

MINUTES OF THE MEETING
BUSINESS & INDUSTRY COMMITTEE
MONTANA STATE SENATE

MARCH 7, 1979

The meeting of the Business and Industry Committee was called to order by Chairman Frank Hazelbaker on the above date in Room 404 of the State Capitol Building at 10:00 a.m.

ROLL CALL: All members were present.

HOUSE BILL 845: Chairman Hazelbaker called on Representative Jack Ramirez, sponsor of HB 845, to explain the bill to the Committee. House Bill 845 is an act to generally revise the laws relating to industrial revenue projects and financing. The bill also empowers the Board of Aeronautics to issue industrial development bonds for commercial air transportation projects.

Representative Ramirez went through the changes in the bill with the Committee.

Representative Ramirez stated this bill has a definite bearing on the small commuter airlines in Montana such as "Big Sky Airlines". He feels this level of service is important for Montana. He hopes they will support the bill.

PROPONENTS OF HOUSE BILL 845: Mr. Mike Ferguson, representing the Montana Aeronautics Board, stated they support House Bill 845. There is a serious problem with price and availability of these aircraft. He further stated that the commuter concept is taking over nationwide and they feel this bill should be supported.

Mr. James T. Harrison, Jr. , representing D. A. Davidson & Co., stated they support HB 845.

Mr. Bruce MacKenzie from Great Falls, Montana, representing D. A. Davidson & Co., stated they support HB 845 and he explained the financing aspect of HB 845. His statement is attached to the minutes.

Ms. Janelle Fallan, representing the Montana Chamber of Commerce, stated they support HB 845.

There were no other proponents or opponents to HB 845 present at the hearing.

There was a question and answer period from the Committee.

Representative Ramirez made closing remarks in favor of HB 845.

Chairman Hazelbaker closed the hearing on House Bill 845.

HOUSE BILL 412: Representative Burt Hurwitz, sponsor of HB 412, explained the bill to the Committee. This bill increases the examination fee that a bank, investment company, or trust company must pay after being examined by the Department of Business Regulation from 10 cents to 12 cents for each \$1,000 of the total assets of the examinee.

PROONENTS OF HOUSE BILL 412: Mr. Kent Kleinkopf, director of the Department of Business Regulation, stated they are in support of House Bill 412. He stated that banks benefit from supervision and examination in various ways. He further stated that their primary concern is that the bank examination staff be made at current level. He told the Committee that pressure on his staff would be increased in the future. The increase from 10 cents to 12 cents would go into the general fund. Mr. Kleinkopf concluded his remarks by stating that they would hope the Committee would vote in favor of House Bill 412.

Mr. John Fitzpatrick, representing the Budget Office, stated they are in support of House Bill 412.

OPPONENTS OF HOUSE BILL 412: Mr. Harold Pitts, representing the Montana Bankers Association, stated they are in opposition to HB 412. He stated they object mainly on the principle of how this is being approached.

Mr. Ed Jasmin, representing the Norhtwestern Bank of Helena, stated they are in opposition to HB 412. Their bank believes strongly in a dual banking system and they would like to remain as a state bank. He further stated that if this legislation becomes law they would be paying 31 percent more than a national bank of similar size.

There were no other opponents to HB 412 present at the hearing.

There was a question and answer period from the Committee after which Chairman Hazelbaker closed the hearing on House Bill 412.

HOUSE BILL 769: Representative James Azzara, sponsor of HB 769, explained the bill to the Committee. This bill is an act to allow certain bonds issued by local government units or districts to be offered first to local residents. Representative Azzara stated that more work needed to be done on this bill.

There were no other proponents to HB 769.

OPPONENTS TO HOUSE BILL 769: Mr. Dan Mizner, representing Montana Cities and Towns, stated they are in opposition to the bill.

Mr. William Verwolf, representing the City of Helena, stated there are some technical problems with this bill which would have to be worked out. Therefore, they are in opposition to HB 769.

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Mr. Tom Harrison, representing D. A. Davidson & Co., introduced Mr. Bruce MacKenzie, Great Falls, Montana, also representing D. A. Davidson & Co., stated they oppose House Bill 769. He stated there are a number of technical problems which could not be immediately cured. He further stated it was not cost effective. They favor defeat of HB 769.

There were no other proponents or opponents to HB 769 present at the hearing.

There was a question and answer period from the Committee.

Chairman Hazelbaker closed the hearing on House Bill 769.

HOUSE BILL 786: Representative Lory, sponsor of HB 786, was not able to be present at the hearing. Mr. Jerome Loendorf appeared in Representative Lory's place in order to explain the bill to the Committee. This bill is an act to allow and regulate deferral charges by Montana consumer loan licensees.

PROPONENTS OF HOUSE BILL 786: Mr. Les Alke from the Department of Business Regulation, spoke in support of HB 786.

There were no other proponents or opponents to HB 786 present at the hearing.

There was a question and answer period from the Committee.

Chairman Hazelbaker closed the hearing on House Bill 786.

DISPOSITION OF HOUSE BILL 769: Senator Dover made a motion that House Bill 769 Do Not Pass. Senator Lowe seconded the motion. The Committee voted that HOUSE BILL 769 BE NOT CONCURRED IN. Senator Hager was the only "no" vote. Senator Regan abstained from voting.

Senator Hazelbaker will explain HB 769 on the floor.

DISPOSITION OF HOUSE BILL 412: Senator Regan moved that HB 412 Do Pass. Senator Mehrens seconded the motion. The Committee voted unanimously that HOUSE BILL 412 BE CONCURRED IN.

Senator Regan will carry House Bill 412 on the floor.

DISPOSITION OF HOUSE BILL 786: Attorney, Bob Pyfer, suggested an amendment to clarify language in the bill. Senator Dover moved that the proposed amendment be adopted. The Committee voted unanimously to adopt the proposed amendment to HB 786. Senator Lowe made a motion that House Bill 786 Do Pass As Amended. The Committee voted unanimously that HOUSE BILL 412 BE CONCURRED IN AS SO AMENDED.

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Senator Lowe will carry House Bill 786 on the floor.

DISPOSITION OF HOUSE BILL 845: Senator Dover moved that HB 845 Do Pass. The Committee voted unanimously that HOUSE BILL 845 BE CONCURRED IN.

Senator Dover will carry House Bill 845 on the floor.

ADJOURN: There being no further business, the meeting adjourned at 12:05 p.m.



Senator Frank Hazelbaker, Chairman

ROLL CALL

BUSINESS & INDUSTRY COMMITTEE

46TH LEGISLATIVE SESSION - - 1979

Date March 17

NAME	PRESENT	ABSENT	EXCUSED
Pat Goodover, Vice Chairman	✓		
Chet Blaylock	✓		
Harold Dover	✓		
Tom Hager	✓		
Allen Kolstad	✓		
Bill Lowe	✓		
John Mehrens	✓		
Bob Peterson	✓		
Pat Regan	✓		
Frank Hazelbaker, Chairman	✓		

STANDING COMMITTEE REPORT

March 7, 1979

MR. President:

We, your committee on Business and Industry,

having had under consideration House Bill No. 412,

Hurwitz (Regan)

Respectfully report as follows: That House Bill No. 412,

BE CONCURRED IN

56/PASS

SENATE COMMITTEE BUSINESS & INDUSTRYDate March 7, 1979 Bill No. 412 Time 11:46

NAME	YES	NO
Pat M. Goodover, Vice Chairman		✓
Chet Blaylock		
Harold Dover	✓	
Tom Hager	✓	
Allen Kolstad	✓	
Bill Lowe		✓
John Mehrens	✓	
Bob Peterson	✓	
Pat Regan	✓	
Frank Hazelbaker, Chairman	✓	

Marije Nichols

Secretary

Frank Hazelbaker

Chairman

Motion: Do Pass HB 412 (7-2)

(include enough information on motion--put with yellow copy of committee report.)

STANDING COMMITTEE REPORT

March 7, 1979

MR. President:

We, your committee on Business and Industry,

having had under consideration House Bill No. 769,

Azzara (Hazelbaker)

Respectfully report as follows: That House Bill No. 769,

BE NOT CONCURRED IN
Hazelbaker

STANDING COMMITTEE REPORT

.....March 7,..... 1979.....

MR. President:.....

We, your committee onBusiness and Industry.....

having had under considerationHouse..... Bill No. 786.....

Lory (Lowe)

Respectfully report as follows: That.....House..... Bill No. 786.....
third reading bill, be amended as follows:

1. Page 1, line 15.
Following: "the"
Strike: "deferred"
Insert: "deferral"

And, as so amended
BE CONCURRED IN

DOIPASS

3/7/79

Bob Peterson

Yates HS

6s HS 786

Aff - 412

STANDING COMMITTEE REPORT

March 7, 1979

MR. President:

We, your committee on Business and Industry,

having had under consideration House Bill No. 845,

Ramirez (Dover)

Respectfully report as follows: That House Bill No. 845,

BE CONCURRED IN
BY VOTE

NAME: Mike Ferguson DATE: 3-7-79

ADDRESS: P.O. Box 5178 Helova

PHONE: 449-2506

REPRESENTING WHOM? Mountain Aeronautics Board

APPEARING ON WHICH PROPOSAL: HB 845

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: John C. Johnson DATE: 10/10/00

ADDRESS: 2215 1/2 100th Street, N.W., Washington, D.C.

PHONE: 442-6350

REPRESENTING WHOM? D. A. D. L. L.

APPEARING ON WHICH PROPOSAL: 845

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Bruce A. MacKenzie DATE: 3/7/79

ADDRESS: 16 THIRD St. Almont

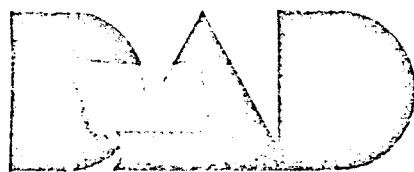
PHONE: 727-4200

REPRESENTING WHOM? D. A. Association Co

APPEARING ON WHICH PROPOSAL: SB HB 845

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

COMMENTS: See attached



Submitted to the Committee
by Bruce A. MacKenzie
March 7, 1979

D.A.
Davidson
& Co.
Incorporated

February 21, 1979

Summary of Testimony

To: Montana Business Industry
House Judiciary Committee

From: Bruce A. MacKenzie

Re: House Bill ~~745~~ ⁸⁴⁵

House Bill ~~745~~ is the result of a joint effort between members of the Montana Municipal Bond industry and Bond Counsel aimed at revising and clarifying the laws relating to industrial development projects within the State. Based upon the experience of past industrial development bond issues and comments from local municipalities concerning the industrial development bond law, drafters of this bill have clarified the language in a number of sections within the industrial development revenue bond law and have made four major substantive changes within the present law.

These four changes are as follows:

1. Section 90-5-101 (5) has been amended to include within the definition of a project which is acceptable for use of industrial development revenue bonds local governmental facilities and multifamily housing. The addition of local governmental facilities as an acceptable project is, in the opinion of the drafters, merely an insertion of a project which appears to have been needlessly omitted when the law was first drafted. It is clear that state and federal governmental facilities are acceptable projects and there seems to be no reason to omit local governmental facilities. The addition of multifamily housing merely expands what was previously an acceptable project in the form of retirement housing. It should be noted that this change would not conflict with the State Board of Housing in that it is merely a provision for multifamily housing and not single family residences.
2. The second major change appears in the powers granted to the municipalities issuing the bonds. Under the present law, the governing body issuing the bonds must use the bond proceeds to acquire the project. This acquisition may be either by purchase or lease, however, as a practical matter most industrial development revenue bond issues take the form of an acquisition by the municipality with a lease-back to the enterprise which will use the facility. This lease-back arrangement can create additional paperwork and also creates a more complex method of financing. In reality the lease-back

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arrangement is merely a form of mortgage upon the property since the private enterprise has a type of reversionary interest in that they have the option to purchase the facility upon the termination of the lease. The amendment proposes a much simpler transaction by allowing the governing body issuing the bonds to loan the bond proceeds to the private enterprise for the purpose of constructing and improving the facility. This loan could be represented by a promissory note and secured by a mortgage upon the facility as well as guarantees by the enterprise benefiting from the issuance of the bonds. This change would have no affect upon the security of the bonds and would simplify the procedure for issuing the bonds thereby reducing the cost of issuance.

3. One of the most important changes proposed by this bill is to allow the use of bond proceeds for the retirement of existing indebtedness of a hospital or long term care facility. At the present time under Montana law, existing indebtedness may not be retired unless it is incurred in connection with an improvement to a project. Often hospital facilities have financed the development of the hospital or a long term care facility with conventional methods of financing at a much higher rate than could be obtained with industrial development revenue tax exempt financing. Under present Montana law this conventional indebtedness could not be retired with tax exempt financing and therefore any additional expansion which a hospital sought to undertake was encumbered by a previous mortgage by reason of the original financing. This bill would allow the proceeds from the sale of tax exempt bonds to retire existing indebtedness of hospitals and long term care facilities. This would have the affect of lowering the interest costs to these facilities and making them more cost efficient. It is important to note that bond proceeds may not be used to retire existing indebtedness of profit corporations unless such indebtedness was incurred in connection with an improvement to the project resulting from the issuance of the bonds.

It appears that legislative counsel has made what it feels is a grammatical change in the original draft provided by the sponsor of the bill. These changes completely reverse the intent of the section and therefore amendments must be made to correct the language as it appears in lines 15-21 on page 11 of the bill. The changes that are necessary are as follows: line 17, following "thereof" change the comma to a semicolon and insert the words "provided that, ". In line 20, the words "in which case" should be deleted from the language of the bill. With these changes the original intent of the sponsor to provide for the use of bond proceeds for retirement of existing indebtedness of non-profit hospital or long term care facilities would be accomplished.

4. The final major change made by this proposed legislation would be to allow governing bodies to issue temporary loans in anticipation of the final sale of industrial development revenue bonds. Often projects which may be feasible over a twenty year period do not appear feasible to conventional financing institutions and therefore higher interest rates are demanded for the interim

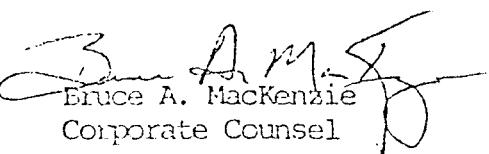
~~Senate Business & Industry~~
~~House Judiciary Committee~~

February 21, 1979

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construction cost financing until bonds are finally issued. In order to avoid this increased cost, tax exempt temporary loans would be authorized by this new section which would be retired upon the final issuance of the bonds. These notes would bear tax exempt interest and therefore much lower interest rates than conventional financing methods.

It is our opinion that these changes to the existing industrial development revenue bonds statutes make the law much more flexible and capable of accomplishing the intent for which the statute was originally enacted. We respectfully request your favorable consideration of this legislation.


Bruce A. MacKenzie
Corporate Counsel

cc: Tom Harrison

Since introduction in the House there has been an amendment to the Bill allowing the State Development Board to issue this type of Bond for the purpose of financing in state air services. D.A. Davidson supports this amendment.



NAME: Orville Fetter DATE: September 7

ADDRESS: 601 1730 Helena

PHONE: 442-2408

REPRESENTING WHOM? Montana Chamber

APPEARING ON WHICH PROPOSAL: 143845

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

COMMENTS: _____

NAME: Kent Kleinkopf DATE: 3-7-79

ADDRESS: 805 N. Main

PHONE: 449-3163

REPRESENTING WHOM? Dept of Bus Reg

APPEARING ON WHICH PROPOSAL: HB 412

DO YOU: SUPPORT X AMEND? _____ OPPOSE? _____

COMMENTS: oral testimony

NAME: John Fitzpatrick DATE:

ADDRESS: 7 of Iowa

PHONE: 449-3084

REPRESENTING WHOM? OBPP

APPEARING ON WHICH PROPOSAL: HB 412

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Ed Jardin DATE: 3-7-79

ADDRESS: 626 Monroe, Helena MT

PHONE: 442-5050

REPRESENTING WHOM? NORTHWESTERN BANK at Helena

APPEARING ON WHICH PROPOSAL: H. B. 412

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS:

NAME: Wendell Johnson DATE: 10/10/01

DATE: 3

ADDRESS: _____

PHONE: _____

REPRESENTING WHOM? *John B. C. Long, Jr.*

APPEARING ON WHICH PROPOSAL: ND 167

DO YOU: SUPPORT? _____ AMEND? _____ OPPOSE?

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: William Verweij

DATE: 3-7-79

City of Helena

ADDRESS: Civic Center Helena

PHONE: 442-9920

REPRESENTING WHOM? City of Helena

APPEARING ON WHICH PROPOSAL: HB 769

DO YOU: SUPPORT? AMEND? OPPOSE? X

COMMENTS: 1. Extends time frame for issuance of bonds by at least 90 days.

2. Does not provide any procedure for determining if a local residents bid is reasonable in the current market.

3. Could very easily result in bonds carrying excessive interest rates as opposed to open competitive bidding.

4. Opens door to immediate profit-taking at the expense of paying public.

5. Availability of money market certificates reduces the need for this form of preference for small investors.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Bruce A. MacKenzie DATE: 3/7/79

ADDRESS: 16 THIRD St. N.E.

PHONE: 727-4200

REPRESENTING WHOM? D. A. Davidson & Co

APPEARING ON WHICH PROPOSAL: NB 769

DO YOU: SUPPORT AMEND OPPOSE? ✓

COMMENTS: Although this bill was amended to delete the mandatory requirement that all municipal bonds be underwritten by two major underwriters, the bill continues to require existing issuances to be underwritten by two major underwriters. First, there is no provision of determining whether these bonds would be sold on a bid basis or at a fixed rate of interest. Secondly, the fact that they will be offered first to local residents discourages other underwriters from participating in the offering since they can't be assured of obtaining subscribers they can trust. This would have the effect of raising interest rates to municipalities since it would decrease demand.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: John P. Lavelle DATE: 3-12-74

ADDRESS: 401 1/2 St.

PHONE: 647-6350

REPRESENTING WHOM? Mr. Casper Fox

APPEARING ON WHICH PROPOSAL: H 786

DO YOU: SUPPORT? ✓ AMEND? OPPOSE?

COMMENTS:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

SENATE

B + I

COMMITTEE

BILL HB 786

VISITORS' REGISTER

DATE Nov. 7, 1977

Please note bill no.

(check one)

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY