MINUTES OF THE MEETING
BUSINESS AND INDUSTRY COMMITTEE
MONTANA STATE SENATE

March 22, 1983

The meeting of the Business and Industry Committee was called to order by Chairman Allen Kolstad on March 22, 1983, at 10:05 a.m., in Room 405, State Capitol.

ROLL CALL: All members of the Committee were present.

CONSIDERATION OF HOUSE JOINT RESOLUTION 11: A Joint Resolution of the Senate and the House of Representatives of the State of Montana reaffirming the State's committment to economic development consistent with responsible stewardship and acknowledging the responsibility of corporations and individuals to reduce the impact of cessation or suspension of industrial activity.

Representative Dan Harrington stated this is a resolution that has been introduced by the Butte-Anaconda delegation. When they talk about this resolution they talk about the problems they have been faced with in Butte for many years. By looking at the area of Butte that has never been reclaimed we are faced with the problems that the company ignores their duty to go ahead and do this. The areas that are not in existence were built, terminated and destroyed as the mining operation proceeded in the City of Butte and following areas. Today we have areas that are eroding. They are faced with mine flooding. It could possibly have earthquakes as this water lubricates the areas. There could be ground water pollution. These are a culmination of the "boom and bust" cycle since the mining began in the Butte area. In 1983, mining companies have a definite responsibility and this resolution points this out. This resolution if passed will be passed on to the Governor, ARCO and the President of the Anaconda Mineral Company. He feels the people in Butte have showed their responsibility and what they have expected. Now it is time for ARCO to have responsibility to meet some impact they are leaving behind and address it. The company will be at an uncertain time reopen. They have economic and social problems that have been increased by the closure. He hopes this committee will give this bill a do pass.

PROPONENTS TO HOUSE JOINT RESOLUTION 11: Senator Jack Haffey stated a couple weeks ago they had a bill that would have effectively presented a bill to the Anaconda Company for damages. While he supported that bill they were anxious if that bill would pass. It did not. In this resolution it calls for the corporation's responsibility on a voluntary basis. He thinks it is an absolute thing. They should have responsibility. The bigger the corporation's impact, the more responsibility they have to sense what effect their decisions could have on the community. They are not suggesting that the State send a letter to ARCO to be paternalistic to the State. They should make their decision on sound economic analysis. It means adding to the costs of suspended operations and closing plants. Adding to the cost the community is helping those workers making the transition. They think a corporation should voluntarily take on that responsibility. They want a message to corporations that want to locate in our State that they be voluntary in responsibility.

There were no further proponents and no opponents.

QUESTIONS FROM THE COMMITTEE: Senator Boylan asked this outfit is a big holding company now, isn't it? Senator Haffey stated yes. Senator Boylan asked don't you feel holding companies, which they are now, really are not responsible or responsive to the State of Montana? Senator Haffey stated not necessarily.

Senator Goodover asked if a resolution like this passed would it have any retroactive legal standing? Senator Haffey stated this is my opinion. Its intent and affect will simply be a message to ARCO and Anaconda Minerals, after the fact, that we expect them to act responsibly on severance traumas. Anyone coming into the state would have responsibility limitations to continue their responsibility in the communities they locate in.

Senator Goodover asked is there any credit given to companies that provided jobs for 50-60 years for the people that were there? They did what they did to keep people going but when the products they were producing were not profitable they left. Should they be forced to continue the operation and lose money at the same time? Representative Harrington stated there is a two-way possibility here. The employer and employee have the responsibility of performing on the job. Many of the people working for the Anaconda Company received benefits which were paid for by the State of Montana instead of the company. The company was there because there was extractive ore. You could look at it both ways. He feels the town has come out on the short end. He does not feel they have followed through with the two-way responsibility. He feels this becomes a real point of venture. The company has met its legal responsibility but not its moral responsibilities.

Senator Fuller asked can you share with the committee the total gross benefits? Representative Harrington stated when you talk about the gross benefits it has been limited during the last few years. By the time they close over 5,000 people will be laid off. He could not give the exact profit but there has been claims of loss.

Senator Goodover stated on page 2, line 3, this kind of insinuates that these people did not pay. Didn't they pay wages, and other benefits? Representative Harrington stated many people who have worked a number of years every six years they are going to be out of work. They have given their lives and they have been paid for this. But now, they are at an early age, where they cannot retire. These people have committeed their lives in more than one way. Senator Haffey stated what we are saying with that statement and the whole resolution is the whole employee workforce is there for a long time. The aggregate workforce is there for the life of the facility. Within that there is a lot of people who are there themselves for 30-40 years and they commit themselves totally. If the company at one time pulls out for sound economic decisions they will approve, if they have to do that, the people they leave behind are people that have committed 20-30-40 years. It is a legitimate cost for a corporation to help those people through the transition perhaps through jobs training or severance pay. The community is there for 30-60 years and the aggregate workforce and the corporation can make their profits. If they have to make an economic decision one of the legitimate costs to pulling out is to help the community deal with the transition.

Senator Dover stated this is a premise principle here. Is this any corporation? He knows some pretty small corporations. Today they are going broke. Should all these corporations do this or are they just picking on this one? This company that has to go broke has to give more? Senator Haffey stated yes and no. Yes he is saying that small firms do assume that responsibility and that is right. This resolution on page 2, lines 14 and 15 specifically address as a matter of state policy that cessation or suspension of operations by a corporation which has been central to the community's economic activity can cause inestimable damage by interrupting all economic, social and governmental activities. A corporation that is so large has to be central to the communities assistance. Corporations by in large are pretty responsible to those employees who hung in with them, they help their employees out.

Senator Goodover asked how would you relate with what we are discussing here with Needam Packing Company. They came into Great Falls, hired 100 people and replaced an old meat company. They were in operation for about two years. The employees went on strike. Vandalism started and Needham Packing Company pulled out. Now there were jobs that were lost. Were they the responsible party? Senator Haffey stated for irresponsible activities they should not be responsible. That is not what they are talking about.

Senator Goodover asked how many strikes occurred in Butte? Senator Haffey stated he doesn't know for sure but those short-term disputes between labor, management and owners are much different than open-ended cessation or closure.

Senator Dover stated I think that is a matter of point. The last time they did it it didn't get back together again. You pushed them so far that they would take no more. Now you are going to hold the company responsible because of the action of the workforce. Senator Haffey stated the productivity of the labor force is not what the Anaconda Minerals points to. They are pointing to the world price of copper. The productivity of that labor is not why Anaconda cannot continue.

Senator Lee stated of course labor was not the factor for Anaconda to shut down but it was part of it. Representative Harrington stated he feels very strongly that the workers only voice was with the union. The union represented the workers in that situation. If you go back over the years 1959-1966 you will find it was a low point. I feel it was a "bust" period. Whenever they reached a three-year period the mineral price was then negative. There was no actual shut down but many times the strikes were ways of shutting the company down for a period of time. He feels the union employee is part of the economic component who represents them to the company. He feels although the jobs were down the productivity has always been rated very high.

Senator Fuller stated the issue before us is not whether we are pro or anti-labor. The issue here is we have an economy that is taking different shades as we evolve. We are trying to feel out whether there is a better way to put money into the pot. He is not trying to suggest there is a variety of ways of operating this money out. Senator Towe stated they have taken out about $2 billion from the hill in all these years.

Senator Gage stated almost daily in the papers you read about a company considering coming into Montana and every city or locality that feels they can accommodate them are at the doorstep of that company. When they get into a little bit of trouble and the company decides to leave the first thing they do is try to get the company to bail them out or come to the Legislature. Realizing that Butte is in a different situation in that those minerals were located in Butte, required that company to come to Butte. He suspects there was no cry of don't come to Butte because you are going to cause us a problem.

Senator Severson asked on page 3, "workers who have committed their life". How many people became involved and invested in the company? Representative Harrington stated in the last 20 years many did. It was a stock option and a great deal was bought by the employees.

Senator Gage asked how is the stock paying off? Do they get good profits? Representative Harrington stated the Anaconda stock is now ARCO stock. It is fair.

Senator Goodover asked when you are talking about the benefits that accrue to a community do you take into consideration the jobs that were there, the taxes that were paid, etc., but in addition to that I don't think there would have been a School of Mines in Butte if there had not been that company. That is a benefit. Copper is not the big thing. Fiberoptics is the big use now. You can't insist on a company continuing to do business in an area where they can't make a profit. They will have to pull out.

Senator Severson stated we are hearing "Build Montana" bills and what effect do you think this type of a resolution will have on corporations establishing themselves in Montana? Representative Harrington stated he feels this is part of "Build Montana". The companies coming into the area should be responsible. What they are saying is it is a two-way street. They are stating these are the problems of the past. We feel they should be a good corporate neighbor.

In closing, Representative Harrington stated what is the tail end of the company there will be an $11 million loss. There will be schools closed. Workers will be laid off. Butte and Anaconda will be faced with this. The problems that are faced is do they owe some responsibility? He feels they do. If ARCO can build a giant ARCO building in Denver and donate $10 million to the Olympics in Los Angeles then they can aid the community. The money that went into Chili was the money that came out of Butte, Montana. When it went down the drain it effected the companies in other places. They said they were going to put back millions of dollars. They did not do this and he feels they have this responsibility.

The hearing on House Joint Resolution 11 was closed.

CONSIDERATION OF HOUSE BILL 100: An act to implement section 3 of initiative 95; creating an in-state investment fund to be administered by the Montana Economic Development Board; providing for types of investments to be made; and providing an immediate effective date.

Representative Daniel Kemmis stated the idea here is instead of shipping this capital out of state why don't we turn a little back into the State to Montana businesses so that we can diversify the economy and not be so reliant on out of state business.

PROPONENTS TO HOUSE BILL 100: Senator Tom Towe gave the committee a copy of the original Initiative No. 95. (Exhibit No. 1) He highlighted the bill stating on page 2, lines 2 and 3 they are referring to this fund. Page 3, section 3, line 16, the source of the money is 25% of the future benefits that will go into the coal tax company. 25% will continue to be managed as it has in the past. The Board created on page 10 is the Montana Economic Development Board and is composed of seven members. This board would be created to handle this investment. Page 3, section 4, there is a requirement that the Montana Economic Development Board hold a joint meeting with the Montana Board of Investments at least twice a year. It would be beneficial to have these boards work together on a unified basis. What does the board have the authority do? It has the authority to invest the money as permitted in section 17-6-2-11 and in addition into any other type authorized by the rules. The Statement of Intent further outlines this. Section 6 are preferences. The Board shall give preferences to 1) locally owned enterprises 2) provide jobs that will be filled by current Montana residents rather than nonresidents 3) maintain and improve a clean and healthy environment, 4) encourage processing, refining, marketing of agricultural products 5) pay the prevailing wage for that occupation and 6) have affirmative plans for employing veterans, women, minorities, and the handicapped. The House made an addition of three items that the Interim Finance Committee did not include. If there are more applicants than money to go around then those preferences will go into effect. Money may not be used to make direct loans. Section 8, page 5, no investment may be made in any one business enterprise which exceeds 10% of the prior fiscal year's coal severance tax revenue. Section 9 the state participation loan is limited to 80% of the loan. Since there is no direct loans it is contemplated that loans will be made through a financial institution. 80% could be sold to the Board. The bank would have to hold on to 20% so they have a participating risk. Section 10 there may be a prior commitment. Section 11 is a very important one. Section 12 allows for reasonable service charge to fund the program. Section 13 there is a financial audit requirement, especially the requirement of how the Board has been helping the Montana economy must be reported to the Legislature. Section 16, page 8, is an authority to adopt rules. Section 17, there is created an Economic Development Oversight Committee. There will be four members from each House. Section 18, page 9, powers and duties of the committee is set forth by the committee. Section 19, is the board. There is a temporary investment limit in section 23, page 17. Section 25 the effective date is on passage and approval. There has been an amendment to the fiscal note. Revenue impact has been eliminated. There is a revenue impact but he thinks it might be a little high. Most of that should be taken care of in making of the loans. He feels this is a very carefully worked out bill. The committee that worked on this bill came from diversified areas. There were 50 people. There was unanimous support.

Dale Harris, Department of Commerce, stated they support this bill. House Bill 100 implements the first three sections of the Initiative that provides for the instate investment that provides 25% of the new revenue of the coal trust funding that comes in starting July 1. All of you received a report of the "Build Montana" program. Senator Crippen was an important part of this and he wanted him to convey his support of this bill. I-95 was to encourage and maintain the coal trust severance act so Montana could begin investing in the state. This compares with other states Alabama has 16%, Alaska 17%, Colorado 20%. The idea of investing trust funds into your own community is a good idea and is done elsewhere. He gave the committee an exerpt from a report that was prepared by President Reagan's task force. (Exhibit No. 2) One of the factors they have carefully examined were state and trust funds.

In closing, Representative Kemmis stated they have tried to spare the lengthy testimony that was presented in the House. There was almost 40 individuals that testified.

Joe Reber, Chairman, Montana Board of Investments, stated they support House Bill 100. This bill is a result of many hours of meetings and work of representatives of business industry and labor and it is a bill that honors the mandate of the people. The Board of Investments has no objections to this. They have one amendment page 2, line 16, insert a period after "credit unions". (Exhibit No. 3) He understands fully the responsibilities of the Board of Investments and on occasion they are to meet with the development board in discussing the problems in developing Montana.

Chris Johansen, Montana Farmers Union, stated they support House Bill 100.

Jeffrey M. Kirkland, Montana Credit Unions League, stated they support this bill. His written testimony is attached to the minutes. (Exhibit No. 4)

Tom Staples, Montana International Trade Commission, stated many of their members participated in the temporary committee. They appear in support of this bill today.

Jim Murray, Montana State AFL-CIO, stated their organization would like to go on record in support of this bill.

Dick Bourke, Development Credit Corporation of Montana, stated he participated in the conference committee and their corporation fully supports House Bill 100. He had one amendment they would like inserted into the bill. (Exhibit No. 5) He hoped the amendment would be acceptable to the committee so that the development corporation could participate. They are a state chartered corporation. He would like it clear that the development corporation created pursuant to Title 32, Chapter 4, is a financial institution.

Steve Brown, Montana Independent Bankers, stated they support House Bill 100 and the four bills.

Dave Goss, Billings Chamber of Commerce, stated they support House Bill 100.

Pat Wilson, Thermal Energy, stated they support the concept of this bill. She had proposed amendments, page 2, line 11, strike "relatively free from pollution which threatens human health," including "as a" and insert "at a". We feel the words "relatively free from pollution" are subjective and almost impossible to define while being in compliance with state and federal standards says that there is promotion of a clean environment. Page 4, line 19 and 20, there were several of them who served on the commission that didn't believe in the concept of preferences in that they felt I-95 was a mandate to provide jobs for the people in Montana. They find "an alternative energy fund has already been set up through the coal severance tax of 2.25% to promote the use of alternative energy. With those amendments they are in full support of the bill.

John Hollow, Montana Home Builders, stated they have an interest in this bill. If Montana is developed home builders would go back to work. The committee that put this bill together did an excellent job and he would like to see this committee question the additional amendments that were put on in the House in the preference section and the section mapping out who should be on the investment council. You have lost the diversity and are replacing it with language where five organizations will be represented.

There were no further proponents and no opponents.

<u>QUESTIONS FROM THE COMMITTEE:</u> Senator Dover asked on pages 4 and 5, lines 24-25, and line 1, you have knocked out a bunch of your contractors in Montana. The prevailing wage of occupation, unless this is a big business, you have left out the small areas. Why was that put in in the House? Representative Kemmis stated first of all it is extremely important to keep in mind that the preference language is just that. If it said otherwise it would be a real concern. The fact of the matter is what the House tried to address is that the people in Montana want not only an active economy but they want one that protects Montana people and the environment adequately. That was what I-95 has tried to bring about.

Senator Dover stated we are not talking about environment we are talking about labor. Representative Kemmis stated the bill does try to recognize both needs.

Senator Dover stated you don't have it here. You have tied in one side and not the other. In both areas small and any other size business is listed. The idea of the preference, everything else being equal, you give preference to those things. Senator Towe stated preferences is only when you have more applicants than you have money to invest. At that point a preference becomes important.

Senator Dover stated as long as the money lasts it is going to go to unions.

Senator Lee stated he read page 4, section 6 investment preference. He does not see any language that says only if there are more requests for the money that is available. Senator Towe stated he would not be alarmed if you took out the preference and prevailing wage.

Senator Lee stated he does not see where they will fund all of the programs before they start activating this preference system. If there are only two people to apply for money in here I could see where they would go to the preference. Senator Towe stated if you don't think these words mean what you think they mean maybe you should change them. Section 5 is the authorizing investments section. Look at the Statement of Intent, (d) any investment that is decided by the board to be prudent and contributes to the State of Montana is a permissible investment. They prefer locally owned enterprises over nonlocally if there is a burden of funding. But if you have to give a preference we should provide jobs for Montana.

Senator Dover asked you talk about your preference you must not have much confidence of what you are going to do. You are putting out the way you are going to establish your preference. Is that right? Senator Towe stated yes.

Senator Dover stated you are setting up certain groups for that because when you pay prevailing wages you are setting up a small Bacon-Davis Act for Montana. You are knocking out the rural communities and the small businesses.

Senator Fuller stated keep in mind you have several preferences. The others speak to nonpreference situations. 10% of the Montana population is unionized. They get 1/7th of the preference. The rest is locally owned and it is going into affirmative action.

Senator Gage asked would you be opposed to an amendment in section 6 which would read "in deciding which of several investments of equal or comparable security and return are to be made, when sufficient funds are available to fund all of those investments, the board shall give preference to the business investments that" On section 11 you indicate these investments should not be subsidized. Would you say if a company had determined it could not survive on a 10% interest rate and that was the market rate but that company could survive on 6% rate you would say we would not make that loan? Senator Towe stated we are trying to be careful to make it clear that this bill does not contain "subsidy". We want it clear as well that the board has the authority to turn them down. In that situation a choice would need to be made. That is where the issue comes up. Some people would say by giving a loan for five years at a fixed rate of interest you are giving a subsidy. He does not see that as a subsidy andhe does not see that as a problem. When the board makes its choice they should consider that.

Senator Gage stated section 7 indicates no direct loans could be made. What is the difference between a loan made by the bank and sold to the trust and a direct loan? Senator Towe stated you don't want the board to go out and solicit for applications, receive them and grant them. That should not be their function. On the other hand if you as an applicant know you cannot go to the board but go to the bank and he is willing to assume that risk then they can come to the State Board and say we would like to sell 80% of the loan to the state board. It is not a direct loan. You have to go first to the bank and in section 8 you have to have the bank keep 20% of the loan. The principal risk determination is made by the bank.

Senator Fuller asked on page 4 you suggested an amendment to eliminate #3. Why are you not opposed to numbers 1, 2, and 4, because it seems to me that would also impact your industry. Ms. Wilson stated 2.25% is going to alternate energy funding right now through the severance tax and we feel that is already taken care of. You don't need a preference to alternative energy in this bill because it is already taken care of. Senator Fuller asked you don't have problems with numbers 1, 2, and 4? Ms. Wilson stated that is correct.

Senator Christiaens asked for a little more explanation of the board. Mr. Hollow stated basically he likes the original language because it essentially gives some trust in the Governor and diversity through the state. The present language backs occupation in the area that this legislature is concerned with and does not allow for flow. The committee discussed whether the Governor could operate under the statute. This suggests that the Legislature wants to control it.

Senator Christiaens asked you don't feel the fact that it still leaves two persons who would be picked at large? Mr. Hollow stated at large might mean one from the east and one from the west.

In closing, Representative Kemmis pointed out the fiscal note has a major impact to the fund. The bill was erroneously drawn. As it is now that interest is being treated as part of the general fund. The bill has been amended so that the interest does not get filed back. We spent most of the 1970's as a polarized state with some groups going off in the direction of development and some resisting development. The Initiative tried to get a lot of people who opposed development and others together again. More or less saying if we don't demand that we have the whole thing that we can come up with something we can all work together with. The danger is someone will always want the whole thing. The coal industry comes the closest to wanting the whole thing with their amendments.

The hearing was closed on House Bill 100.

CONSIDERATION OF HOUSE BILL 371: An act permitting the Board of Investments to prudently invest in Montana business activities up to 10 percent of any fund.

Representative Kemmis stated this is a spin-off of Initiative 95. We talked about instate investment. In the process what happened for several people including the Board of Investments as we dealt with this we found out that instate investments is a solid idea. Other funds could safely be invested in the State of Montana. House Bill 371 came out that we start instate investments with some of these other funds.

PROPONENTS TO HOUSE BILL 371: Senator Towe stated this is one of four bills that was in the Development Finance Committee. It was one of the more exciting things that came out of that. Mr. Reber mentioned on several occasions that one of the things we should not be too critical on the Board of Investments was that they are limited. There are substantial limitations on things that the Board of Investments can invest their $1.3 billion in. The proposal here is on a very limited basis. Lets allow the "prudent man rule" to apply and say they can invest in anything that is prudent provided 1) it meets the prudent man rule and 2) it does not exceed 10% of the funds invested. This would say as long as you do not exceed 10% of any one of those funds you do not have to follow that laundry list. We are talking about $130 million. They must be prudent. This is our burden. It might allow substantive extra investment in Montana.

Mr. Joe Reber stated the criticism of the Board of Investments before my activities was why don't you invest more money into Montana? His answer was simply change the law. The only discretion the board has is loaning money through mortgages. We have in Montana 700,000 people, 340,000 mortgages. They take about 98% of mortgages offered. They have $80 million invested in mortgages. They could have $180 million invested in CD's. They have to pay the prevailing interest rates. On page 4, line 6, lets say if a business could go to the bank to borrow 2-5 years and they accept their application they could come to the board. The board at its discretion could do this. They are not now. The only corporation that was qualified was the Montana Power Company. That is why there has been no money invested in Montana. Give us this amendment and we can do business with banks, credit unions and others for a longer period of time.

The following stated they supported House Bill 371: Department of Commerce, Montana Trade Commission, Montana Credit Union, Montana Farmers Union, Montana State AFL-CIO, Development Credit Corporation, Chamber of Commerce, and the Montana Homebuilders Association.

There were no further proponents and no opponents.

There were no questions from the committee.

The hearing was closed on House Bill 371.

ADJOURN: There being no further business, the meeting adjourned at 12:00 noon.

Allen C. Kolstad

ALLEN C. KOLSTAD, CHAIRMAN

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ROLL CALL

BUSINESS AND INDUSTRY COMMITTEE

48th LEGISLATIVE SESSION -- 1983 DATE 3-22-82

NAME	PRESENT	ABSENT	EXCUSED
PAUL F. BOYLAN	✓		
B. F. CHRIS CHRISTIAENS	✓		
HAROLD L. DOVER	✓		
DAVID FULLER	✓		
DELWYN GAGE	✓		
PAT M. GOODOVER	✓		
GARY P. LEE, VICE CHAIRMAN	✓		
PAT REGAN	✓		
PAT M. SEVERSON	✓		
ALLEN C. KOLSTAD, CHAIRMAN	✓		

SUBMITTED BY: Senator

Petition to Place Initiative No. 95 on the Election Ballot

Under this initiative the state would take one-fourth (25%) of all future deposits to the permanent coal tax trust and invest it in Montana's economy. The state would make no direct loans, but would emphasize investments in new or expanding enterprises.

The initiative would also create an economic development fund, using a portion of the interest from the coal tax trust. After determining how much interest to allocate to the economic development fund the legislature may spend money from the fund to support economic development in the state.

FISCAL NOTE

The amount invested in Montana economic development from the coal tax trust would increase each year to an estimated total of $134.6 million by 1989. Projections have not been made beyond 1989. Such investment could reduce the amount of interest earned on the the trust.

☐ **FOR investing part of the coal severance tax permanent trust fund in the Montana economy and creating a Montana economic development fund.**

☐ **AGAINST investing part of the coal severance tax permanent trust fund in the Montana economy and creating a Montana economic development fund.**

Be it enacted by the people of the State of Montana:

Section 1. Purpose of the coal tax trust fund. The people of Montana establish that the intent of the permanent coal tax trust fund, as created by Article IX, section 5 of the Montana Constitution, is:

(1) to compensate future generations for the loss of a valuable and depletable resource and to meet any economic, social, and environmental impacts caused by coal development not otherwise provided for by other coal tax sources; and

(2) to develop a stable, strong and diversified economy which meets the needs of Montana residents both now and in the future while maintaining and improving a clean and healthful environment as required by Article IX, section 1 of the Montana Constitution.

Section 2. Use of the coal tax trust fund for economic development. Objectives for investment of the permanent coal tax trust fund are to diversify, strengthen and stabilize the Montana economy and to increase Montana employment and business opportunities while maintaining and improving a clean and healthful environment.

Section 3. Investment of 25 percent of the coal tax trust fund in the Montana economy.

(1) Twenty-five percent of all revenue deposited after June 30, 1983 into the permanent coal tax trust fund established in section 17-6-203(5), MCA, shall be invested in the Montana economy with special emphasis on investments in new or expanding locally-owned enterprises.

(2) In determining the probable income to be derived from investment of this revenue, as required by section 17-6-201(1), MCA, the long-term benefit to the Montana economy shall be considered.

(3) The State may not use this revenue to make direct loans.

(4) The Legislature may provide additional procedures to implement this section.

Section 4. Establishment of a Montana economic development fund. A Montana economic development fund is created. A portion of the interest income from the permanent coal tax trust fund created in section 17-6-203(5), MCA, shall be deposited in the fund as determined by the Legislature. Monies, if any, appropriated by the Legislature from the Economic Development Fund shall be used only for programs consistent with the objectives in [Section 2].

Section 5. Severability. If part of this act is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of this act is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

Section 6. Effective date. This act shall be effective July 1, 1983.

COLLECTIONS

50%

50%

[illegible]

2.25 % Alternative Energy

.25 % Conservation Districts

5 % Public Schools

8.75 % Local Impact Assistance

10 % Educational Trust Fund

.5 % Local Land Use
1.25 % Renewable Resources
2.5 % Parks, Art, Etc.
.5 % Libraries

19 % State General Fund

B. [illegible]

Invested by the Board of Investments

25 % of new revenues go to in-state investments per I-95 beginning July 1, 1983

Current Total Balance: $11?,145,796

Estimated Amount OF 25 % For FY 1984: $ 13,189,000

C. Interest And Capital Gains

(held in escrow to back water development bonds until end of the year.) If not required to pay off bonds,

a. 15% deposited in trust to add to principal (?)

b. 85% reverts to general fund

COAL TAX TRUST FUND *

	ACTUAL					PROJECTIONS		
	1978	1979	1980	1981	1982	1983	1984	1985
Beginning Balance	-0-	6.2	16.9	39.9	74.5	117.1	158.3	211.0
New Deposits								
Tax Deposits[a]	6.2	10.6	23.0	34.5	42.6	41.2	49.3	61.5
Reinvested Interest[b]	---	-----	----	-----	-----	----	3.4	4.4
Total	6.2	10.6	23.0	34.5	42.6	41.2	52.7	65.9
Available for I-95[c]	----	-----	-----	-----	-----	-----	13.1	16.4
End Balance	6.2	16.9	39.9	74.5	117.1	158.3	211.0	277.0
Total Earnings	.177	.950	2.6	6.4	13.3	16.9	22.8	29.7
Income Yield	N.A.	8.5%	9.66%	12.02%	14.83%	----	----	----
Annualized Time-Weighted Total Rate of Return					13.[illegible]%			
CPI June-June	7.4%	10.9%	14.3%	9.6%	7.1%	----	----	----

Notes:

a Before calendar 1980 trust received 25% of tax collections; now receives 50%.
b Beginning in July, 1983; 15% of earnings will be redeposited to the Trust Fund.
c Beginning July, 1983; 25% of new deposits in the Trust Fund will be invested in-state.

* Figures in millions.

SUBMITTED BY: Dale Harris, 3/22/83, EXHIBIT NO. 2

INVESTING IN AMERICA

INITIATIVES FOR COMMUNITY AND ECONOMIC DEVELOPMENT

The President's Task Force on Private Sector Initiatives

5 PENSION FUNDS

By The Employee Benefit Research Institute

Pension assets have become one of the fastest growing and most rapidly changing sources of investment funds in the United States. By the end of 1981, private plan assets reached at least $520 billion, compared to a 1950 level of only $12 billion. Public plans held another $221 billion. Pension funds accounted for 12.3 percent of all outstanding financial assets in the nation.

Because the preservation of capital has always been the primary concern of pension fund managers, pension investing has tilted overwhelmingly in the past toward such low risk investments as U.S. government securities and high quality corporate stocks and bonds.

In recent years, due to the growth of pension assets and the shortage of financing from traditional sources, many voices have begun to advocate new, more diversified uses for pension assets. At the far end of the spectrum, furthest from the traditional investment approaches, are those who advocate investing pension funds for the expressed purpose of bettering society, with return and risk being secondary considerations. This position, however, has not found widespread support.

More common are the voices calling for diversification of pension investments to serve functions beyond just the accumulation of assets. There has been an increase in the use of pension assets as a source of funds for mortgages or to buy real estate outright, or even as venture capital to finance promising new high technology enterprises. Some states are trying to encourage their public pension funds to invest more of their assets in-state. In some cases political motives may influence individual investment decisions: a union pension fund manager might be asked to invest only in corporations employing union labor, for example. So long as such investments pay competitive rates of return, pension fund managers are becoming increasingly more willing to consider them.

But rates of return are not the only issue. The new directions in pension fund investing are raising difficult questions about the ownership and control of assets as well as the suitability of alternative forms of investment. The public and private debates that will resolve these and other issues are only just beginning.

One important distinction between pension funds and other investment sources should be made at the outset. Pension funds, unlike banks or insurance companies, are not competing for investment dollars--a competition that has led to many of the investment innovations catalogued in this book. Pension funds are not innovators, although they are increasingly beginning to move into new investment areas that others have proven to be profitable. Instead, pension funds have a different purpose: the payment of retirement benefits. Between the time they receive contributions and pay out benefits, pension managers seek investments that will preserve capital while, hopefully, producing an attractive return.

Those seeking to entice pension assets into other areas should consider two other distinctions. First, pension assets cannot be viewed monolithically. There is enormous variation among private and public plans and in the ways different kinds of pension funds are invested. Second, pension funds have almost never knowingly accepted reduced rates of return in order to support social needs in the manner of other investments profiled in this book. This pattern is unlikely to change. Pension funds can be expected to move toward innovative investments and to seek out new ways to assist plan participants, but without jeopardizing the ultimate payment of benefits.

Pensions: A Perspective

Although pension plans are more than a hundred years old, the huge growth in pension assets is a relatively new phenomenon. New York City established the nation's first public pension plan in 1850; in 1875 the American Express Company established the first private plan, and Metropolitan Life Insurance Company sold the first group plan in 1921. Over the next 50 years pension programs were established by many large employers, including banks, utilities, mining and petroleum companies and manufacturers. In 1929, there were 397 private plans in operation. By 1981, there were more than 640,000.

Employers created pension plans for many reasons: to stabilize wages, reward service, retain employees, to keep up with competing businesses, to enhance productivity, and to provide tax benefits to workers. By 1982 pensions had become a standard feature for most public and private employers: over two-thirds of all private sector full-time employees and more than 92 percent of full-time public workers were covered by pension plans.

Programs that provide income upon retirement are divided into three subgroups:

+ **defined benefit employer pensions** - those that promise a given benefit upon retirement with the contribution fluctuating and the employer bearing the risk of poor investment returns;

+ **defined contribution employer pensions** - those that promise a given contribution with the ultimate benefit fluctuating and the employee bearing the risk of poor investment returns; and

+ **individual pensions** - generally defined contribution in approach with the employee making some of the contributions and bearing all of the risk of poor investment returns.

There were approximately 485,000 private defined contribution plans at the end of 1981, compared to 158,000 private defined benefit plans. Some 10 million Individual Retirement Accounts and 500,000 KEOGH plans were also operating.

Standards for Pension Investing

The Employee Retirement Income Security Act of 1974 (ERISA) established fiduciary standards for the investment of pension assets by private plan trustees, commonly known as the "prudent man" constraints. They require trustees to manage pension funds solely in the interest of the participants and beneficiaries, for the exclusive purpose of providing benefits and defraying reasonable expenses of administering the plan. Investments are to be made "with the care, skill, prudence and diligence under circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use." They should be diversified "to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so."

ERISA presently applies only to private sector pensions. Federal legislative proposals to extend ERISA type provisions to public employer pensions have been regularly introduced in Congress since 1975, but are opposed by public interest groups representing state and local governments and have never been approved.

When ERISA was first enacted, some trustees feared this standard meant that only pension investing based on the immediate net return on the individual investment would qualify under the law. But subsequent interpretation of the Act has indicated that investments taking into account other considerations could qualify. The history of trust law has formed the foundation for this standard. Congress by incorporating diversification requirements into ERISA, gave trustees the ability to base investment decisions on total portfolio return. Modern portfolio management techniques have enhanced trustees' investment alternatives. Indeed, while the guidelines are considered strict, experts feel trustees do have the latitude to include other considerations after they are satisfied that net return on alternative investments would be equal. This seems to be the position of government pension regulators, as exhibited by recent Department of Labor regulations and Congressional hearings.

It is not uncommon for public funds to adhere to the prudent man guidelines, even though they are not mandated to do so by federal legislation. Many states and localities do have specific legal guidelines that limit the scope of investment, and customs vary widely. In 1976, for example, most large state and local plans statutorially limited stocks to less than 35 percent of their portfolios, and 10 percent could not invest in stocks at all. (Recently, a number of plans have reacted to the poor bond-market conditions by relaxing or lifting restrictions on equity investing.)

Other common restrictions include limits on investments in one company, in one industry, or in mortgages. Some plans have minimum requirements for the investment quality of securities or ceilings on direct ownership of real estate. Some plans also mandate minimum company size for pension fund investments, limit the percentage of assets that can be held in cash reserve, or set minimum rates of return to be earned on investments.

The Investment of Pension-Fund Assets

Because pension funds--both private and public sector--invest primarily in private sector assets, they both influence and are influenced by the performance of financial markets. The long-term nature of pension benefit commitments, for example, has contributed to the stability of capital markets by emphasizing long-term investments. The increased importance of pension funds, in fact, has tended to elevate overall standards of investment performance; their unique requirements have stimulated the development of many new investment vehicles.

The growing importance of pension funds also can be measured in terms of their role as suppliers of funds. In 1950, pension assets accounted for 3.0 percent of all outstanding funds advanced to credit markets. By 1973, pension funds had tripled as a source of credit, and by the end of 1981, pension funds held one of every six dollars of outstanding funds. Total pension assets that year reached $742.3 billion. The value of private pension plans assets in current dollars has grown more rapidly during the late 1970s than in any other period over the last 30 years. The increasingly gargantuan size of pension funds, and their increasing share of all credit, has inevitably thrust the funds—and their managers and investment practices—into the public spotlight, especially in view of predictions that their share of available U.S. capital will continue to increase sharply. One estimate of the early '80s, for instance, was that total pension assets could reach a staggering $4 trillion by 1995. Even if exaggerated, such estimates underscore the geometric growth of the funds and their importance in a troubled national economy.

Private plans have invested heavily in corporate stocks and bonds, holding over 12 percent of all corporate equities and nearly a quarter of corporate bonds outstanding. Public plans held 2.7 percent of corporate equities in 1980, 18.8 percent of corporate bonds, 8 percent of U.S. Government Securities, and 0.8 percent of mortgages.

Private pension plan investment patterns vary according to many factors—who manages the fund, for example, the plan type, sponsorship and size. Private plans managed by trustees (as the vast majority are) held approximately 80 percent of their assets in corporate equities and bonds in 1981, while those managed by insurance companies tended to have a somewhat higher proportion of their assets in mortgages and real property. Multi-employer plans invest mostly in bonds, while the single-employer plans are dominated by stocks. Small plans (with fewer than 100 participants) hold far more of their assets in cash, 15.6 percent, compared to only 1.6 percent for plans with 5000 or more participants. Some 17 percent of the assets of plans with 100 to 499 participants are in stocks, less than half the amount for plans with 10,000 or more participants.

Until 1960, over half of state and local pension assets were in U.S. Treasury securities and municipal bonds. Between 1960 and 1975, public plans doubled their investments in corporate stocks and bonds to over 80 percent of total assets, but switched back to Treasury securities again after 1975. In the 1950's, over one-quarter of all assets were invested in municipal bonds; this decreased to just 1.8 percent in 1981.

Shifting Pension Assets Into Alternative Investments

Advocates of more imaginative uses of pension funds argue that conventional application of the prudent man rule and other pension rules written for different times and circumstances are imposing such a conservative standard that the availability of risk and innovative capital--the society's best guarantor of future economic prosperity—is being severely constrained. (In California, for example, supporters of broader pension fund use have noted that pension funds there could legally invest in such enterprises as Chrysler or the utility that owns the Three Mile Island nuclear plant. But the rules forbade them to assist such small, growing high technology firms as manufacturers of semiconductors, which seem far more likely to spur economic activity and reduce the state's welfare and unemployment costs.)

The very future of the American economy, it is sometimes suggested, depends on tapping some share of pension funds for economic development, affordable housing and job-producing small businesses. Yet the fact is that even if everyone endorsed the diversifying of pension assets into more alternative investments--and not everyone does--the realities of managing the assets for such purposes would still pose difficult questions. One is that the participants in a pension plan are seldom a united group. Retired workers may not have the same interests and investment desires as newly hired workers; minority workers, female workers, and white male workers may not have the same goals. Corporate management and union leadership may not agree on an investment strategy. Investment managers, the trustees, and the beneficiaries may approach investment decision and risk quite differently.

Indeed, each of the major groups affected by a pension plan has a unique perspective. Trustees charged with fiduciary responsibilities must respond to different pressures than members of a state legislature. The same is true for investment managers, who often are judged on fund performance rather than on regional economic development or the rate of technological breakthroughs that strategically placed pension investments might help to achieve. Corporate executives attempting to counter low cost foreign labor and skyrocketing energy costs by relocating their firms have a different perspective than union officials seeking to maintain jobs and prevent plant closings in the areas where (as they can point out) the wealth creating the pension assets was generated in the first instance.

Discussions of the consequences of a dramatic change in who controls plan assets have become increasingly frequent since the late 1970s. Yet even as such debates begin, work is already underway to identify investment options that will meet risk and return criteria and also help meet special needs.

Alternative Investment of Pension Funds: Housing

Perhaps the oldest example of alternative pension investing is the Hawaii Public Employees Retirement System home loan program. Since 1959, PERS has made mortgage loans to plan participants, lending money at favorable rates to low-income borrowers and at market rate to others; these loans constitute 20 percent of the plan's assets.

Today, several investment vehicles are being used increasingly by pension funds to assist housing. These include mortgage pass-through securities, such as those offered by the Government National Mortgage Association (Ginnie Mae), the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Corporation (Freddie Mac), as well as private companies (See Chapter 4).

The Massachusetts State Employees and Teachers Retirement System, for example, has purchased $19 million in mortgage pass-through securities which are rated AA by Standard and Poors and have a pass through rate of 13 3/8 percent. Issued by the MGIC Mortgage Marketing Corporation of Milwaukee, the securities consist of mortgages made in Massachusetts on single-family owner occupied residences, townhouses and condominiums, allowing the funds to be invested within the state while obtaining a high yield for the investment. In addition to this pass-through deal, the state pension funds also holds over $600 million in Ginnie-Mae pass-through securities.

Minnesota's State Board of Investment recently committed $60 million of its $4.5 billion pension fund to a moderate income housing program. The fund will take over a package of mortgages from the Minnesota Housing Finance Agency in 10 years, earning interest in the meantime. The money will finance construction of an estimated 1,100 to 1,400 new homes within the state for homebuyers with incomes of $23,000-$32,000.

The Maryland State Retirement System, together with a state savings and loan association, became the first investor and lender to use Fannie Mae mortgage-backed securities to finance new home loans. The state fund will purchase $20 million in securities, bearing interest rates of 13 percent for new home loans and 14 1/2 percent if backed by mortgages on existing homes.

Capital Market Innovations

The increasing role of pension funds as a source of capital has stimulated additional capital-market innovations as well. This has produced a number of trends:

A shift to investments in real property. One of the pioneers in public pension property investment is the Minnesota Teachers Retirement Fund, which began its property investment program over ten years ago. The fund buys real estate (half of it within the state) and makes long-term leases to corporations. Recently, many other pension funds have begun to purchase real property or participate in real estate investment pools put together by institutions. Such investments tend to retain their value during periods of inflation, but they may also prove fairly volatile.

Of the 200 largest private and public pension plans, 97 had $6.8 billion in real estate investments at the end of 1981, up from only 65 funds with $3.0 billion at the end of 1980.

One recent survey indicates that while new real estate equity investments have been evenly split between direct ownership and participation in investment pools since the start of the 1980s, in 1982 there was a marked shift to direct ownership with much of the impetus for the change coming from the public funds. By 1985, California's Public Employees Retirement System expects to have 5-10 percent of its assets in many types of equity real estate investments--a projected $2.5 billion.

Due particularly to statutory restrictions, many public funds do not invest in real estate pools. The private funds, however, have committed substantial assets. The largest pool, Prudential Insurance Company's $4 billion PRISA fund, has more than 300 pension fund participants, and owns a large collection of office buildings, shopping centers and warehouses across the country. Many pension fund managers have been attracted to pools like PRISA because of high returns on investments. The value of unit shares in PRISA, for example, rose 23.2 percent in 1980 and 16.2 percent in 1981.

A few private funds have made direct real estate investments. Dow Chemical's $1 billion fund, for example, has a 10-year convertible mortgage on an office building in downtown Houston. It can exercise the conversion option for up to 100 percent ownership before the expiration of the mortgage.

American Telephone and Telegraph's pension fund, the largest private fund in the U.S., recently purchased a 70 percent ownership share of a Washington, D.C. shopping mall for $48 million.

A shift to venture capital. An increasing number of plans have begun allocating a small portion of their total assets to support new ventures. While these investments carry high risk they have the potential of producing very high rates of return. This activity has taken the form of investing funds with a venture capital specialist, direct placements, and investing in government sponsored instruments which provide loans to new enterprises. (See venture capital chapter for additional details.)

Many public and private plans have, for several years, invested small amounts of their funds in the approximately 360 Small Business Investment Companies authorized by the federal government. Now many are expanding into other venture investments. Twenty-seven of the 200 largest funds made venture capital investments in 1981. These include: A T & T ($50 million), Grumman ($8 million), Chrysler ($17 million), Ohio Public Employees Retirement System ($2 million), Deere Co. ($10 million), TRW ($4.1 million), and Washington State Public Employees Retirement System ($6 million).

At least two funds in Minnesota, the Minnesota Employees Retirement Fund and the Control Data Corp. Fund, are joining a group of corporate investors in the Minnesota Seed Capital Fund, which is designed to provide initial funds for small hi-tech companies within the state. Each pension fund is planning to contribute approximately $500,000 to the $2.5 million seed capital fund. The investments in hi-tech companies range from $50,000 to $250,000; by autumn 1982 four small ventures had been provided financial assistance from the fund, generally under agreements providing some method of equity participation (See pp. 00).

A growing interest in locality investments. State and local plans are moving rapidly in the direction of investing funds at home. Since 1980 pensions in at least 14 states have announced plans to increase local investment. Most will be concentrated in local mortgage markets but some plans are earmarking funds for local business development.

The State of Wisconsin Investment Board has had a long history of giving preference to in-state investments. In 1932, the state legislature mandated the Board commit at least 70 percent of all trust fund assets within Wisconsin. While this statute was repealed in 1945, in 1965 the Investment Board's executive director indicated that the trustees would again target investments within the state. Although this stance was modified by successors, in-state investments are now considered on an equal basis with all other investments.

Alabama's fund formalized in 1977 a four-year old policy encouraging in-state investments so long as the yield and security are competitive with other available investment alternatives. In 1979, 47 percent of the plan's $1.6 billion was invested within Alabama through federal or state loan guarantee programs or direct private placements with corporations.

The Minnesota State Board of Investment in 1980 instituted a program to invest a portion of its $3 billion assets in certificates of deposit of banks and savings and loans within the state, thus channeling monies back to individual communities. The board initially placed $93 million in 328 financial institutions across the state in amounts of up to $500,000 for maturities of up to one year at competitive rates.

A group of state, county, and city pension funds in California recently invested about $930 million in commercial enterprises and housing within the state. Approximately $280 million was to be used to purchase targeted SBA loans, and the remaining $650 million invested in residential, industrial, and commercial real estate. Of this, $153 million in pension assets were to be invested in commercial and industrial real estate, while another $10 million was to be invested in a mortgage on a multi-family housing project. Another $300 million was designated for in-state targeted Freddie-Mac and Ginnie-Mae mortgages.

The $600 million Chicago Municipal Employee's Annuity and Benefit Fund will provide $44 million through 1984 for construction of a low-to-middle-income housing project. The FHA will guarantee permanent financing, since up to 20 percent of the 51-story apartment's units are exclusively for low-income residents.

A shift to short-term investments. With interest rates still at historical highs, many investors have turned to short-term securities such as Treasury bills, commercial paper, certificates of deposit, bankers' acceptances, and repurchase agreements. These securities are purchased directly from issuers or through funds that sell shares in a portfolio of short-term securities. Such a pattern may become cyclical: pension investors may shift out of short-term investment should interest rates decline to historical levels.

A shift to options and futures contracts. When common stock and long-term bonds display relatively poor performance, some investors buy and sell options and futures contracts as a way to augment the inflation-adjusted performance of the underlying security. The use of options and futures contracts is becoming more prevalent among pension funds.

Other Innovations:

While the majority of alternative pension investing has been generated by the public sector, a number of private plans, especially associated with unions, have been putting their pension assets to new uses. The AFL-CIO, for example, recently announced plans for a $500 million program to use pension funds for job creation in the construction industry. Pension assets will finance real estate projects across the country.

In Southern California, 19 unions formed a consortium last year to invest over $150 million drawn from their pension assets in 25 union construction projects within the state. Projects include residential housing, condominium and townhouse loans, office buildings, a hotel complex and a shopping center. In Oregon, eight building and construction pension funds, with approximately $300 million in assets, have joined together to form the Pacific Northwest Construction Finance Forum, which will invest in commercial and residential mortgages in the Pacific Northwest. The projects will create jobs for union workers. And in Florida, the Palm Coast Affirmative Investment Roundtable and the newer statewide Florida Affirmative Investment Roundtable are establishing programs to use pension funds to make market rate construction loans in union-constructed commercial, residential and industrial real estate projects.

State Pension Task Forces

Some states have started to reevaluate their pension fund investments through the use of special commissions. The Illinois Study Commission on Public Pension Investment Policies, for example, established in March 1981 to review the investment policies and practices of the five major state pension plans, with total assets of $4.5 billion, has recommended several steps to allow greater investment flexibility and help improve fund performance. In California, a similar group, The Public Investment Task Force, developed recommendations that would permit California's $30 billion public pension funds to earn competitive investment yields while simultaneously supporting the state's economy. Recommendations included: encouraging investment in home mortgages for participants; creating a state-based secondary market for in-state housing loans; easing statutory restrictions on state pension fund investment; and establishing a statewide Venture Capital Fund. Among other ideas put forth in connection with the California study was using pension funds for "homeownership coinvestment," with lower-income house buyers putting up less money in downpayment or monthly payments but being obliged to share with the fund future price gain on the property. To meet shortages in rental housing, it was suggested that pension funds offer lower-than-market interest rates, making possible lower rents, in return for a share of the apartment building's future price appreciation.

Other states, including Florida, Maryland, Michigan, and Massachusetts, have also been examining their public pension investment practices, looking to the fine balance between prudence and responsiveness to societal needs that will doubtless be the "name of the game" for U.S. pension funds for years to come.

The nation's many and varied public and private pension funds will undoubtedly be viewed by capital seekers as fertile ground for decades to come. And as this chapter illustrates, pensions are likely to continue to be responsive to innovative investment vehicles, including some that have as their goal social needs, beyond merely financial returns. But pension funds are unlikely to change their pattern of investing based on a competitive net Aeturn, adjusted for risk. The national debate over who controls the huge sources of capital represented by pension assets and who should benefit from their investment will continue. As it does, pension funds will continue to branch out in their investments, seeking additional ways to assist plan participants and beneficiaries without jeopardizing the ultimate payment of benefits.

SUBMITTED BY: Joe Reber, 3/22/83, EXHIBIT NO. 3

HB-100

New Section. 2.(4) Financial institution includes but is not limited to a state or federally chartered bank or a savings and loan association, credit union, insurance company, development company, or investment banking company.

Proposed Amendment to HB-100

Board of Investments

1. New Section 2.(4) to read:

"(4) "Financial Institution" means a state - or federally chartered bank, savings and loan association or credit union."

Should this amendment be accepted the definitions in HB-700 and 871 should be amended to conform.

SUBMITTED BY: Jeffrey M. Kirland, 3/22/83, Exhibit No. 4

HOUSE BILL 100

TESTIMONY OF JEFFRY M. KIRKLAND

VICE PRESIDENT-GOVERNMENTAL RELATIONS

MONTANA CREDIT UNIONS LEAGUE

BEFORE THE SENTATE BUSINESS & INDUSTRY COMMITTEE

ON TUESDAY, 22 MARCH 1983

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, FOR THE RECORD I AM JEFF KIRKLAND, VICE PRESIDENT-GOVERNMENTAL & COMMUNITY RELATIONS FOR THE MONTANA CREDIT UNIONS LEAGUE. THE LEAGUE REPRESENTS 118 OF MONTANA'S 121 CREDIT UNIONS.

WE STAND IN SUPPORT OF HOUSE BILL 100 BUT FEEL THE NECESSITY OF PROPOSING AN AMENDMENT FOR THE COMMITTEE'S CONSIDERATION AND, HOPEFULLY, APPROVAL IN ORDER TO ALLOW CREDIT UNIONS TO PARTICIPATE IN ECONOMIC DEVELOPMENT ACTIVITIES AND PROGRAMS AN ENVISIONED BY THE VOTERS IN THEIR PASSAGE OF INITIATIVE 95.

OUR PROPOSED AMENDMENT IS THIS: ON PAGE 15, LINE 5, STRIKE "AND" FOLLOWING "LOAN ASSOCIATIONS" AND INSERT ", AND CREDIT UNIONS" FOLLOWING "SAVINGS AND LOAN ASSOCIATIONS...." THE NEW LANGUAGE WOULD THEN READ "LOAN ASSOCIATIONS, ~~AND~~ SAVINGS AND LOAN ASSOCIATIONS, AND CREDIT UNIONS LOCATED...."

THE REASON WE PROPOSE THIS AMENDMENT IS THIS: ON PAGE 2, LINES 16-19, CREDIT UNIONS ARE INCLUDED IN THE DEFINITION OF "FINANCIAL INSTITUTION," THUS OBVIOUSLY INTENDED TO BE PARTICIPANTS IN ECONOMIC DEVELOPMENT PROGRAMS, ALBEIT IN A LIMITED CAPACITY BECAUSE OF THEIR MEMBERSHIP REQUIREMENT.

However, on Page 4, Lines 3-7, "Authorized Investments," the Bill stipulates that Montana in-state investment funds must be invested in the securities authorized under 17-6-211, as well as in any other type of investment authorized by rules adopted by the board.

Credit unions are not listed in Section 17-6-211, the only type of financial institution that is not. And our amendment simply includes credit unions in the list of permissible depository institutions in which the board could purchase interest-bearing deposits (certificates) as is currently being done with commercial banks and savings and loan associations.

We ask that the Committee approve the inclusion of our amendment so credit unions can participate in I-95 economic development activities just as banks and savings and loans will be able to without amending themselves into the legislation. We see no reason that credit unions should be the only financial institutions segregated out of the legislation.

Thank you for your consideration of our amendment.

SUBMITTED BY: Dick Bourke, 3/22/83, EXHIBIT NO. 5

DEVELOPMENT CREDIT CORPORATION OF MONTANA

P. O. BOX 916
HELENA, MONTANA 59624

TELEPHONE
442-3850

To: Members of Senate Business and Industry Committee

Fr: Dick Bourke, Vice-President

Re: Proposed amendment to House Bill 100

Page 2, line 18

Following: "association,"

Insert: "development corporation created pursuant to Sections

Sections 32-4-101 through 32-4-304,"

DATE 3-22-83

COMMITTEE ON BUSINESS AND INDUSTRY

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One Support	Oppose
[illegible]	Board of Investment			
[illegible]	" "			
Thomas E. [illegible]		H.B. 371 v 100	✓	
Dale A. Harris	Dept of Commerce	HB 100 + 371	✓	
Bob Buzzas	"	100 + 371	✓	
[illegible]	[illegible] Credit Corp of Mt	100 371	✓	
Tom Staples	Mt Int'l Trade Commission	100 HB 371 HB	✓	
[illegible]	Self	HB 100/371 HJR 11	✓	
Jim Murry	Mont. AFL-CIO	HB 100 HB 371	✓	
Daniel Kemmis	District 94	HB 100 HB 371	✓	
Jack Haffey	District # 45	HJR 11.	✓	
[illegible]	[illegible]			
Pat Wilson	Thermal Energy	HB100	✓ with amendments	
[illegible] M. Kirkland	Montana Credit Unions League	HB 100 HB 371	with amendment ✓	
[illegible] Hollow	Mt. Home Builders	HB 100 HB 371	✓	
Dade Goss	Billings Chamber of Commerce	HB 100 HB 371	X	
Chris [illegible]	Mont. Farmers Union	HB 371 HB 100	X	

(Please leave prepared statement with Secretary)

(This sheet to be used by those testifying on a bill.)

NAME: Dale Harris DATE: ____________

ADDRESS: Dept of Commerce

PHONE: 449-3495

REPRESENTING WHOM? Dept of Commerce

APPEARING ON WHICH PROPOSAL: HB 100 371

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

COMMENT: ____________

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

(This sheet to be used by those testifying on a bill.)

NAME: Joe Reber DATE: 3/22/83

ADDRESS: 801 Florence

PHONE: 442-4660

REPRESENTING WHOM? Chairman State Board of Investment

APPEARING ON WHICH PROPOSAL: HB 100 HB 371

DO YOU: SUPPORT? ✓ AMEND? ✓ 100 OPPOSE?

COMMENTS:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

(This sheet to be used by those **testifying** on a bill.)

NAME: Chris Johansen DATE: 3-22-83

ADDRESS: P.O. Box 2447

PHONE: 452-6406

REPRESENTING WHOM? Mont. Farmers Union

APPEARING ON WHICH PROPOSAL: HB 100

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

COMMENT:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

(This sheet to be used by those testifying on a bill.)

NAME: Jeffry M. Kirkland DATE: 3-22-83

ADDRESS: 2842 Festival Road Helena, MT 59601

PHONE: 227-5901

REPRESENTING WHOM? Montana Credit Unions League

APPEARING ON WHICH PROPOSAL: HB 100

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

COMMENTS: ____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

(This sheet to be used by those testifying on a bill.)

NAME: Tom S Cuyler DATE: 3/22/83

ADDRESS: 612 Power Block

PHONE: 443-7910

REPRESENTING WHOM? Mt. Int'l Trade Commission

APPEARING ON WHICH PROPOSAL: HB 100, HB 371

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

COMMENT:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

(This sheet to be used by those testifying on a bill.)

NAME: Jim Murry DATE: 3/22/83

ADDRESS: P.O. Box 1176 Helena, Mont.

PHONE: 442-1708

REPRESENTING WHOM? Montana State AFL-CIO

APPEARING ON WHICH PROPOSAL: HB 100

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

COMMENT: ______

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

(This sheet to be used by those **testifying** on a bill.)

NAME: Steve Brown DATE: 3/22/83

ADDRESS: 1313 11th Ave.

PHONE: 442-8711

REPRESENTING WHOM? Montana Independent Bankers

APPEARING ON WHICH PROPOSAL: H.B. 100 and H.B. 371

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

COMMENT:

PLEASE **LEAVE** ANY **PREPARED** STATEMENTS **WITH** THE COMMITTEE SECRETARY.

(This sheet to be used by those testifying on a bill.)

NAME: Pat Wilson DATE: 3/22

ADDRESS: P.O. Box 789 Billings, MT 59103

PHONE: 406-252-5208

REPRESENTING WHOM? Thermal Energy

APPEARING ON WHICH PROPOSAL: HB 100

DO YOU: SUPPORT? X AMEND? yes OPPOSE?

COMMENTS: We support with amendments. amend page 4 line ~~[illegible]~~ 19 by placing a period after environment and striking the remainder of line 19 and 20. Also amend Pg. 2 line 11 striking "relatively free from pollution which threatens human health including as a" and inserting "as a". We feel that the words "relatively free from pollution" are subjective and almost impossible to ~~[illegible]~~ define while being in compliance with state and federal standards say that there is promotion of a clean environment. Regarding Pg. 4 lines 19 & 20 an alternative energy fund has already set up through the ~~[illegible]~~ coal severance tax ~~[illegible]~~ of 2.25% to promote the use of alternative energy.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

(This sheet to be used by those testifying on a bill.)

NAME: Jim Murry DATE: 3-22-83

ADDRESS: P.O. Box 1176 Helena, Mont.

PHONE: 442-1708

REPRESENTING WHOM? Mont. State AFL-CIO

APPEARING ON WHICH PROPOSAL: HB 371

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

COMMENT: ______

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

(This sheet to be used by those testifying on a bill.)

NAME: Chris Johansen DATE: 3-22-83

ADDRESS: Box 2447

PHONE: 452-6406

REPRESENTING WHOM? Mont Farmers Union

APPEARING ON WHICH PROPOSAL: HB ~~377~~ 371

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

COMMENT:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.