

MINUTES OF MEETING
BUSINESS AND INDUSTRY COMMITTEE
MONTANA STATE SENATE

January 30, 1981

The meeting was called to order by Chairman Hazelbaker at 10:06 A.M. in Room 404 of the Capitol.

ROLL CALL: All members of the committee were present with Senator Dover arriving at 10:30. Senator Lee was called out immediately after roll call and returned at 10:45.

CONSIDERATION OF SENATE BILL 179. Chairman Hazelbaker called on Senator Fred Van Valkenburg, sponsor of SB 179, to explain the bill to the committee. This bill, if enacted, would allow public funds to be invested in state chartered credit unions. The bill does not mandate the investment of public funds but simply allows credit unions to bid for public funds on the same basis as other banking institutions. The senator believes passage of this bill would be in the best interest of the public. Credit unions would be subjected to the same interest, security, and reporting requirements as other depositories of government funds. Interest and sinking fund money would be allowed to be invested in savings and loan associations and credit unions which carry deposit insurance. Conservancy districts would also be allowed to make deposits in savings and loan associations and credit unions which carry deposit insurance.

PROPONENTS OF SENATE BILL 179. Mr. Jeffry Kirkland, Director of Governmental Relations of the Montana Credit Unions League, spoke in favor of the bill. He said that SB 179 would broaden the investment potential for various public unit funds, not only of the state but also of its agencies and political subdivisions. He explained the two-step procedure and the proposed amendment which would provide state chartered credit unions parity of treatment--both with federal credit unions and with banks, building and loans, and savings and loans. (Attachments #1 and #2.) Mr. Kirkland stated that thirteen other states have enacted similar legislation.

Mr. Larry Huss, representing the Montana Savings and Loan League, spoke in favor of the bill. He said the bill, in addition to expanding the power of the state chartered credit unions, would also allow the investment of public funds in savings and loan associations. In each instance, the state chartered credit unions and the savings and loan associations are brought under the same powers and restrictions.

OPPONENTS TO SENATE BILL 179. Mr. John Cadby, representing Montana Bankers Association, spoke in opposition to the bill. He stated that there are considerable differences between banks and credit unions. Congress has allowed credit unions considerable freedom because they are restricted by a common bond of association of employment or the like.

Mr. Cadby stated that credit unions do not have to set aside sterile reserves because they are self governed and self regulated. This practice is quite a cost factor in a banking institution. Credit unions don't have to subject themselves to stiff compliance examination--also a costly practice for banking institutions. There are numerous laws and regulations with which banks must comply. He stated that because of the common bond association, credit unions do not have to pay many taxes. Most of the credit unions don't pay property taxes because office space is furnished them. They don't pay corporation income taxes. Mr. Cadby said that credit unions are growing four times faster than banks and he believes they are competing on an unfair and unequal basis. He feels that if they don't contribute taxes to public funds, there is no justification for them to be depositories for such funds.

There was a question and answer session.

Mr. Kirkland stated in his rebuttal that both state and federal credit unions are required to keep statutory reserves and are regulated. He also said that one of the reasons for the proposed legislation is that outlying areas, local entities such as county commissioners, local school boards and municipalities are constantly approaching credit unions and asking if they can put funds into credit unions, as well as banks and savings and loan associations.

Senator Van Valkenburg closed the discussion by saying that he would urge the committee to vote in the best interest of the public and not in the best interest of the banks.

CONSIDERATION OF SENATE BILL 211. Greg Petesch, legislative researcher, presented amendments to SB 211 which would clarify the usury question. (Attachment #3.)

ACTION TAKEN ON AMENDMENTS TO SENATE BILL 211. Senator Regan made a motion that the amendments as presented to SB 211 be adopted. Senator Dover seconded; the motion carried unanimously.

ACTION TAKEN ON SENATE BILL 211. Senator Kolstad moved that SB 211, as amended, do pass. Senator Dover seconded; the motion carried with all members voting yes except Senator Goodover, who voted no.

CONSIDERATION OF SENATE BILL 49. Amendments were submitted by Blue Shield which, if adopted by the committee, would withdraw their opposition to the bill. Since the bill does not apply to individual contracts and only to group policyholders, it is no longer objectionable to them. Senator Kolstad disliked the bill because it affords considerable group benefits which are not available to private individuals. Senator Hazelbaker said that costs to individuals for the benefits would be cost prohibitive.

ACTION TAKEN ON SB 49. Senator Kolstad moved that the amendments be given to Greg Petesch, legislative researcher, that he study them and bring them back to the committee for reconsideration. Senator Dover seconded; the motion carried unanimously. (Attachment 4.)

ACTION TAKEN ON SENATE BILL 179. Senator Regan moved that amendments to SB 179 be adopted; the motion carried. (Attachment #5.)

Senator Regan moved that the bill, as amended, do pass. A roll call vote was taken and the motion passed with four voting yes and three voting no.

A committee bill was considered to clarify the authority of a rural electric or telephone cooperative to establish in its bylaws an amount of compensation to be paid to its directors while engaged in official business of the cooperative.

After considerable discussion regarding possible abuse of power it was decided that Mr. Riley Childers, Executive Secretary of the Montana Council of Cooperatives, would appear at the committee's next meeting and explain the purpose and need for this legislation.

The meeting officially adjourned at 10:50 a.m.

An informal discussion followed adjournment in which it was agreed that legislative researcher, Greg Petesch, would set up a meeting between himself, Montana Power representatives, other utility representatives, and the Public Service Commission and the Montana Consumer Counsel for the purpose of possibly negotiating the points under consideration in Senate Bill 147.



SENATOR FRANK M. HAZELBAKER, CHAIRMAN

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ROLL CALL

BUSINESS and INDUSTRY COMMITTEE

47th LEGISLATIVE SESSION -- 1981

Date 1-30-81

Each day attach to minutes.

SENATE BILL 179
TESTIMONY OF JEFFRY M. KIRKLAND
DIRECTOR OF GOVERNMENTAL RELATIONS
MONTANA CREDIT UNIONS LEAGUE
BEFORE THE SENATE BUSINESS & INDUSTRY COMMITTEE
ON FRIDAY, 30 JANUARY, 1981

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, FOR THE RECORD I AM JEFF KIRKLAND, DIRECTOR OF GOVERNMENTAL AND COMMUNITY RELATIONS FOR THE MONTANA CREDIT UNIONS LEAGUE. OUR LEAGUE REPRESENTS 133 MONTANA CREDIT UNIONS, 108 OF WHICH ARE FEDERALLY-CHARTERED AND 25 OF WHICH ARE STATE-CHARTERED. ON THEIR BEHALF I THANK YOU FOR THE OPPORTUNITY TO TESTIFY IN SUPPORT OF SENATE BILL 179.

SENATE BILL 179, QUITE SIMPLY, WOULD BROADEN THE INVESTMENT POTENTIAL FOR VARIOUS PUBLIC UNIT FUNDS, NOT ONLY OF THE STATE BUT ALSO OF ITS AGENCIES AND POLITICAL SUBDIVISIONS.

THIS WOULD BE ACCOMPLISHED IN TWO STEPS: FIRST, BY ALLOWING CREDIT UNIONS THE AUTHORITY TO SERVE AS DEPOSITORYES FOR THE VARIOUS PUBLIC UNIT FUNDS ON THE VERY SAME COMPETITIVE BID OR RATABLE DISTRIBUTION BASIS AS IS CURRENTLY ENJOYED BY COMMERCIAL BANKS, BUILDING AND LOAN ASSOCIATIONS, AND SAVINGS AND LOAN ASSOCIATIONS; AND SECOND, BY INCLUDING CREDIT UNIONS IN THE LIST OF PERMISSIBLE INVESTMENT VEHICLES FOR PUBLIC UNIT FUNDS.

THEREFORE, THERE ARE TWO DISTINCT PARTS TO SENATE BILL 179. THE FIRST PART WOULD AMEND CURRENT MONTANA CREDIT UNION LAW (PAGE 3, LINES 23-25) TO PROVIDE MONTANA'S 26 STATE-CHARTERED CREDIT UNIONS

THE AUTHORITY TO ACCEPT PUBLIC UNIT FUNDS DEPOSITS FROM THE FEDERAL GOVERNMENT AND THE STATE OF MONTANA AND ANY OF ITS AGENCIES AND POLITICAL SUBDIVISIONS.

THAT AMENDMENT WOULD PROVIDE THOSE STATE-CHARTERED CREDIT UNIONS SUBSTANTIALLY THE SAME AUTHORITY TO ACCEPT PUBLIC UNIT FUNDS AS IS CURRENTLY AVAILABLE TO MONTANA'S 110 FEDERAL CREDIT UNIONS UNDER FEDERAL LAW [SECTION 701.32(A)(2), NATIONAL CREDIT UNION ADMINISTRATION RULES AND REGULATIONS] AND TO ALL OF MONTANA'S BANKS AND S&Ls. IN ESSENCE, THE AMENDMENT WOULD PROVIDE OUR 25 STATE-CHARTERED CREDIT UNIONS PARITY OF TREATMENT--BOTH WITH FEDERAL CREDIT UNIONS AND WITH BANKS, BUILDING AND LOANS, AND SAVINGS AND LOANS.

THE SECOND PART OF SENATE BILL 179 CONSISTS OF AMENDMENTS TO THE VARIOUS STATUTES CONTROLLING THE INVESTMENT OF PUBLIC UNIT FUNDS TO INCLUDE CREDIT UNIONS AS PERMISSIBLE INVESTMENT VEHICLES ALONG WITH THE OTHER TYPES OF FINANCIAL INSTITUTIONS. EACH OF THE AMENDMENTS YOU SEE BEFORE YOU SIMPLY ADDS CREDIT UNIONS WHENEVER THERE IS A REFERENCE TO THE OTHER TYPES OF FINANCIAL INSTITUTIONS AS PERMISSIBLE INVESTMENT VEHICLES FOR PUBLIC UNIT FUNDS.

THE AMENDMENTS MAKE IT POSSIBLE FOR THOSE RESPONSIBLE FOR THE INVESTMENT OF PUBLIC UNIT FUNDS TO BE ABLE TO LEGALLY INVEST THEM IN CREDIT UNIONS ON THE SAME BASIS AS THEY CAN CURRENTLY INVEST THEM IN BANKS AND S&Ls.

CREDIT UNIONS, SHOULD THEY WISH TO BID FOR PUBLIC UNIT FUNDS, WOULD FOLLOW THE SAME SET OF STATUTORY GUIDELINES AS FOLLOWED BY THE OTHER FINANCIAL INSTITUTIONS.

THE STATUTES CONTROLLING THE INVESTMENT OF PUBLIC UNIT FUNDS MANDATE THAT THE INVESTMENT BE SAFE. AND JUST AS WITH BANKS AND

S&Ls AND THE INSURING OF THEIR ACCOUNTS UP TO \$100,000, PUBLIC UNIT FUNDS INVESTED IN EITHER FEDERAL CREDIT UNIONS OR FEDERALLY-INSURED STATE-CHARTERED CREDIT UNIONS ARE INSURED UP TO \$100,000 BY THE NATIONAL CREDIT UNION SHARE INSURANCE FUND (SECTION 745.10, NCUA RULES AND REGULATIONS).

IN ADDITION, AS PROVIDED FOR BY THE VARIOUS STATUTES, PUBLIC UNIT FUNDS IN EXCESS OF \$100,000 INVESTED IN ANY FINANCIAL INSTITUTION MUST BE AT LEAST 50% COLLATERALIZED BY THE PLEDGE OF SPECIFIC TYPES OF SECURITIES HELD BY THE FINANCIAL INSTITUTIONS IN THEIR INVESTMENT PORTFOLIOS.

IN SUMMARY, SENATE BILL 179 WOULD GRANT STATE-CHARTERED CREDIT UNIONS PARITY OF TREATMENT WITH FEDERAL CREDIT UNIONS BY ALLOWING THEM TO ACCEPT PUBLIC UNIT FUNDS DEPOSITS. IT WOULD ALSO GRANT BOTH FEDERAL AND STATE CREDIT UNIONS PARITY OF TREATMENT WITH OTHER TYPES OF FINANCIAL INSTITUTIONS BY ALLOWING THEM TO BE INCLUDED AS PERMISSIBLE INVESTMENT VEHICLES FOR PUBLIC UNIT FUNDS.

SENATE BILL 179 WOULD SERVE TO BROADEN THE INVESTMENT POTENTIAL FOR THE VARIOUS PUBLIC UNIT FUNDS, ESPECIALLY IN THE OUTLYING AREAS OF THE STATE, AND IN SOME CASES MIGHT SERVE TO GIVE PUBLIC UNITS A BETTER RETURN ON THEIR MONEY SIMPLY BECAUSE OF INCREASED BIDDING COMPETITION.

FOR THESE REASONS, WE URGE THAT THIS COMMITTEE RECOMMEND THAT SENATE BILL 179 DO PASS. THANK YOU.

Almond Section 9, Page 11, Line 9

Following is "corporation"

Insert: the federal savings and loan insurance
corporation or the national credit union association

Proposed Amendment to SB 211

1. Page 1, line 9.

Following: "policyholder."

Strike: "An"

Insert: "Notwithstanding any other provision of law, an"

2. Page 1, line 14.

Following: "requirements"

Strike: "unless otherwise authorized by law"

Amendment to SB 49:

1. Page 2, line 4.

Following: "under"

Insert: "group"

2. Page 2, line 5.

Following: "under:"

Insert: "group"

3. Page 2, line 6.

Following: "Contracts,"

Strike: "the level of"

Following: "benefit:"

Strike: "specified in [Section 3]"

4. Page 2, line 7.

Following: "Cases:"

Strike: "subject to the rights of the applicant"

Insert: "applicants"

5. Page 2, line 8.

Following: "group"

Strike: "or individual"

Following: "Contract"

Strike: "to reject the coverage or to select"

Insert: "may select"

6. Page 2, line 9.

Following: "any"

Strike: "alternative."

7. Page 2, line 11.

Strike: section 3 in its entirety

8. Page 2, line 24.

Following: "blanket,"

Insert: "short term travel, accident only, limited or specified disease."

9. Page 2, line 25.

Following: "Contracts"

Strike: ".."

Insert: ", or to policies or contracts designed for coverage under Title XVIII of the Social Security Act, known as Medicare, or any other similar coverage under federal governmental plans."

Proposed Amendments to SB 179

1. Page 1, line 9.

Following: "corporation"

Insert: ", federal savings and loan insurance corporation, or
national credit union administration"

2. Page 23, line 14.

Following: "building"

Strike: "or"

Insert: "and"

NAME: _____ DATE: _____

ADDRESS: _____

PHONE: _____

REPRESENTING WHOM? _____

APPEARING ON WHICH PROPOSAL: _____

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

COMMENTS: _____

NAME: Silvia Huss DATE: 1-30-81

ADDRESS: BX 5141 HECKNA

PHONE: 442-8070

REPRESENTING WHOM? Montana Service & Loan League

APPEARING ON WHICH PROPOSAL: 58-179

DO YOU: SUPPORT? AMEND? OPPOSE?

COMMENTS: _____

NAME: John C. Kirby DATE: 1-30-81

ADDRESS: ACADE BLDG # 44

PHONE: 4143-4121

REPRESENTING WHOM? WIT BANKS PLLC

APPEARING ON WHICH PROPOSAL: SB 179

DO YOU: SUPPORT? _____ AMEND? _____ OPPOSE?

COMMENTS: _____

DATE 1-16-1981

COMMITTEE ON

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check	One
			Support	Opp
Jinda M. Bachini	Montana Credit Union League	179	✓	
Montana Credit Union League		179	✓	
Montana Credit Union League	MT Credit Union League	179	✓	
Montana Credit Union League	MT Credit Union League	179	✓	

STANDING COMMITTEE REPORT

JANUARY 30 19 81

MR. PRESIDENT

We, your committee on BUSINESS AND INDUSTRY

having had under consideration SENATE Bill No. 211

Respectfully report as follows: That SENATE Bill No. 211

be amended as follows:

1. Page 1, line 9.

Following: "policyholder."

Strike: "An"

Insert: "Notwithstanding any other provision of law, an"

2. Page 1, line 14.

Following: "requirements"

Strike: "unless otherwise authorized by law"

And, as so amended,

DO PASS

STANDING COMMITTEE REPORT

JANUARY 22

1931

MR. PRESIDENT

We, your committee on BUSINESS AND INDUSTRY

having had under consideration SENATE 179 Bill No.

Respectfully report as follows: That SENATE 179 Bill No.

be amended as follows:

1. Page 11, line 9.

Following: "corporation"

Insert: ", federal savings and loan insurance corporation, or
national credit union administration"

2. Page 23, line 14.

Following: "building"

Strike: "or"

Insert: "and"

And, as so amended,

DO PASS

SENATE COMMITTEE BUSINESS AND INDUSTRY

Date 1-30-81 SB Bill No. 179 Time 10:45

Secretary

Chairman

Motion: That Senate Bill 179, as amended, do pass.

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