

**MINUTES OF THE MEETING
STATE ADMINISTRATION COMMITTEE
50TH LEGISLATIVE SESSION
HOUSE OF REPRESENTATIVES**

March 13, 1987

The meeting of the State Administration Committee was called to order by Chairman Sales on March 13, 1987 in Room 437 of the State Capitol at 9:00 a.m.

ROLL CALL: Rep. Moore was excused. All other committee members were present.

CONSIDERATION OF SENATE BILL NO. 355: Sen. Walker, Senate District #20 and sponsor of the bill, stated that the bill will: 1) make the Board of Regents elected positions; and 2) amend Article X, Section 9, limiting the constitutional authority of the Board of Regents. The Senate deleted the districting requirement in the bill. The Regents are a fourth branch of government as the Legislature has no control. The bill allows the people to vote for a change of authority.

PROPOSERS: None.

OPPOSERS: Carroll Krause, Commissioner of Higher Education, stated that the bill will change the Board of Regents from a governing board to a coordinating board.

SJR # 1 of the 1985 June Special Session requested the Board to look at a variety of options for changing the university system, which has been sent to you and addressed the elimination of duplication within the system. For example, we eliminated two business programs, some graduate programs, and consolidated administration by merging the Western Montana College with the University of Montana (UM). It is imperative that the Board retain its constitutional authority and that the Board remain a lay board.

DISCUSSION OF SENATE BILL NO. 355: Rep. Cody asked if the bill limits the Board's authority. Sen. Walker replied it would be set statutorily. Right now the Regents govern themselves. The appropriations committee has no handle to provide input, and that's why the bill was drafted.

Rep. Fritz asked if the Legislature should be running the academic programs rather than the Board of Regents. Sen. Walker replied that the Legislature should have more input.

Rep. Jenkins asked if the Legislature has the right to specify how funds are spent. Sen. Walker replied that even earmarked revenue can be spent how the Regents determine is best.

Rep. Jenkins asked that if the Legislature funds six university systems, it isn't mandatory that the Regents carry it out. Sen. Walker agreed. Rep. Jenkins asked why the '72 Constitutional Convention gave the Regents the overall power. Carroll Krause read a statement from the Constitutional Convention:

Higher education is not simply another state service. The administrative structure of higher education cannot be considered an ordinary state agency. . . . Higher learning and research is a sensitive area, which requires a particular kind of protection not matched in other administrative functions of the state.

If the Legislature line-items money, the Board has to use the money for that purpose or revert it.

Rep. Jenkins asked if any unnecessary programs could be cut without hurting the quality of the system. Carroll Krause replied that the Regents determined that program cuts in architecture, pharmacy, speech therapy, and physical therapy may be advisable. Other programs are listed also. The Board cut two business programs and eliminated two elementary education programs. The intent is to return Northern to a good strong technical college, and return the school of mines back to its mineral and engineering programs. Approximately 30 other programs are duplicated in the system and will be considered very seriously before a final decision is made.

It is important to understand why the presidents identified the pharmacy, architecture, and physical therapy programs. Montana State University (MSU) had to cut \$ 3 million and UM had to cut \$2 million. Eliminating low enrollment programs doesn't save enough money. Additionally, the programs do not interweave with other programs central to the university unit. And in order to keep the pharmacy program at UM, an additional \$250,000 is needed to accredit the school. The Board is going to consider surcharges to keep the programs.

Sen. Walker closed discussion on Senate Bill No. 355 by stating that the bill allows the public to determine whether the Legislature sets the Regents power by statute.

CONSIDERATION OF SENATE BILL NO. 354: Sen. Stimatz, Senate District # 35 and sponsor of the bill, stated that the bill abolishes the Board of Regents and puts power in the hands of the Commissioner of Higher Education. Identical problems keep recurring in cycles (1944, 1958, and 1973). If the Regents have allowed the university presidents to make suggestions eliminating highly prestigious programs, the Legislature is a short step away from going off the brim. The Board is not governing, the university presidents are governing. I have no personal animosity toward any members on the Board. There is no more powerful lord than the Board. The constitution (Article X, Section 9(2)(a) says:

The governing and control of the Montana university system is vested in the Board of Regents of Higher Education which shall have full power, responsibility, and authority to supervise, coordinate, manage, and control the Montana University System, and shall supervise and coordinate other public educational institutions assigned by law.

Section 20-25-301, MCA, states:

The Board of Regents shall have general control and supervision of the units of the Montana University System, which shall be considered for all purposes one university.

The Regents have the power, can adopt rules, and can run the universities but have given the presidents complete autonomy and allowed them to run the Board, which has lead to tremendous turf battles. Bozeman, for instance, still is in the statute as an agricultural college. This crisis has been building for a long time.

Will this make the job political? Yes, but it is now. The Governor appoints seven members and the Regents appoint the Commission. The Governor writes the budget.

A report from John Photiades, Department of Economics, UM, says:

By closing the Department of Communication Sciences and Disorders it would cost the state of Montana; saving \$216,000 by closing the department, and losing \$500,000 - \$600,000 in economic benefits and actual dollars.

The Board never came out with any figures relative to closing various schools. It would be foolish to start closing any of the university units.

We have a state Board of Education, made up of the Board of Public Education and the Board of Regents, which will stay intact. Basically the Board of Public Education runs elementary and secondary schools, and higher education is run by the Board of Regents.

The bill is effective July 1, 1989 if it passes the November 8, 1988 vote of the people.

PROPOSERS: None.

OPPOSERS: Jeff Morrison, member of the Board of Regents, stated that he has been a Board member for 12 years and agrees there are problems, but does not agree to the source of the problems. The governance system has not failed, it has been frustrated due to a lack of resources. The Regents are constitutionally required to be from split political parties and geographic congressional districts, and are required to be conferred by the Senate. No decisions have been made as yet; they are options for public hearings made to the public and the Legislature.

I will continue to be an advocate for higher education funding for a quality university system. We educate 26,000 citizens in four year programs at a cost less than Wyoming offers for 9,000 students. I am committed to higher education and know of no member of the Board who has gone on to higher office. I have served on the local school board as well. You need an independent view of education.

Carroll Krause, Commissioner of Higher Education, stated that it is imperative that higher education remain in the hands of a cross-section of citizens.

Greg Anderson, Montana Association of Students at Eastern Montana College, stated the bill would eliminate the student member on the Board, and students are concerned that if only one person is in charge he may not want to listen to students needs.

DISCUSSION OF SENATE BILL NO. 354: Rep. Phillips asked why the Senate approved both bills. Sen. Stimatz replied they are constitutional questions, and neither received more than 50% of the votes. Whether or not the committee passes the bills, both will go to the floor; 78 votes are needed in the House to pass the bill.

Rep. Cody asked when the process was broadened. For example, Bozeman was the best school for agriculture and architecture, Missoula had their area of expertise, and Butte had the school of mines. Jeff Morrison replied in the late 50s and 60s when the World War II baby boom hit the market enrollment exploded.

Rep. Jenkins asked why the budget increased from \$70,000 in 1972 to \$780,000 in 1987. Jeff Morrison replied an executive secretary coordinated the system in 1972. The new constitution mandated a Commissioner to centralize and govern the campus. Carroll Krause replied that the Regents handle collective bargaining for the entire system and provide legal assistance. Jeff Morrison replied that the Regents have fewer accountants than the Legislative Fiscal Analyst has to monitor the Regents.

Sen. Stimatz closed discussion on Senate Bill No. 354 by stating that the system is broken and needs fixing.

CONSIDERATION OF SENATE BILL NO. 14: Senator Neuman, Senate District # 21 and sponsor of the bill, stated that the bill is an act to submit to the qualified electors of Montana an amendment to Article VIII, Section 13 of the Montana Constitution to remove certain constraints on investment of public funds and provide for investment as authorized by the Legislature.

Trust funds are restricted from portfolio investments. Over time stocks have outperformed bonds in their ability to generate money. Even though investments on retirement funds have a 20% ceiling, a much lower percentage is invested in stocks.

PROPONENTS: Fritz Tossberg, Board of Investments, distributed a copy of the Montana Equity Portfolio (Exhibits # 1 and # 2) for the Public Employees' Retirement System and Teachers' Retirement System funds in an effort to convince the committee that it might be in the best interest of the state to permit the Board of Investments to be able to purchase common stocks. The Board is primarily interested in long term trust funds such as the permanent coal trust, educational trust, resource indemnity, and the trust and legacy funds, and have no intention of using common stocks in any short term funds, short term investment pools, and bond proceeds. Over a period of time one is better off owning common stock than bonds. The ten year rate of return on common stock is roughly 16% and 12% for bonds. The portfolio has been in existence for over ten years, and our investment outlook right now is one of extreme caution, which is why we have been taking capital gains on the common stock portfolio.

OPPONENTS: Matt Himsl, Senate District # 3, stated the request has been before the Legislature three times. The investment restrictions were placed in the original constitution for a very good reason. The Farm Loan Act of 1917 experienced severe losses. Not even a bank can invest in common stocks. Theoretically it makes sense to sell low-interest bonds at a discount and buy high-interest bonds, hoping they will run to maturity. Instead, the 12% and 13% bonds were called and had to be replaced with 5% and 6% bonds. Accountants require showing the total loss in the year of the transaction. The audit report shows a loss of \$42 million in 1985 and \$31 million in 1986, but on the 1985 statement it shows an amortized loss of \$4 million and \$3 million in 1986.

The bill also removes private corporation capitol stock restrictions. Some 61,000 business failures have been reported in the Wall Street Journal in 1986, and 38 banks have failed since the first of the year. Prudent judgement, historical and conventional wisdom as demonstrated by the people of the state since 1889 carried the safeguard to protect these funds. I think we are making an error in our stewardship if we relax that safeguard. Let the Board continue to operate successfully within the confines of prudent judgement and recognize the fiduciary responsibility to protect the principal and make a reasonable return in order that these funds are secure.

DISCUSSION OF SENATE BILL NO. 14: Rep. Cody asked about amortizing losses over a period of time. Fritz Tossberg replied that the Board has been doing bond swaps since 1971 and it is a natural part of managing bonds. It is not an actual dollar loss but merely trading one type of security for another to improve income. If you swap a bond and take a paper loss, you create a discount in the bond you purchase and the discount is amortized into income, which offsets the amortization of the loss. The Board still amortizes profits as well as the created loss.

CONSIDERATION OF SENATE BILL NO. 128: Sen. Gage, Senate District # 5 and sponsor of the bill, stated that the bill is an expansion of the law concerning how proceeds seized from illegal operations can be used. Money and proceeds may be used for: 1) payment of expenses to seized property; 2) payment of awards to informants; 3) claims against the property; and 4) payment for criminal investigations to undercover agents.

PROPOSERS: Kim Kradolfer, Office of the Attorney General, stated she drafted the bill last session not knowing what the Federal Forfeiture Act guidelines would be. Federal guidelines have now been established: 1) if a federal agency is involved in a criminal investigation where property is forfeited and a state or local agency is involved, the federal government now has the ability to pass some of the property or money to the state or local agency itself. Property is proportionally divided depending on who is providing how much manpower, equipment, or assistance. The forfeited money or property can be used only for law enforcement purposes and may not be put into the general fund. The property can be sold, destroyed, or used to pay claims against the property, pay costs involved in the investigation, pay awards to informants, be used for crime prevention, or match federal funds for criminal investigation purposes.

Gary Carrell, Montana Department of Justice, stated he could address the problem from the supply side. Just this week over 15,000 dosages of cocaine were seized from one individual who has a nice house, investments in stock, and owns restaurants. Ninety percent of the money can be put into the drug investigation program.

OPPOSERS: None.

DISCUSSION OF SENATE BILL NO. 128: Sen. Gage closed discussion of Senate Bill No. 128 by stating that it's a good bill, and long overdue in our state.

DISPOSITION OF SENATE BILL NO. 128: Rep. O'Connell moved the bill **BE CONCURRED IN**, seconded by Rep. Cody. The motion passed unanimously (18-0). Rep. Cody will carry the bill.

DISPOSITION OF SENATE BILL NO. 14: Rep Roth moved the bill **BE CONCURRED IN**, seconded by Rep. Campbell. The motion passed (12-6) with Reps. Nelson, Peterson, Compton, Hayne, Jenkins, and Whalen voting no.

DISPOSITION OF SENATE BILL NO. 355: Rep. O'Connell moved the bill **BE CONCURRED IN**, seconded by Rep. Pistoria. The motion failed (12-6) with Reps. Sales, Holliday, Compton, Hayne, Stratford, Nelson, DeMars, Campbell, Cody, Moore, Whalen, and Fritz voting no. The motion was reversed for a **NOT BE CONCURRED IN**.

State Administration Committee

March 13, 1987

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DISPOSITION OF SENATE BILL NO. 354: Rep. O'Connell moved the bill **BE CONCURRED IN**, seconded by Rep. Pistoria. The motion failed (10-8) with Reps. Sales, Campbell, Compton, Fritz, Hayne, Holliday, Nelson, Peterson, Stratford, and Whalen voting no. The motion was reversed for a **NOT BE CONCURRED IN**.

ADJOURNMENT: There being no further business to come before the committee, the hearing adjourned at 11:00 a.m.



Walter R. Sales, Chairman

7105a/C:JEANNE\WP:jj

DAILY ROLL CALL

State Administration COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 3-13-87

| NAME | PRESENT | ABSENT | EXCUSED |
|-------------------|---------|--------|---------|
| Walt Sales | ✓ | | |
| John Phillips | ✓ | | |
| Bud Campbell | ✓ | | |
| Dorothy Cody | ✓ | | |
| Duane Compton | ✓ | | |
| Gene DeMars | ✓ | | |
| Harry Fritz | ✓ | | |
| Harriet Hayne | ✓ | | |
| Gay Holliday | ✓ | | |
| Loren Jenkins | ✓ | | |
| Janet Moore | | ✓ | |
| Richard Nelson | ✓ | | |
| Helen O'Connell | ✓ | | |
| Mary Lou Peterson | ✓ | | |
| Paul Pistoria | ✓ | | |
| Rande Roth | ✓ | | |
| Tonia Stratford | ✓ | | |
| Timothy Whalen | ✓ | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

STANDING COMMITTEE REPORT

March 13

19 87

Mr. Speaker: We, the committee on STATE ADMINISTRATION

report SB 355

- do pass
- do not pass

- be concurred in
- be not concurred in

- as amended
- statement of intent attached

WALTER R. SALES

Chairman

**LIMIT CONSTITUTIONAL AUTHORITY OF FIVE ELECTED MEMBERS OF
BOARD OF REGISTRARS.**

third reading copy (blue)
color

STANDING COMMITTEE REPORT

March 13

19 87

Mr. Speaker: We, the committee on STATE ADMINISTRATION

report SB 354

do pass

do not pass

be concurred in

be not concurred in

as amended

statement of intent attached

WALTER R. SALES

Chairman

ABOLISE BOARD OF REGENTS AND REPLACE WITH ELECTED COMMISSIONER

third

reading copy (

blue

color)

STANDING COMMITTEE REPORT

March 13

19 37

Mr. Speaker: We, the committee on STATE ADMINISTRATION

report SB 14

do pass
 do not pass

be concurred in
 be not concurred in

as amended
 statement of intent attached

WALTER R. SALES

Chairman

**CONSTITUTIONAL REFERENDUM TO REMOVE CONSTRAINTS ON
PUBLIC INVESTMENTS.**

REP. ROTH TO CARRY THE BILL.

third reading copy (blue)
color

STANDING COMMITTEE REPORT

MARCH 13

19 67

Mr. Speaker: We, the committee on STATE ADMINISTRATION

report SB 129

do pass
 do not pass

be concurred in
 be not concurred in

as amended
 statement of intent attached

WALTER R. SALES

Chairman

**CHANGE USES OF LAW ENFORCEMENT ASSISTANCE ACCOUNT MONEY
AND PROPERTY.**

REP. CODY TO CARRY THE BILL.

third reading copy (blue)
color

PUBLIC TRUST FUNDS

COMMON STOCK USED

All long-term trust funds:

- Permanent Coal Trust
- Educational Trust
- Resource Indemnity
- Trust & Legacy

COMMON STOCK NOT USED

All short-term funds:

- Treasurer's Fund
- Short Term Investment Pools
- Bond Proceeds

10 Year Rate of Return

| | |
|--------|-------|
| Stocks | 15.8% |
| Bonds | 11.9% |

#1
3-13-87
SB14

Sub out #1

2/27/87

STATE OF MONTANA EQUITY PORTFOLIO
PORTFOLIO SUMMARY

| INDUSTRY CATEGORY | YIELD COST % | TOTAL COST | APPROX. MKT. VALUE | % TOTAL |
|--|-----------------|------------------|-----------------------|---------------|
| CONSUMER NON-DURABLE | 7.01 | 5066743 | 16123000 | 6.60 |
| HEALTH | 9.05 | 6120385 | 28459500 | 11.66 |
| MEDIA & SERVICE | 3.27 | 1294628 | 2971000 | 1.22 |
| CONSUMER CYCLICAL | 6.94 | 1674081 | 4798125 | 1.97 |
| TECHNOLOGY | 5.85 | 6912241 | 17048375 | 6.98 |
| PRODUCER DURABLES | 4.65 | 4197785 | 6697375 | 2.74 |
| BASIC INDUSTRY | 6.36 | 8356719 | 17893426 | 7.33 |
| ENERGY | 8.71 | 17724491 | 32421558 | 13.28 |
| FINANCIAL | 8.28 | 10049136 | 23500375 | 9.62 |
| UTILITIES | 11.56 | 15221867 | 28739819 | 11.77 |
| TOTAL EQUITIES | 8.27 | 76618078 | 178652553 | 73.17 |
| CASH & EQUIVALENTS | | 65517609 | 65517609 | 26.83 |
| TOTAL PORTFOLIO | | 142135687 | 244170162 | 100.00 |
| TOTAL SHARES | | | 3783943 | |
| MONTCOMP UNITS - WEIGHTED AVERAGE | | | 114281 | |
| UNIT VALUE OF MONTCOMP | | | 2137 | |

PERFORMANCE

| | 6/30/86 | 1/30/87 | 2/27/87 | MO % | YTD % |
|----------|---------|---------|---------|------|-------|
| MONTCOMP | 1950 | 2071 | 2137 | 3.19 | 9.59 |
| DJIA | 1892.72 | 2158.04 | 2223.99 | 3.06 | 17.50 |
| S&P 500 | 250.84 | 274.08 | 284.20 | 3.69 | 13.30 |

2
3-13-87
S.B. 14

Spilbert # 2

2/27/87

STATE OF MONTANA EQUITY PORTFOLIO

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| SHARES | COMPANY | AVG. COST | MARKET PRICE | YIELD COST % | TOTAL COST | APPROX. MKT. VALUE | PROFIT LOSS % |
|-------------------------|----------------------------|-----------|--------------|--------------|------------|--------------------|---------------|
| CONSUMER NON-DURABLE: | | | | | | | |
| FOOD & BEVERAGE | | | | | | | |
| 44000 | BALL | 15.93 | 40.75 | 5.15 | 700894 | 1793000 | 155.8 |
| 52000 | CPC INT'L. | 16.46 | 48.13 | 7.53 | 856042 | 2502500 | 192.3 |
| 40000 | DEKALB | 20.01 | 19.88 | 0.00 | 800346 | 795000 | -0.7 |
| 60000 | G. MILLS | 12.41 | 50.50 | 10.32 | 744535 | 3030000 | 307.0 |
| 90000 | PEPSI | 9.70 | 33.25 | 6.60 | 873204 | 2992500 | 242.7 |
| 30000 | PILLSBURY | 9.16 | 43.88 | 10.92 | 732639 | 3510000 | 379.1 |
| 25000 | RJR NABISCO | 14.36 | 60.00 | 11.14 | 359083 | 1500000 | 317.7 |
| 391000 | TOTAL CONSUMER NON-DURABLE | | | 7.01 | 5066743 | 16123000 | 218.2 |
| HEALTH: | | | | | | | |
| DRUGS & HOSPITAL SUPPLY | | | | | | | |
| 30000 | ABBOTT | 3.32 | 60.25 | 25.29 | 332177 | 6025000 | 1714 |
| 28000 | AMER. HOME | 27.18 | 87.00 | 12.29 | 761151 | 2436000 | 220.0 |
| 24000 | BRISTOL | 10.90 | 100.3 | 25.69 | 261585 | 2406000 | 819.8 |
| 30000 | LILLY | 27.49 | 94.38 | 7.28 | 824717 | 2831250 | 243.3 |
| 22000 | JOHNSON | 37.05 | 86.25 | 3.78 | 815127 | 1897500 | 132.8 |
| 25000 | MERCK | 34.08 | 154.5 | 6.45 | 852116 | 3862500 | 353.3 |
| 15000 | SMITH K.B. | 45.42 | 107.0 | 6.61 | 681286 | 1605000 | 135.6 |
| 000 | SYNTEX | 22.08 | 83.75 | 7.25 | 883069 | 3350000 | 279.4 |
| 30000 | UPJOHN | 23.64 | 134.9 | 7.61 | 709157 | 4046250 | 470.6 |
| 14000 | TOTAL HEALTH | | | 9.05 | 6120385 | 28459500 | 365.0 |
| MEDIA & SERVICE: | | | | | | | |
| 16000 | DONNELLEY | 36.80 | 74.75 | 3.80 | 588850 | 1196000 | 103.1 |
| 20000 | TIME | 35.29 | 88.75 | 2.83 | 705778 | 1775000 | 151.5 |
| 36000 | TOTAL MEDIA & SERVICE | | | 3.27 | 1294628 | 2971000 | 129.5 |

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STATE OF MONTANA EQUITY PORTFOLIO

PAGE 2/4

| SHARES | COMPANY | AVG. COST | MARKET PRICE | YIELD COST % | TOTAL COST | APPROX. MKT. VALUE | PROFIT LOSS % |
|---------------------------|-------------------------|--------------|-----------------|-----------------|---------------|-----------------------|------------------|
| ----- | | | | | | | |
| CONSUMER CYCLICAL: | | | | | | | |
| 5000 | FED. STORES | 82.60 | 95.38 | 3.24 | 413000 | 476875 | 15.5 |
| 30000 | FIRESTONE | 12.65 | 37.00 | 7.91 | 379418 | 1110000 | 192.6 |
| 70000 | MAY | 12.60 | 45.88 | 8.26 | 881663 | 3211250 | 264.2 |
| ----- | | | | | | | |
| 105000 | TOTAL CONSUMER CYCLICAL | | | 6.94 | 1674081 | 4798125 | 186.6 |
| ----- | | | | | | | |
| TECHNOLOGY: | | | | | | | |
| BUS. EQUIP. & SUPPLIES | | | | | | | |
| 25000 | IBM | 62.31 | 139.5 | 7.06 | 1557773 | 3487500 | 123.9 |
| 12000 | MINN. MIN. | 58.96 | 127.1 | 6.31 | 707471 | 1525500 | 115.6 |
| 55000 | NCR | 13.09 | 65.75 | 7.64 | 719932 | 3616250 | 402.3 |
| 25000 | UNISYS | 36.12 | 106.4 | 7.20 | 903069 | 2659375 | 194.5 |
| 12000 | WALLACE | 25.02 | 46.38 | 2.40 | 300188 | 556500 | 85.4 |
| 20000 | XEROX | 38.27 | 73.25 | 7.84 | 765381 | 1465000 | 91.4 |
| ELECTRONICS | | | | | | | |
| 22000 | ADT | 21.71 | 32.25 | 4.24 | 477651 | 709500 | 48.5 |
| 30000 | HARRIS | 26.48 | 38.13 | 3.32 | 794389 | 1143750 | 44.0 |
| 40000 | TYCO LABS | 17.16 | 47.13 | 2.33 | 686388 | 1885000 | 174.6 |
| ----- | | | | | | | |
| 241000 | TOTAL TECHNOLOGY | | | 5.85 | 6912241 | 17048375 | 146.6 |
| ----- | | | | | | | |
| PRODUCER DURABLES: | | | | | | | |
| ELECTRICAL AND APPLIANCES | | | | | | | |
| 60000 | AMETEK | 14.01 | 32.13 | 7.14 | 840669 | 1927500 | 129.3 |
| 16000 | EMERSON | 43.66 | 104.9 | 6.60 | 698543 | 1678000 | 140.2 |
| 20000 | WHIRLPOOL | 34.70 | 38.38 | 3.17 | 693950 | 767500 | 10.6 |
| MACHINERY | | | | | | | |
| 40000 | COMBUSTION | 34.47 | 39.88 | 2.90 | 1378785 | 1595000 | 15.7 |
| 15000 | G. SIGNAL | 39.06 | 48.63 | 4.61 | 585838 | 729375 | 24.5 |
| ----- | | | | | | | |
| 151000 | TOTAL PRODUCER DURABLES | | | 4.65 | 4197785 | 6697375 | 59.5 |
| ----- | | | | | | | |

2/27/87

STATE OF MONTANA EQUITY PORTFOLIO

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| SHARES | COMPANY | AVG. COST | MARKET PRICE | YIELD COST % | TOTAL COST | APPROX. MKT. VALUE | PROFIT LOSS % |
|------------------------------------|----------------------|-----------|--------------|--------------|------------|--------------------|---------------|
| BASIC INDUSTRY: | | | | | | | |
| CHEMICALS | | | | | | | |
| 33600 | AIR PROD. | 15.86 | 46.38 | 9.33 | 533033 | 1558200 | 192.3 |
| 10000 | BETZ LABS | 33.73 | 49.25 | 4.15 | 337250 | 492500 | 46.0 |
| 28000 | DOW | 29.35 | 77.63 | 6.82 | 821665 | 2173500 | 164.5 |
| 22000 | HERCULES | 22.99 | 64.25 | 7.66 | 505682 | 1413500 | 179.5 |
| 32000 | MONSANTO | 29.28 | 76.88 | 8.88 | 937069 | 2460000 | 162.5 |
| 60000 | ROHM | 9.00 | 39.88 | 8.89 | 540148 | 2392500 | 342.9 |
| FOREST & BLDG. PRODUCTS | | | | | | | |
| 35000 | CHAMPION | 19.91 | 36.13 | 3.21 | 696878 | 1264375 | 81.4 |
| 10000 | INT'L PAPER | 37.04 | 90.00 | 6.48 | 370420 | 900000 | 143.0 |
| 24000 | TEMPL INLND | 27.31 | 70.13 | 2.64 | 655495 | 1683000 | 156.8 |
| MINING & METALS | | | | | | | |
| 32000 | FREEMONT | 17.29 | 22.25 | 11.57 | 553338 | 712000 | 28.7 |
| 10000 | NEWMONT | 43.13 | 82.00 | 2.32 | 431294 | 820000 | 90.1 |
| 40999 | USX CORP. | 28.84 | 23.88 | 4.16 | 1182575 | 978651 | -17.2 |
| 40000 | KAISER.PREF | 19.80 | 26.13 | 6.97 | 791873 | 1045000 | 32.0 |
| 377599 | TOTAL BASIC INDUSTRY | | | 6.36 | 8356719 | 17893426 | 114.1 |
| ENERGY: | | | | | | | |
| PETROLEUM | | | | | | | |
| 44000 | AMOCO | 35.74 | 71.88 | 9.23 | 1572717 | 3162500 | 101.1 |
| 59000 | ANADARKO | 12.39 | 23.25 | 2.42 | 730851 | 1371750 | 87.7 |
| 45000 | ARCO | 33.74 | 67.00 | 11.85 | 1518387 | 3015000 | 98.6 |
| 59000 | CHEVRON | 26.49 | 49.50 | 9.06 | 1562886 | 2920500 | 86.9 |
| 52000 | EXXON | 26.98 | 78.38 | 13.34 | 1402962 | 4075500 | 190.5 |
| 35000 | KERR | 27.32 | 30.88 | 4.03 | 956098 | 1080625 | 13.0 |
| 30000 | L. LAND | 25.89 | 34.00 | 3.86 | 776690 | 1020000 | 31.3 |
| 84000 | MOBIL | 19.90 | 42.38 | 11.06 | 1671538 | 3559500 | 112.9 |
| 24892 | OCCIDENTAL | 25.08 | 31.88 | 9.97 | 624388 | 793433 | 27.1 |
| 35000 | TEXACO | 35.23 | 33.75 | 8.52 | 1232875 | 1181250 | -4.2 |
| PETROLEUM SERVICES | | | | | | | |
| 30000 | DRESSER | 16.14 | 25.25 | 2.48 | 484085 | 757500 | 56.5 |
| 44000 | FLUOR | 15.84 | 15.38 | 2.53 | 696772 | 676500 | -2.9 |
| ENERGY MISC. | | | | | | | |
| 114000 | ARKLA | 7.73 | 22.50 | 13.97 | 881423 | 2565000 | 191.0 |
| 32000 | B. NORTHERN | 21.78 | 66.00 | 9.18 | 696923 | 2112000 | 203.0 |
| 25000 | PAC LIGHT. | 44.88 | 53.50 | 7.75 | 1121900 | 1337500 | 19.2 |
| 59000 | PANHANDLE | 14.47 | 30.75 | 13.82 | 853821 | 1814250 | 112.5 |
| 30000 | TEXAS EAST. | 31.34 | 32.63 | 3.19 | 940175 | 978750 | 4.1 |
| 801892 | TOTAL ENERGY | | | 8.71 | 17724491 | 32421558 | 82.9 |

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STATE OF MONTANA EQUITY PORTFOLIO

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| SHARES | COMPANY | AVG. COST | MARKET PRICE | YIELD COST % | TOTAL COST | APPROX. MKT. VALUE | PROFIT LOSS % |
|-----------------------------|-----------------|-----------|--------------|--------------|------------|--------------------|---------------|
| FINANCIAL: | | | | | | | |
| BANKING | | | | | | | |
| 66000 | FIRST BANK | 13.62 | 33.25 | 11.02 | 898604 | 2194500 | 144.2 |
| 24000 | MFC. HAN. | 29.61 | 45.38 | 11.08 | 710611 | 1089000 | 53.2 |
| 25000 | BK OF N.E. | 30.50 | 36.00 | 3.67 | 762500 | 900000 | 18.0 |
| 50000 | NORWEST | 21.56 | 40.50 | 8.35 | 1077907 | 2025000 | 87.9 |
| 15000 | PNC FINAN. | 44.56 | 48.38 | 3.41 | 668375 | 725625 | 8.6 |
| 62700 | U.S. BANC. | 12.98 | 27.50 | 6.16 | 813708 | 1724250 | 111.9 |
| 25000 | FIRST UNION | 25.80 | 28.75 | 2.64 | 645000 | 718750 | 11.4 |
| 33000 | F. WACHOVIA | 23.63 | 43.75 | 5.08 | 779843 | 1443750 | 85.1 |
| 60000 | WELLS | 10.65 | 55.38 | 14.65 | 638914 | 3322500 | 420.0 |
| CREDIT & FINANCE | | | | | | | |
| 24000 | FLEET | 23.58 | 58.00 | 6.79 | 565952 | 1392000 | 146.0 |
| INSURANCE | | | | | | | |
| 60000 | FARMERS GP. | 14.18 | 47.75 | 8.46 | 850626 | 2865000 | 236.8 |
| 40000 | PROVIDENT | 9.83 | 28.63 | 8.55 | 393201 | 1145000 | 191.2 |
| 30000 | ST. PAUL | 14.90 | 53.50 | 11.81 | 447018 | 1605000 | 259.0 |
| 50000 | U.S.F&G | 15.94 | 47.00 | 14.56 | 796877 | 2350000 | 194.9 |
| 564700 | TOTAL FINANCIAL | | | 8.28 | 10049136 | 23500375 | 133.9 |
| UTILITIES: | | | | | | | |
| TELECOMMUNICATIONS | | | | | | | |
| 30000 | A.T. & T. | 15.16 | 22.50 | 7.91 | 454881 | 675000 | 48.4 |
| 22000 | BELL ATLANT | 38.33 | 72.38 | 9.39 | 843226 | 1592250 | 88.8 |
| 22000 | PAC.TELESIS | 30.97 | 56.25 | 9.82 | 681255 | 1237500 | 81.7 |
| 11000 | SW BELL | 65.88 | 116.3 | 9.71 | 724682 | 1278750 | 76.5 |
| 35000 | CENDEL | 22.87 | 64.38 | 10.93 | 800423 | 2253125 | 181.5 |
| 48000 | COMSAT | 19.29 | 33.50 | 6.22 | 925874 | 1608000 | 73.7 |
| 69000 | GTE | 18.50 | 40.38 | 13.19 | 1276363 | 2785875 | 118.3 |
| 75000 | PAC TELECOM | 15.69 | 18.00 | 5.61 | 1176544 | 1350000 | 14.7 |
| ELECTRIC | | | | | | | |
| 110000 | AZP GROUP | 19.48 | 31.75 | 13.96 | 2143146 | 3492500 | 63.0 |
| 95000 | CENTRAL SW. | 18.64 | 35.38 | 12.23 | 1770987 | 3360625 | 89.8 |
| 74000 | FPL GROUP | 14.37 | 33.13 | 14.20 | 1063185 | 2451250 | 130.6 |
| 76000 | MDU R. GRP. | 9.55 | 25.38 | 14.87 | 725597 | 1928500 | 165.8 |
| 62000 | PACIFICORP | 19.67 | 35.75 | 12.20 | 1219831 | 2216500 | 81.7 |
| 72752 | TEXAS UTIL. | 19.46 | 34.50 | 14.39 | 1415875 | 2509944 | 77.3 |
| 801752 | TOTAL UTILITIES | | | 11.56 | 15221867 | 28739819 | 88.8 |

To be filled out by a person testifying or a person who would not like to stand up and speak but wants their testimony entered into the record.

WITNESS STATEMENT

NAME Terry Carmody BILL NO. SB-14

ADDRESS Box 204, Townsend

WHOM DO YOU REPRESENT? Mont. Farmers Union

SUPPORT X OPPOSE _____ AMEND _____

COMMENTS:

Limits on ability of board of investments to use the broadest board instruments of investment to include equities. Have severely limited the return that the state and the people deserve and demand. A reasonable investment policy should include those investments that are judged against the adverse effects of inflation & deflation. The current restrictive policy that concentrates investments in bonds severely restricts the ability of the people of Montana to ~~invest in~~ receive a balanced return and leads to a cyclical return which is ~~the~~ not in the longterm interest of the people

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.
for a sound investment policy.

