

MINUTES OF THE MEETING
STATE ADMINISTRATION COMMITTEE
MONTANA STATE SENATE

February 16, 1987

The twenty-fifth meeting of the State Administration Committee was called to order by Chairman Jack Haffey on February 16, 1987 at 10 a.m. in Room 413/415 of the State Capitol.

ROLL CALL: All committee members were present except for Senator Rasmussen who was excused.

The hearing was opened on Senate Joint Resolution 11.

CONSIDERATION OF SENATE JOINT RESOLUTION 11: Senator Tom Beck, Senate District 24, Deer Lodge is the sponsor of this resolution entitled, "A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA TO NAME THE ADMINISTRATION BUILDING AT THE MONTANA STATE PRISON AT DEER LODGE: THE "RICHARD C. WALLACE BUILDING" IN RECOGNITION OF THE LONG SERVICE AND VARIED CONTRIBUTIONS OF RICHARD C. WALLACE, WHO DIED IN AN EXPLOSION AT THE MONTANA STATE PRISON. This resolution would simply name the new administration building at Montana State Prison after Richard C. Wallace, a prison guard who was killed in an explosion at the prison in December of 1985.

OPPONENTS: There were none.

PROPOSERS: Hank Risley, Warden of the Montana State Prison noted Mr. Wallace had been an employee of the State for 23 years in different capacities and felt it was very appropriate to name the new building in his honor.

QUESTIONS ON SENATE JOINT RESOLUTION 11: There were none.

Senator Beck CLOSED by stating he felt it would be a very fitting tribute to his memory. He urged support. The hearing was closed on SJR 11.

EXECUTIVE ACTION ON SENATE JOINT RESOLUTION 11: Senator Farrell MOVED THAT SJR 11 DO PASS. Senator Lynch seconded the motion. The motion carried unanimously.

The hearing was opened on Senate Bill 317.

CONSIDERATION OF SENATE BILL 317: Senator Tom Keating, Senate District 44, Billings, is the sponsor of this bill entitled, AN ACT TO AMEND SECTIONS 2-15-112 and 49-2-308, MCA, TO REQUIRE DEPUTY DIRECTORS, DIVISION ADMINISTRATORS, AND BUREAU CHIEFS TO SERVE AT THE PLEASURE OF DEPARTMENT DIRECTORS AND DEPARTMENT HEADS." This bill would facilitate the department heads in rearranging personnel in policy making positions to conform with the ability of the governor to permit department heads to serve at his pleasure. Senator Keating felt it might head off some wrongful discharge suits against the state. Presently there are

agreements between employees and department heads to make transfers to other agencies or positions with the same pay. He wondered if bureau chiefs should be included and felt this could be amended out if the committee desired.

PROPOSERS: There were none.

OPPOSERS: Debi Brammer submitted written testimony in opposition. (EXHIBIT 1)

QUESTIONS ON SENATE BILL 317: Senator Harding wondered if such an exemption might cause constitutional problems as you might be taking away a person's right to a grievance proceeding. Senator Keating felt by stating you are serving at the pleasure of the department head one would be aware if there was a change in policy or administration they might be subject to a change. He noted it would have to be a policy change to be discharged. Senator Lynch felt you would be saying you could remove a person at any time without even a two week notice and one might be taking away a person's due process. Senator Haffey noted there might be a problem also with the Federal Hatch Act in the ability to be able to use federal funds in agencies where the employees are subject to political appointment. Ray Hoffman, Administrator of the Centralized Services Division of the Department of Health, noted in their department they receive approximately 85% of their funds from grants-in-aid programs and the federal government has very tight reins attached to these funds including regarding political activities. If this bill were to pass he felt the Department might have to ask for general funds for the positions that would be affected in their division. Senator Keating noted he was aware of this but had not yet seen the code which affects this. A copy was brought to the committee later in the meeting. (EXHIBIT 2)

Senator Keating then CLOSED on Senate Bill 317.

The hearing was opened on Senate Bill 244.

CONSIDERATION OF SENATE BILL 244: Senator William Yellowtail, Jr., Senate District 50, Wyola, was sponsor for this bill entitled, "AN ACT PROHIBITING INVESTMENT OF STATE PUBLIC FUNDS IN A FIRM THAT IS DOING BUSINESS IN THE REPUBLIC OF SOUTH AFRICA; PROVIDING A SCHEDULE FOR DIVESTITURE OF CURRENT INVESTMENT IN SUCH FIRMS; AMENDING SECTIONS 17-6-201 AND 17-6-211; MCA; AND PROVIDING AN EFFECTIVE DATE." He noted this bill arises from a conviction that apartheid is abhorrent to the very spirit of Montana and Montanans. He felt there was no defensible reason to contribute to a society that believes in racism. He noted 19 other states have addressed this issue as well as many other cities, colleges, churches and organizations across the nation. Montana currently has 228 million invested in companies which do business in South Africa. He felt the Legislature has a

responsibility to direct the Board of Investments in their policies. This bill would direct that there be no new investments in South Africa, call for a phased 3-year divestment of involvement in companies investing in South Africa and establish a basis for identifying the investments we are involved in. He then distributed a new fiscal note to the committee. (EXHIBIT 3)

PROPOSERS: Butch Turk, Lobbyist for the Peace Legislative Coalition, gave the committee statistics of Montana's investment in companies doing business in South Africa. He also had a list of firms that do business in South Africa which we invest in and had a list of firms who have recently withdrawn from South Africa. (EXHIBIT 4)

Keith Debus, representing the National Center for Appropriate Technology (NCAT) in Butte, testified in favor of divesting Montana from South African-related investments. He noted the Board of Investments has chosen to deal with the theoretical argument for dealing with South Africa. He stated the Board feels the divestment would cost the state and he submitted that evidence shows just the opposite to be true. (EXHIBIT 5)

Claire Dyckman, of the American Friends Service Committee noted her experiences of traveling to South Africa this summer and how the struggle is affecting the value of the family unit. She noted as long as apartheid exists there will not be a healthy development of their culture or families. She felt the youth are not experiencing the authority which is normal in a family unit and cannot distinguish between right and wrong.

Victor Tonchi, a native of South Africa, stated he has witnessed the divestment argument grow. He noted that some 25 years ago South Africa called for sanctions against companies as a peaceful tool to destroy apartheid. In the struggle for equal political rights and equal economic opportunity he felt that people should not be swayed that this will prevent the spread of communism. By continuing to invest, he felt it just encourages apartheid.

Randolph Carter, an employee of the American Friends Service Committee and the Southern Africa Program Director, urged consideration of the divestment of funds in firms associated with South Africa. He noted there has been some impact felt already by the lack of bank loans, loss of taxation revenues from firms that have left, on the tourism and has also had a psychological impact also. In recent months violence has continued. (EXHIBIT 6)

Bryan Dorsett, President of the Black Student Union at the University of Montana, asked how the state would like to see this resolved. He stated he would like to see it end as bloodlessly as possible and felt this was an opportunity to say we do not want to be a part of a government such as this.

Lawson Aroh, from Bozeman, testified for himself and stated how bad apartheid really is by going against our values in the interest of humanity. He felt we should not continue to be a part of this obnoxious practice. (EXHIBIT 7)

Don Judge, representing the Montana State AFL-CIO, urged the committee to support SB 244. He asked how we as Montanans would feel if we had the same type of conditions. It would go against our beliefs in human rights. He noted we could help by instigating a total investment boycott which has been done by many other states. (EXHIBIT 8)

John Ortwein, representing the Montana Catholic Conference, noted the churches position regarding the policies in South Africa. He stated we must encourage a program of prudent and fiscally responsible divestment and encourage others to do so also. (EXHIBIT 9)

Mignon Waterman, appearing on behalf of the Executive Board of the Montana Association of Churches, noted their position is that members divest themselves of investments in corporations doing business in South Africa and urged the state to do likewise. (EXHIBIT 10)

A phone call had been received from Carol Collins, Great Falls, urging support. (EXHIBIT 11) Claudette Ross, Helena, also submitted written testimony in support. (EXHIBIT 12)

OPPONENTS: Mr. Jim Penner, Assistant Investment Officer of the Montana Board of Investments, spoke against the bill. He noted the Board had unanimously voted to adopt the resolution in August of 1985 which stated they totally disagreed with the apartheid policies in South Africa. (EXHIBIT 13) They had done an investigation of companies doing business in South Africa and found that the percentage of assets of the companies doing business there ranged from 1/100ths of 1% to a maximum of 4%. These results confirmed to the Board that their exposure was insignificant and met the fiduciary standards of a prudent expert investment. He felt their investment performance would be greatly inhibited by a South African divestment policy. It would result in reduced quality, reduced liquidity, and a reduction of information as they are replaced by smaller companies. He noted research costs would increase and the largest cost would be the profit they would forego by ignoring the premier companies. He felt the imperial evidence using the time frame 1979-1984 did not

cover two business cycles as it should to properly reflect the actual stock market conditions. He noted the large numbers of companies that have recently withdrawn their investments. He noted with the numbers of companies pulling out that our exposure to South Africa is rapidly coming to an end without altering our investment program.

Gary Murbut, Montana State Coordinator for the Conservative Caucus, opposed the bill because he felt it was bad business for the state. He agreed that apartheid is not a pleasant system and supports human rights and political freedom but felt this bill would not do what it was intended to do. He felt the Board has to make the investments that make the most profit for the people of our state. He noted there are many countries where the policies are even worse. He felt if this bill passes, there will be a flood of other bills wanting to use Montana's investment funds as a tool for social change. He felt the Legislature's task was to determine our own economic future without being concerned with social policies on the opposite side of the globe. (EXHIBIT 14)

QUESTIONS ON SENATE BILL 244: Senator Farrell asked Jim Penner how many companies had been studied and he stated 49. Mr. Penner noted there are many more but these were all they could obtain information from. Senator Hofman wondered about communist infiltration in South Africa. Victor Tonchi stated in South Africa anyone who disagrees is considered a communist. He added this was just a way of getting the support of the U.S. government. Senator Harding wondered about other countries that have even worse conditions than South Africa. Senator Yellowtail stated we cannot solve the problems in other countries but we can do what we can with this proposal to express our willingness to express our own values and ideals. By continuing to support South Africa we are just continuing the support of a racist government. He felt we could have some affect by divesting our interests as the South African constitution is fundamentally based on apartheid. Senator Haffey then yielded to Rev. John Caton from Anaconda who stated it was his perception that communism is caused by chaos and the more chaos you have the more opportunity you have for communism. Senator Farrell asked if other countries have instituted policies against apartheid. Randolph Carter noted the most progressive country has been Scandanavia. He submitted a list of 30 or 40 countries that have imposed various sanctions. (EXHIBIT 15) Senator Yellowtail noted the United States is a leader in human rights and our public and private leadership is very influential. He felt our divesture would not be insignificant. He had no knowledge of any states who had divested of other investments after they had done so with South Africa. Senator Haffey noted

it might have more meaning to divest at a time when it has more effect. Senator Yellowtail noted that divestment is working.

Sen. Yellowtail noted in CLOSING that there is fair evidence that it is imprudent for us to continue to invest in South Africa. He noted there was a difference between the two fiscal notes and that they had been based on figures given by Mr. Penner, the lead opponent to the bill. He stated he had a letter from the state of Massachusetts stating that their portfolio improved as a result of divestment. He was astonished by Mr. Murbut's arguments for racism. He felt Montana must not accept profitability as a defensible argument for supporting apartheid. The hearing was then closed on SB 244.

The hearing was opened on Senate Bill 131.

CONSIDERATION OF SENATE BILL 131: Senator Richard Manning, Senate District 18, Great Falls, is the chief sponsor of this bill entitled, "AN ACT TRANSFERRING THE AUTHORITY TO ADMINISTER AND ENFORCE THE MONTANA ALCOHOLIC BEVERAGE CODE FROM THE DEPARTMENT OF REVENUE TO THE DEPARTMENT OF COMMERCE; AND AMENDING SECTIONS 15-1-201, 15-1-301, AND 16-1-106, MCA." This bill would just move the Liquor Division from the Department of Revenue to the Department of Commerce. He noted this Division has always been controversial and volatile. He felt a degree of sensitivity might be witnessed by a change to an agency that deals with business and their particular needs. He felt the function of revenue was just to extract revenue from the Liquor Division and noted the events of the past year regarding the activity with the liquor stores, the shortages of supplies, closings and openings, turning the stores over to a bidding process and the hearings to raise the price of liquor. He felt there was something wrong with the management by the Department of Revenue. He felt the Department of Commerce would be more sensitive to the needs of the liquor stores. (EXHIBIT 16)

PROPOSERS: Senator Haffey asked those who were proponents of the bill to please sign the sign-in sheets.

Phil Strobe, representing the Montana Tavern Association, joined in support and concurred with Senator Manning's testimony. He noted this would not be breaking ground by moving a division from one department to another.

Robin Thompson, a local Helena liquor store manager, fully supported the bill because of the events of the past year and a half. She wondered if it was for profit, control or for service. She felt the Department did not really know what their function was. She stated they did not need to close the stores but needed to have better management. The people of the state want the stores to remain a state operation she noted.

Bob Heiser, representing the United Food and Commercial Workers, supported the bill for the same reasons that Senator Manning did.

Joe Brand, representing himself, stated he had listened to both arguments and felt that this was a business type operation that should be put into an agency that wants to promote stores rather than tries to get rid of them. He wondered, too, how a private individual could make a profit on a 6% bid.

Morris Klare, from Bozeman, did not think it was right for there to be an 18.6% administration charge against the operation of a store. The more you sell the more you are assessed.
(EXHIBIT 17)

Roger Tippy, Executive Secretary of the Beer and Wine Wholesalers Association, stated they supported the transfer of licensing to the Department of Commerce. He noted the federal laws regarding the administration of beer laws is complex and should not involve the state and felt there might be a conflict of interest when the Department has to compete with regulators regarding table wines. He also felt the licensing functions and investigations being in two separate areas was often awkward and cumbersome. He felt administratively it would be advantageous to be under the Department of Commerce.

OPPONENTS: John LaFaver, Director of the Department of Revenue, opposed the bill. He noted he and the Commerce Director had reviewed the bill and could see no advantages to being in the Commerce Division. He felt this was just a response to the mandate adopted by a special legislative session for a liquor recovery plan to be carried out by the Department of Revenue. He noted changes had to be made before no money was being generated at all. As the leases expire now the stores are being converted to agency stores run by private individuals. This was a plan that had been adopted successfully in Oregon he noted. He noted the Department would abide by whatever decision the Legislature made. If it is left in the Department of Revenue he felt it will eventually yield a much improved result.

QUESTIONS ON SENATE BILL 131: Senator Hofman noted the revenues from liquor sales has dropped in recent years. John LaFaver noted that 1973 was the highest profit ever made from liquor sales. Mr. LaFaver felt that wine sales in grocery stores and less consumption of liquor were part of the reason for the decrease. The Department felt that the marketing structure developed in the 70's was no longer appropriate for today's market. Senator Farrell wondered if there would be two chiefs over the Liquor Division if they were to move to the Department of Commerce. Senator Manning could see no reason why it would not work. Senator Farrell asked when the statute was mandated to the Department of the 13% profit. Mr. LaFaver thought it was in the 70's as

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it was felt this was the best way to continue operating at a profit as the sales went down on liquor. Senator Harding wondered if there would be enough space to incorporate the Liquor Division at the Department of Commerce. Senator Manning felt that arrangements could be made to accomodate them. Senator Hofman wondered ~~if~~ when the proponents referred to bad management if they meant the store managers or the Department of Revenue. Senator Manning felt it was within the Department as he felt there was a big difference between an economist and a manager.

Senator Manning then CLOSED on SB 131.

EXECUTIVE ACTION ON SENATE JOINT RESOLUTION 10: Senator Abrams made a MOTION THAT SENATE JOINT RESOLUTION 10 BE TABLED. He stated he felt this was just not the proper time to be dealing with this issue in view of the shortages the state is now facing. Senator Anderson seconded the motion. The motion passed unanimously.

The meeting was adjourned at 12:10 p.m.

cd



SENATOR JACK HAFFEY Chairman

ROLL CALL

SENATE STATE ADMINISTRATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 2-16-87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR JACK HAFNEY	X		
SENATOR WILLIAM FARRELL	X		
SENATOR LES HIRSCH	X		
SENATOR JOHN ANDERSON	X		
SENATOR J. D. LYNCH	X		
SENATOR ETHEL HARDING	X		
SENATOR ELEANOR VAUGHN	X		
SENATOR SAM HOFMAN	X		
SENATOR HUBERT ABRAMS	X		
SENATOR TOM RASMUSSEN			E

Each day attach to minutes.

COMMITTEE ON SENATE STATE ADMINISTRATION

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppo.
Roger Ollerike	Local 1981	131	X	
John Brown	mt Catholic Cong	SB 244	X	
Jul 91 Dulan	Local 1981	131	X	
Mignon Waterman	Mt. Assoc. of Churches	SB 244	X	
Debi Brammer	MT ASSN of Conservation Districts	SB 317		X
Butch Turk	Peace Legislative Coalition	SB 244	X	
Shirley Bruce	Kalinpell	131	X	
Ensign Nedrud	Columbia Falls	131	X	
Altraque	Hel MT	131	X	
J LAFAVER	DOE	131		X
MARVAI ALVES	M.F.C. 1981	131	X	
Junie Best	2 F.C. 4-4-R	131	X	
Esther Zitter	Billings	131		
Mary T. Saylor	Livingston	131	X	
MORRIS KLAMF	Boepple	131	X	
Don Thompson	Hel	131	X	
Bobin Thompson	Hel	131	X	
FAROLPH CARTER	AFSC	244	X	
Joseph Moore	Gilbert	244	X	
Eleanor (Lena)	Peace Leg. Coalition	244	X	
Konnie Evans	P L C	244	X	
Herbert Willis	Dutton	131	X	
Wanda Willis	Dutton	131	X	
Margaret Shuck	Red Lodge	SB 244	X	
Carol S. Morrison	MONTANA ENVIRONMENTALISTS	SB 244		X
Estel Mc CASPER	AFSC	SB 244	X	

COMMITTEE ON SENATE STATE ADMINISTRATION

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppo
Roger H. Goddard	MT State MCB	131	X	
Chrydette Ross	Helena MT	SB244	X	
Frank Bruley	Deer Lodge - D 50	SB 11	X	
Wade Keen	Three Forks	131	X	
Larry Weinberg	MT. UNIV. SYSTEM	SB 244	no position	
Don Judge	MT STATE AFL-CIO	SB 244	X	
Don Judge	MT STATE AFL-CIO	SB 131	X	
Clara Dykman	AFSC	SB 244	X	
Alara Sinclair	FWCC		X	
Jim Penner	Board of Inventors	SB 244		X
Mark Chuderlik	Citizen	SB 244	X	
Leif Nelson	NCA	SB 244	X	
Warren Skelton	Lapin Stone Clubs	131	X	
Bob Kew	UFCW	131	X	
Joe Brand	Self	131	X	
Tom Stone	UFCW	131	X	
Marv Allen	UFCW 1981	131	X	
Robert Cummings	Leg. Comm.	131	X	
Allen L. Anderson	Bozeman Teachers	131	X	
Alan W. McPherson	UFCW	131	X	
Rae Brown	Anaconda	131	X	
Robert Brandy	" "	131	X	
Annela Blay	" "	131	X	
Mary McPherson	" "	131	X	
Opal Jensen	Bozeman	131	X	
Christie McPherson	Bozeman	131	X	



Montana Association Of Conservation Districts

1 South Montana
Helena, Montana 59601
Ph. 406-443-5711

SB 317

February 16, 1987

Mr. Chairman, members of the Committee:

For the record my name is Debi Brammer. I am the Executive Vice President of the Montana Association of Conservation Districts.

We rise in opposition to SB 317. We feel that the internal organizational structure proposed in this bill would cause serious problems with consistency in working with state government. Our association and districts have found working with state government under its present structure to be a very workable system. The division administrators and bureau chiefs are career oriented individuals who, in most cases, have been exposed to many facets of state government. This exposure has provided these people with a well understanding and working knowledge of programs, issues, concerns and the needs of people who deal with state government.

We feel that it would be devastating to citizens of Montana to have a government whose administrative people would be constantly changing, leaving little hope of building a long term working relationship.

We urge a do not pass for SB 317.

Thank you.

Debi Brammer
Debi Brammer
Executive Vice President

STATE STATE ADMIN.
CASE NO. 1
DATE 2-16-87
FILE NO. SB 317

can use. Nor are they mandatory procedures. Auditors may apply professional judgment and use any procedure that they choose to decide the extent of reviews and tests performed and to determine such things as adequacy, timeliness, etc., as long as it supports his or her comments regarding compliance or noncompliance with the specified requirements for the items tested.

Since some programs entail pass-through funds from one level of government to another, some of the requirements are for the government that receives the funds initially and makes the allocations to others; some are for the government that receives the funds ultimately and provides the services; and some are for both. The auditor should be able to determine the applicable procedures in each instance.

The specific compliance requirements and suggested audit procedures for each program have been provided by the department or agency that administers the program. Auditors must read the statute or Code of Federal Regulations and/or statute to obtain a complete understanding of the compliance requirements. Also, the requirements are as of the publication date of this revision of the Compliance Supplement. Specific requirements may change periodically, and auditors should be alert to this possibility through their contacts with the cognizant agency, the auditee organization and by other means.

Questions regarding a requirement, including requests for information about changes in requirements, should be addressed to the administering agency directly or through a cognizant audit agency. Requirements and suggested audit procedures for smaller grant programs not contained herein can also be obtained from the administering department or agency, directly or through the cognizant audit agency.

GENERAL REQUIREMENTS

[¶ 1156]

Several statutory and regulatory requirements are applicable to all or most Federal assistance programs. The following are those requirements that involve significant national policy and for which noncompliance could have a material impact on an organization's financial statements. Accordingly, they should be included as part of every audit of state, local and Tribal governments that encompasses Federal financial assistance.

[¶ 1157]

I. POLITICAL ACTIVITY

Compliance Requirement. Federal funds cannot be used for partisan political activity of any kind by any person or organization involved in the administration of federally-assisted programs. [Hatch Act (5 U.S.C. 1501-1508) and Intergovernmental Personnel Act of 1970 as amended by Title VI of Civil Service Reform Act (P.L. 95-454 Section 4728)].

Suggested Audit Procedures

- Test the expenditure and related records for indications of lobbying activities, publications, or other materials intended for influencing legislation or similar type costs.

¶ 1156

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EXHIBIT NO. 2

DATE 2-16-87 SB317

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB244, as introduced.

REVISED FISCAL NOTE

DESCRIPTION OF PROPOSED LEGISLATION:

An act prohibiting investment of state public funds in a firm that is doing business in the Republic of South Africa; providing a schedule for divestiture of current investment in such firms.

ASSUMPTIONS:

1. An updated list of companies doing business in South Africa was provided to the Board of Investments on February 11, 1987. This updated list was used in preparing this revised fiscal note.
2. The market value of common stock affected by this legislation is \$51.1 million as of January 30, 1987.
3. The market value of bonds affected by this legislation is 99.8 million.
4. The transaction cost, including commission and market impact will be 1.4% of market value of the common stock and bonds affected by this legislation. (1.4% is from the Semi-Annual Report to the New Jersey Legislature by the Division of Investments of the State of New Jersey. New Jersey is currently in the process of divestiture.)
5. The state will replace the impacted stock and bonds with investments of equal value.
6. Additional research may be required due to divestiture of investments, no cost estimate is made for the research required.
7. The average turnover of common stock is 8.5% and of bonds is 18.3%.

FISCAL IMPACT:

	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>
Revenue from investments:			
(Transaction cost impact)			
Assumption #4	(\$704,200)	(\$704,200)	(\$704,200)
Less average turnover	<u>\$105,499</u>	<u>\$105,499</u>	<u>\$105,499</u>
TOTAL	\$598,701	\$598,701	\$598,701

Assumption #4 is the basis used for determining the fiscal impact of divestiture for the state for this fiscal note. There is a variance of opinion on how to measure the fiscal impact of divestiture. They can result in showing no significant impact to a substantial impact.

 DATE 2/14/87

DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning

DATE _____
WILLIAM P. YELLOWTAIL, JR. PRIMARY SPONSOR

Fiscal Note for SB244, as introduced.
REVISED FISCAL NOTE

SENATE STATE ADMIN. EXHIBIT NO. 3
DATE 2-16-87
FILE NO. SB 244

Peace Legislative Coalition

P.O. Box 61 Butte, MT 59703
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406-549-9679

LEGISLATIVE ADMIN.
EXHIBIT NO. 4
DATE 2-16-87
BILL NO. SB 244

TESTIMONY IN SUPPORT OF SENATE BILL 244

Mr. Chairman, members of the committee, my name is Butch Turk and I am a lobbyist and researcher for the Peace Legislative Coalition. Thank you for the opportunity to speak in support of Senate Bill 244.

I have recently examined the Board of Investments 1985/86 Fiscal Year Report and have compared it to an updated list of companies that do business in South Africa. This list of firms was produced by the United Nations Center on Apartheid in cooperation with others. Senate Bill 244 requires that U.N. lists be used to determine which companies to divest from.

Montana has an investment portfolio of over 2.1 billion dollars. Of this, less than 228 million dollars, or about 10%, would be affected by this bill. I knew the amount to the penny, but since completing my research I've learned that AT&T is pulling out of South Africa. Undoubtedly, by the end of a three year divestment period, other firms that we're invested in will have left South Africa. The instability there and anti-apartheid efforts, such as divestment, have convinced many responsible corporations to withdraw.

Attached to my testimony are two lists. The first is the 66 firms that do business in South Africa that Montana is invested in. The second lists 41 of the many firms which have pulled out of South Africa. You'll notice that this list includes companies like GM and Polaroid, oil giants Atlantic Richfield^{and Phillips}, computer giants IBM, Honeywell and Wang, and even Montana favorites International Harvester and Levi's. There are well over one thousand additional firms traded on the New York Stock Exchange that never were in South Africa.

I hope this information proves helpful to you.

Peace Legislative Coalition

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FIRMS THAT DO BUSINESS IN SOUTH AFRICA THAT MT INVESTS IN

Sources: 1985-1986 Fiscal Year Report, State of Montana Board of Investments.
Unified List of U.S. Companies with Investments or Loans in South Africa and Namibia, Pacific Northwest Research Center, June 1985, updated June 1986.

Abbott Labs	Harsco
Air Products and Chemicals	Ingersoll Rand
Allied-Signal	International Minerals and Chemicals
American Home Products	IT&T
American Hospital Supply	Johnson and Johnson
American Standard	Lilly, Eli and Co.
AT&T	Merck
Armco Steel	Minn. Mining and Manufacturing (3M)
Bethlehem Steel	Mobil
Borden	Monsanto
Bristol Myers	NCR
Burlington Industries	Newmont Mining
Burroughs	Occidental
CPC International	Owens Illinois
Carnation	Pfizer
Chase Manhattan Bank	Pullman Transport Leasing
Chevron	RJR Nabisco
Citicorp	Revlon
Cities Service	SmithKline Beckman
Clark Equipment Credit	Standard Brands
Combustion Engineering	Standard Oil of California
Corning Glass Works	Standard Oil of Ohio--BP
Dow Chemical	Superior Oil
Dresser	Tenneco
Emerson Electric	Texaco
Exxon	Time
FMC	Transamerica Financial
Firestone Tire and Rubber	Union Carbide
Fluor	U.S. Gypsum
Ford Motor Credit	U.S. Steel
GTE	Western Airlines
General Electric	Westinghouse
General Signal	WITCO
	Xerox

Peace Legislative Coalition

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2-16-89
SB 244

U.S. FIRMS THAT HAVE RECENTLY WITHDRAWN FROM SOUTH AFRICA

These are firms which once did business in South Africa, but are now no longer operating there. This is not all the companies which have withdrawn. Instead it is a selected list of recognizable major firms that have ceased South Africa operations. Often these companies have left due to anti-apartheid activities, of which divestment is a significant part. If Montana does divest, these are a few of the thousands of firms which the state could invest in.

American Airlines (AMR Corporation)	Honeywell
Aetna Life and Casualty	IBM
American Express Co.	International Harvester (Navistar Int'l)
Anaconda Co.	LTV Corp.
Atlantic Richfield	Levi Strauss & Co.
Bell & Howell Co.	Marriot Corp.
Boeing Co.	Motorola Inc.
CBS Inc.	Penn Central Corp.
Chrysler	Pepsico
Coca-Cola	Phillips Petroleum
Dana Corp.	Polaroid
Diamond Shamrock Corp.	RCA Corp.
Eaton Corp.	Rohm & Hass Co.
Encyclopaedia Britannica Inc.	Salomon Brothers
Engelhard Corp	Sears Roebuck & Co.
Firemans Fund Insurance Companies	Singer Co.
Gencorp. Inc.	TRW Inc.
General Foods Corp.	Teledyne Inc.
General Motors Corp.	Uniroyal Inc.
Gulf & Western Industries	Wang Laboratories Inc.
	West-Point Pepperell

NAME: Keith Debus DATE: 2/16/87

ADDRESS: 3210 FLORAL BLVD

PHONE: 494-3923

REPRESENTING WHOM? NATIONAL CENTER FOR APPROP. TECH.

APPEARING ON WHICH PROPOSAL: # SB244

DO YOU: SUPPORT? ✓ AMEND? _____ OPPOSE? _____

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

SENATE STATE ADMIN.
EXHIBIT NO. 5
DATE 2-16-87
BILL NO. SB244

NAME: Keith Debus DATE: 2/16/87

ADDRESS: 3210 FLORAL BLVD

PHONE: 494-3923

REPRESENTING WHOM? NATIONAL CENTER FOR APPROP. TECH.

APPEARING ON WHICH PROPOSAL: # SB244

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

SENATE STATE ADMIN.
EXHIBIT NO. 5
DATE 2-16-87
BILL NO. SB244

STATE OF MONTANA
COMMITTEE NO. 5
DATE 2-16-81
SB 244

Dear Chairman and members of the committee:

My name is Keith Debus and I'm here today representing the National Center for Appropriate Technology (NCAT) in Butte. I'm here to testify in favor of Senate Bill 244 to divest Montana from South Africa-related investments.

Currently, I am a finance specialist with the National Center for Appropriate Technology and a part-time instructor of finance at the Montana College of Mineral Science and Technology. Over the past decade I have managed the portfolios of numerous private investors and was employed as a portfolio advisor with the Philadelphia National Bank.

Opponents of South Africa divestment have repeatedly cited the cost of divestment. They claim that by restricting the choice of stocks, the rate of return on an investment portfolio will decline. This argument can be tested from at least two (2) approaches;

- (1) Portfolio Theory
- (2) Empirical Evidence

The Montana Board of Investments has chosen to only deal with the theoretical argument, so I would like to handle that approach first.

1. PORTFOLIO THEORY

The Montana Board of Investments has claimed that the reduction in the size of their universe of stocks by eliminating those South Africa related, would have a significantly negative impact on the portfolio performance. When a similar argument was posed to Marshall Blume, of the University of Pennsylvania's revered Wharton School and probably the nation's premier portfolio theorist, he responded in the August 5, 1986 issue of the Wall Street Journal, that in theory the portfolio's performance, "...cannot be better off." But he adds that any change in performance, "...may be so trivial that you can ignore it."

If we accept Dr. Blume's analysis, then we can conclude that in theory the change in Montana's portfolio performance would be "trivial".

2. EMPIRICAL EVIDENCE

Now, leaving the theoretical arguments to the academics, let's look at the evidence. Would divestment hurt the Montana portfolio or, to put it another way, does the investment in South Africa related stocks benefit

the Montana portfolio?

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2-16-87

SB 244

To answer this question, we would like to refer you to two (2) studies;

- a. one by the prestigious investment advisory firm, Wilshire Associates of Santa Monica, CA.
- b. the other by the financial staff at the National Center for Appropriate Technology.

The Wilshire Associates study created two (2) portfolios;

- a. one with strictly companies with South Africa holdings.
- b. the other was comprised of equal amounts of companies that are South Africa free.

These two portfolios were tracked for the years 1979 through 1984. During that period of time, the South Africa free portfolio outperformed the South Africa portfolio by almost seven percentage points (7%) per year.

The study recently completed by the National Center for Appropriate Technology compared the performance of the South Africa related stocks held by the Montana Common Stock Pool at the end of the last fiscal year, 1986; against the performance of the Standard and Poors 500 (S&P 500), the most widely used common stock index used by the industry. This study compares these two portfolios rate of return between July 1, 1984 and June 30, 1986. The data we have compiled indicates that the South Africa related common stock portfolio held by Montana at the end of the last fiscal year underperformed the S & P 500 by an average of over nine percentage points (9%) per year.

Conclusion

In conclusion, based upon this information, we can draw three (3) conclusions;

First, in theory South African divestment would have a trivial impact on the rate of return on Montana's investment portfolio.

Second, the empirical evidence indicates that a South Africa related portfolio underperforms both a broad market index and a portfolio of all the South Africa free stocks.

Third, if we accept as given the State of New Jersey's estimate of the transaction and "market impact" cost of divestment at 1.4% of assets, and we accept the studies by Wilshire Associates and NCAT on the performance of South Africa

related common stocks, then we must conclude that the assertion that divestment would cost Montana, is patently false. As a matter of fact, the evidence indicates that the continued Montana investment in South Africa is probably costing at least 5% per year of those assets invested in South Africa related stocks.

In summary, I'd like to state that although opponents of divestment have repeatedly argued that in theory divestment would cost the state, the evidence indicates in reality just the opposite is true. Rather than discussing whether Montana can absorb the cost of divestment, I submit that the question should more appropriately framed;

"How long can Montana continue to absorb the high cost of remaining invested in South Africa?"

Thank you for your time here, today.

PUBLIC STATE ADMIN.
 EXHIBIT NO. 5
 DATE 2-16-89
 FILE NO. SB 244

AVERAGE RATE OF RETURN OF SOUTH AFRICA
 RELATED COMMON STOCKS HELD BY MONTANA'S
 COMMON STOCK POOL AS OF JUNE 30, 1986.

COMPANY	Stock Price 6/84	Stock Price 6/85	Stock Price 6/86	Percent Return 1985	Percent Return 1986	Average Rate Of Return
Abbott Labs	43.125	55.125	48.625	27.83%	-11.79%	8.02%
Air Products and Chemicals	41.625	52.875	38.875	27.03%	-26.48%	0.27%
American Home Products	54	63	84	16.67%	33.33%	25.00%
AT&T	15.75	23.375	24.25	48.41%	3.74%	26.08%
Arco	47.375	58.375	53.25	23.22%	-8.78%	7.22%
Bristol Myers	46.75	60.25	80.375	28.88%	33.40%	31.14%
Burroughs	51.75	55.25	59.625	6.76%	7.92%	7.34%
CBS	75.375	118.125	133.25	56.72%	12.80%	34.76%
CPC International	36.5	43.5	64.25	19.18%	47.70%	33.44%
Chevron	36.625	36.375	39.875	-0.68%	9.62%	4.47%
Combustion Engineering	30.125	32.75	33	8.71%	0.76%	4.74%
Dow Chemical	27.75	33.25	58	19.82%	74.44%	47.13%
Dresser	21.5	20.75	17.5	-3.49%	-15.66%	-9.58%
Emerson Electric	62.75	69.375	87.125	10.56%	25.59%	18.07%
Exxon	40.25	53	59.625	31.68%	12.50%	22.09%
Firestone Tire and Rubber	16.75	20.875	24	24.63%	14.97%	19.80%
Fluor	18.25	16.625	16.875	-8.90%	1.50%	-3.70%
GTE	37.125	42.75	50.75	15.15%	18.71%	16.93%
General Signal	43.75	41.625	53.875	-4.86%	29.43%	12.29%
Johnson and Johnson	32.25	45.5	68.125	41.09%	49.73%	45.41%
Lilly, Eli & Company	62	84.5	78.5	36.29%	-7.10%	14.59%
Merck	87.75	108.625	94.625	23.79%	-12.89%	5.45%
Minnesota Mining and Man.	75.5	75.625	106.625	0.17%	40.99%	20.58%
Mobil	26.875	30.375	30.375	13.02%	0.00%	6.51%
Monsanto	43.25	46.25	68.125	6.94%	47.30%	27.12%
NCR	24.125	28.875	53.75	19.69%	86.15%	52.92%
Newmont Mining	39	43.375	51.75	11.22%	19.31%	15.26%
Occidental	31.125	31.875	26.75	2.41%	-16.08%	-6.83%
RJR Nabisco	44.625	31	48.75	-30.53%	57.26%	13.36%
Revlon	37	39.25	15	6.08%	-61.78%	-27.85%
Rohm & Haas	55	62.125	97	12.95%	56.14%	34.55%
SmithKline Beckman	52.75	67.75	95.75	28.44%	41.33%	34.88%
Texaco	34	37.625	32.25	10.66%	-14.29%	-1.81%
Time	37.75	57	63.375	50.99%	11.18%	31.09%
Upjohn	65.25	105.625	100.875	61.88%	-4.50%	28.69%
U.S. Steel	26.5	27	20.875	1.89%	-22.69%	-10.40%
XEROX	36.625	48.875	56.75	33.45%	16.11%	24.78%
AVERAGE ANNUAL RATE OF RETURN				18.32%	14.86%	16.59%
STANDARD AND POORS 500				23.27%	28.72%	26.00%
DEVIATION FROM S&P 500				-4.96%	-13.86%	-9.41%

NAME: RANDOLPH CARTER DATE: 2/16

ADDRESS: 814 NE 40th ST. Seattle, WA 98105

PHONE: 206 632-0500

REPRESENTING WHOM? American Friends Service Committee

APPEARING ON WHICH PROPOSAL: SB 244

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS:

The American Friends Service Committee, has supported efforts to win freedom, in a non-violent way, for the majority of South Africans for over 30 years.

We support divestment as a non violent strategy and moral statement in that troubled land.

To date divestment has been passed by 20 states over 70 municipalities and 170 colleges universities and schools. Also major denominations support divestment

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

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2-16-87
SB 244

IN SUPPORT OF SENATE BILL 244

SUBJECT: PROHIBIT INVESTMENT OF PUBLIC FUNDS IN FIRMS DOING BUSINESS IN SOUTH AFRICA.

Chairman, Members of Committee, my name is Lawson Arch, from Bozeman, Montana and I am representing myself in this short testimony.

The question before you today is not whether Apartheid is bad, because we all know it; it is whether we will continue to put public funds in companies that do business with the apartheid government in South Africa whose records on justice, liberty and humanity are repugnant to our basic human and constitutional values - viz - calculated racial, social and political segregations.

Whichever way this committee looks at it, the fact still remains that we will not continue to be a part of this obnoxious practice of apartheid, otherwise we will be morally privy to the same atrocities perpetrated by the Pretoria regime.

We cannot pretend as if we do not know what is happening in South Africa today, because we all do know.

A glorious part of our constitution states - I quote - "We hold these truths to be evident that all men are created equal, and are endowed by their creator with certain inalienable rights, and that, among these are life, liberty, and the pursuit of happiness", and yet the South African government hold in bondage over one half of its population.

In fact, I do not know what to argue about apartheid:
Is it that it is against our constitution? We all know it.
Is it that it is morally wrong? We all already know this.
Is it that it is totally against our total values? We all know this.
Is it that our founding fathers do not approve it? Our living constitution is a testimony.
Is it that the people of Montana do not approve that? We all disapprove it.
Is it that it is a crime against God and humanity? We all know this.

We now live in a global economy and no nation will ever shut itself up from the rest of the world and do injustice to millions of its people without outside interference.

If we can cry out against human rights abuses in the Soviet Union and make the Sandanista government of Nicaragua an object of caricature why then should we continue to support economically a system marked with blood and stained with pollution.

Well it is not my intention to bore you with a lengthy account of the evils of apartheid, but to say that history has enjoined us to take a non-violent action against the Pretoria government by forbidding the investment of public funds into that economy.

Montana will today be making history in joining other nations and states in publicly condemning apartheid through divestment of public funds.

Finally I will end this testimony with a quote by Dr. Frederick Douglas (one of Americas early political writers) with little modifications:
"Oh! had I the ability, and could I reach the nations ear, I would today pour out a fiery stream of biting ridicule against apartheid, blasting reproach against apartheid, withering sarcasm against apartheid, and a stern rebuke.

For it is not light that is needed, but fire to abolish apartheid, it is not the gentle showers, but thunder. We need the storm, the whirlwind and the earthquake. The feelings of Montanan's and the nation must be roused, the hypocrisy of apartheid must be exposed and its crime against God and man must be proclaimed and denounced by all".

Members of the Committee, apartheid is bad, it is bad, and it is bad. I therefore urge for a unanimous approval to this bill. God bless all of you.

SENATE BILL NUMBER
REPORT NO. 7
DATE 2-16-87
BILL NO. SB 244

Lawson I. Arch
Bozeman, Montana



JAMES W. MURRY
EXECUTIVE SECRETARY

Box 1176, Helena, Montana

ZIP CODE 59624
406/442-1708

SENATE STATE ADMIN.

EXHIBIT NO. 8

DATE 2-16-87

BILL NO. SB 244

TESTIMONY OF DON JUDGE ON SENATE BILL 244 BEFORE THE SENATE STATE ADMINISTRATION COMMITTEE, FEBRUARY 16, 1987

Good morning. My name is Don Judge and I'm here today on behalf of the Montana State AFL-CIO to give our wholehearted support for Senate Bill 244.

Mr. Chairman, members of the committee, imagine for a moment that you lived on the South Side of Billings. Imagine working in the Heights or wherever, and being bussed in a special vehicle to and from your place of employment. Imagine having to observe a dusk-to-dawn curfew. Imagine armed vehicles in your neighborhood. Picture, if you will, your neighborhood filled with armed soldiers, or your nine-year-old child thrown in jail. Just think about the possibility of being thrown in jail for sedition for writing a letter to the editor.

What would you do in these circumstances? You wouldn't accept the status quo, obviously. You would rebel. First you would work to change this sad situation by peaceful means, enlisting the support of your friends to bring about non-violent social change. If that effort failed, you might be forced to initiate armed insurrection.

This is South Africa today and this is the system of apartheid. Over 38 years after it was proclaimed, apartheid remains a failed, repugnant system that serves as the instrument of suppression and coercion of blacks in their long struggle for human rights and equality. This policy of segregation and political and economic discrimination against non-Europeans is an abhorrent practice which is contrary to all our stated beliefs on human rights.

The South African government has shown a cynical disregard of the rights of its black citizens, and has shown contempt for international public opinion which has repeatedly urged white South Africa to alter course and engage in meaningful dialogue with all its citizens. The American trade union movement recognizes that the policy of "constructive engagement" is utterly bankrupt, and we understand that it serves to alienate our real friends in South Africa and sustains the Botha regime with the fatal illusion that apartheid can be indefinitely prolonged by force. Pretoria has responded to the President's "quiet diplomacy" not with reforms but with intensified repression under cover of a "state of emergency."

Under this horrible circumstance, our administration continues to oppose strong sanctions on the grounds that they would inflict hardships on black South Africans. These exploited individuals already are experiencing the violence, exploitation and degradation that are synonymous with apartheid.

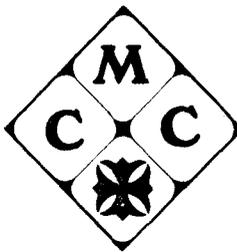
If the United States and other Western democracies do not oppose effective sanctions, they will lose all credibility among the forces for democratic change in South Africa. In other words, if we do not act now, we will lose our ability to influence the course of events there.

Montana can help in instigating a total investment boycott, which has already been implemented by 17 other states.

Our state constitution firmly states: "The dignity of the human being is inviolable. No person shall be denied the equal protection of the laws. Neither the state nor any person, firm or corporation, or institution shall discriminate against any person in the exercise of his political rights on account of race"

This declaration demonstrates that we would not allow such a situation as described in the beginning of this testimony to exist in Montana. Nor should we help perpetrate such an existence because it is happening so far from our borders.

We strongly urge you to vote yes on Senate Bill 244.



Montana Catholic Conference

February 16, 1987

Senator Haffey and Members of the Senate State Administration Committee:

I am John Ortwein, here today representing the Montana Catholic Conference. The Montana Catholic Conference is the liaison between the two Roman Catholic Bishops of the State in matters of public policy.

On September 10, 1986, the United States Catholic Conference Administrative Board issued a policy statement entitled, "Divestment, Disinvestment, and South Africa."

In the policy statement the Bishops state: It is clear on human, moral and political grounds that change must come in South Africa. It is also clear that the primary agents of change are within South Africa. But nations and institutions that have a relationship with South Africa are part of the political and moral drama being played out in that nation.

I have a copy of the policy statement of the USCC Administrative Board for each member of the committee. In summary the Administrative Board is asking that each Diocese and all church related institutions to adopt the policy of (1) instituting a program for the prudent and fiscally responsible divestment from business enterprises doing business in South Africa, or (2) file, encourage, and join with others in filing shareholder resolutions with portfolio corporations doing business in South Africa, requiring them to implement a disinvestment program by withdrawal from South Africa. The Administrative Board is asking these policies to be instituted if by May 15, 1987, the government of South Africa has failed to undertake significant progress toward the dismantling of the system of Apartheid.

I am pleased to announce to you that both the Dioceses of Helena and Great Falls/Billings are going to implement the policy statement in this State.

We would hope that the State of Montana would also divest itself of business enterprises doing business in South Africa.

Please vote "yes" on Senate Bill 244.

SENATE STATE ADMIN.

EXHIBIT NO. 9

DATE 2-16-87

BILL NO. SB 244



These alternatives are not mutually exclusive and may be combined even in dealing with the same company. Divestment may be adopted with regard to some companies, stockholder resolutions with regard to others; or while generally divesting from a company, a small block of stock may be retained in order to allow the introduction or support of stockholders' resolutions.

Divestment, Disinvestment, and South Africa A Policy Statement

USCC Administrative Board

September 10, 1986

The Catholic bishops of South Africa have characterized apartheid as "something intrinsically evil." The United States Catholic Conference has frequently condemned the system of apartheid and protested specific actions of the South African government. The repressive measures recently imposed by that government under the guise of a State of Emergency are an additional intolerable affront to the dignity of all South African people and to the common opinion of humankind.

It is clear on human, moral, and political grounds that change must come in South Africa. It is also clear that the primary agents of change are within South Africa. But nations and institutions that have a relationship with South Africa are part of the political and moral drama being played out in that nation.

We speak as bishops and pastors of a Church whose religious and moral teaching is daily contradicted by apartheid, and whose brother bishops are actively opposing apartheid. We also speak as citizens of a nation that exercises a significant influence in South African society.

The Administrative Board of the United States Catholic Conference, therefore, recommends that dioceses and church-related institutions give consideration to the adoption of the following policy statement:

If, by May 15, 1987, the government of South Africa has failed to undertake significant progress toward the dismantling of the system of apartheid and has not sincerely attempted to enter into serious and substantial negotiations with legitimate black leaders, then those agents managing the investment portfolio will be instructed to:

A. institute a program for the prudent and fiscally responsible divestment from business enterprises doing business in South Africa, or

B. file, encourage, and join with others in filing shareholder resolutions with portfolio corporations doing business in South Africa, requiring them to implement a disinvestment program by withdrawal from South Africa.

Explanatory Notes

Note A:

What constitutes "significant progress toward the dismantling of the system of apartheid"? A convenient listing of steps in this direction is provided in the text of the Anti-Apartheid Act of 1985, which was endorsed by the Administrative Board in September 1985:

(1) The government of South Africa has eliminated the system which makes it impossible for black employees and their families to be housed in family accommodations near the place of employment.

(2) The government of South Africa has eliminated all policies that restrict the rights of black people to seek employment in South Africa and to live wherever they find employment in South Africa.

(3) The government of South Africa has eliminated all policies that make distinctions between the South African nationality of blacks and whites.

(4) The government of South Africa has eliminated removals of black populations from certain geographic areas on account of race or ethnic origin.

(5) The government of South Africa has eliminated all residence restriction based on race or ethnic origin.

(6) The government of South Africa has entered into meaningful negotiations with truly representative leaders of the black population for a new political system providing for the full national participation of all the people of South Africa in the social, political, and economic life in that country and an end to discrimination based on race or ethnic origin.

(7) An internationally recognized settlement for Namibia has been achieved.

(8) The government of South Africa has freed all political prisoners.

Note B:

Judgment about "significant progress" or the lack of it in the light of these criteria would be made by the diocesan bishop for those funds subject to his care and by the chief executive officers of other Catholic institutions. Numerous sources are available to assist them in arriving at their conclusion. One such source is the USCC Office of International Justice and Peace, which is in continuing contact with the Southern African Catholic Bishops' Conference.

Montana
Association of
Churches

MONTANA RELIGIOUS LEGISLATIVE COALITION • P.O. Box 745 • Helena, MT 59624



SENATE STATE ADMIN.

EXHIBIT NO. 10

DATE 2-16-87

February 16, 1987

BILL NO. SB 244

WORKING TOGETHER:

My name is Mignon Waterman and I am speaking on behalf of the Executive Board of the Montana Association of Churches.

The Montana Association of Churches is made up of eleven different denominations from throughout the state. At their August board meeting, the executives of the Montana Association of Churches voted to urge their membership to divest themselves of investments in corporations doing business in South Africa and to urge the State of Montana to do the same.

We believe it is time to make a clear statement that we do not support nor wish to be associated with apartheid.

We urge your support of Senate bill 244.

American Baptist Churches
of the Northwest

American Lutheran Church
Rocky Mountain District

Christian Church
(Disciples of Christ)
in Montana

Episcopal Church
Diocese of Montana

Lutheran Church
in America
Pacific Northwest Synod

Roman Catholic Diocese
of Great Falls-Billings

Roman Catholic Diocese
of Helena

United Church
of Christ
MT-N.WY Conference

United Methodist Church
Yellowstone Conference

Presbyterian Church (U.S.A.)
Glacier Presbytery

Presbyterian Church (U.S.A.)
Yellowstone Presbytery

Senate State Admin Committee

To Rep. Happy
Sen. _____

Date 2-16 Time 9:10 am

WHILE YOU WERE OUT

Name Carol Collins

of 3030 8th Ave S. - Gt. Falls

Phone _____

Telephoned Please Call _____

Message: Re House/Senate Bill 244

For Against _____

Wanted message passed
to members to support
SB 244

Operator CD

SENATE STATE ADMIN.
EXHIBIT NO. 11
DATE 2-16-89
BILL NO. SB 244

NAME: Claudette ROSS DATE: 2.16.87

ADDRESS: PO BOX 669, Helena, MT 59604

PHONE: 443.4133

REPRESENTING WHOM? self

APPEARING ON WHICH PROPOSAL: SB 244

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: A country founded on personal freedom
does harm to all its citizens by supporting
one that is suppressive and exploitive
of 95% of its citizens.

Our Board of Investments can find comparable
interest in earnings in investments which do
not hamper human rights.

Considering the number of US companies with-
drawing, our continued investment in S. Africa
appears to be shakey in the economic sense.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

SENATE STATE ADMIN.
EXHIBIT NO. 12
DATE 2-16-87
BILL NO. SB244

RESOLUTION OF THE BOARD OF INVESTMENTS

October 25, 1985

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2-16-87
5B244

WHEREAS, pursuant to the Constitution of the State of Montana and applicable state statutes enacted in conformance therewith the Board of Investments is required to invest all state funds according to the "prudent expert rule"; and

WHEREAS, the Board has exclusive jurisdiction for investment of state funds for the retirement of public employees, state court justices, teachers, firemen, and other state pensioners; and

WHEREAS, the state pensioners and all other public employees desire to see such retirement funds properly invested according to the Constitution and applicable state statutes; and

WHEREAS, the Board in its investment policies is controlled by the aforesaid state Constitution and applicable statutes and cannot unilaterally alter such policies; and

WHEREAS, any changes in investment policies controlling investments by the Board may only be effected by or through legislation enacted by the state legislators; and

WHEREAS, counsel to the Board has advised the Board that a unilateral effort by the Board to alter or change its investment policies absent requisite legislative action may transgress the prudent expert rule to the detriment of retiring public employees and state pensioners and, thus, constitute unlawful action on the part of the Board; and

WHEREAS, the Board totally disagrees with and abhors the apartheid policies of the Botha government of South Africa.

NOW, THEREFORE, BE IT RESOLVED, the Board calls upon the government of the United States to do all in its power to cause the government of South Africa to immediately alleviate, alter and terminate its apartheid policies.

RESOLVED, FURTHER, the Board's investment policies shall continue to be controlled by the prudent expert rule and the Board is without authority to unilaterally alter such policies to divest investment in companies doing business in South Africa unless and until the legislature of the state shall so order by appropriate statutory enactment.

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2-16-89
SB 244

TESTIMONY of
Gary S. Marbut, Montana Coordinator for
The Conservative Caucus, before the

MONTANA SENATE, STATE ADMINISTRATION COMMITTEE, Feb. 16, 1987

in OPPOSITION to
SENATE BILL # 244; TO PROHIBIT INVESTMENT OF PUBLIC
FUNDS IN FIRMS DOING BUSINESS IN SOUTH AFRICA

OVERVIEW

It is bad business for the State of Montana, in times of public economic crunch, to forgo best investments for the sake of a social policy targeted at the other side of the Earth, which policy is ill-considered and which probably does not even meet its own goals.

INVESTMENTS

The Montana State Board of Investments is charged with making such investments which will return the most profit at the greatest security for the investment of funds belonging to the people of the State of Montana. In analyzing, selecting, and making such investments, the Board uses an objective set of criteria which are quantifiable and which serve the economic interests of Montana.

It is redundant to inform the Legislature that Montana cannot afford to forgo any quality investments which will further upset the delicate balance of Montana's finances. Such a decision would be repugnant to a sincere effort to find useful solutions to Montana's economic crisis. Such a decision would require absolute justification in relation to the benefit to the people and the State of Montana.

SOCIAL POLICY

It is recognized nationally that there exists some pressure towards divestiture in South Africa. This pressure is in aid of imposition of social policy on a foreign nation on the other side of the globe from Montana. This social policy, ending apartheid, purports to seek race equalization, and an end to segregation by race in South Africa.

This policy, in fact, ends up working against blacks in South Africa. Please recognize that political freedom always flows from economic freedom. This is one of the great lessons of the last 200 years of Earth history. It is a fact that the blacks of South Africa currently enjoy the highest standard of living, the highest wages, and the lowest unemployment of blacks of any nation on the African continent. This fact explains the great

migration of blacks to South Africa from other African nations. It is a quest for opportunity similar to the mass immigration of hispanics from Mexico and Central America to the United States.

The divestiture of funds in South Africa is intended to damage the economy of business in, and the economy of, South Africa. Why else would divestiture be attempted? The first effect of any damage to the South Africa economy will be felt by the very population it is intended to assist; the black worker. Wages will decline, and unemployment will rise. Is this a kindness for the people of Montana to bestow on the black worker in South Africa?

It is well recognized that blacks in South Africa have the greatest political freedom and the best economic circumstances of any blacks on that continent. It is well known that dictatorships, by blacks, in other African countries slaughter their fellow blacks by the tens of thousands; that dictatorships by blacks in other African nations use mass starvation of black populations as a political tool to subdue resistance to heavy-handed rule. Is it worse for an African black to be employed, well-fed, and have to use a different bathroom, or to be murdered or politically starved to death by a tyrannical government? Why do the proponents of this bill turn a blind heart to the miserable existence of millions of blacks throughout the rest of the continent, and attack the comparatively admirable situation of the employed blacks of South Africa?

Most other nations of Africa have such an atrocious record of denigration of human rights that it makes South Africa look like a sunny example of human rights by comparison. Why do the proponents of this bill ignore this fact? It is readily admitted that blacks in South Africa do not enjoy the wages or political freedoms of citizens of the United States, but they are light-years ahead of their brothers in other parts of Africa.

Is it wise to support an expensive social policy that will, in fact, damage the condition of blacks in South Africa, while ignoring the much worse plight of millions of other blacks in other African nations?

CONCLUSION

The State Board of Investments must be free to make decisions strictly according to economic criteria, and not to advance someone's social planning. Montana can ill afford to expend its slim resources to support a misconceived social policy on the other side of the globe, especially when such social policy is so far from the mainstream of Montana citizens' thought and best interests.

NAME: GARY S. MARBUT DATE: 2/16/87

ADDRESS: POB 4924, MS LA 59806

PHONE: 549-1252

REPRESENTING WHOM? MT. CONS. CAUCUS

APPEARING ON WHICH PROPOSAL: SB 244

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

14
2-16-87
SB 244

SENATE STATE ADMIN.

EXHIBIT NO. 16

DATE 2-16-87

BILL NO. SB 131

The purpose of this bill, as plainly indicated in the title, is simply to move the Liquor Division from the Department of Revenue to the Department of Commerce.

There are several reasons for accomplishing this. All of them are sound and valid ones which I hope this Committee, the Senate, and the Legislature as a whole, will listen and accede to.

It is well to keep in mind that the state liquor operation has always been politically controversial and volatile. Although this aspect of the operation is clearly not going to change simply by transferring it between agencies, what is likely to change is the degree of sensitivity toward its peculiar status as a business selling a unique and potentially dangerous product. (This is why we are in the business to start with). The program needs to be managed by an agency which is sensitive to the needs of all businesses, and especially a complicated one such as this. That agency in Montana State Government is clearly Commerce. The Department of Commerce is specifically charged with working with businesses and in assisting them within our state however possible. The function of the Department of Revenue, by definition, is to extract tax revenue from business, period.

Nothing better illustrates the Department of Revenue's lack of sensitivity toward the liquor program than to look at what has happened to it over the past year.

A year ago the Department came up with a plan to shut down several large, profitable state liquor stores, ostensibly to save money. The Revenue Oversight Committee unanimously voted to reject this plan. In spite of the vote, and in absolute defiance of the committee vote, the Department went ahead

and closed down three of the stores anyway. Within days, the Legislature in special session in March passed a law forbidding the closures, and the Department had to open up the stores again. In addition to the sheer cost involved in the closings and re-openings, they received a great deal of press and media attention, and the Department ended up looking foolish and embarrassed.

Not too long afterwards, the Department ran out of inventory. A number of the outages involved some of the most popular and wide-selling brands in the state. Licensees, who must buy from the State as their only source of supply under our system, were especially infuriated, (and rightly so). As a result of conversations with many of these people we find inventory shortages are still occurring in many cases.

The Department then initiated a controversial agency conversion program in which all stores would be turned to agency outlets, with commissions to be as low as possible as a result of a bidding process. In some towns, the Department hasn't received any bids at all. In others, the successful bidders have been supermarkets. The idea of selling booze out of supermarkets in a state where such sales have traditionally been confined to state liquor outlets and taverns is not a very palatable one to many legislators. I know many of us have felt we should have had the opportunity to review such a drastic change in bill form and to openly debate and vote on it.

At the end of the year, on December , the Department went to a rule hearing to attempt to raise liquor prices. The

hearing was packed with opponents. The only proponent speaking in favor of the increase was Gary Blewett from the Department. The hearings officer subsequently found against the increase stating that the Department had not shown sufficient evidence to justify an increase.

We now find ourselves in a regular session of the Legislature in which bills have been introduced again to completely eliminate the state retail liquor operations. The bills seem to be receiving a favorable response, in no small part because of the blunders and short-sightedness of the Department concerning this program, and the resulting bad publicity which has occurred over the past several months.

To put it bluntly, and it is necessary to be very blunt here, the Department management has demonstrated it simply does not know what it is doing when it comes to this program. If it does know what it is doing, that is even more distressing since it is difficult to avoid the conclusion that the program has been deliberately discredited by all the recent management actions which have been taken in recent months which have made the program look so bad.

The argument may be made that management does change in State government, and that new management may be more enlightened towards this program. Simply changing agencies, in other words, may not accomplish much.

I would have two responses to that argument.

(1) How much damage can existing management continue to do in the meantime? In just a few short months it has made ridiculous blunders. Revenue management has demonstrated that it either cannot

or will not make an effort to run this program well.

(2) The fact still remains that the Department of Commerce is the State agency charged with working with businesses and being sensitive to its needs and problems. They should extend just as much to a state-run business as to private businesses. Commerce is where this program belongs.

This is true regardless of what form the program takes as a result of actions taken this session; whether the system is retained as is, whether it goes to a wholesale mode only - whatever.

Revenue cannot handle this program and it must be moved. I ask for the favorable consideration of this committee for this bill for all the reasons I have described.

Thank you.

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REPRESENTING WHOM? SELF

SENATE STATE PRINT.
BILL NO. 17
DATE 2-16-87
PAGE SB 131

APPEARING ON WHICH PROPOSAL: 131

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

STANDING COMMITTEE REPORT

FEBRUARY 16

87

19.....

MR. PRESIDENT

We, your committee on **SENATE STATE ADMINISTRATION**

having had under consideration **SENATE JOINT RESOLUTION** No. **11**

first reading copy (**white**)
color

RESOLUTION NAMING THE PRISON ADMINISTRATION BUILDING FOR RICHARD C. WALLACE
Beck

Respectfully report as follows: That **SENATE JOINT RESOLUTION** No. **11**

DO PASS

~~XXXXXXXX~~
DO NOT PASS

SENATOR JACK HAFNEY

Chairman.