

MINUTES OF THE MEETING
STATE ADMINISTRATION COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

February 15, 1985

The meeting of the State Administration Committee was called to order for executive action on the two remaining bills from February 14, 1985, House Bills 613 and 604.

ROLL CALL: Sixteen members were present with Reps. Fritz and Peterson excused but reported in later. Rep. Holliday and Rep. Fritz had left written votes but Rep. Holliday appeared in time for the voting.

FURTHER CONSIDERATION OF HOUSE BILL NO. 613: Lois Menzies, Staff Researcher, explained the amendments on page 1, line 19 and on page 2, line 12: page 1, line 19, strike "the" and insert "a" and following "ballot" insert "issue". The same amendment would apply to page 2, line 12. The title would also be amended to reflect the same change. She explained that the bill, without amendments, was overly broad and this would take care of the concerns of the office of the Secretary of State.

Chairman Sales pointed out that this amendment is for the ballot issues at the state level and asked the Committee if they wished it to be for the local initiatives also. The Committee decided to leave it at the state level.

DISPOSITION OF HOUSE BILL NO. 613: Rep. Cody moved ADOPTION OF THE AMENDMENTS, seconded by Rep. Hayne. Motion CARRIED UNANIMOUSLY.

Chairman Sales said the Court doesn't have any problem with saying it is unconstitutional any time they want to decide to do so. The only objection is to them stopping the voting process and he would like to see it done before the election. Rep. Harbin said the Court could have handled this much better. The California Court did all the ground work and set the precedent for Montana. After considerable discussion Rep. Garcia withdrew his substitute motion for Do Not Pass. The Committee reviewed the people who were present in opposition such as the League of Women Voters, the AFL-CIO and the Montana Democratic Party.

The original motion DO PASS AS AMENDED moved by Rep. Campbell, and seconded by Rep. Jenkins CARRIED with Reps. O'Connell, Kennerly, Moore and Garcia voting "no". The vote was 11-4.

FURTHER CONSIDERATION OF HOUSE BILL NO. 604: Rep. Harbin moved that HB 604 DO NOT PASS. Lois stated that the rule making authority can't be started until October 1 under this bill; this takes about 4 months and they would not take effect until the following year.

Rep. Cody said people are asking why the Legislature can't do

something about all the rules and regulations.

Rep. Phillips made the SUBSTITUTE MOTION DO PASS, seconded by Rep. Compton. Rep. Phillips said the issue is trying to curb some of these rules and it would give a little control of the bureaucracy and maybe this is a meat axe approach but Rep. Nelson agreed that maybe it is time for a meat axe approach. Rep. O'Connell was in favor of the bill. Rep. Harbin said he agreed with the others but didn't feel that this bill addressed the problems with the rule making system. All this does is give them a date to make rules. By law, there has to be rules to implement the laws.

Lois said they can write the rules but they can't start the process until October 1 such as public notices, hearings, etc. Mr. Akey said they could start the internal process but not the official process.

The SUBSTITUTE MOTION DO PASS FAILED WITH Reps. Compton, Jenkins, Phillips and Holliday voting "yes". The original motion DO NOT PASS CARRIED with the vote being reversed.

Executive session being completed at 8:40 a.m. there was a short recess before the Committee was called into order for the hearing on seven bills.

CONSIDERATION OF HOUSE BILL NO. 628: Rep. Francis Koehnke, District #32, sponsor of the bill, read his prepared testimony which is attached as Exhibit #1. He explained that this bill would allocate some of the coal severance tax local impact fund to communities suffering from economic depression or disasters. He also said he had some proponents present but they had to appear at other hearings.

PROPONENTS: Judy H. Carlson representing the National Association of Social Workers in Montana and also the Priorities for People supported the bill. Her prepared testimony is attached as Exhibit #2.

Rep. Peterson, District #1, said she had talked to her county commissioner and they indicated they would benefit from these funds in Lincoln County as would a lot of counties and she wanted to be on the record as supporting House Bill 628.

Jim Smith, Human Resource Development Councils of Montana, expressed the same concerns as Ms. Carlson and said there is a growing crisis in the public assistance program. The workfare program has destroyed the myth that these people do not want to work - they want nothing more than to work. He said that Mr. Koehnke has come up with an innovative program to put some more local people to work and he was definitely in support of the bill.

Louise Kunz, Montana Low Income Coalition, referring to the proposal to remove any able bodied person under 50 from the assistance programs would only result in an army of unemployed people traveling around the state. Most of these people have exhausted their resources that they did have and if not, they soon will.

OPPONENTS: Pat Wilson, Montco, a proposed coal mine between Ashland and Birney, Montana, said they would have to compete with the depressed communities. These communities do need the money but this is not the place for that funding. The Ashland community has some very real problems at the present time. There are projects on the drawing board that could supply jobs for people in Montana and they would like to employ as many people from southeastern Montana as possible. There will be 365 jobs in the community and \$4.7 billion over the 24 year life projected for the mine. This money should be left for the impact from coal, not economic disasters. Someday the coal resources will be exhausted and then these communities will have to deal with economic disaster and part of this money is being set aside for that time.

There were no further opponents:

DISCUSSION OF HOUSE BILL NO. 628: Rep. Campbell asked what the life span of the mine was projected to be. Ms. Wilson said it was projected to be 24 years and there are other mines on the drawing board for the area. Rep. Phillips asked Rep. Koehnke if the governor has a proposal for some of that money to go back into the legacy program. Rep. Koehnke said he was sure that was right but he couldn't expand on it. Rep. Koehnke gave a couple examples of economic depression and disaster - White Sulphur Springs when their sawmill shut down and idled 150 employees and Belt following the floods last year. It is not possible to get loans for homes because it is in a flood area but that would be up to the Board to decide who would qualify.

Rep. Holliday asked Ms. Carlson why there was no one present at the hearing from the Coal Board and Ms. Carlson said she was very surprised there wasn't someone in attendance.

Rep. Cody stated that the majority of these funds have gone into the school systems and this bill would detract from that. Rep. Koehnke stated that that was true but most of those communities have their new schools, gymnasiums, swimming pools, etc. This has already taken care of the impact on those people. He said he had no intention of taking money from new areas that have a coal impact and he said he was sure the Board would address it that way.

There being no further quesitons, Rep. Koehnke closed asking the Committee to review the summary attached to his testimony

to see where that money has been spent. He said he had no intention of taking that money away. There would be quite a fund built up in 24 years for this mine. Other areas need money because of businesses closing and lack of jobs.

The hearing was closed on HB 628.

CONSIDERATION OF HOUSE BILL NO. 645: Mike Kadas, District #55, sponsored the bill for two reasons. He said we are in a nuclear arms race right now. There are only 300 cities in the Soviet Union that have populations over 100,000 so we don't need all these nuclear warheads. Also, as Legislators and as trustees of the funds of the State of Montana we have a responsibility as to how that money is to be spent. He said that the \$82,000 on the fiscal note is way out of line. He suggested some amendments on page 1, lines 13 and 14 that would allow the investments that are currently in these areas to remain there.

PROPOSERS: Cathy Campbell, Montana Association of Churches appeared as a proponent to the bill and presented written testimony to the committee which is attached as Exhibit #3.

Dr. George Clothier, psychiatrist associated at St. Peters' Hospital, Helena, explained that the children of today feel betrayed by the adults and that the nuclear arms race is beginning to have a developmental effect on the children of the world. This bill would help to slow down the arms race; at least not to support any more. He said we must stop the build up of nuclear weapons and urged the Committee's support for the bill.

Sherman Janke, an engineer and teacher of engineering subjects, presented Exhibit #4 and told the committee that the U.S. spent the most on nuclear warheads of the western bloc nations. He went on to tell the committee that it is very important to look where we are going to put our investments for the state and asked why Montana money should be invested in these system. He said that these types of investments are not in our best interest.

OPPOSERS: James R. Penner, Montana Board of Investments, said he had met with the groups that are supporting this bill and the Board is opposing it. He explained the position of the Board of Investments and presented written testimony which is attached as Exhibit #5. He also stated that the grain embargo was designed to bring Russia to its knees but it was counter-productive. Next it could be makers of alcohol, cigarettes, contraceptives, pesticides or chemicals. This would be setting a precedent and asked the Committee not to tinker with the State investment program.

Rep. Phillips, District #33, said that this bill says that any

funds that the Board of Investments has in any of these companies, they would have to get it out. No one could sort all these companies out - there are subsidiaries, etc. There are over 80 companies involved for the MX alone.

There being no further opponents, the hearing was open to questions from the Committee.

DISCUSSION OF HOUSE BILL NO. 645: Rep. Cody asked Rep. Kadas if he didn't think President Reagan winning overwhelmingly on his strong defense stand was an indication of what the people want. Rep. Kadas said what was going on was the President was talking defense but was building up a very strong offense.

Rep. Smith asked Rep. Kadas if he realized how far reaching this bill would be. He said there is a small manufacturing plant in Kalispell that makes computer chips. Some are undoubtedly used in nuclear arms. Rep. Kadas said they were concerned about that at the time of drafting the bill but said it was defined on page 1, (b) as only a component or system used only for nuclear weapons.

Rep. Pistoria asked Mr. Howeth from the Board of Investments how much money in investments would they have to pull out, roughly. Mr. Howeth said it would be tremendous.

In closing, Rep. Kadas said that the states of Washington and Massachusetts have taken divestiture in South Africa and it has not threatened their wide variety of investments to be made. He said we have a moral responsibility on the way we use our money. He said the arms race is out of control and this is a way to say "stop".

The hearing was closed on House Bill 645:

CONSIDERATION OF HOUSE BILL NO. 792: Rep. Garcia, District #93, explained the purpose of the bill stating that it would provide for the appointment of a coordinator of ethnic affairs and introduced some proponents he had to speak in favor of the bill.

PROPOSERS: Jim Gonzales, Deputy Mayor of Billings, said this bill is really needed. It would be a benefit to the state of Montana because the larger benefit would be to the disadvantaged minorities to participate in some of these federal and state funds and would enable them to enhance their ability to make more money and pay more taxes. The coordinator should not just be a problem finder but a problem solver.

Jim Smith, Human Resources Development Councils of Montana, said this would open doors for people of all races; Mexican, Hispanic, Asian refugees and the native American. Supported the

bill.

Louise Kunz, Montana Low Income Coalition, also supported the bill.

Louis Clayborn, Coordinator of Indian Affairs for the State of Montana, appeared in support of HB 792 with amendments. If the amendments were not adopted he would not support the bill on behalf of the tribes of Montana. See Exhibit #6 for the proposed amendments. He also presented written testimony which is attached as Exhibit #7.

Ramona Howe, District #99, also expressed her agreement to the amendments proposed by Mr. Clayborn.

Sen. Bill Yellowtail, District #50, supported the bill. He said it was long overdue that the State make some attempt to recognize and address the wide range of problems of the minorities in the state. The Coordinator of Indian Affairs has been around for some years and is an excellent role model for something such as this.

Rep. John Phillips, District #33, said that somebody should speak for the Blacks and since roughly one-half of them are in his district he went on record in support of the bill.

OPPONENTS: There were no opponents.

DISCUSSION OF HOUSE BILL NO. 792: Rep. Cody asked Rep. Garcia how Sen. Yellowtail felt about the amendments to which Rep. Garcia said everyone agrees with the amendments.

In closing, Rep. Garcia said he would like to see this Committee vote 18-0 in favor of the bill. He told them if they didn't think minorities have their rightful place in society, then vote against it. Investing in the people of the state of Montana is the best way we can use our money.

The hearing was closed on HB 792.

CONSIDERATION OF HOUSE BILL NO. 655: Rep. Ray Peck, District #15, said this was introduced at the request of the Legislative Finance Committee which is an interim committee of 6 representatives and 6 senators and is a bipartisan committee. There are four systems that do not have to submit a budget because there are no public funds involved. The Committee recommended they submit a budget like everyone else and go through the appropriation process.

PROPOSERS: Cliff Roessner, Senior Analyst, Legislative Fiscal Analyst, said the bill requires these four systems to come before the Legislature and have their administrative funds,

personal services, etc. appropriated.

OPPONENTS: Keith Kelly, Director of the Department of Agriculture, spoke in opposition to the bill, Exhibit #9. This bill would hamper the board in the event of a large hail storm when they have to recruit additional adjusters. He said that the funds for the rural rehabilitation program came from the Feds and they can only spend 3% for administrative costs. The investments and the reserves are funding the hail program right now. He said this would put restraints on them when operating with someone like Mother Nature.

Terry Murphy, President of the Montana Farmers' Union, appeared as an opponent only because he was not a proponent and said it is not necessary to put this under the budget process. Some years the hail board needs a lot of temporary employees while other years very few. It would be difficult to project the funds they would need. This program pays its own way and returns some money to the state and the counties. This bill would make it less efficient and difficult to operate.

There were no further opponents.

DISCUSSION OF HOUSE BILL NO. 655: In answer to a question, Mr. Kelly said that the hail board administrative costs come from the reserve fund. They carry around \$3 million for two back-to-back hail storms. The program is operating very well. He said there is no problem going through the budget process but if they have to go through the budget amendment process it would hamper them in getting additional help in the event of a hail storm.

In closing, Rep. Peck said every agency wants flexibility but didn't think this is a valid argument. They should be required to go through the Legislative requirements of other agencies.

CONSIDERATION OF HOUSE BILL NO. 675: Rep. Kurt Krueger, District #69, sponsor, said this bill would commemorate the centennial of the state by the designing, manufacturing and issuing a centennial license plate. This would be handled like the personalized plates. He did, however, disagree with the fiscal note in that he did not believe it would cost \$113,000 to manufacture the plates. He said this would be a good opportunity to give some money back to the counties and would be willing to amend page 2, lines 15 and 16.

Toni Hagener, Hill County Commissioner and a promoter of the centennial, said as a member of MACO she was delighted to find some way of giving some money back to the counties.

DISCUSSION OF HOUSE BILL NO. 675: Rep. Campbell agreed that apparently the fiscal note is incorrect and remarked that it costs approximately \$1.60 to make the plates.

Rep. Fritz said that they are establishing a Centennial Committee with a proposed budget of \$200,000 from the general fund and suggested that this license fee might be a way to help fund that Committee. He asked Rep. Krueger if that Committee could have some of that money and Rep. Krueger replied that the majority should go to the counties because of their part in building the state. Larry Majerus of the Motor Vehicle Division said the cost would be about \$50,000 and there are costs for shipping, handling, etc. in addition to that. The personal license plate program is very expensive to administer because of the cross-checking for duplicates. Rep. Jenkins said he assumed this would be handled like the personalized plates and that it would be a one time plate, not like the personalized plates that are renewed. Rep. Krueger said it would be like the regular plates so there would be no cross-checking.

In closing, Rep. Krueger said he was amenable to working on an amendment to distribute the money and had no quarrel with some of the money going to the Centennial Committee as Rep. Fritz requested. We should look at it as a possible source of money for the counties - the more they sell, the more the revenue.

The hearing was closed on HB 675.

CONSIDERATION OF HOUSE BILL NO. 678: Rep. Jerry Nisbet, District #35, sponsor, said this bill would adopt Mountain Standard Time year around as daylight saving time has no advantages in Montana. The months of May and June are still very cold and wet and no farmers can get in the fields then - there are enough days of daylight.

There were no proponents or opponents.

DISCUSSION OF HOUSE BILL NO. 678: Rep. Holliday asked how far Montana was out of sync with the surrounding states. Rep. Nisbet stated that when the other states go on daylight time we would be out of sync two hours. Arizona and one other state stay on regular time.

The hearing was closed on HB 678.

CONSIDERATION OF HOUSE BILL NO. 721: Rep. John Cobb, District #42, said this bill was at the request of the Secretary of State and simply clears up some omissions in the Corporate Bureau of that office.

PROPOSERS: Larry Akey, Chief Deputy for the Secretary of State, said it is really a housekeeping bill and just cleans up a few items that got missed in 1981. The documents must comply with the law and his office is rejecting them and sending them back to the public for compliance. He urged the support

of the Committee.

OPPONENTS: There were no opponents.

DISCUSSION OF HOUSE BILL NO. 721: Rep. Jenkins asked what fees are being charged and Florence Armagost of the Corporate Bureau said they are set commensurate with cost.

Rep. Fritz, referring to page 7, lines 9 and 10, asked why the attorney general was stricken and the secretary of state inserted. Mr. Akey said this was changed in the 1977 Legislature and it was simply an oversight.

There being no further questions, Rep. Cobb closed without further comment.

The Committee then went into executive session.

DISPOSITION OF HOUSE BILL NO. 721: Rep. Fritz moved that HB 721 DO PASS, seconded by Rep. Peterson. MOTION CARRIED UNANIMOUSLY.

DISPOSITION OF HOUSE BILL NO. 678: Rep. Nelson moved that HB 678 DO PASS, seconded by Rep. Harbin.

Rep. Campbell made the SUBSTITUTE MOTION TO TABLE, seconded by Rep. Phillips. Motion CARRIED with Reps. Peterson, Hayne, Compton, O'Connell, Smith and Harbin voting "no".

DISPOSITION OF HOUSE BILL NO. 675: Rep. Fritz moved that HB 675 DO PASS, seconded by Rep. Cody.

The discussion was held to amend the bill to distribute the \$25 - \$5 goes to the department of motor vehicles, \$10 to the county general fund and \$10 to the centennial committee. Rep. Peterson said out of that \$25 there would be extra costs so maybe the division should be a percentage of \$25. Rep. Fritz said the \$25 is in addition to the other costs.

Rep. Harbin said that perhaps the Committee should wait and see what kind of plate is provided for in the Senate bill that has been introduced. Rep. Sales stated that this bill would be a money raiser for the counties and said it should be passed and let the two bills be debated on the floor.

Rep. Harbin moved ADOPTION OF THE AMENDMENTS. Motion CARRIED with Reps. Peterson, Phillips, O'Connell, Holliday and Jenkins voting "no".

The original motion being called for HB 675 DO PASS AS AMENDED CARRIED UNANIMOUSLY.

DISPOSITION OF HOUSE BILL NO. 655: Rep. O'Connell moved that

HB 655 DO PASS, seconded by Rep. Harbin.

Rep Cody made the SUBSTITUTE MOTION DO NOT PASS, seconded by Rep. Jenkins. They stated there is a problem with the Hail Board. Until we had the hail insurance there was no company that would handle it, now that the program is making money there are all kinds of hail insurance so why fix something that is working. Motion FAILED.

Rep. Fritz moved ADOPTION OF AMENDMENT to amend the Hail Board out of the bill, seconded by Rep. Jenkins. Rep. Harbin said this board was to be sunsetted last session and didn't think it was fair or proper that one agency should be able to operate outside of the appropriation process. They are not as solid as everyone believes.

Motion for Adoption of the Amendments CARRIED with Reps. O'Connell, Harbin, Campbell and Sales voting "no".

The original motion DO PASS AS AMENDED CARRIED with Reps. Harbin and Campbell voting "no".

DISPOSITION OF HOUSE BILL NO. 792: Rep. Garcia moved ADOPTION OF THE AMENDMENTS, seconded by Rep. Phillips. Motion CARRIED UNANIMOUSLY.

Rep. Garcia moved that HB 792 DO PASS AS AMENDED, seconded by Rep. Phillips. Motion CARRIED UNANIMOUSLY.

DISPOSITION OF HOUSE BILL NO. 628: Rep. O'Connell moved that HB 628 DO PASS, seconded by Rep. Peterson. Rep. Harbin stated that a disaster could be classified as noxious weeks and said he could see a plethora of individuals requesting these funds. Rep. Garcia said there are too many digging into this fund already. This money is meant to lessen the economic impact of the coal industry. Rep. Cody stated that the whole state benefits from this money even though the impact money only goes to the communities directly impacted by the coal.

Rep. Jenkins made the SUBSTITUTE MOTION DO NOT PASS, seconded by Rep. Harbin. Motion CARRIED with Reps. O'Connell, Pistoria, Peterson and Kennerly voting "no".

DISPOSITON OF HOUSE BILL NO. 645: Rep. Smith moved that HB 645 DO NOT PASS, seconded by Campbell.

Butch Turk, who was unable to speak during the hearing because of the lack of time, said he had some questions about the testimony of the Board of Investments and asked the Committee to look at the testimony a little more closely. Chairman Sales said the voting would be for reasons other than the money standpoint.

State Administration Committee
February 15, 1985
Page 11

Rep. Harbin also stated he did not agree with the Board of Investment testimony and said that the vote would be on strong personal feelings. Rep. Phillips said everybody would like to see nuclear weapons erased and Rep. Campbell said he was against the bill.

The motion Do Not Pass CARRIED 12-5.

There being no further business, the meeting adjourned at 11:30 a.m.



WALTER R. SALES, Chairman

1s

(Type in committee members' names and have 50 printed to start).

DAILY ROLL CALL

State Administration COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date 2/15/85

NAME	PRESENT	ABSENT	EXCUSED
Chairman Walter Sales	✓		
V-Chairman Helen O'Connell	✓		
Campbell, Bud	✓		
Compton, Duane	✓		
Cody, Dorothy	✓		
Fritz, Harry	✓		✓
Garcia, Rodney	✓		
Hayne, Harriet	✓		
Harbin, Raymond	✓		
Holliday, Gay	✓		
Jenkins, Loren	✓		
Kennerly, Roland	✓		
Moore, Janet	✓		
Nelson, Richard	✓		
Peterson, Mary Lou	✓		✓
Phillips, John	✓		
Pistoria, Paul	✓		
Smith, Clyde	✓		

423 Yes, as amended.

613 Reluctant yes

604 No

A. Fritz

HB 572	Yes	Do Pass
HB 604	No	" "
HB 613	Yes	—
HB 631	Yes	Do Pass
HB 641	No	" "

Rep Halliday

STANDING COMMITTEE REPORT

February 15

85

19

SPEAKER

MR.

We, your committee on **STATE ADMINISTRATION**

having had under consideration **HOUSE** Bill No. **675**

First reading copy (**White** color)

COMMEMORATIVE CENTENNIAL LICENSE PLATES

Respectfully report as follows: That **HOUSE** Bill No. **675**

BE AMENDED AS FOLLOWS:

1) Title, line 5.

Following: "PLATES"

Insert: " ; "

2) Title, lines 5 through 7.

Strike: "FOR" on line 5 through "FUND" on line 7

Insert: "PROVIDING FOR DISPOSITION OF FEES FROM ISSUANCE OF THE
LICENSE PLATES AND TRANSFER OR RENEWAL THEREOF"

3) Page 2, line 15.

Following: "(2)"

Insert: "(a)"

XXXXXX
DO PASS

Continued on Page 2

State Administration
HB 675

.....February 15..... 19.25.....

4) Page 2, lines 15 and 16.

Strike: "The" on line 15 through "." on line 16.

Insert: "The \$25 fee provided for in subsection (1) must be deposited as follows:

(i) \$5 in the motor vehicle recording account of the state special revenue fund;

(ii) \$10 in the account of the Montana statehood centennial office provided for in [House Bill No. _____ (EC 1978)]; and

(iii) \$10 in the general fund of the county issuing the plate.

(b) The \$5 fee provided for in subsection (1) must be deposited into the motor vehicle recording account of the state special revenue fund.

AND AS AMENDED
DO PASS

STANDING COMMITTEE REPORT

February 15 19 85

MR. SPEAKER

We, your committee on STATE ADMINISTRATION

having had under consideration HOUSE Bill No. 604

First reading copy (White)
color

OCTOBER 1 EFFECTIVE DATE FOR ADMINISTRATIVE RULES

Respectfully report as follows: That HOUSE Bill No. 604

DO NOT PASS

~~DO NOT PASS~~

STANDING COMMITTEE REPORT

February 15

35

19.....

SPEAKER

MR.

STATE ADMINISTRATION

We, your committee on.....

HOUSE

having had under consideration Bill No. **792**

First

White

..... reading copy (.....)
color

PROVIDING FOR APPOINTMENT OF A COORDINATOR FOR ETHNIC AFFAIRS

Respectfully report as follows: That..... **HOUSE** Bill No. **792**

BE AMENDED AS FOLLOWS:

1) Title, lines 4 and 5.

Strike: "EXPANDING" on line 4 through "PROVIDED" on line 5

Insert: "CREATING AN OFFICE OF STATE COORDINATOR OF ETHNIC
AFFAIRS; PROVIDING"

2) Page 1, line 15.

Following: "..."

Insert: "office of state"

3) Page 1, line 16.

Following: "affairs"

Insert: "and an office of state coordinator of ethnic affairs"

Strike: "The"

Insert: "Each"

XXXXXX
DO PASS

Continued on page 2

4) Page 1, line 19.

Following: "coordinator"

Insert: "of Indian affairs"

5) Page 1, lines 23 through 25.

Strike: "the" on line 23 through "." on line 25

6) Page 2, line 21.

Following: "appointed"

Insert: "by the governor"

AND AS AMENDED
SS-PASS

STANDING COMMITTEE REPORT

February 15

19 85

MR. SPEAKER

We, your committee on STATE ADMINISTRATION

having had under consideration HOUSE Bill No. 613

First reading copy (White)
color

RESTRICT COURT ORDERED CHANGES TO BALLOT AFTER CERTIFICATION

Respectfully report as follows: That HOUSE Bill No. 613

BE AMENDED AS FOLLOWS:

- 1) Title, line 6.
Following: "TO"
Strike: "THE"
Insert: "A"
Strike: "THE OFFICIAL"
Insert: "A"
Following: "BALLOT"
Insert: "ISSUE"
- 2) Page 1, line 19.
Strike: "the"
Insert: "a"
Following: "ballot"
Insert: "issue"

XXXXXX
DO PASS

Continued on page 2

3) Page 2, line 12.
Strike: "the"
Insert: "a"
Following: "ballot"
Insert: "issue"

AND AS AMENDED
DO PASS

STANDING COMMITTEE REPORT

February 15

19 85

MR. SPEAKER

We, your committee on STATE ADMINISTRATION

having had under consideration HOUSE Bill No. 655

First reading copy (White)
color

**REQUIRE APPROP. OF ADMIN. EXPENSES OF PERS, TERS, HAIL BOARD
AND RURAL REHAB.**

Respectfully report as follows: That HOUSE Bill No. 655

DO AMENDED AS FOLLOWS:

1) Title, line 3.

Strike: "BOARD" through ",."

2) Title, line 11.

Following: "19-4-606,"

Insert: "AND"

3) Title, lines 11 and 12.

Strike: "AND" on line 11 through ",." on line 12

4) Page 3, line 14 through line 17, page 4.

Strike: section 4 in its entirety

Renumber: subsequent section

AND AS AMENDED

DO PASS--

STANDING COMMITTEE REPORT

February 15, 1935

MR. **SPEAKER**

We, your committee on **STATE ADMINISTRATION**

having had under consideration **HOUSE** Bill No. **721**

First reading copy (**White**)
color

**GENERALLY REVISE AND CLARIFY BUSINESS AND NONPROFIT
CORPORATION LAWS**

Respectfully report as follows: That **HOUSE** Bill No. **721**

DO PASS

STANDING COMMITTEE REPORT

February 15

85

19

SPEAKER

MR.

STATE ADMINISTRATION

We, your committee on

HOUSE

having had under consideration Bill No. **628**

First

White

reading copy (.....

color

**EXPANDING COAL TAX LOCAL IMPACT PROGRAM TO INCLUDE DISASTERS,
DEPRESSION**

HOUSE

Respectfully report as follows: That Bill No. **623**

DO NOT PASS

~~DO PASS~~

STANDING COMMITTEE REPORT

February 15

19 85

MR. **SPEAKER**

We, your committee on **STATE ADMINISTRATION**

having had under consideration **HOUSE** Bill No. **645**

First reading copy (**White**)
color

**PROHIBITING INVESTMENT OF PUBLIC FUNDS IN NUCLEAR WEAPONS
AND COMPONENTS**

Respectfully report as follows: That **HOUSE** Bill No. **645**

DO NOT PASS

XXXXX
DO PASS

(Type in committee name, committee members' names, and names of secretary and chairman. Have at least 50 printed to start.)

ROLL CALL VOTE

HOUSE COMMITTEE STATE ADMINISTRATION

DATE 2/15/85

Bill No. 645

Time _____

NAME	YES	NO
Sales, Walter	/	
O'Connell, Helen	/	
Campbell, Bud	/	
Compton, Duane	/	
Cody, Dorothy		/
Fritz, Harry		/
Garcia, Rodney		/
Hayne, Harriet	/	
Harbin, Raymond		/
Holliday, Gay	/	
Jenkins, Loren	/	
Kennerly, Roland		/
Moore, Janet		
Nelson, Richard	/	
Peterson, Mary Lou	/	
Phillips, John	/	
Pistoria, Paul	/	
Smith, Clyde	/	

Louise L. Sullivan
Secretary

Walter Sales
Chairman

Motion: _____

Do Not Pass Motion Carried
12-5 vote

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

Ex. #1
HB-628
2/15/85

STATEMENT IN SUPPORT OF HOUSE BILL 628

By Rep. Francis Koehnke

House Bill 628 is a very simple and effective way to assist local governmental units which are adversely affected by economic depression or disaster. It would utilize the existing Coal Board, its staff and funding source by expanding the scope of the local impact program to include such communities.

Since 1975, when the local impact program was created, about \$50.7 million dollars have been granted to a relatively few areas. But at the same time, such communities have benefit from the economic growth, new jobs, and increased property tax base.

But now the roaring boom town days are over and things are getting back to normal. However, in the meantime, the communities have built or rebuilt almost every public facility around. And rightfully so. But now, its time to look to the real areas of need. Towns that have lost jobs or hit hard by disasters.

About \$8 million dollars are available each fiscal year for local impact grants. And how is the money going to be spent in future years? House Bill 628 addresses this issue with a simple and constructive approach.

Presently, we have no state assistance program to help areas that are adversely affected by economic depression or disaster. The present local impact program offers an excellent method to meet this local need. No additional staff is needed, no new board to be created, and no additional funding source.

All we are asking for is to share in the 8.75 % of the state coal severance tax revenues earmarked for local impact. How the funds are to be distributed to projects would be left up to the Board.

A SUMMARY OF LOCAL IMPACT GRANTS TO SELECT COMMUNITIES SINCE 1975

(Source: Report and Recommendations of Coal Tax Oversight
Committee, Nov. 15, 1984, MLC)

Colstrip, MT

- School system	\$ 8,021,528.50	
- City government	<u>1,787,805.91</u>	
TOTAL COMMUNITY.....		\$ 9,809,334.41

Ashland, MT

-School system	\$ 1,012,298.12	
- City government	<u>366,065.00</u>	
TOTAL COMMUNITY.....		\$ 1,378,363.12

ROSEBUD COUNTY, MT

-School system	\$ 562,269.12	
-County government	<u>5,643,374.05</u>	
TOTAL COMMUNITY.....		\$ 6,207,633.17

FORSYTH, MT

-School system	\$ 5,155,807.87	
-City government	<u>3,569,580.29</u>	
TOTAL COMMUNITY.....		\$ 8,725,388.16

HARDIN, MT

-School system	\$ 3,480,647.98	
-City government	<u>3,245,467.77</u>	
TOTAL COMMUNITY.....		\$ 6,726,115.75

LODGE GRASS, MT

-School system	\$ 2,670,074.00	
-City government	<u>687,776.75</u>	
TOTAL COMMUNITY.....		\$ 3,357,850.75

HYSHAM, MT

-School system	\$ -0-	
-City government	<u>621,503.80</u>	
TOTAL COMMUNITY.....		\$ 621,503.90

LAUREL, MT

-School system	\$ 228,825.00	
-City government	<u>583,772.00</u>	
TOTAL COMMUNITY.....		\$ 812,597.00

HUNTLEY PROJECT, MT

-School system	\$ 369,261.00	
-City government	<u>-0-</u>	
TOTAL COMMUNITY.....		\$ 369,261.00

CUSTER, MT

-School system	\$	491,000.00	
-City government		-0-	
TOTAL COMMUNITY.....		\$	491,000.00

MILES CITY, MT

-School system	\$	-0-	
-City government		82,600.00	
-Community college		1,645,690.52	
TOTAL COMMUNITY.....		\$	1,728,290.52

LAME DEER, MT

-School system	\$2,684,342.86	
-City government	-0-	
TOTAL COMMUNITY.....		\$ 2,684,342.86

TREASURE COUNTY, MT

-School system	\$1,412,703.50	
-City/county govt.	892,463.31	
TOTAL COMMUNITY.....		\$ 2,305,166.81

BIG HORN COUNTY, MT

-School system	\$	-0-	
-City/county govt.		2,598,996.70	
TOTAL COMMUNITY.....		\$	2,598,996.70

SPRING CREEK, MT

-School system	\$	-0-	
-City government		196,742.31	
TOTAL COMMUNITY.....		\$	196,742.31

OTHER LOCAL PROJECTS.....\$ 1,696,738.28

STATE FUNDED PROJECTS.....\$ 985,564.78

GRAND TOTAL OF ALL LOCAL IMPACT GRANTS FROM 1975....\$50,694,889.52

Ex #2
HB-628
6/15/85

TESTIMONY ON HB 628

AN ACT TO REVISE THE COAL SEVERANCE TAX LOCAL IMPACT PROGRAM

February 15, 1985

My name is Judith H. Carlson. I represent the National Association of Social Workers in Montana, and more broadly today, the coalition of people and organizations supporting Priorities for People. We support the inclusion of the broader language in the purpose of the local impact grant and loan program and I'd like to tell you why.

Priorities for People is both a process and a program. The department of social and rehabilitation services invited all of its constituent groups to come together throughout the past year to assist in its budget making process. An initial group of nearly 200 people elected representatives to "budget building teams" - one for the disabled, one for the young, one for the economically needy, and one for senior citizens. These four teams came to agreement on a program of modifications to the SRS budget. These are the priorities which meet the basic needs of our Montana citizens.

Among these programs is one to provide a decent, barely decent, standard for those people who are the poorest of the poor, those on General Assistance, a program paid for entirely with county funds - or in counties administered by the state, state funds may supplement the 12 mills collected from the county. This is the program that is starting to cost alot more money than anticipated and is causing a serious shortfall in the SRS proposed budget.

Counties have been running "workfare" programs for General Assistance clients who are able-bodied. Although a work program, it is paid for from the poor fund or SRS budget. If counties with depressed economies could develop public works projects by using coal tax funds, I can see a real possibility of a tie-in with employment of the able-bodied people now on General Assistance. This could be a marvelous example of use of these funds to solve a very real human problem in our state. I urge your support of HB 628

Montana Association of Churches



Ex. 43
HB-645
2/15/85

MONTANA RELIGIOUS LEGISLATIVE COALITION • P.O. Box 745 • Helena, MT 59624

February 15, 1985

WORKING TOGETHER:

American Baptist Churches
of the Northwest

American Lutheran Church
Rocky Mountain District

Christian Church
(Disciples of Christ)
in Montana

Episcopal Church
Diocese of Montana

Lutheran Church
in America
Pacific Northwest Synod

Roman Catholic Diocese
of Great Falls-Billings

Roman Catholic Diocese
of Helena

United Church
of Christ
MT-N.WY Conference

United Methodist Church
Yellowstone Conference

Presbyterian Church (U.S.A.)
Glacier Presbytery

Presbyterian Church (U.S.A.)
Yellowstone Presbytery

MR. CHAIRMAN AND MEMBERS OF THE HOUSE STATE
ADMINISTRATION COMMITTEE:

I am Cathy Campbell, representing the Montana
Association of Churches and speaking in support of
HB 645.

We do not see a sufficient justification to
build new nuclear weapons systems. We stand in
opposition to the escalating development and deploy-
ment of nuclear weapons by the United States and
other nations.

The arms race does not seem to make sense
ethically, strategically, politically or economically.
We are already the ones who must pay for the costly
weapons and it diminishes our ability to adequately
address many just human needs. It does not make
sense that we should also invest state funds in these
weapons and thus contribute even more to their
continued development.

We need to risk some de-escalation initiatives,
some steps toward limiting our research and build-up
of weapons, and HB 645 provides a small, first step
in this direction.

We affirm a commitment in faith to a different
possibility for the human community; namely, a
world society of order and justice, cooperation, and
creative human endeavor.

I therefore urge your favorable consideration
of HB 645.

Ex. #4
HB-645
2/15/85

EXHIBIT TO ACCOMPANY STATEMENT OF SHERMAN H. JANKE
415 NORTH 17th, BOZEMAN 59715

Definition of instability as the term applies to the nuclear armaments postures of the major powers: a situation in which either nation regards itself as compelled to react to a change in the weapons deployment by the other, such reaction being either a shortening of its response time to perceived alerts (i.e., going to launch on warning--a "hair trigger" mode) or the deployment of additional weapons of its own. Typically such a reaction is matched in kind by the first nation, followed by yet another by the second country, which leads to another by the first, and so forth.

Definition of first strike: an attack by one nation directed against the nuclear weaponry (missiles, bombers, etc.) of the other, with the intention not only of being first in time but to render a counterattack either impossible or too feeble to matter.

U. S. WEAPONS SYSTEMS CURRENTLY BEING FUNDED WHOSE
DEPLOYMENT FURTHERS A CONDITION OF INSTABILITY
(MAJOR CONTRACTORS ARE ALSO LISTED FOR EACH)

AIR LAUNCHED CRUISE MISSILE (BOEING)

This system leads to instability because the number deployed is almost impossible for the other side to verify, especially when carried in the bomb bay of a B-52H. There is also no way for the USSR to determine if a cruise missile in flight is conventionally or nuclear armed. Because of on-board terrain matching radar, the flight is both close to the ground (making detection and interception difficult) and very accurate: the single warhead, although of moderate yield, can be precisely delivered.

MX INTERCONTINENTAL LAND-BASED STRATEGIC MISSILE
(AERJET STRATEGIC, AVCO, HERCULES, MARTIN-MARIETTA, NORTHROP,
ROCKWELL INTERNATIONAL, MORTON-THIOKOL, WESTINGHOUSE)

This missile, carrying up to 10 independently targetable re-entry vehicles (warheads) may be perceived by the USSR as threatening its own land-based missiles which themselves are presumably programmed to strike our land-based ICBM's. Since their perception (not the assured reality since nobody has ever tried a first strike) is what matters, they will counter by deploying additional missiles of their own if we emplace, say 100 or 200 MX vehicles, especially given US non-ratification of SALT II.

PERSHING II MEDIUM RANGE, MOBILE, SINGLE-WARHEAD MISSILE
(MARTIN-MARIETTA)

While not of intercontinental range and not MIRVed, this weapon must be considered as leading to instability because it threatens Soviet command centers from European launch sites. This threat is enhanced by its terrain matching on-board radar and terminal guidance system which makes it in principle the world's most accurate ballistic missile.

TRIDENT 2 (D-5) SUBMARINE-LAUNCHED BALLISTIC MISSILE (LOCKHEED)

This second-generation version of the presently-deployed Trident 1 missile will employ the NAVSTAR global positioning satellite system, enabling the launching submarine to literally pinpoint its position anywhere in the oceans at the time of launch. This, in turn, will allow, for the first time, a submarine-launched vehicle to achieve

the accuracy of a land-based ICBM. In reality, its accuracy could surpass that of an MX because the submarine, by virtue of its mobility, would not have to launch into a trans-polar trajectory with the unknown error that such a path imposes (that error, called the bias, remains unknown since neither superpower has ever launched over the North pole). With the possibility of a low-energy trajectory (a short and low flight) made practical with a close-lying submarine, there is discussion of equipping the D-5) with a terminal guidance system patterned after that of the Pershing II. Such a system, if coupled with an extremely capable command and control network to synchronize launch times, could bring an actual first strike capability into being. In that case, a full complement of Trident missiles would constitute an extremely destabilizing system.

TOMAHAWK SEA-LAUNCHED CRUISE MISSILE (GENERAL DYNAMICS)

While it has not received the publicity of air- and ground-launched cruise missiles, this vehicle, which can be deployed on a variety of vessels, is subject to some of the same verification problems as the others: the other side cannot determine what kind of warhead it carries, nor how many are aboard a given ship. Further, they can only surmise what an intended mission of a particular missile is: ship-to-ship, or ship-to-land; that varies with circumstances and the geographic location of the vessel.

Ex. 45
HB-645
2/17/85

INVESTMENT IMPLICATIONS OF NUCLEAR ARMAMENT DIVESTITURE

MONTANA BOARD OF INVESTMENTS

James R. Penner
February 15, 1985

I. FOCUS OF PRESENTATION

What are the investment implications of a law that prohibits investment of funds managed by the Montana Board of Investments in corporations that produce nuclear warheads, weapons systems, or weapons components.

II. THE PROFESSIONAL'S ROLE

If a doctor knows a patient is drinking too much, or smoking too much, or working 80 hours per week without vacations, it is the doctor's responsibility to warn the patient of possible and/or probable consequences of such actions.

Our role as a fiduciary or custodian for assets owned by the people of Montana is to advise you, the people's representatives, of the probable impact this bill would have on the people of Montana's assets.

III. INVESTMENT OBJECTIVE

The primary goal of the Montana BOI, as stated in its most recent annual report, is to "seek the optimum possible investment performance within the investment guidelines outlined in State statutes and consistent with the investment objectives of the various funds it manages in order to reduce the cost to Montana taxpayers and pensioners."

IV. INVESTMENT PERFORMANCE

We believe the evidence is overwhelming that superior investment performance will be inhibited by a nuclear weaponry divestiture policy. As a consequence, additional sources of income will be necessary to pay for the loss of funding of retirement plans and State funds.

A. Investment performance will be reduced for the following reasons:

1. Risk of holdings will increase.

Of the 30 largest U.S. companies, at least 4 of them would be prohibited including 1 presently owned by the State of Montana and another which is on our approved list.

At least two key growth industries, electrical equipment and aerospace, would be materially affected. Instead of holding General Electric, Emerson Electric, or Westinghouse, all prohibited companies, we would be investing in Anixter Brothers,

Fluke Manufacturing, or High Voltage Engineering. The latter three companies are not exactly household names, in fact it would take 95 Anixter Brothers to equal 1 General Electric, 143 Fluke Manufacturing, or 410 High Voltage Engineering. Smaller companies equal more risk.

2. Reduced Quality

Value Line accords GE and EMR an A++ rating, which along with General Signal are the only electrical equipment companies with Value Line's highest rating. (We already own General Signal) Anixter Brothers is rated B+, Fluke a B++, and High Voltage Engineering a C++. By eliminating the large, diversified companies the State of Montana would give up significant financial strength.

3. Reduced liquidity

- a. Higher concentration in smaller companies means increased difficulty in taking or liquidating positions due to reduced volumes of trading activity.

(Prudent man rules generally dictate a maximum volume in an issue of 20% of normal daily volume).

B. Investment research costs will increase

1. Existing universe of stocks will have to be increased to make available a suitable supply of securities to offset those removed from the list.
2. Smaller companies are less well followed by brokerage and investment research firms necessitating additional research initiated by inhouse staff.
3. Incremental investment research costs to replace prohibited companies would be \$46,293 annually using the assumptions enunciated in the fiscal note.

C. Cost of divestment

1. Opportunity for profit forgone by ignoring 4 of top 30 companies and deemphasizing at least two premier growth industries is not quantifiable but could be significant.
2. The incremental transaction cost to divest at \$.20 per share

of common stock and \$2.50 per \$1,000 par value of bonds would cost pension beneficiaries and State funds \$108,250.00.

V. IMPACT ON MONTANA

A. Lower rate of return

1. Pension and State Funds

- a. Restricted use of debt and equity securities issued by some of the country's largest and highest quality companies can only serve to increase market risk. Increased market risk may not be consistent with the objectives of the funds under management.
- b. Divestment shifts the portfolio mix away from two of the premier growth industries. In the last ten years, GE has grown 270%, EMR 204%, and WX 520% before dividends. Dividends at least doubled for each company with EMR up over 300%. Boeing, a leading aerospace firm, has grown 1700% with a 975% dividend advance in this period and would become ineligible for investment if this bill is passed.

B. Higher contributions

Lower returns result in a need for increased contributions to replace the dollars lost through divestment or for a reduction in benefits due to a smaller pool of funds available.

VI. ILLUSTRATIONS

I'd like to use a couple of analogies to support the likelihood of lower investment returns. We have two investment managers each represented by a deck of cards. Manager A has 52 cards in his deck and is not restricted in any way in making investment decisions. Manager B, who must avoid companies producing nuclear weaponry has only 48 cards in his deck to represent 9% of the companies not available for purchase. Since many of these companies are premier growth companies, 4 of the 30 largest domestic companies, we have pulled out of manager B's deck 1 ace, 1 king, 1 queen, and 1 jack.

No one can deny that an investment officer being dealt from a deck shy of 4 cards might not win from time to time despite the other players being dealt from a full deck. But to be a consistent winner, no matter how skilled the player might be, is highly unlikely.

And so it would be for Montana. Denied the use of about \$100 billion in market capitalization, the State's portfolio in this quarter or that quarter might have superior performance. But no matter how skilled the portfolio managers are, the odds will be against consistent superior performance.

I also recall an ill-fated grain embargo designed to bring Russia to its knees and pull its troops out of Afghanistan. Few people here today would argue that the embargo was effective, in fact, it was counter productive as other major wheat exporting countries quickly filled the void left by the U.S. exit. The same would be true if Montana divested of its securities in companies producing nuclear weaponry. I estimate the market on an average day would assume our securities in less than 1 minute with no impact on companies producing nuclear weaponry. And it is also unlikely such a move would change our government's nuclear policy.

VII. Precedent

Another serious concern I have is that of setting a precedent. We've already seen a bill to prohibit investment in companies doing business in South Africa. This bill addresses the issue of nuclear weapons. The next bill will prohibit investment in companies that manufacture, distribute, or allow consumption of alcoholic beverages or tobacco products. How about a bill to prohibit investment in companies that make or sell contraceptives, or companies that use animals for research and development? We could also eliminate companies that produce pesticides or hazardous chemicals. Undoubtedly, committee members and guests in this room could add a long list of their own concerns.

Yours is an awesome responsibility. Do you give a green light to social investing or do you leave the State's investment decisions in the hands of its investment personnel? Tuesday's Great Falls Tribune editorial unequivocally endorsed not tinkering with the State's investment program, citing it as one of the few bright spots in terms of revenue growth. We concur.

VIII. PRUDENT MAN RULE

Legal questions regarding the use of a social investing strategy where the fiduciary is bound to the Prudent Man Rule remain unresolved. Two University of Chicago law professors prepared an article for the University of Michigan Law Review in which they state that current social investing proposals which call for pension fund money in general to be invested according to a "social good" are illegal.

"A trustee who sacrifices the beneficiaries' financial well-being for any other object breaches with his duty of loyalty to the beneficiaries and his duty of prudence in investment."

They cited Blankenship vs. Boyle, whose union funds were used to purchase large blocks of shares in electric utilities to encourage purchase of union

mined coal. The professors concluded that the duty of loyalty on the part of a trustee is for the "sole benefit" of the beneficiaries.

Our legal counsel is in complete agreement with the legal opinion as stated in the previously noted University of Michigan Law Review Article. They have advised us that since there were no previous limitations on pension fund investments, the Board, acting as a fiduciary, would be required to obtain permission from all beneficiaries of the respective pension funds before restricting investments in accordance with the proposed bill. Furthermore, since the proposed bill restricts or diminishes the Prudent Man Rule, it may be in conflict with Article 2, Section 31 of the Montana Constitution concerning impairment of contractual obligations.

IX. CONCLUSION

Who is the biggest promoter of nuclear weaponry? Uncle Sam! Right! If making a statement in opposition to our government's policy on nuclear weapons is important, perhaps Montana should sell all its government backed securities. We own about \$650 million worth of government securities, most of which could be sold expeditiously as they are in high demand and very liquid. No, on second thought, reinvestment in like quality securities would be a monstrous problem and though \$650 million is "big bucks" to you and I, it is small potatoes as part of our nation's \$1.2 trillion debt.

From a professional viewpoint the evidence overwhelmingly precludes the prudent fiduciary from exercising control of assets under management to achieve a "social good."

Investment program is too important to justify tinkering

Supporters of Senate Bill 295 are trying to insure that the state of Montana does not support what one of its proponents describes as the "white minority racist state" of South Africa.

The bill would prevent the state from investing in firms that have business dealings with South Africa.

The effect of the measure, sponsored by State Sen. Dorothy Eck, D-Bozeman, would be to cause the state to divest itself of about \$200 million worth of stocks and bonds. The State Board of Investments has this much invested in American firms that do business with South Africa.

To start with, investments board officials estimate, the cost would be about \$647,000 for divestiture alone. They could provide no estimate of how much money the state would lose by not being able to deal in blue chips that have some connection, however remote, to South Africa.

The bill has the support of a couple of college professors who said at a hearing last Friday that Montana must speak out against the oppression of blacks in South Africa. Other backers included representative from labor, church groups and peace organizations.

The peace groups also are anxious to have the state divest itself of securities purchased from corporations that have U.S. defense contracts. That, however, hasn't been taken up yet by the Legislature.

Let's assume, for the sake of argument, that Eck's bill passes. How much would the state's investment program lose? Let's take a guess and say \$1.5 million.

That amount would educate more than 1,000 Montana children for a full year in the public schools. It would rebuild a couple miles of primary highway. It would take care of the welfare needs of perhaps 250 families. It would pay for the deficit in court costs in Montana's larger counties.

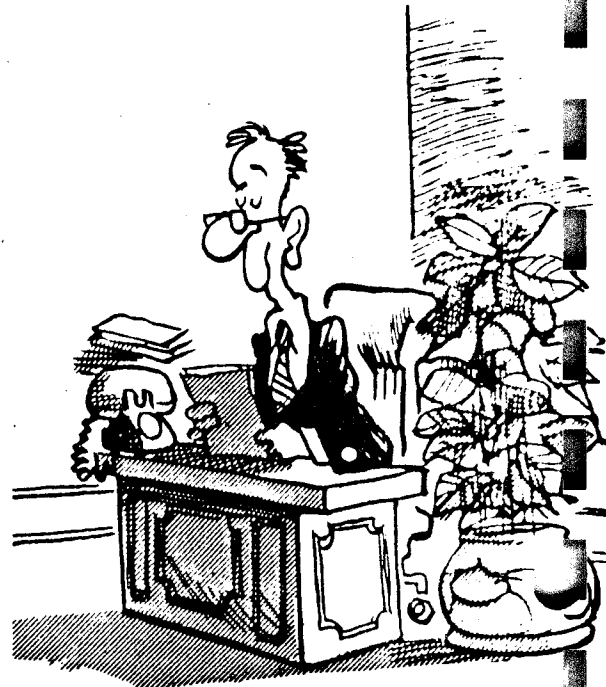
Instead of hamstringing the investment program, which has saved citizens many millions in tax dollars during the past decade, we suggest there are equally effective ways to display our collective social conscience. People can demonstrate, bombard South African embassies with mail, petition Congress for direct sanctions or organize financial and moral support for the black movement of South Africa.

But don't mess with the investment program.

It's the one area in the state revenue picture that has improved significantly in recent years.

As for divesting stock that is associated with U.S. defense contracts, the same argument applies.

DESIGNATED
NO
SMOKING
AREA



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James Reston Critical dia

WASHINGTON — It was just a year ago Sunday that Yuri Andropov died in Moscow. For the last month, his successor as general secretary of the Soviet Communist Party, Konstantin U. Chernenko, has disappeared from public view.

So the rumors fly like snowflakes around the capitals of the world, but nobody knows where or how he is.

This is the tangle in the line of U.S.-Soviet communications.

We can negotiate with the Russians in Geneva next month about the control of nuclear weapons, but we don't know how to talk to the people in Moscow who give the orders, or even know who they are.

The contrast between the two political systems has seldom been

Brezhnev was stumped by curbstones and walls.

In fairness to Brezhnev, first he didn't want to offend the Russians and then he changed his mind. The fact is that during his tenure it seemed too late to change Brezhnev and too late to Andropov, who, after taking control, seemed to disappear into the shadow.

And Chernenko, a doctor, says, seems to have disappeared into the shadow.

MAYBE IT WAS the first place to think of a particular Soviet leader that much difference

Personal contacts have been tested from the beginning.

Peace Legislative Coalition

P.O. Box 5419 • Helena, Montana 59604
406-443-5122

TESTIMONY IN FAVOR OF HOUSE BILL 645 2/15/85

Mr. Chairman, members of the committee. My name is Butch Turk and I'm here representing the Montana Peace Legislative Coalition. The bottom line here is that there is no hard evidence that divestment will cost the state money. In fact, although Montana has 73 million dollars invested in firms which produce nuclear weapons, there is little or no potential for financial impact on over 99% of Montana's portfolio, as the fact sheet shows. So what is the dispute over?

I. Opponents of divestment say that risk will increase.

- A. Of the 6350 companies listed on the major U.S. exchanges, over 6100 don't produce nuclear weapons. Increased risk will be infinitesimal.
- B. In a free market increased risk is generally compensated by increased return, so the state wouldn't lose anyhow.

II. Loss to diversification would also be minute.

- A. Montana is currently invested in about 496 companies. Only 26, about 5%, build nuclear weapons. Even Jim Penner, the assistant investment officer for the Board of Investments, told me last week that he personally preferred a less diversified portfolio.
- B. There are many alternative investments.
 - 1. Whole industries: transportation, construction, entertainment, most oils, etc.
 - 2. Individual companies: General Mills, Quaker Oats, Wang, Dayton-Hudson, Apple, First Bank System, Tutronics, etc.

III. Divestment is legal.

- A. No state's socially responsible prohibitions have been overturned in court.
- B. "This study concludes that a flexible application of legal principles can indeed enable state legislatures to implement the public decision to reject investment in apartheid." Review of Law and Social Change, Vol. X:407 1980-81.

IV. The Board of Investments fiscal note.

A. Commission Expense.

1. Since the Board of Investments transactions in fiscal year 1984 involved 621 million dollars in long term securities, we can expect normal transactions during the three year divestment period to be at least \$1963 million dollars. Divestment would require transactions amounting to less than 8% of this normal business. In other words, last year Montana traded as many securities in three months as this bill requires in three years. We need only adjust priorities, not enter into more transactions.
2. "...a (two year) program of divestiture could be instituted over a time period so that many of the required sales are done when independent investment judgments would have warranted sale anyway."--Robert Schwartz, Vice President, Shearson American Express.

B. Research.

1. The Board of Investments would not have to become expert on nuclear weapons. Good lists exist already.
2. Some new research could be avoided by placing some divested funds in the 95% of companies which Montana is now invested in which do not build nuclear weapons.
3. "I do not see the need for any additional increase in staff to do this...as far as I'm concerned that's a red herring."--Bill Bryan, a Bozeman investment advisor for Working Assets, a socially responsible investment firm.

V. The record on socially responsible investing.

- A. Although I've heard claims that divestment hurt the District of Columbia's portfolio, the Washington Post (12/2/84) wrote in December that the D.C. trustees report no measurable impact on the solvency of the city pension system.
- B. Similarly, it's been said that Massachusetts lost money. Governor Dukakis wrote, "divestiture has proven to have had no significant impact on our pension earnings...careful divestiture can result in net increases in pension earnings."

Massachusetts divestment "improved the quality of the portfolio, improved current cash flow by over \$2 million per year, decreased volatility and risk, and will ultimately gain the fund up to 36 million dollars over the life of the new bonds."--Joan Savaria, president, Franklin research Corporation.

- C. Several states have placed socially responsible criteria on their investments. Towns, schools and national churches have rejected nuclear weapons investments. One example is the United Methodists who have a portfolio of over one and one half billion dollars. It's significant that not one of these has decided to reinvest in a restricted field.
- D. Several investment companies which go beyond nuclear weapons in their restrictions are doing quite well.
 - 1. According to September's Money magazine, Franklin Management was the number 1 income mutual fund for the previous 12 months.
 - 2. Calvert Social Investment Fund had the highest rate of return for any general purpose money market fund in 1983.
 - 3. The Pax World Fund was in the top 25% of all funds in 1983, according to the Lipper survey. Last May Money magazine ranked Pax number 2 for all balanced funds during the previous year.
 - 4. But what of the long haul? Money ranks Pax number 3 in its category over the last five years. Franklin, over the last ten years, has had an average return of 14.13%.
- E. Massachusetts, Michigan State University, Philadelphia, Working Assets and the others all prove that socially responsible investing works.

VI. Montana Divestment.

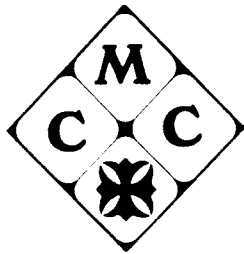
Nearly everyone hails the skill and competence of the staff of the Board of Investments. If all these other governments, businesses and institutions can successfully manage money in a prudent and socially responsible manner, certainly the Board can, too.

4)

Working Assets has offered to donate, on an expenses only basis, all the training in divestiture that the Board of Investments might desire.

VII. Effect of Divestment.

After years of pressure from shareholders and religious organizations, Union Carbide recently announced it would not renew its contract with the federal government to manage the nuclear facilities at Oak Ridge, TN and Paducah, KY. This is just one example of what socially responsible investing can do.



Montana Catholic Conference

February 15, 1985

CHAIRMAN SALES AND MEMBERS OF THE HOUSE STATE ADMINISTRATION COMMITTEE:

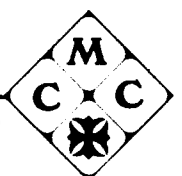
I am John Ortwein representing the Montana Catholic Conference. The Catholic Conference is the liaison between the two Catholic Dioceses of Montana in matters of public concern.

I am here today to speak as a supporter of House Bill 645.

The Second Vatican Council opened its treatment of modern warfare with the statement: "The whole human race faces a moment of supreme crisis in its advance toward maturity." Nuclear weaponry has changed the nature of warfare, and the arms race poses a threat to human life and human civilization which is without precedent.

As Americans, citizens of the nation which was first to produce atomic weapons, which has been the only one to use them and which today is one of the handful of nations capable of decisively influencing the course of the nuclear age, we have grave human, moral and political responsibilities to see that a "conscious choice" is made to save humanity. So spoke the Catholic Bishops of the United States in the Pastoral letter, "The Challenge of Peace: God's Promise and Our Response."

House Bill 645 is a "conscious choice" by the people of Montana to say, "Enough is enough in the arms race." I urge your support of this bill.



Ex. # 6
HB. 792
2/15/85

STATE COORDINATOR OF INDIAN AFFAIRS



TED SCHWINDEN, GOVERNOR

1218 EAST SIXTH AVENUE

STATE OF MONTANA

(406) 444-3702
DONALD L. CLAYBORN, COORDINATOR

HELENA, MONTANA 596

FROM: DONALD L. CLAYBORN, COORDINATOR OF INDIAN AFFAIRS

SUBJECT: AMENDMENTS TO HOUSE BILL NO. 792

The following is a series of amendments which if incorporated would create a Coordinator of Minority Affairs Office which would be acceptable to the Montana Indian tribes.

The legislation should be amended to read:

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR APPOINTMENT OF A COORDINATOR FOR ETHNIC AFFAIRS WITH THE DEPARTMENT OF COMMERCE; DEFINING LEGISLATIVE POLICY CONCERNING ETHNIC MINORITIES; DEFINING THE DUTIES OF THE COORDINATOR FOR ETHNIC AFFAIRS; PROVIDING AN APPROPRIATION; AND PROVIDING AN EFFECTIVE DATE."

Amendments need to be made to 2-15-1813 as the legislation will create a new legislative section AND OFFICE OF COORDINATOR FOR ETHNIC AFFAIRS. The existing portions which define the State of Montana Indian policy and the duties of the Coordinator of Indian Affairs will remain as they are.

In Section (1) the legislation should be amended to read:

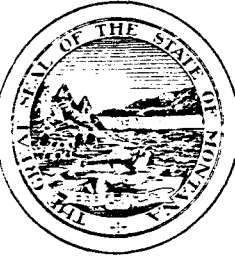
SUBSECTION (3) "THE GOVERNOR SHALL APPOINT A COORDINATOR FOR ETHNIC AFFAIRS TO SERVE WITHIN THE COMMERCE DEPARTMENT. THE COORDINATOR FOR ETHNIC AFFAIRS SHALL...."

The act needs no further amendments to create the Office for Ethnic Affairs.

DLC:jh

Ex. # 7
HB-792
2/15/85

STATE COORDINATOR OF INDIAN AFFAIRS



TED SCHWINDEN, GOVERNOR

CAPITOL STATION

STATE OF MONTANA

(406) ~~XXXXX~~ 444-3702

HELENA, MONTANA 59620

FEBRUARY 15, 1985

TESTIMONY

HOUSE BILL NO. 792

Mr. Chairman, Members of the State Administration Committee:

I appear in support of House Bill No. 792 with proposed amendments. If these amendments are not adopted by the Committee of the House of Representatives, I will oppose this legislation on behalf of the tribes of Montana.

I am in favor of establishing the Office of Ethnic Affairs. I think it is a timely concept which is long overdue for the Administration of the State of Montana.

I am not in favor of changing basic policy for Indian tribes that were hard fought over the years for recognition.

The first issue is that the Constitution as it was adopted in 1972 recognizes the special cultural heritage of the Montana Indians. Recognizing the special heritage and sovereignty of Indians, the Montana Legislature created a government-to-government relationship between the Governor's office and the seven (7) tribal councils by creating a coordinator that advocated both to the Governor and to the Montana Legislature. This government-to-government relationship paralleled the government-to-government relationship that the tribes have with the various federal agencies and the President of the United States.

The Coordinator's office, which I now hold, is constantly barraged with problems and issues which stagger the mind in their complexity.

I deal daily with issues of resource management, water quantification, coal development, fish and game, child custody, traffic management, cooperative agreements between tribes and counties, to mention only a few. My time is overwhelmed by the daily operation of tribes within a state, city and county complex.

The manner in which this legislation is drafted does not recognize, but changes, state government policy and does not reflect the reality of the tasks that the Coordinator's office faces.

The special needs of Indian tribes who hold a large land base and a multiple of water and mineral resources are not acknowledged in this bill. In addition, the special coordinator needs of Asians, Blacks, and Spanish speaking peoples could not possibly be met in my office with the special demands and needs of Indian tribes and Indian people.

If the Coordinator of Ethnic Affairs office is created, it should be given the full opportunity to meet the special needs of minorities and not be compromised by the constant demands of sovereignty and intergovernmental cooperation which is unique to Indian tribes. It should be fully funded to do that task. If these amendments were made and state Indian policy was not changed, the tribes and myself could eagerly and wholeheartedly support this bill. As I stated at the beginning of this presentation, this is a concept that is badly needed and timely for the minorities of this state.

DONALD L. CLAYBORN
Coordinator of Indian Affairs

Ex. = 8
HB-792
2/15/85



EQUAL OPPORTUNITY/
PERSONNEL OFFICE
Billings, Montana 59101
(406) 657-2278

February 14, 1985

Representative Rod Garcia
Capitol Station
Helena, MT 59620

Dear Representative Garcia:

I am very pleased to hear that some of our Montana law makers have the foresight to understand the growing needs and concerns of the ever increasing minority population in the Great State of Montana.

In the past Montana has been among the front runners in establishing laws for protected class individuals. The introduction and passage of a bill to establish a coordinator for ethnic minorities affairs will help keep Montana in the forefront as a state who cares about all its population.

Please put my name down as fully supporting the establishment of an ethnic minorities coordinator for the State of Montana.

Sincerely,

Archie M. Sutton
Personnel/EEO-AA Director

Ex. 9
HB-655
2/15/85

Department of Agriculture

Testimony on HB 655

2/15/85

Intro...

This bill apparently tries to add legislative scrutiny over the budgets of the named entities. However the Hail Insurance program fails to fit cleanly into the scheme of the programs targeted for fiscal scrutiny.

While the Hail board recognizes the need for legislative scrutiny and review, it also requires a need for flexibility which the budgetary process clearly inhibits, and thereby makes it a poor candidate for coming within the confines of the intent of H.B. 655.

First the nature of the program sets it apart from the others in HB 655. The money for the program comes from farmers purchasing Hail insurance from the state. The money for the program never comes from the state or federal government sources and does not benefit state employees. The only real concern of the legislature is that the program not lose money so as to create liabilities for the state. This would require catastrophic losses in the program.

The program has a proven track record of fiscal management and acts prudently. The Board of Hail insurance contains members either directly or indirectly accountable to the voters. Clearly any fiscally foolish actions by the board would meet swift and effective reprisal.

Because the insurance program operates in the market place it can not exist with administrative expenses exceeding those of any comparable prudent insurance company. The program's success requires fiscal prudence. The proponents of HB 655 can cite no actions by Hail Board in its determination of administrative expenses that would run contrary to the legislator's wishes.

The Hail insurance board therefore suffers no fears of legislative scrutiny of its program. It sailed through a sunset audit review last session and the legislative re-enacted the programs with little or no criticism of its operations.

The problem that HB 655 creates is the lack of flexibility for which the program needs. For example if a particularly bad hail storm or series of storms required the program to hire additional staff to handle the necessary crop insurance adjustments, then the board must act quickly in hiring and adjusting its budget. Waiting for legislative budgetary amendment approval could cost the program money for lack of having an adequate staff in the field. Decisions such as these can not be delayed for needed legislative approval.

Finally the bill in its present form fails to clearly indicate from where the appropriations for the funds come (Page 3 line 23). The intent that the money come from the expendable trust fund needs to be better expressed if that is your desire. The program pays its own way and that should remain clear.

In conclusion the Hail insurance program is a different creature than the other programs of HB 655. The program is operating properly without the budgetary scrutiny dictated in HB 655. The program needs flexibility that 655 removes.

If the Hail Insurance Program remains in HB 655 then the language that the money for the administration of the program should clearly state that it comes from the program. It must not imply that it could come from the general fund.

I therefore urge that this committee amend this legislation to exclude the Hail Insurance Program from HB 655.



Governor Ted Schwinden

STATE OF MONTANA
DEPARTMENT OF AGRICULTURE
BOARD OF HAIL INSURANCE

Keith Kelly
Director of Agriculture

Bruce W. Meyer
Administrative Officer

James W. Stephens (Chairman)
Bozeman, Montana 59715

Adrien R. Long
Wolf Point, Montana 59201

Troy Martin
Winifred, Montana 59489

Andrea Hemstad
State Auditor

E.V. "Sonny" Omholt
State Auditor - Retired
Helena, Montana 59620

BUSINESS SUMMARY FOR 1984

Total Risk Written	\$27,055,206.50
Premium Charge	2,370,026.60
Losses Paid	369,707.73
Policies Issued	2,273
Acres Insured	1,206,834.6
Average Acres Per Policy	531
Acres Reported Damaged	37,747
Losses Filed	197
Days with Hail	34
Loss Ratio	15.6%
Average Rate Charged	8.8%

INVESTMENTS

AMOUNT INVESTED		INT. RATE	MATURITY DATE	INTEREST RECEIVED
\$ 200,000.00	FLB	7.60%	04/20/87	\$ 15,200.00
350,000.00	Firestone Tire & Rubber	7.30%	10/15/01	25,550.00
\$3,264,113.40	STIP *	9.72%	Optional	317,408.80
\$3,814,113.40	TOTAL	TOTAL		\$358,158.80
	INVESTMENTS	INTEREST RECEIVED		

* Average Interest Rate for Amount Invested in Short Term Investment Pool (STIP)

WITNESS STATEMENT

NAME LOUISE KUNZ BILL NO. HB 495
 ADDRESS 107 LAWRENCE DATE _____
 WHOM DO YOU REPRESENT? MT LOW INCOME COALITION
 SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

WE SUPPORT THIS BILL AS A MAJOR
 PART OF THE PROBLEMS MT. & OTHER STATES
 ARE HAVING WITH FUNDING SOCIAL PROGRAMS
 IS THAT, AS A NATION, OUR ONLY INTEREST SEEMS
 TO BE PREPARING FOR "PEACE" BY BUILDING
 WAR MACHINERY AND USING EVERY AVAILABLE
 DOLLAR FOR THIS PURPOSE. ^{AS TESTIFIED BEFORE} WE ARE SPENDING
 OURSELVES INTO ^{DEATH} ~~DISASTER~~ - NOT ONLY NUCLEAR BUT DEATH
 BY WANT & POVERTY

Union

WITNESS STATEMENT

NAME LOUIS E KUNZ BILL NO. ^{HB} 628
ADDRESS 107 LAWRENCE DATE 9/15/85
WHOM DO YOU REPRESENT? MT Low Income
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

WE SUPPORT THIS BILL AS A WAY TO
SOFTEN THE IMPACT OF THE NEW G.A. BILL
BY PROVIDING OPPORTUNITIES FOR EMPLOYMENT
FOR THE NEW POOR.

COMMITTEE

DATE 2/15/85

SPONSOR _____

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM

CS-33

VISITORS' REGISTER

COMMITTEE

BILL NO. HB 645DATE 2/15/85SPONSOR Kadas

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Cathy Campbell	Mont. Assn. of Churches	HB 645	
GEORGE CLOUTIER, M.D.	441 S. PARK, HELENA	HB 645	
house/Dursey	mt. low income	✓	
Nancy J. Clark	Mont. Democratic Party	✓	
John J. Stuenkel	mt Catholic Conference	✓	
Butch Turk	Helena - Peace Legislative Coalition	✓	
Ellyn Murphy	Helena	✓	
Marilyn Peterson	HB # 1	628	
Mike Kadas	HD 55	645	
Rita Shesby		645	
SHEERMAN JANKE	BOZEMAN	645	
Linda Hays	Helena	645	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

COMMITTEE

BILL NO. 675

DATE 2/15/85

SPONSOR Krueger

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

COMMITTEE

BILL NO. HB 792 DATE _____

SPONSOR _____

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Bill Yellowtail	SEN. DIST. 50	X	
Rep. Ramona Howe	DIST 99	X	
LOUISE KUNZ	MT LOW INCOME	X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

WITNESS STATEMENT

NAME SHERMAN H. JANSKE BILL NO. 645 ^{HIB}
ADDRESS 415 NORTH 17th DATE 15 FEB 85
WHOM DO YOU REPRESENT? SELF
SUPPORT L OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: