tony Preite, Department of Commerce