

MINUTES OF THE MEETING
BUSINESS AND LABOR COMMITTEE
50TH LEGISLATIVE SESSION

March 5, 1987

The meeting of the Business and Labor Committee was called to order by Chairman Les Kitselman on March 5, 1987 at 8:00 a.m. in Room 312-F of the State Capitol.

ROLL CALL: All members were present.

SENATE BILL NO. 245 - Sen. Allen Kolstad, Senate District 7, said that SB 245 was an act requiring computation of finance charges on retail charge account agreements be based on the average daily balance of the account rather than the ending balance. He pointed out the most common method of calculating interest on the average daily balance since it was the most equitable for both the consumer and the creditor. He said the interest is calculated by applying the rate of interest to the average balance outstanding during the period after deducting any purchases made by the card user during the previous thirty days. He said that under the present law in Montana interest must be computed by applying the interest rate to the ending balance to the period after deducting from that balance the charges made during the previous 30 days. Using the ending balance method of computation required under the current Montana law reduces the yield by an average of 3 percent so to equal the average yield of an out-of-state card user a rate of 3 percent more would have to be charged. He pointed out that this puts the Montana company at a competitive disadvantage because the consumer perceives that the cost of the Montana companies card is more than the out-of-state card. He said this bill would clarify this inequity and put the Montana companies on a level playing field with the other companies. He said it would also allow them to lower their interest rate approximately 3 percent and still be competitive. The Bank of Montana system is the only bank in the state that issues in-state credit cards. The other banks in Montana that have credit cards are issuing them out of state to get out from under this. He pointed out that South Dakota has favorable banking laws and as a result several banks have relocated their credit card issuing programs into that state which resulted in 2,000 jobs.

PROPONENTS

Ed Lamb, executive vice president of the Bank of Montana system headquartered in Great Falls, testified in support of SB 245. He said this was a fairness issue. He said the issuer of a credit card is bound by the laws in which they operate. He pointed out that Montana is the only state in the nation that requires that the interest be calculated on

the ending balance. All the other states have it on the average daily balance. He discussed the negative impact of the law that was created in 1981.

George Allen, representing the Montana Retail Association which has approximately 1,200 stores in the association, spoke in support of the bill. (Exhibit No. 1) He pointed out that the bill was a pro-business and jobs bill.

OPPONENTS

None.

QUESTIONS

Rep. Wallin asked if this bill pertained only to credit cards or if retail stores that charge one and one-half percent are exempt from the average daily balance computation. Sen. Kolstad replied that they were exempt in this state if they operated in this state. George Allen responded that anyone doing business on a multi-state basis must calculate their interest rates specially for Montana. He pointed out that they may charge the average daily balance. He said it was optional to each business whether they want to continue to charge the average daily balance or month end balance. However, the bill says it requires the average daily balance. He suggested an amendment be added to make it optional for each business.

CLOSING

Sen. Kolstad said to change "shall" to "may" so there would be no problem.

SENATE BILL NO. 242 - Sen. J.D. Lynch, District 34, introduced SB 242. He said if a person wants to buy from the state insurance only, which does not apply to plans one and two, they must allow the Labor Department to look over their facilities.

PROPONENTS

None.

OPPONENTS

None.

CLOSING

No further comments.

SENATE BILL NO. 182

Sen. Daryl Meyer, Senate District 17 Great Falls, introduced SB 182. He said the bill was an act to require that certain securities be filed in escrow. He said this bill was requested by the State Auditor of Securities. He said the Montana Securities Department registers firms to sell securities in Montana.

PROPOSERS

Kim Schulke, deputy security commissioner at the State Auditor's office, spoke in support of SB 182. (See Exhibit No. 2.)

OPPOSERS

None.

QUESTIONS

Rep. Swysgood asked about business promoters and if the bill would preclude them from being removed from the business. Kim Schulke replied that the bill gives the Commissioner discretion in a situation.

Rep. Simon questioned whether the law was in effect on passage and approval if this was an emergency or pressing need. Kim Schulke replied the bill was important for protection but she was not aware that an emergency was necessary.

CLOSING

No further comments.

SENATE BILL NO. 130 - Sen. Richard Manning, Senate District 18 Great Falls, introduced SB 130. He said the bill would allow paramutual betting at Montana racetracks and televised horse races of national interest. Exhibit No. 3 He pointed out that the simul-cast capability was already established in the racetracks involved. He said this would increase the activity of Montana tracks by about 25 percent. He said the bill would be an economic enhancement to all involved as well as more interest in the sport in Montana. He presented an amendment, see Exhibit No. 4.

PROPOSERS

Sonny Hanson, chairman of racing in Metro Park in Billings, supported SB 130. He pointed out that money received not only went into increasing purses but to rebuild the facilities.

Steve Meloy, executive secretary for the Board of Horse Racing, spoke in support of the bill. He said the bill was

at the request of the Board of Horse Racing. He said this provides a marketing tool at a time when the recreational dollar is being competed for by other interests.

Bob Pollo, president of the Board of Race Horse Owners, supported SB 130. He said that smaller tracks would be able to view major races in the country as they occur. He pointed out that it would bring more people to the track to support racing.

Alfred Pines, director of Last Chance Racing in Helena, supported SB 130. He pointed out that there was quality racing in the state. The Kentucky Derby is a race everyone was aware of that gets tremendous publicity. He said when people come to bet on that specific race it would expose the type and caliber of horse racing in Montana.

OPPONENTS

None.

QUESTIONS

Rep. Simon asked Sen. Manning about a portion of the funds and how the races occur at the same time Montana holds their meets. Sen. Manning said that was true but that some races were not held at the same time.

Rep. Brandewie asked Sonny Hanson about rescheduling at the Metra on race days as a result of this law. Sonny Hanson replied they did not but they would offer it as an additional incentive.

Rep. Swysgood asked Sen. Manning about the deleted language that seemed to be restrictive since it worked on a simul-cast basis and not all races would be held simul-cast. Sen. Manning pointed out that someone might come up with a suggestion that any race could be telecast, not one of national interest. He said this was too open-ended.

Rep. Pavlovich asked Sonny Hanson about the payoff. Sonny Hanson said they would pay with in-house odds since the computer operations were set up.

Rep. Thomas asked Sen. Manning about the control and safeguards that were built in to races for the betting. Sen. Manning said the state racing board had security people at every race track in Montana and control all the security measures.

CLOSING

Sen. Manning closed.

EXECUTIVE ACTION - March 4, 1987

ACTION ON SENATE BILL NO. 130

Rep. Pavlovich moved BE CONCURRED IN. Rep. Pavlovich moved the amendments. He said this would add "The Arlington Million" and "The Marlboro Cup". The motion carried with Reps. Cohen and Thomas opposed.

Rep. Simon moved the amendment to strike section 3, the effective date. The question was called. The motion failed.

Rep. Pavlovich moved BE CONCURRED IN AS AMENDED. The motion carried with Reps. Thomas, Wallin, Hanson and Simon opposed.

ACTION ON SENATE BILL NO. 182

Rep. Thomas moved BE CONCURRED IN. Rep. Simon moved to strike the new section 4. He said they had to have an emergency situation to have this effective on passage and approval. He said there was no need for this bill to be in effect sooner than October 1. The question was called on the amendment. The motion failed.

The question was called on the motion to be concurred in. The motion carried with Reps. Swysgood, Driscoll, Glaser, Grinde, Kitselman opposed.

ACTION ON SENATE BILL NO. 242

Rep. Pavlovich moved BE CONCURRED IN. Rep. Driscoll said that plan 2, private insurance companies make an inspection before selling insurance. He pointed out that the state had to take all comers and should have the right to inspect. He said they might take bad risks and drive up all the rates of all employers in that class. Rep. Hanson asked if they had the people to do the inspections. The question was called. The motion carried unanimously.

ACTION ON SENATE BILL NO. 245

Rep. Thomas moved to BE CONCURRED IN. Rep. Thomas moved the amendment to change "shall" to "may". Rep. Pavlovich discussed the amendment (See committee report). Rep. Thomas moved the amendment as Rep. Pavlovich suggested. The motion carried unanimously.

Rep. Thomas moved BE CONCURRED IN AS AMENDED. The motion carried unanimously.

ADJOURNMENT:

The meeting was adjourned at 9:00 a.m.



REP. LES KITSELMAN, Chairman

DAILY ROLL CALL

BUSINESS & LABOR

COMMITTEE

55th LEGISLATIVE SESSION -- 1987

Date March 5, 1987

NAME	PRESENT	ABSENT	EXCUSED
REP. LES KITSELMAN, CHAIRMAN	✓		
REP. FRED THOMAS, VICE-CHAIRMAN	✓		
REP. BOB BACHINI	✓		
REP. RAY BRANDEWIE	✓		
REP. JAN BROWN	✓		
REP. BEN COHEN	✓		
REP. JERRY DRISCOLL	✓		
REP. WILLIAM GLASER	✓		
REP. LARRY GRINDE	✓		
REP. STELLA JEAN HANSEN	✓		
REP. TOM JONES	✓		
REP. LLOYD MCCORMICK	✓		
REP. GERALD NISBET	✓		
REP. BOB PAVLOVICH	✓		
REP. BRUCE SIMON	✓		
REP. CLYDE SMITH	✓		
REP. CHARLES SWYSGOOD	✓		
REP. NORM WALLIN	✓		

STANDING COMMITTEE REPORT

MARCH 5

19 37

Mr. Speaker: We, the committee on BUSINESS AND LABOR

report SENATE BILL NO. 242

- do pass
- do not pass

- be concurred in
- be not concurred in

- as amended
- statement of intent attached

REP. LES KITSELMAN

Chairman

MS

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color

STANDING COMMITTEE REPORT

March 5

19 37

Mr. Speaker: We, the committee on BUSINESS AND LAOR

report SENATE BILL NO. 182

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REP. LES KITSELMAN

Chairman

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STANDING COMMITTEE REPORT

March 5

19 37

Mr. Speaker: We, the committee on BUSINESS AND LABOR

report SENATE BILL NO. 130

do pass
 do not pass

be concurred in
 be not concurred in

as amended
 statement of intent attached

REP. LES KITSELMAN

Chairman

AMENDMENTS AS FOLLOWS:

1) Page 2, line 10

Strike: "AND"

2) Page 2, line 11

Following: "and"

Strike: "."

3) Page 2, line 13

Following: "interest."

Insert: ",

(f) the arlington million; and

(g) the Marlboro cup."


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STANDING COMMITTEE REPORT

MARCE 5

19 87

Mr. Speaker: We, the committee on BUSINESS AND LABOR

report SENATE BILL NO. 245

do pass
 do not pass

be concurred in
 be not concurred in

as amended
 statement of intent attached

REP. LES MITCHELL

Chairman

AMENDMENTS AS FOLLOWS:

1) Title, line 6

Strike: "REQUIRE THAT"

Insert: "ALLOW THE"

2) Title, line 3

Strike: "RATHER THAN"

Insert: "OR"

3) Page 5, line 1

Following: "cycle"

Insert: "or the buyer's balance from time to time"

4) Page 7, line 9

Following: "buyer"

Strike: "The"

Insert: "(a) Except as provided in subsection (2)(b), the"

5) Page 7, line 15

Following: line 14

Insert: "(b) Nothing in this section prevents a retail seller and buyer from agreeing to the computation of the finance charge by using the ending balance of the account as of the last day of the billing cycle period less the amount of purchases charged to the account during that billing cycle."


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EXHIBIT
DATE 3-27-87
HB 245

Executive Office
318 N. Last Chance Gulch
P.O. Box 440
Helena, MT 59624
Phone (406) 442-3388

TESTIMONY

SB 245

Mr. Chairman and Members of the Committee,

For the record, my name is George Allen, representing over approximately 1,200 retail stores in Montana. I am appearing here in strong SUPPORT of SB 245.

SB 245 is a pro-business bill. It is a pro-employment bill. With the passage of SB 245, it will open the door for businesses such as the Bank of Montana, to increase their credit card volume, which in turn could create more good paying jobs in Montana.

Several years ago the state of South Dakota recognized that they had some anti-business bills on the books. Through the Governors' direction, they went in and changed the banking laws. As a result of this, the state of South Dakota was able to attract several large banks from Minnesota and New York to locate their credit card business in South Dakota. There has been in excess, 2,000 new jobs brought into the state of South Dakota as a result of the legislature correcting some bad laws.

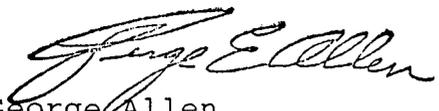
I am not here to tell you there are some large banks waiting in the wings to move the credit card operation to Montana. But we do have one banking company left in Montana who is desirous of continuing their credit card operation. The Bank of Montanas' credit card volume has decreased 40%, and has laid off approximately 5 employees. A bank in Missoula has discontinued their credit card operation entirely. This has all taken place as a direct result of the way we have to figure interest on accounts receivable and on credit cards.

The companies who are doing business in Montana, and also doing business on a national or a multi-state basis, have to calculate their accounts receivable interest rate on a special formula. If you observe some of your credit cards issued by gas companies, Exxon, Union Oil, etc., you will notice that the credit terms are spelled out, except

for Montana. We stand out like a sore thumb, and we're sending the wrong signal to all businesses.

Mr. Chairman and members of the Committee, anything you can do to help preserve the existing jobs, or make laws that will attract new businesses, would have to be considered good legislation. Therefore, the Montana Retail Association strongly supports SB 245.

Sincerely,

A handwritten signature in cursive script that reads "George E. Allen". The signature is written in dark ink and is positioned above the typed name.

George Allen
Montana Retail Association

Kim Schulke
Deputy Securities Commissioner
444-5236

SE 19 - 2
EXHIBIT 2
DATE 3-5-87
BB 182

Corporate stock escrowed as condition of securities registration. SECTION BY SECTION REVIEW.

Requested by State Auditor and Commissioner of Securities
Andrea "Andy" Bennett

Section 1. Amendment to 30-10-206.

Section 30-10-206 sets forth general provisions regarding the registration of securities with the Montana Securities Department. Subsection (2) provides that a security issued within the past 3 years or to be issued to a promoter for a consideration substantially different from the public offering price, or to any person for a consideration other than cash, be deposited in escrow.

The new language added to subsection (2) adds another type of security which must be placed in escrow. That type of security is one issued or to be issued to a promoter while the company is still in a promotional or developmental stage.

Section 2. Extension of authority.

This section allows the Commissioner of Securities to make rules on the subject of this amendment.

Section 3. Effective date.

This section states that the Act is effective upon passage and approval.

Corporate stock escrowed as condition of securities registration. JUSTIFICATION.

When new securities offerings are filed with the Securities Department, they are reviewed by an examiner to determine whether the offerings comply with our statutes. The Securities Act provides that the Commissioner may require as a condition of registration, that certain securities be deposited in escrow.

The reason that this requirement is used by Montana, and at least 35 other states who have also adopted the Uniform Securities Act, is for investor protection. How this requirement helps protect investors, is best explained by an example. Assume that a promoter of a small company wants to raise money and make a public offering of his company's stock. The promoter already owns 2 shares of stock. The promoter was issued his stock for 1 cent per share. He wants to sell the public stock for \$10 per share. The minute that the public investor purchases the stock for \$10 per share, his ownership

in the company is diluted. He owns a share which cost him \$10, and gives him 1 share's worth of ownership in the company. The promoter owns 2 shares which cost him only 1 cent per share, and gives the promoter 2 shares' worth of ownership in the company. If, the day after the public investor purchases his stock, the promoter decides he wants out of the company, the promoter sells his stock and gets back 2 shares' worth of the company, which is now worth considerably more than the 1 cent per share which the promoter paid for it. (SEE CHART)

Requiring that the promoter place his shares in escrow at the beginning of the public offering, would mean that, should the promoter want out of the company, the promoter will not be able to sell his shares until the end of the escrow period. This protects the value of the investor's investment. The requirement ensures that the promoter stays with the company to make it work. The law's intent is to prevent the promoter from "getting out" of a company and making money at the expense of new investors.

Currently, the Commissioner may require the escrow of a security issued within the past 3 years to a promoter for a consideration substantially different from the public offering price, or for a consideration other than cash. This bill would also allow the Commissioner to require escrow of stock issued to a promoter while the company is still in a promotional or developmental stage.

A corporation in the promotional or developmental stage means a corporation which has no public market for its shares and has no significant earnings within the past five years. This standard would be adopted by the Commissioner by administrative rule.

This additional type of promoter's stock to be escrowed protects the public interest because a company in the promotional or developmental stage may have operated for more than 3 years, but still have no significant earnings. Under current law, their stock is not required to be escrowed, and the example just explained, could very well happen. Indeed, such a company may have accumulated a substantial deficit, and expect public investors to bail it out of its financial mess. Therefore, the policy of investor protection is best served by allowing the Securities Commissioner to require that promoter's stock be escrowed when the company is still in the promotional or developmental stage.

It is important to emphasize that the escrow of promoter's stock requirement does not prevent the company from using the money raised through the sale of securities. Those funds can be used for the operation of the business for which the company was organized.

<u>Stockholder</u>	<u>Shares Owned</u>	<u>Price per Share</u>	<u>Percentage of Ownership</u>
Promoter	2	1 cent	66 2/3
Public Investor	1	\$10	33 1/3

SENATE BILL 130

SENATOR MANNING

Senate Bill 130 simply offers the licensed race tracks in Montana the ability to allow wagering on races of National Interest which are simul-cast to race tracks around the country.

The race, which has to be identified by rule by the Board of Horseracing, has to be wagered on by patrons attending a licensed race track during the time in which the track has been granted dates. In essence, if a race such as the Kentucky Derby happen to fall on a day when the Helena race track is running, then management would have the opportunity to offer the race to it's patrons as an extra race for that day's card.

The odds for that race would be commensurate with monies wagered by the Helena patrons.

Simul-cast capabilities are already established and the race tracks involved would work out a contract which would include % paid etc.

Neighboring states have the ability to wager on simul-cast races. As examples, Playfair race track in Spokane which has an average daily handle of \$280,000 , handled \$58,000 dollars on the Derby alone. We can estimate that this concept will increase the handle at Montana tracks by 25%.

The increased handle will benefit the purse structure and the Montana Bred bonus programs as these are built on per-centages of the total handle.

The Board of Horseracing earmarked account will also benefit as they recieve a given % of the total handle.

This simple bill will be an economic enhancement to all involved as well as stimulate more interest in the Sport in Montana.

2/5/87 - Meeting

Senate Bill 130

EXHIBIT 4
DATE 3-5-87
HB 30

Proposed Amendments

Page 2, Line 12

Add: "(f) The Arlington Million"

"(g) The Marlboro Cup"

1 (3) A person licensed under this chapter to hold a
 2 race meet may, on the day a race meet is conducted, also
 3 provide a place in the race meet grounds or enclosure where
 4 the licensee may conduct or supervise the use of the
 5 parimutuel system by patrons on the results of the following
 6 simulcast or televised races:

- 7 (a) the Kentucky derby;
- 8 (b) the preakness;
- 9 (c) the belmont;
- 10 (d) the travers; AND
- 11 (e) the all-American futurity--end.

12 ~~(f) any other race designated by a rule of the board~~
 13 ~~to be of national interest;~~
 14 (3)(4) It is unlawful to conduct pool selling,
 15 bookmaking, or to circulate handbooks or to bet or wager on
 16 a race of a licensed race meet, other than by the parimutuel
 17 system and in the race meet grounds or enclosure where the
 18 race is held, or to permit a minor to use the parimutuel
 19 system."

20 NEW SECTION. Section 2. Extension of authority. Any
 21 existing authority of the board of horseracing to make rules
 22 on the subject of the provisions of this act is extended to
 23 the provisions of this act.
 24 NEW SECTION. Section 3. Effective date. This act is
 25 effective on passage and approval.
 -End-

1 SENATE BILL NO. 130
 2 INTRODUCED BY MANNING, PAVLOVICH
 3 BY REQUEST OF THE BOARD OF HORSERACING
 4

5 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING PARIMUTUEL
 6 BETTING AT MONTANA TRACKS ON CERTAIN SIMULCAST OR TELEVISED
 7 HORSERACES OF NATIONAL INTEREST THAT ARE HELD ON THE DAY OF
 8 A MONTANA RACE HELD AND LICENSED UNDER MONTANA LAW; AMENDING
 9 SECTION 23-4-301, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE
 10 DATE."
 11

12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 13 Section 1. Section 23-4-301, MCA, is amended to read:
 14 "23-4-301. Parimutuel betting -- other betting
 15 illegal. (1) It is unlawful to make, report, record, or
 16 register a bet or wager on the result of a contest of speed,
 17 skill, or endurance of an animal, whether the contest is
 18 held within or outside of this state, except under this
 19 chapter.

20 (2) A licensee conducting a race meet under this
 21 chapter may provide a place in the race meet grounds or
 22 enclosure where the licensee may conduct or supervise the
 23 use of the parimutuel system by patrons on the result of the
 24 races conducted under this chapter and the rules of the
 25 board.

SB 130 Manning - Allow Public Mutual Betting on NFL

SB 183 Meyer - ...

SB 242 Lynch - Allow workers some access to Employer records

SB 245 Kolstad - ... change of Retail ...

✓ SB 245 Kolstad PRO Ed Lamb - Bank of MT G.F.,
A George Allow MT Retail Assoc., Opposed none
Questions Willis

✓ SB 242 Lynch, PRO none, Opposed Questions Smith
B.C.

✓ SB 182 Meyer PRO Kim Selkirk Auditor's office
B.C. Questions Sysgood, Simon

✓ SB 130 Manning - PRO Gary Hansen, Steve Maloy dir
... Bob Apple, PRO ...
... Helan
Questions Simon Sysgood Broadwire Hansen
Pavlovich Jones Thomas

VISITORS' REGISTER

BUSINESS AND LABOR

COMMITTEE

BILL NO. SENATE BILL NO. 130

DATE MARCH 5, 1987

SPONSOR SENATOR RICHARD MANNING

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
<i>[Handwritten Name]</i>	<i>[Handwritten Representing]</i>	<i>[Handwritten Support]</i>	
Rick Hart	Bank of Montana - Helena	SB 245	
George Allan	WET. K. Paul Allen	SB 245	
<i>[Handwritten Name]</i>	Bo of House <i>[Handwritten]</i>		
W. H. Housar	Helena Park	✓	
<i>[Handwritten Name]</i>	<i>[Handwritten Representing]</i>	SB 130	L
<i>[Handwritten Name]</i>	<i>[Handwritten Representing]</i>	130	
Stephen H. Hildner	<i>[Handwritten Representing]</i>	130 (SB)	
Bob H. Hildner	<i>[Handwritten Representing]</i>	130 (SB)	
Alison H. Hildner	<i>[Handwritten Representing]</i>	130 (SB)	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.