

MINUTES OF THE MEETING
FINANCE AND CLAIMS COMMITTEE
MONTANA STATE SENATE

February 6, 1981

The 6th meeting of the Senate Finance and Claims Committee was held in room 108 of the State Capitol Building on the above date. Roll call was taken (attached) and the meeting was called to order at 11:08 a.m. by Senator Himsl, Chairman.

CONSIDERATION OF SENATE BILL 234: Senator Hafferman, sponsor of the bill said this is a bill to allow the state to establish a 40 hour work week with 10 hour days. He said that this bill would expand the definition of a 40 hour work week to include 4 consecutive 10 hour days and enable state agencies to use this when both employer and employee agreed. He pointed out that offices could then be open 6 days a week, but could also be available to people who can not get into an office between 8 and 5 on a 5 day a week schedule. Los Angeles used this to help with traffic problems and to aid in the pollution problem.

Tom Schneider, MPEA executive director said the law was necessary to stay within the law and still allow flex time. He passed out sheets, included as exhibits 1 and 2, attached. He said the attorney general had interpreted this to mean it should be refused and they think it is illegal. He said he does not feel it is a bill that would cost more money, it should be a cost savings bill.

Glen Drake. MPEA and speaking for the bill said the owner and operator of nursing homes found that working 3 12 hour shifts and paid on the basis of a 40 hour pay worked out well, and had cut their costs by a considerable degree.

LeRoy H. Schramm, Chief of the Labor Relations Bureau, Department of Administration said they have no problem with the bill in principle. It merely validates the Attorney General's opinion. Giving the unions a role does not expand on their roll and will not initiate anything new. He said he would like to see a couple of things changed. Line 8, page 2 the use of the words 4 consecutive 10 hour days, and would tighten up the A.G. opinion. He felt the dropping of the word consecutive would not be a bad idea. The intent is to only initiate the 10 hour days if agreeable. Such a schedule "the approval of the employee" lines 8 and 9 and 10, This makes the approval up to the employee and I think that should be dropped. It should be a mutual agreement. Third, the last items are not required. If the issue is for the approval of both, why then give them an additional option? --especially in "any one work day" You are then allowing each employee to opt out if they would want to and it could be chaotic. I think it could cause some confusion--if it is a mutual agreement, you are not going to foist it upon the employee anyway.

There were no further proponents and no opponents, and the meeting was opened to questions from the committee.

Senator Aklestad: I agree with them that the county commissioners and the bridge foremen have it working out well there. In the state government would they work 4 days a week and then close up for the remainder or what? Ans, Schneider: The way it would work normally they would work shifts and they could work 4 10 hour days and others could work other days of the week. This would work well in such a place as job service.-- some would work 8 hours and some 10 Monday through Thursday and some would work 8 and some 10 Tuesday through Friday. The office would still be open, but from 7 to 6 or whatever the management determination is.

Senator Aklestad: Aren't we going to walk into the office and the fellow with the expertise is going to be off for the day? Schneider: Today if you don't get there before 5 you can't see them at all. At the U of M the computer work was done on 3 12 hour shifts and one 4 and it worked out well. They did this until the constitution said no, then they went back to the 8 hour day and it cost more.

Senator Aklestad: But at the U of M they did not have a lot of people going through it. I don't see how it is going to work.

Senator Smith: Part of my question was answered, but if part of the government worked 4 days at 10 hours and others worked 8 5's wouldn't this raise havoc in the government? Schneider: This bill would not have state government working 4 days. It would extend their allowance on use of hours, and would only be used where compatible.

Senator Smith: On page 1, line 9 it states allowing the "methods of administering such a schedule to be a negotiable item in a collective bargaining agreement" If they negotiate it and one branch agrees and one doesn't it could be a real problem. Schneider: Each department does not negotiate separately. They all negotiate together. They would still have to be based on a 40 hour week but could extend from 8 to 10 hours per day.

Senator Hims1: Mr. Schramm, isn't it true that once included, then it would be removed as a prerogative for management? It would then become a negotiable item and if your department made the agreement it would remove the the prerogative of the management? Ans: Yes, for the term of the agreement.

Senator Van Valkenburg: On page 2, lines 23 and 24--is it the intent that an individual employee be the one who could opt out and say "I'm not going to work 10 hours today, I'm only going to work 8"? Schneider: Any department on their own could negotiate a 4-10 hour week.

Senator Van Valkenburg: If we leave those last 3 lines in

there could be a real problem couldn't there? Schneider: This has never came up in the counties, but maybe there is. I don't know, we copied this after the one used in the counties and it has never come up there.

Senator Nelson: Is the feeling in this the same as the one we passed in '70? Schneider: Yes. It worked so well in the bridge department of the counties that we copied this bill after it.

Senator Dover: This is more for information. They have used this and come Friday you have no problem? Schneider: State government is not covered by the fair standards act. Right now our interpretation is that you cannot work over 8 hours without overtime.

Senator Dover: This bill would let you work 10 hours without paying overtime? Ans: yes.

Senator Hafferman: Another thing it does is to help with the confusion at 12 noon and 5 o'clock. If we could just alleviate that in the state we have accomplished something.

Senator Hims1 declared the hearing closed.

CONSIDERATION OF SENATE BILL 330: Since Senator Hims1 was the chief sponsor of this bill, Senator Etchart, vice Chairman of the committee took over. Senator Hims1 then explained this bill. Testimony attached. He stressed that this would be a no risk return that would bring the state in about \$500,000 and we would still own the securities, they were merely loaned at their value or more.

Proponents included Morris Brusset, Director of the Department of Administration who said he approved of the bill. He said that the risk factor has been thoroughly checked and there is no risk to the state of Montana. There would be some cost, it will take one or two accountants to track the investments-- probably 2 positions but it would be a minimal cost compared to the money we can make.

Jim Howeth, investment officer, Board of Investments, did not give testimony, but was a proponent of the bill and was available for questions.

Senator Dover: What is the rate of return? Howeth: The only way we can tell is when they borrow securities they are going to make a higher rate and pay us a flat fee. It depends on how much of your securities are loaned out during the year.

Senator Dover: What is the fee? Howeth: The cover fees are less than the corporation borrows our stock for. Where we got the 4 or 500,000 dollars--they know how much we have now and they ran a security run through the computer and that estimate that we can earn is what came out.

How much of that \$ 1 billion would be loaned out? Howeth: They have estimated that no more than 20 or 30 million dollars would be out on loan at any one time.

Senator Thomas: You receive the dividends? Ans. We do.
Senator Thomas: Do we actually keep the ownership of these stocks? Howeth: Yes. We are always the legal owner of the securities.

Senator Thomas: Why? The book dealer is just using them as trading material? Howeth: Usually a loan if only for 5 or 6 days.

Senator Aklestad: Senator Himsl said the funds would be collatorized with either bonds or cash. Himsl: The securities that have been borrowed. That value would be stocks, bonds or cash, and that total value will cover the total value they borrow. They keep a run on this so if there is a change in value there will be a call to Lynch for more. They have to keep it fully collatorized, it is almost a minute by minute transaction.

Senator Smith: If the nations economy is in the condition that is reported in the press, could this be a greater risk than now? Himsl: No. Not more than now. As you know we have money invested now and some of it will go down on those.

Senator Haffey: Would you explain please how a share of stock works, using a share of stock, what happens to that share of stock and what happens to Montana's security by selling short. Maybe use a share of general motors stock and follow it. Senator Himsl: All right, I have a share of General Motors stock selling at 45. I see for the first time in 40 years G.M. has lost money for the first time in history and are in the red. The import market is up, etc. and it seems to me that G. M. is going to drop. I call up and say I want to sell 100 shares at 45. I don't have that much money. I'm selling short. I expect next month to go in and cover it for \$40. So I go down and order it sold. They tell me they have securities and I borrow from them and they charge for it. The margin is about 50%. I have to put up the money. If it goes up they will call me and I have to put up more money to cover the loan. If I don't put it in they sell. I borrow the stock from Lynch or whatever. We are talking about big operations. We are talking about bond deals, banks, universities, etc. They may come in and feel the bond market is poor and there are people selling short. They go in and ask for a big chunk of securities. They come over and borrow from one of the trust companies and say do you have this kind of money. They say , yes, we have some Montana securities that we can loan, you give us money equivalent to that and we will loan it to you, and whatever profit they make they share with the state. That money is allocated to the fund that has the securities invested here.

Senator Haffey: Back to the one share of stock. I'm still not clear. On the share of stock I sold--Maybe I didn't have it. I go back to Lynch and say I need this share of stock, but they didn't have it and then go to Hanover and say we need a share of General Motors. They say we can lend you a share. They lend it to Lynch. What does Lynch do with it? Do they give it to me or what? Himsl: They want it. You didn't have possession of it. You don't get possession. The title doesn't transfer until it is closed out. Howeth: If you sell something short somebody else buys it outright. The securities that are borrowed are loaned out to whoever -- depending on whether you were on the buy side or the selling side. The securities are actually delivered to someone who borrowed. If you didn't have them they will be delivered to the buyer. When (Lynch) gets a chance they get it back and put it in to the Montana buyer who backed us. Eventually you have to buy it back to close out your position. Sometimes you have to go to the open market and buy them back to replenish them to pay back what you were loaned.

Senator Akelstad: What type of securities do we have that are in there now? Himsl: Stocks, treasury bills, common stocks, corporate bonds and municipal bonds.

Senator Aklestad: How? Howeth: Surplus funds, etc.

Dover: We are making money now? If we do this we are making more? Howeth: This is in addition to what you are making now.

Senator Aklestad: Who are we getting the interest from now? Howeth: From the individual issuer of the security. If it were General motors we would get it from general motors.

Senator Aklestad: Do we have stock in general motors now? Howeth: We own Montana mortgages in the retirement funds, Montana certificates of deposits, a lot of marketable securities we accumulated under the statutes that allowed us to buy these marketable securities.

Senator Van Valkenburg: Are there a lot of other state governments in the business of lending money this way? Howeth: Oregon, Minnesota, Utah and Connecticut. We are just realizing some money from the assets we have.

Senator Thomas: Everything is covered by the bond dealers on Lynch and they just need the stock to cover the short position. If the price of the stock increases the state can go back and ask for more money to cover it. Ans. Yes.

Senator Aklestad: I want to make sure. That money is available for people in Montana? The bank will lend it out to people in Montana? Is this money going into an area where people in Montana can have the use of it? Howeth: I would say not. We cannot put that kind of money into mortgages, etc.

Senator Himsl closed by saying the old money market is not --

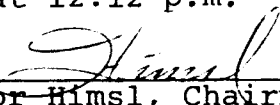
Minutes of Finance and Claims

February 6, 1981

Page six

when you buy a C. D. that does not mean that it is going to go out to some farmer to buy a tractor or something. The bank will put it out to earn the most money. It may go out to Washington or New York, but wherever it earns the most money, the investments are then made. If someone wants to borrow it for awhile it is a way to pick up some more money for Montana.

Senator Etchart announced the hearing closed and turned the meeting back to Chairman Himsl, who said he would prefer to give some more of the committee present to take action on the bills and the meeting was adjourned at 12:12 p.m.



Senator Himsl, Chairman

ROLL CALL

FINANCE AND CLAIMS COMMITTEE

47th LEGISLATIVE SESSION - - 1981

Date

2/6/81

NAME	PRESENT	ABSENT	EXCUSED
Senator Etchart	✓		
Senator Story		✓	
Senator Aklestad	✓		
Senator Nelson	✓		
Senator Smith	✓		
Senator Dover	✓		
Senator Johnson		✓	
Senator Keating		✓	
Senator Boylan		✓	
Senator Regan		✓	
Senator Thomas	✓		
Senator Stimatz		✓	
Senator Van Valkenburg	✓		
Senator Haffey	✓		
Senator Jacobson	✓		
Senator Himsl	✓		

VISITORS' REGISTER

Senat
HOUSE

COMMITTEE

SB330

Date *2/6/81*

NAME	RESIDENCE	REPRESENTING	SUPPORT OPPOSE
<i>Loweth</i>		<i>STATE BOARD OF INVESTMENTS</i>	<input checked="" type="checkbox"/>
<i>Shuler</i>	<i>Helena</i>	<i>MPEA</i>	<i>SB 234</i> <input checked="" type="checkbox"/>
<i>On State</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<i>musbent</i>	<i>Helena</i>	<i>MPEA</i>	<input checked="" type="checkbox"/>

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.
PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Other local government units have powers provided by law. The powers of incorporated cities and towns and counties shall be lib. construed.

Section 5. Self-government charters. (1) The legislature shall pro- cedures permitting a local government unit or combination of units me, adopt, amend, revise, or abandon a self-government charter with approval of a majority of those voting on the question. The procedures not require approval of a charter by a legislative body.

If the legislature does not provide such procedures by July 1, 1975, may be established by election either:

Initiated by petition in the local government unit or combination of or Called by the governing body of the local government unit or combi- n of units.

Charter provisions establishing executive, legislative, and administra- ture and organization are superior to statutory provisions.

Section 6. Self-government powers. A local government unit adopt- self-government charter may exercise any power not prohibited by this tution, law, or charter. This grant of self-government powers may be- ded to other local government units through optional forms of govern- provided for in section 3.

Section 7. Intergovernmental cooperation. (1) Unless prohibited w or charter, a local government unit may

cooperate in the exercise of any function, power, or responsibility share the services of any officer or facilities with, transfer or delegate any function, power, responsibility, or duty of any r to one or more other local government units, school districts, the or the United States.

The qualified electors of a local government unit may, by initiative or ndum, require it to do so.

Section 8. Initiative and referendum. The legislature shall extend initiative and referendum powers reserved to the people by the constitu- o the qualified electors of each local government unit.

Section 9. Voter review of local government. (1) The legislature within four years of the ratification of this constitution, provide proce- requiring each local government unit or combination of units to review cture and submit one alternative form of government to the qualified rs at the next general or special election.

The legislature shall require an election in each local government to nine whether a local government will undertake a review procedure y very ten years after the first election. Approval by a majority of those ; in the decennial general election on the question of undertaking a government review is necessary to mandate the election of a local gov-

during any regularly scheduled election in local governments mandating their election.

Compiler's Comments
Amendment proposed by Ch. 70, L. 1977, further provided: "Implementation. If not already implemented, the legislature shall implement this amendment with appropriate legislation in 1979, in order that the electors of each local government may indicate their preference 'For' or 'Against' the establishment of a study commission in 1984."

The amendment changed subsection (2) to provide for optional local government review, rather than mandatory review.

ARTICLE XII

DEPARTMENTS AND INSTITUTIONS

Section

1. Agriculture.
2. Labor.
3. Institutions and assistance.

Section 1. Agriculture. (1) The legislature shall provide for a Department of Agriculture and enact laws and provide appropriations to pro- tect, enhance, and develop all agriculture.

(2) Special levies may be made on livestock and on agricultural commodi- ties for disease control and indemnification, predator control, and livestock and commodity inspection, protection, research, and promotion. Revenue derived shall be used solely for the purposes of the levies.

Section 2. Labor. (1) The legislature shall provide for a Department of Labor and Industry, headed by a Commissioner appointed by the governor and confirmed by the senate.

(2) A maximum period of 8 hours is a regular day's work in all industries and employment except agriculture and stock raising. The legislature may change this maximum period to promote the general welfare.

Section 3. Institutions and assistance. (1) The state shall estab- lish and support institutions and facilities as the public good may require, including homes which may be necessary and desirable for the care of vet- erans.

(2) Persons committed to any such institutions shall retain all rights except those necessarily suspended as a condition of commitment. Suspended rights are restored upon termination of the state's responsibility.

(3) The legislature shall provide such economic assistance and social and rehabilitative services as may be necessary for those inhabitants who, by reason of age, infirmities, or misfortune may have need for the aid of society.

ARTICLE XIII

GENERAL PROVISIONS

Section

1. Non-municipal corporations.

History: (1) En. Sec. 1, Ch. 116, L. 1929; re-en. Sec. 3079, R.C.M. 1935; Sec. 41-1115, R.C.M. 1947; (2) En. Sec. 2, Ch. 8, Ex. L. 1933; re-en. Sec. 3073.3, R.C.M. 1935; Sec. 41-1115, R.C.M. 1947; (3) En. Sec. 2, Ch. 8, Ex. L. 1933; re-en. Sec. 3073.2, R.C.M. 1935; Sec. 41-1114, R.C.M. 1947; R.C.M. 1947, 41-1113, 41-1114, 41-1115.

39-4-106. Telephone operators. (1) On all lines of public telephones operated in whole or in part within this state, it shall hereafter be unlawful for any owner, lessee, company, or corporation to hire or employ any operator or operators, other person or persons to run or operate a telephone board or boards for more than 9 hours in 24 hours in cities or towns having a population of 3,000 inhabitants or over.

(2) The provisions of this section shall not apply to any person or persons, operator or operators operating any telephone board or boards more than 9 hours in each 24 for the purpose of relieving another employee in case of sickness or other unforeseen cause or causes.

(3) Any owner, lessee, company, or corporation who shall violate any of the provisions of this section shall upon conviction be punished by a fine of not less than \$100 or more than \$500. Each and every day that such owner, lessee, company, or corporation may continue to violate any of the provisions of this section shall be considered a separate and distinct offense and shall be punished as such.

History: (1), (2) En. Sec. 1, Ch. 75, L. 1909; re-en. Sec. 3074, R.C.M. 1921; re-en. Sec. 3074, R.C.M. 1935; Sec. 41-1116, R.C.M. 1947; (3) En. Sec. 2, Ch. 75, L. 1909; re-en. Sec. 3075, R.C.M. 1921; re-en. Sec. 3075, R.C.M. 1935; Sec. 41-1117, R.C.M. 1947; R.C.M. 1947, 41-1116, 41-1117.

39-4-107. State and municipal governments, school districts, mines, mills, and smelters. (1) A period of 8 hours constitutes a day's work in all works and undertakings carried on or aided by any municipal or county government, the state government, or a first-class school district, and on all contracts let by them, and for all janitors (except in courthouses of sixth- and seventh-class counties), engineers, firefighters, caretakers, custodians, and laborers employed in or about any buildings, works, or grounds used or occupied for any purpose by such municipal, county, or state government or first-class school district. A period of 8 hours constitutes a day's work in mills and smelters for the treatment of ores, in underground mines, and in the washing, reducing, and treatment of coal. In cases of emergency when life or property is in imminent danger this subsection does not apply.

(2) For firefighters in cities of the first and second class, a workweek consists of a maximum of 40 hours during a 5-day week.

(3) In counties where regular road and bridge departments are maintained, the county commissioners may, with the approval of the employees or their duly constituted representative, establish a 40-hour workweek consisting of 4 consecutive 10-hour days. No employee may be required to work in excess of 8 hours in any one workday if he prefers not to.

(4) Every person, corporation, stock company, or association of persons who violates any of the provisions of this section is guilty of a misdemeanor and upon conviction thereof shall be punished by a fine of not less than \$100

History: (1) En. Sec. 1, Ch. 116, L. 1929; re-en. Sec. 3079, R.C.M. 1935; Sec. 41-1115, R.C.M. 1947; (2) En. Sec. 2, Ch. 8, Ex. L. 1933; re-en. Sec. 3073.3, R.C.M. 1935; Sec. 41-1115, R.C.M. 1947; (3) En. Sec. 2, Ch. 8, Ex. L. 1933; re-en. Sec. 3073.2, R.C.M. 1935; Sec. 41-1114, R.C.M. 1947; R.C.M. 1947, 41-1113, 41-1114, 41-1115.

39-4-108. Repealed. Sec. 1, Ch. 381, L. 1979.

39-4-109. Cement plants, quarries, and hydroelectric dams. A period of 8 hours shall constitute a day's work, except in cases of emergency where life and property are in imminent danger, for all persons employed in or about cement plants and at quarries and hydroelectric data.

(2) Any person, corporation, agent, manager, or employer who shall violate any of the provisions of this section shall be guilty of a misdemeanor upon conviction thereof shall be punished by a fine of not less than \$500 or more than \$600 or by imprisonment in the county jail for not less than 30 days or more than 7 months or by both such fine and imprisonment.

History: (1) En. Sec. 1, Ch. 77, L. 1933; re-en. Sec. 3083.1, R.C.M. 1935; Sec. 41-1126, R.C.M. 1947; (2) En. Sec. 2, Ch. 77, L. 1933; re-en. Sec. 3083.2, R.C.M. 1935; Sec. 41-1127, R.C.M. 1947, 41-1126, 41-1127.

39-4-110. Sugar refineries. (1) A period of not to exceed 8 hours constitutes a day's work for all persons employed in or about sugar refineries except in a case of emergency when life or property is in danger.

(2) The provisions of this section do not apply to beet receiving stations, employees or superintendents, master mechanics, or beet-end, sugar-end, or Steffan house foremen.

(3) Any person, corporation, agent, manager, or employer who violates provisions of this section is guilty of a misdemeanor and upon conviction thereof is punishable by a fine of not less than \$50 or more than \$600 or imprisonment in the county jail for not less than 30 days or more than 3 months or by both such fine and imprisonment.

History: En. Secs. 1, 2, 3, Ch. 90, L. 1933; re-en. Secs. 3083.3, 3083.4, 3083.5, R.C.M. 1935; R.C.M. 1947, 41-1128, 41-1129, 41-1130; amd. Sec. 24, Ch. 397, L. 1979.

39-4-111. Restaurants. (1) A period of not more than 8 hours shall constitute a day's work, and a period of not to exceed 48 hours shall constitute a week's work for persons employed in or about restaurants, cafes, luncheon counters, and other commercial eating establishments. The hours of work must be so arranged that persons employed in or about restaurants, cafes, luncheon counters, and other commercial eating establishments shall not be on duty more than 8 hours in the aggregate of any 12 consecutive hours. Such persons shall have at least 12 consecutive hours off duty.

(2) The provisions of this section shall not apply to any person or persons working more than 8 hours during any 12 consecutive hours or more than 48 hours during any week for the purpose of relieving another employee in case of sickness or where the health of the public is imperiled, where life and property are in imminent danger, or for other unforeseen cause or causes.

Senate Bill 234 would expand the definition of workweek to include four consecutive 10-hour days and would enable state government agencies to use the four day, 40-hour workweek when the agency and the employees so desire. The intent of SB 234 is to assist management and employees in state government by increasing the number of work schedule options.

Other governmental entities have instituted flexible workweek programs in their efforts to deal with problems. This last year Los Angeles' City Council adopted the 10-hour, four day option in an effort to cut down on the amount of traffic caused air pollution with which that city must deal. Recently in Connecticut a flextime program was implemented in a state education office which uses the flextime program to actually expand services to the public.

Montana doesn't have the pollution problem of Los Angeles, but it has other management problems which the greater flexibility may help resolve. For instance, many Montana institutions such as the prison require manpower 24 hours a day, 365 days a year. The scheduling of work to meet the peculiar needs of institutions could be greatly facilitated by access to more flexible workweek programs. Because the prison, like other Montana institutions, has periods during each day when activity is higher and consequently manpower needs are greater, a system with 2½ shifts a day would enable more people to be available during "core hours". Another instance might be to allow the public access to a governmental service they are currently having trouble contacting because they work the same or longer hours (i.e. the State Job Service could remain open after five o'clock to service the public without overtime having to be paid.)

Senate Bill 234 doesn't mandate a 10-hour day on any state agency or employee; instead, it allows state government to negotiate some of the same options now available to County Road and Bridge Departments. In both Ravalli and Yellowstone Counties, road and bridge departments have been using the 10-hour, four day work week to everyone's satisfaction since 1977.

This is an interesting piece of legislation and I invite your attention because it may appear complicated when really it isn't.

Our State Board of Investments has some \$1 billion ~~100~~ million stocks and bonds in a "Custodian Agreement" with Manufacturers Hanover Trust. They hold these securities, collect dividends and interest, execute orders by the State Board, and account to the Board with distributions.

The Hanover Trust has a brokers market where brokers cover short sales. They propose that the state designate securities, it does not intend to sell and put these in a "loan" account. Hanover then will act as a brokers' broker or agent for the state, and guarantee that the loaned securities are fully collateralized by either cash or securities of equal value.

Market fluxations are protected by a right to call for more coverage or even release surplus securities or cash. Any large cash collateral received will be invested in the Hanover Corporation and the notes will earn for the state.

If the cash collateral is not equal to \$100,000 Hanover may not borrow the money and if not, the money will be put in short term money market instruments.

The agreement provides that Hanover collect a fee from the borrowing brokers. A percentage of income earned is allocated among participants for the use of the "available securities" which list, the state can change upon reasonable notice as the list is revised from time to time.

Senator Himsel

Page 2

This is not a new program, I am told Oregon, Minnesota, California, Utah, Wyoming and Connecticut have such an agreement.

This is a riskless transaction. Hanover indemnifies the loan that is--provides security against a loss.

It is estimated the state can make \$400,000 to \$500,000 a year, with no risk -- simply allowing our securities--fully collateralized to be used--to earn more money. *See page 1 attached*

I trust you will find this a prudent money management procedure and approve the bill.

*I do suggest an amendment making
the bill effective for the year 1961*