

HOUSE BUSINESS AND INDUSTRY COMMITTEE

April 8, 1981

SUMMARIES FOR:

HOUSE JOINT RESOLUTION 65 -

HJR 65, sponsored by Rep. Harrington and others, requests an interim study on means to mitigate economic distress caused by dislocation of a community's primary industry. The closure of plants in the timber and metals industries, the impact of drought on grain and livestock production, and the slump in tourism have affected many Montana communities that are dependent on one industry. Purpose of the study would be to formulate policy to avoid economic distress by identifying incentives or disincentives that the Legislature might enact, methods of early recognition of trends that may cause dislocation, methods of lessening hardships through use or modification of existing programs, and alternative methods of aiding existing industries.

SENATE JOINT RESOLUTION 33 -

SJR, sponsored by Senator Regan and others, requests an interim study of the insurance laws and of the insurance industry. During this session 40 bills pertaining to insurance were introduced, and because insurance is a complex and expanding industry, the study is thought necessary to examine the fairness and adequacy of Montana's law, particularly since insurance is a prerequisite for some activities. In addition to examining the protection offered to Montanans, the study will also inquire into the insurance industry's involvement in the political process and in lobbying. Other topics of inquiry will be private self-insurance, commercial insurance, public self-insurance by state and local agencies, compulsory insurance, investments by insurance companies, and the adequacy of reserves.

HOUSE BUSINESS AND INDUSTRY COMMITTEE

Rep. W. J. Fabrega, Chairman, called this meeting to order on April 8, 1981, in Room 129 Capitol Building, Helena, Montana. Representatives Ellerd, Ellison, Harper, Meyer, Vincent were absent. Bills to be heard were HJR 65 and SJR 33. Meeting started at 10:20 a.m.

HOUSE JOINT RESOLUTION 65 -

REP. DAN W. HARRINGTON, House District #88, Silver Bow County, chief sponsor among many sponsors, advised there were other plant closure bills introduced in this session, but they have gone by the wayside. HJR 65 requests an interim study on means to mitigate economic distress caused when a main industry plant closes down in a community. It is very important that we address this particular piece of legislation because it has not been addressed in this Legislature. This would be trying to address problems that have been impacted by the economic setback such as the closure in Anaconda. So far of all the bills introduced only one bill is left in the Senate Finance and Claims committee, waiting for the outcome of that bill concerning this type of problems.

To combat this after it has occurred is not the way to meet this problem. Some type of assistance program could be set up for use in the future. A select committee should be set up. The State of Montana has failed to address this particular problem and he hoped this committee will see fit to pass out this legislation.

STEVE A. DOHERTY, Northern Plains Resource Council, Billings, MT, supports passage of HJR 65 and urged an interim committee study be given the highest priority. See his testimony EXHIBIT A. He urged HJR 65 be amended to allow the suggestion of new and innovative programs, as well as the use or modification of existing programs.

OPPONENTS: None

QUESTIONS -

Rep. Bergene asked if he had some sort of plan in mind to provide some sort of framework where this assistance could start? Rep. Harrington would set up a period of time that an industry had to announce their closure. He doesn't especially favor this. Somewhere along the line an incentive to business, or if a business is going into bankruptcy to get it in line for some type of economic disaster aid. The state could put out immediately through some source economic aid to the community. Set up a system to help the people out of work. HB 850 would have helped these people. Give them unemployment, but they were cut off at a particular time, possibly before their children were out of school. TRA should have been used and the federal government wasn't there - we have to move in and help these people find jobs or move them. All of these things should be addressed and new ideas brought in - disincentives and incentives should be brought in.

Rep. Wallin mentioned Mr. Doherty indicated some other plants are in trouble. Which ones are they? Mr. Doherty - speaking for the future Anaconda in eastern Montana - he has no knowledge of any particular plant. The lifetime of a plant is 30 years and that is normally an accepted fact.

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The question is, are we promoting more situations like what happened in Anaconda? Rep. Wallin asked if he is aware that there are other companies that are in trouble, and who are they? Mr. Doherty mentioned there is to be a mineral development in the Stillwater Sweetgrass complex that could possibly be quite extensive hard rock mineral development. In Butte this has been going on over 100 years, but the question is is it going to be there 5-10 years and what are the communities going to be left with then?

SENATE JOINT RESOLUTION 33 -

SENATOR PAT REGAN, District #31, Yellowstone County, chief sponsor said this SJR requests an interim study of the insurance laws of the State of Montana which would give the total insurance industry an examination. It is not done with any malice. The subject index of the bills introduced in the Legislature shows there were 40-45 bills introduced this session alone dealing with the insurance companies. Sometimes they are interrelated and sometimes not.

She hasn't really examined what we are doing, but it is being done in a piecemeal fashion. Some of the bills passed, she didn't know what was in them. She tried to find out what they were really doing. This resolution attempts to address an examination of our insurance laws in comparison with sister states - what really must be done to have a set of insurance laws that do not have conflicts in them. Some sponsors have great influence and so she had not brought other proponents.

Some of the insurance people themselves were not sure of what they were doing.

OPPONENTS: None

QUESTIONS: None

Senator Regan closed asking for favorable consideration.

EXECUTIVE SESSION -

Rep. Manning moved SJR 33 BE CONCURRED IN. Motion carried unanimously with five members absent.

Rep. Bergene moved HJR 65 DO PASS. Rep. Wallin made a substitute motion that HOUSE JOINT RESOLUTION 65 DO NOT PASS. He said this had been addressed in several other pieces of legislation and he felt this study couldn't accomplish anything more than what has already been considered.

Rep. Bergene said she has worked in hospitals in places that have never made plans for possible disasters, and this worries her a great deal. She feels this hasn't really been addressed - just piecemeal legislation which was well meant, but the real problem hasn't been understood. She represents Great Falls which is an area so typically affected by the closure of a plant. Those people are just strapped.

Rep. Pavlovich had signed the petition to have a special session which didn't materialize, but they were promised something would be done when they came in to this session, but nothing has been accomplished.

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Rep. Wallin didn't see where such things as drought could be studied. Nor did he feel you could go into the Missoula area and come up with a solution to the timber products industry.

After a good deal of discussion, it was brought out that the Anaconda and Great Falls plants were closed because of the productivity clauses in the labor contracts. You don't go to the table and bargain when you know your employees are only working three hours on the job and the other five hours they are lying around. Productivity clauses provide no incentive to management to improve the plant over the years. By requiring productivity clauses, labor was trying to retain more jobs.

It was questioned why management with such low productivity levels would allow this to continue. It would appear the company had no recourse to correct the problem so it just moved on causing problems with the communities that were left behind.

It was suggested that maybe productivity clauses should not be allowed in labor contracts, and this should be put into the law. The ore is still being mined, but it is being smelted in Japan. Those who are well acquainted with these operations know this is the way it was. This study is necessary. Such productivity clauses broke other employers who had large employment contracts.

Rep. Andreason asked what the reasons for having productivity clauses are.

A study is needed so this can be looked at in a cool, collected atmosphere. The labor people did the job so well that they killed their own purpose.

Rep. Wallin withdrew his motion of Do Not Pass HJR 65. Rep. Bergene's motion that HOUSE JOINT RESOLUTION 65 DO PASS was adopted with Rep. Wallin voting No. There were five members absent, but Rep. Meyer left his vote of Yes.

The meeting adjourned at 11:05 a.m.

REP. W. J. FABREGA, CHAIRMAN

Josephine Lahti, Secretary

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TESTIMONY OF THE NORTHERN PLAINS RESOURCE COUNCIL ON HJR 65

HOUSE BUSINESS AND INDUSTRY COMMITTEE

APRIL 8, 1981

NPRC supports the passage of HJR 65 and strongly urges legislators to give this interim study the highest priority. The myriad of economic and social problems that ensue following a closure of the magnitude recently experienced in Anaconda and Great Falls do not lend themselves to snap decisions, although the hardships being felt in those communities are both pressing and urgent. It is high time that our Legislature took a comprehensive look at the problem, recognizing that there are many similar situations which could arise elsewhere in Montana. One notable example is the coal industry in Eastern Montana. The life-time of a strip mine or a coal-fired plant ranges from 30-40 years. Many of us will witness in our lifetimes both the boom and the bust of Eastern Montana coal. Booms and busts are nothing new to Montana's economic scene, but in the wake of ARCO's departure from Anaconda and Great Falls and in the full knowledge that we have more such situations brewing; it would be irresponsible not to be better prepared the next time this happens. It is also important to note that there will still be problems in the communities of Anaconda and Great Falls stemming from the recent closure which the legislature could substantively address in the 1983 session.

As the resolution points to exploring alternatives to closing facilities that could still produce and provide jobs in the community, it is directed at prevention as well as quick and effective reaction.

I would urge that the resolution be amended to allow the suggestion of new and innovative programs, as well as the use or modification of existing programs, should this prove necessary. This would add some flexibility which is important if this difficult challenge is to be met.

I would like to close these comments just by noting that with the coal severance tax trust fund and now the possibility of a hard rock severance tax trust fund, the state should have some financial resources in the future to better respond in the crisis. However, it is not too soon to consider how that financial reserve could best be utilized to cope in a bust situation.

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HOUSE JOINT RESOLUTION NO. *SENATE*
 INTRODUCED BY *Harmon*
 A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA REQUESTING THAT AN APPROPRIATE INTERIM COMMITTEE BE ASSIGNED TO CONDUCT AN INTERIM STUDY OF HOW TO MITIGATE ECONOMIC DISTRESS TO A COMMUNITY CAUSED BY A DISLOCATION OF THE COMMUNITY'S PRIMARY INDUSTRY.

1 recovery occurs, all facets of Montana's economy are
 2 vulnerable; and

3 WHEREAS, the impact of such distress on a community's
 4 primary economic base affects the workers who have lost
 5 their source of livelihood; all businesses in the community
 6 that suffer or are forced to close; the resultant loss of
 7 tax base from industry closure, worker departure, and
 8 business shutdown; school districts and local government
 9 revenues; and bond obligations; and

10 WHEREAS, local economic distress causes a statewide
 11 impact because of increased needs for social services and
 12 unemployment compensation, loss of wage and business income
 13 from income tax collections, and the eventual loss of
 14 Montana citizens to other states in order to seek
 15 employment; and

16 WHEREAS, the policy of this state should not be to
 17 simply react to such economic disasters after they occur but
 18 to recognize and plan for the very real possibility that
 19 exists in every Montana community for such an event, since
 20 there is little hope for large-scale effective assistance
 21 from the federal government; and

22 WHEREAS, a carefully formulated policy designed to
 23 provide quick and effective relief to communities suffering
 24 impairment of a primary industrial resource is a requirement
 25 of the future, and such a policy should be comprised of

1 quick, effective measures to avoid costly after-the-fact
2 programs and measures and should promote a healthy business
3 climate in the state while protecting the needs of workers,
4 small businesses, agricultural producers, and government
5 entities.
6

7 NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE
8 OF REPRESENTATIVES OF THE STATE OF MONTANA:

9 (1) That an appropriate interim committee be assigned
10 to study methods of avoiding economic distress to
11 communities caused by dislocation of a primary industry,
12 specifically addressing:

13 (a) what identifiable incentives or disincentives that
14 are amenable to legislative action affect such industries in
15 the state;

16 (b) methods for timely identification of trends that
17 may cause future dislocations in the various sectors of
18 Montana's economy;

19 (c) specific actions that may be taken by state
20 government, through the use or modification of existing
21 programs, to lessen hardships on workers, small businesses,
22 agricultural producers, and government entities; and

23 (d) alternatives, including novel approaches, that may
24 provide long-term help for the various sectors of the
25 economy by exploring the long-term financial needs of

1 primary industries, new markets for existing products,
2 alternative products for existing industries, and similar
3 ideas.
4 (2) That the committee submit to the 43rd Legislature
5 a report of its findings, together with its recommendations
6 for legislation, if any, necessary to implement such
7 findings.

-End-

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INTRODUCED BY *Senators Lee, Stearns, Blaylock* *Senate Joint Resolution No. 33*
A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA REQUESTING AN INTERIM STUDY OF THE INSURANCE LAWS OF THE STATE OF MONTANA AND OF THE INSURANCE INDUSTRY AS IT RELATES TO MONTANA AND REQUIRING A REPORT OF THE FINDINGS OF THE STUDY TO THE 48TH LEGISLATURE.

WHEREAS, over 40 bills have been introduced in the 47th Legislature pertaining to insurance; and

WHEREAS, the area of insurance law is complex and cannot be adequately considered by the Legislature during the time constraints of a legislative session; and

WHEREAS, insurance is an expanding industry touching the lives of all Montanans; and

WHEREAS, certain types of insurance are compulsory for engaging in designated activities; and

WHEREAS, the fairness and adequacy of Montana's regulation of the insurance industry need to be considered.

NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

That an appropriate interim committee be assigned to

1 study the insurance laws of the State of Montana and of the
2 insurance industry as it relates to Montana. The study shall
3 consider all aspects of insurance, including but not limited
4 to:

5 (1) the fairness and effectiveness of insurance rate
6 policies and practices;

7 (2) the fairness to the consumer and the insured of
8 Montana's existing insurance laws and regulations;

9 (3) the adequacy of Montana's existing laws and
10 regulations to govern the activity of the insurance industry
11 within the state;

12 (4) the extent, scope, and identity of the insurance
13 industry's involvement in Montana's political process and in
14 the lobbies, both before the legislative and administrative
15 branches of government;

16 (5) the alternatives, benefits, and liabilities of:

17 (a) private self-insurance;

18 (b) commercial insurance; and

19 (c) public self-insurance, including state and local
20 governmental entities;

21 (6) the cost, fairness, and effectiveness of
22 compulsory insurance laws;

23 (7) the investments by insurance companies in Montana;
24 and

25 (8) the adequacy of Montana's reserve requirements

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1 with regard to the protection of the consumer insured.
2 BE IT FURTHER RESOLVED, that the committee report the
3 findings of the study to the 48th Legislature and, if
4 necessary, draft legislation to implement its
5 recommendations.

-End-