

MINUTES OF THE MEETING
BUSINESS AND LABOR COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

March 26, 1985

The meeting of the Business and Labor Committee was called to order by Chairman Bob Pavlovich on March 26, 1985, at 8:00 a.m. in Room 312-2 of the State Capital.

ROLL CALL: All members were present.

SENATE BILL 340: Hearing commenced on Senate Bill 340. Senator Bob Brown, District #2, sponsor of the bill, explained this authorizes deposit of public funds in credit unions and savings and loan association. Credit unions are better insured than banks and savings and loans, added Senator Brown.

Proponent Jeff Kirkland, Vice-President-Governmental Relations Montana Credit Unions League, supplied written testimony which is attached hereto as Exhibit 1.

Proponent Gene Rice, Chairman of Treasure State Corporate Central Credit Union and Treasurer Manager of State Capitol Employees Credit Union, supplied written testimony which is attached hereto as Exhibit 2.

Proponent Charles R. Abell, President, Whitefish Credit Union, explained credit unions can provide competitive rates for local funds deposits and the money will be kept locally.

Representative Thomas asked Senator Brown if public money must be deposited in an insured bank. Senator Brown explained that credit unions are insured as well or better than banks and savings and loans.

Representative Thomas asked Les Alke, Montana Bankers Association what the requirement is for inspection of loans. Mr. Alke stated they are examined by various examiners who charter each bank.

There being no further discussion by proponents and no opponents present, all were excused by the chairman and the hearing on Senate Bill 340 was closed.

HOUSE JOINT RESOLUTION 41: Hearing commenced on House Joint Resolution 41. Representative Norm Wallin, District #78,

sponsor of the resolution, explained this adopts the Province of Taiwan as a sister state of Montana. Last fall 20 legislators from the western states visited Taiwan at their invitation. Taiwan is a small island with 18.5 million people. They are our 5th largest trading partner and buy Montana wheat. This is an exact copy of a resolution passed by Wyoming and is similar to South Dakota, added Representative Wallin.

Proponent Mike Fitzgerald, President & Managing Director, Montana International Trade Commission, supplied written testimony which is attached hereto as Exhibit 3.

Proponent Mark Bisom from the Governor's Office, offered his support of the resolution.

Proponent Glenn Moore, Committee Director, Montana Wheat Research and Marketing, supplied written testimony which is attached hereto as Exhibit 4.

There being no further discussion by proponents and no opponents present, all were excused by the chairman and the hearing on House Joint Resolution 41 was closed.

SENATE BILL 423: Hearing commenced on Senate Bill 423. Senator Mike Halligan, District #29, sponsor of the bill, stated this requires financial institutions to inform customers of the time lag between deposit of funds and availability for withdrawal of those funds.

Proponent Les Alke, representing the Montana Bankers Association, supplied written testimony which is attached hereto as Exhibit 5. Mr. Alke also distributed to committee members Exhibit 6.

Proponent Julie DalSaglio, representing Montana Public Interest Research Group, supplied written testimony which is attached hereto as Exhibit 7.

In closing, Senator Halligan explained that this bill is not just addressing student accounts but business accounts also.

There being no further discussion by proponents and no opponents present, all were excused by the chairman and the hearing on Senate Bill 423 was closed.

HOUSE JOINT RESOLUTION 42: Hearing commenced on House Joint Resolution 42. Representative Les Kitselman,

Business and Labor
March 26, 1985
Page 3

District #95, sponsor of the bill, explained this is an interim study of methods of setting standard prevailing wage rates and determining geographical areas for public construction projects. The Commissioner of Labor is responsible for determining and enforcing prevailing wage rates. An inconsistency exists in wages particularly in the northeast corner of the state.

Proponent Bill Olson, Secretary Manager, Montana Contractors Association, stated the wages are inconsistent across the state. A study will help make an accurate determination, added Mr. Olson.

Proponent Forrest Boles, President, Montana Chamber of Commerce, explained local governments are in a crunch and need to be shown ways in which money can be saved. The cost of this study will be minimal.

Dave Wanzenried, Commissioner, Department of Labor and Industry, was present for information purposes only. Mr. Wanzenried explained that the "locality" as used on page 2, may be addressed in rule-making authority and there will be local government input. The cost of determining prevailing wage rates should be considered and addressed in the resolution, suggested Mr. Wanzenried.

Opponent Gene Fenderson, representing the Montana State Building and Construction Trades Council, explained House Bill 387 does the same thing that this resolution proposes. A duplication of study is present. House Bill 387 is a superior bill, the fiscal note is clear, presents a broader statement and serves the purpose, added Mr. Fenderson. Once a hearing is held out in the field, there is no need for a second hearing in Helena.

Opponent Randy Siemers, representing the Operating Engineers, voice his opposition to the bill.

In closing, Representative Kitselman stated House Bill 387 is not signed yet. A study committee is not fix based out of Helena. The committee is free to travel throughout the state and have assured legislative input.

There being no further discussion by proponents or opponents, all were excused by the chairman and the hearing on House Joint Resolution 42 was closed.

ACTION ON HOUSE JOINT RESOLUTION 41: Representative Thomas moved DO PASS on House Joint Resolution 41. Representative Glaser stated lines 8 and 9 may jeopardize the sale of wheat to the mainland and moved to amend, striking lines 8 and 9. Representative Wallin explained this is worded identically to other states resolutions and would like to leave the language in. Representative Ellerd agreed. Representative Glaser stated the president would not even make this comment and that it will get mainland China excited. A roll call vote resulted in 10 members voting yes and 9 members voting no. Representative Glaser's amendment does pass. Representative Thomas stated we should not send this resolution now. Other states have included this language and we could be offending Taiwan now. Taiwan does lots of business with Montana and they could be insulted. Representative Ellerd stated this is not aimed at mainland China at all and made a motion that the committee reconsider their previous action. Representative Glaser stated we should take both sides and want to trade with both. Representative Thomas said the defense provision will appeal to Taiwan and this is the most important and primary issue. Representative Kadas added this may lead to the "sell food, sell guns" issue. Question being called to Representative Ellerd's motion, a roll call vote resulted in 9 members voting yes and 10 members voting no. House Joint Resolution 41 will BE ADOPTED by unanimous vote.

ACTION ON SENATE BILL 340: Representative Bachini moved DO PASS on Senate Bill 340. Second was received, Senate Bill 340 will BE CONCURRED IN by unanimous vote.

ACTION ON SENATE BILL 423: Representative Brandewie moved DO PASS on Senate Bill 423. Second was received, Senate Bill 423 will BE CONCURRED IN with all but Representative Wallin voting yes.

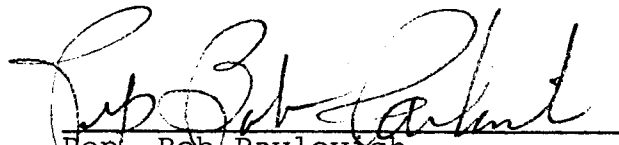
ACTION ON SENATE BILL 95: Representative Driscoll moved DO PASS on Senate Bill 95. Representative Kitselman explained the Department of Labor will roll the money over to the unemployment fund. Representative Simon asked if the department has looked at this policy as it may not be maximizing the interest. Representative Glaser asked Dave Wanzenried, Commissioner, Department of Labor and Industry if he concurs with the findings. Mr. Wanzenried said he did and the reasons for not transferring the money was that this allows them to draw interest on

interest and there was question as to whether the state can be billed for collecting for job service assessments. Representative Schultz asked Mr. Wanzenried if the money will end up in Washington D.C. He explained that it will when it is in the best interest. The department will hold the money for as long as they need to and it is to the advantage of both the state and employers not to transfer the money. Representative Brandewie asked Dave Wanzenried what the rate of interest is. Mr. Wanzenried called on Harold Kansier, who explained that it is in a money market investment and draws between 8 and 9 percent. Question being called, Senate Bill 95 will BE CONCURRED IN by unanimous vote.

ACTION ON SENATE BILL 281: Representative Kadas moved DO PASS on Senate Bill 281. Second was received, Senate Bill 281 will BE CONCURRED IN with all but Representatives Driscoll and Pavlovich voting yes.

ACTION ON SENATE BILL 402: Representative Kadas moved DO PASS on Senate Bill 402 and then withdrew his motion.

ADJOURN: There being no further business before the committee, the meeting was adjourned at 10:00 a.m.



Rep. Bob Pavlovich,
Chairman

DAILY ROLL CALL
BUSINESS AND LABOR COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date March 26, 1985

NAME	PRESENT	ABSENT	EXCUSED
Bob Pavlovich	✓		
Les Kitselman	✓		
Bob Bachini	✓		
Ray Brandewie	✓		
Jan Brown	✓		
Jerry Driscoll	✓		
Robert Ellerd	✓		
William Glaser	✓		
Stella Jean Hansen	✓		
Marjorie Hart	✓		
Ramona Howe	✓		
Tom Jones	✓		
Mike Kadas	✓		
Vernon Keller	✓		
Lloyd McCormick	✓		
Jerry Nisbet	✓		
James Schultz	✓		
Bruce Simon	✓		
Fred Thomas	✓		
Norm Wallin	✓		

STANDING COMMITTEE REPORT

March 26

19 85

MR. SPEAKER

We, your committee on BUSINESS AND LABOR

having had under consideration SENATE Bill No. 281

third reading copy (blue)
color

LIMIT LUMP-SUM WORKERS' COMPENSATION PAYMENT

Respectfully report as follows: That SENATE Bill No. 281

~~DO PASS~~
BE CONCURRED IN

STANDING COMMITTEE REPORT

March 26

35

19.....

MR. SPEAKER.....

We, your committee on BUSINESS AND LABOR.....

having had under consideration SENATE..... Bill No. 423

third reading copy (blue)
color

**LIMIT BANK DELAY IN MAKING FUNDS AVAILABLE TO DEPOSITOR;
REQUIRE NOTICE**

Respectfully report as follows: That SENATE..... Bill No. 423

~~DO PASS~~
BE CONCURRED IN

STANDING COMMITTEE REPORT

March 26

35

19.....

MR. SPEAKER.....

We, your committee on BUSINESS AND LABOR.....

having had under consideration SENATE..... Bill No. 95.....

third reading copy (blue)
color

CONFORM UNEMPLOYMENT LAW ON DEPT. ADMINISTRATIVE EXPENSES TO
FEDERAL LAW

Respectfully report as follows: That..... SENATE..... Bill No. 95.....

~~DO PASS~~
BE CONCURRED IN

STANDING COMMITTEE REPORT

March 26

85

19.....

SPEAKER

MR.

BUSINESS AND LABOR

We, your committee on

HOUSE JOINT RESOLUTION

41

having had under consideration Bill No.

first

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color

ADOPTING THE PROVINCE OF TAIWAN AS A SISTER STATE

HOUSE JOINT RESOLUTION

41

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

BE AMENDED AS FOLLOWS:

1. Page 1, line 8

Strike: lines 8 and 9 in their entirety

DO PASS
DO PASS AS AMENDED

STANDING COMMITTEE REPORT

March 26

19 85

MR. SPEAKER

We, your committee on BUSINESS AND LABOR

having had under consideration SENATE Bill No. 340

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color

**AUTHORISE DEPOSIT OF PUBLIC MONEY IN CREDIT UNIONS & SAVINGS
AND LOANS**

Respectfully report as follows: That SENATE Bill No. 340

**DEPASS
BE CONCURRED IN**

ROLL CALL VOTE

HOUSE COMMITTEE BUSINESS AND LABOR

DATE March 26, 1985 BILL NO. HSR 41 TIME _____

NAME	AYE	NAY
Bob Pavlovich		
Les Kitseiman	✓	
Bob Bachini		✓
Ray Brandewie	✓	
Jan Brown	✓	
Jerry Driscoll	✓	
Robert Ellerd		✓
William Glaser	✓	
Stella Jean Hansen	✓	
Marjorie Hart	✓	
Ramona Howe	✓	
Tom Jones		✓
Mike Kadas	✓	
Vernon Keller		✓
Lloyd McCormick		✓
Jerry Nisbet		✓
James Schultz	✓	
Bruce Simon		✓
Fred Thomas		✓
Norm Wallin		✓

Secretary Debbie Aquil

Chairman Bob Pavlovich

Motion: amend. 10-9

ROLL CALL VOTE

HOUSE COMMITTEE BUSINESS AND LABOR

DATE March 26, 1985 BILL NO. HJR 41 TIME _____

NAME	AYE	NAY
Bob Pavlovich		
Les Kitzelman		
Bob Bachini		
Ray Brandewie		
Jan Brown		
Jerry Driscoll		
Robert Ellerd		
William Glaser		
Stella Jean Hansen		
Marjorie Hart		
Ramona Howe		
Tom Jones		
Mike Kadas		
Vernon Keller		
Lloyd McCormick		
Jerry Nisbet		
James Schultz		
Bruce Simon		
Fred Thomas		
Norm Wallin		

Secretary Debbie Aquil

Chairman Bob Pavlovich

Motion: Reconsider Action

SENATE BILL 340

Submitted by: Jeff Kirkland

TESTIMONY OF JEFFRY M. KIRKLAND
VICE PRESIDENT-GOVERNMENTAL RELATIONS
MONTANA CREDIT UNIONS LEAGUE

BEFORE THE HOUSE BUSINESS & LABOR COMMITTEE
ON TUESDAY, 26 MARCH 1985

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, FOR THE RECORD I AM JEFF KIRKLAND, VICE PRESIDENT-GOVERNMENTAL RELATIONS FOR THE MONTANA CREDIT UNIONS LEAGUE. OUR LEAGUE IS A TRADE ASSOCIATION REPRESENTING 111 OF THE 114 CREDIT UNIONS IN MONTANA. WE STAND IN SUPPORT OF SENATE BILL 340.

SENATE BILL 340 IS A SIMPLE BILL, IN SPITE OF BEING 24 PAGES LONG. IT DOES ONE THING: IT WOULD ALLOW ALL FINANCIAL INSTITUTIONS IN THE STATE TO SERVE AS DEPOSITORIES FOR PUBLIC FUNDS OF THE STATE OF MONTANA, ITS AGENCIES, LOCAL GOVERNMENTS, AND OTHER POLITICAL SUBDIVISIONS OF THE STATE.

IT WOULD DO SO BY ALLOWING CREDIT UNIONS AND SAVINGS AND LOAN ASSOCIATIONS TO SERVE IN THE SAME CAPACITY AS COMMERCIAL BANKS AS POTENTIAL DEPOSITORIES FOR PUBLIC FUNDS.

IF PASSED BY THE LEGISLATURE, THE BILL WOULD REFLECT THE PHILOSOPHY THAT ALL TYPES OF FINANCIAL INSTITUTIONS DOING BUSINESS IN THE STATE OF MONTANA SHOULD BE LOOKED AT AS POTENTIAL DEPOSITORIES FOR PUBLIC FUNDS, NOT JUST COMMERCIAL BANKS AND, IN SOME SITUATIONS, SAVINGS AND LOAN ASSOCIATIONS.

THE BILL AMENDS FIVE TITLES OF STATE LAW--TITLE 7, LOCAL GOVERNMENT; TITLE 17, STATE FINANCE; TITLE 19, PUBLIC

RETIREMENT SYSTEMS; TITLE 20, EDUCATION; AND TITLE 85, WATER USE. IT DOES SO BY GOING INTO EACH STATUTE THAT CONTROLS HOW A PUBLIC UNIT CAN INVEST ITS SURPLUS OR OPERATING FUNDS AND INSERTING "CREDIT UNION" WHERE "BANK" IS LISTED.

IN KEEPING WITH OUR BELIEF THAT ALL FINANCIAL INSTITUTIONS SHOULD BE TREATED EQUALLY, WE HAVE ALSO INSERTED "SAVINGS AND LOAN ASSOCIATION" IN THOSE STATUTES WHERE SAVINGS AND LOANS ARE NOT ALREADY INCLUDED. THAT HAPPENS IN SECTION 6, PAGE 6, LINE 22; SECTION 8, PAGE 8, LINE 25; SECTION 9, PAGE 9, LINE 14; SECTION 17, PAGE 23, LINE 12; AND SECTION 18, PAGE 24, LINES 11 AND 12.

IN THOSE STATUTES THAT REFER TO THE DEPOSIT INSURING AGENCY--THE FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC) AND FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION (FSLIC)--WE HAVE INSERTED "NATIONAL CREDIT UNION ADMINISTRATION," WHICH IS CREDIT UNIONS' DEPOSIT INSURING AGENCY. AND THAT'S ALL THERE IS TO THE BILL.

SENATE BILL 340, QUITE SIMPLY, WOULD SERVE A PUBLIC POLICY PURPOSE BY BROADENING THE INVESTMENT OPTIONS FOR VARIOUS PUBLIC FUNDS, NOT ONLY OF THE STATE BUT ALSO OF ITS AGENCIES AND POLITICAL SUBDIVISIONS. THAT COULD LEAD TO BETTER RATES EARNED ON INVESTMENTS BECAUSE OF INCREASED COMPETITION. EACH OF THE 18 SECTIONS OF THIS BILL SIMPLY MAKES REFERENCE TO CREDIT UNIONS AND THEIR FEDERAL DEPOSIT INSURING AGENCY WHENEVER THERE IS A REFERENCE TO BANKS AND THE FDIC AS A PERMISSIBLE INVESTMENT VEHICLE FOR PUBLIC UNIT FUNDS.

THESE AMENDMENTS TO CURRENT STATUTES MAKE IT POSSIBLE FOR THOSE RESPONSIBLE FOR THE INVESTMENT OF PUBLIC FUNDS TO LEGALLY INVEST THEM IN CREDIT UNIONS ON THE SAME BASIS AS THEY CAN CURRENTLY INVEST THEM IN BANKS AND SAVINGS AND LOANS.

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

THE STATUTES CONTROLLING THE INVESTMENT OF PUBLIC FUNDS MANDATE THAT THE INVESTMENT BE SAFE. AND JUST AS PUBLIC FUNDS ARE INSURED BY BANKS AND S&LS UP TO \$100,000, PUBLIC FUNDS INVESTED IN EITHER FEDERAL OR STATE CREDIT UNIONS ARE INSURED UP TO \$100,000 BY THE NATIONAL CREDIT UNION ADMINISTRATION, AN AGENCY OF THE FEDERAL GOVERNMENT--AS ARE THE FDIC AND FSLIC.

IN ADDITION, AS PROVIDED FOR BY THE VARIOUS STATUTES, PUBLIC FUNDS IN EXCESS OF \$100,000 INVESTED IN ANY FINANCIAL INSTITUTION MUST BE AT LEAST 50% COLLATERALIZED BY THE PLEDGE OF SPECIFIC TYPES OF SECURITIES HELD BY THE FINANCIAL INSTITUTIONS IN THEIR INVESTMENT PORTFOLIOS. CREDIT UNIONS WOULD HAVE TO PLAY BY THOSE SAME RULES.

FINALLY, SHOULD ANYONE THINK THERE IS NO PRECEDENT FOR THIS TYPE OF LEGISLATION, IN 1984 ALONE WISCONSIN, ARIZONA, NEW JERSEY, PENNSYLVANIA, IOWA, AND KENTUCKY LEGISLATURES PASSED LEGISLATION ALLOWING CREDIT UNIONS TO SERVE AS DEPOSITORIES OF PUBLIC FUNDS. AND DURING THE 1983 SESSION, MONTANA'S LEGISLATURE PASSED LEGISLATION ALLOWING CREDIT UNIONS TO SERVE AS PERMISSIBLE INVESTMENTS FOR BOTH THE STATE BOARD OF INVEST-

MENTS AND THE ECONOMIC DEVELOPMENT BOARD (17-6-211, MCA; PAGE 16, LINES 5 AND 6). SO CREDIT UNIONS--IN A LIMITED CAPACITY--ARE ALREADY PUBLIC FUNDS DEPOSITORIES. SENATE BILL 340 COMPLETES THE JOB.

IF THE BILL IS REALLY SO SIMPLE, HOWEVER, AND SERVES THE PUBLIC POLICY PURPOSE OF OPENING UP THE INVESTMENT OPTIONS FOR THE VARIOUS PUBLIC FUNDS AND AGENCIES OF GOVERNMENT, WHY WOULD THERE BE ANY OPPOSITION TO THE BILL?

THERE ARE THOSE WHO WOULD TELL YOU THAT IF THIS LEGISLATION IS PASSED, CREDIT UNIONS WILL BE ONE STEP FURTHER TOWARD BECOMING BANKS. HOWEVER, AS THE CONGRESS IS FINDING OUT, ON THE FEDERAL LEVEL THERE IS ONE SIMPLE TEST FOR DETERMINING IF A FINANCIAL INSTITUTION IS A BANK. DOES IT HAVE DEMAND DEPOSITS (CHECKING ACCOUNTS) AND DOES IT MAKE COMMERCIAL LOANS? IF SO IT IS A BANK. IF IT ONLY DOES ONE OF THE TWO, IT IS NOT A BANK. IT IS A NON-BANK BANK.

NOWHERE IN ANY STATUTE THAT I AM AWARE OF DOES IT STATE THAT SERVING AS A DEPOSITORY FOR PUBLIC FUNDS IS A PROPRIETARY ACTIVITY FOR BANKS AND THAT ONLY "BANKS" BY DEFINITION CAN BE SUCH DEPOSITORIES.

LOOKING AT THE STATE STATUTE DEFINING "BANK," THERE ARE SIX ACTIVITIES A FINANCIAL INSTITUTION HAS TO BE ABLE TO DO TO BE A BANK. ACCEPTING PUBLIC FUNDS DEPOSITS IS NOT ONE OF THOSE SIX. HOW THEN, IF SERVING AS A PUBLIC FUNDS DEPOSITORY IS NOT A CONDITION FOR BEING A BANK, CAN THE BANKING COMMUNITY SAY

THAT A NON-BANK FINANCIAL INSTITUTION SEEKING THE SAME AUTHORITY IS BECOMING A BANK?

CERTAINLY, COMMERCIAL BANKS HAVE THE LONGEST HISTORY OF ACCEPTING PUBLIC FUNDS DEPOSITS. BUT THAT HARDLY MAKES IT BANKING'S PROPRIETARY ACTIVITY. IF A CREDIT UNION--OR SAVINGS AND LOAN ASSOCIATION FOR THAT MATTER--ACCEPTS PUBLIC FUNDS DEPOSITS, THERE IS NO WAY THAT SUCH ACTIVITY CAN BE CONSTRUED AS GETTING INTO "BANKING" AS DEFINED BY EITHER FEDERAL OR STATE LAW.

ANOTHER ARGUMENT THAT HAS BEEN USED TO PREVENT CREDIT UNIONS FROM SERVING AS PUBLIC FUNDS DEPOSITORY IS THAT CREDIT UNIONS, AS FINANCIAL COOPERATIVES, DON'T PAY CORPORATE INCOME TAX. AND SINCE PUBLIC FUNDS ARE TYPICALLY TAX MONEY, WHY SHOULD CREDIT UNIONS HAVE ACCESS TO TAX MONIES?

IT IS TRUE THAT, AS COOPERATIVES, CREDIT UNIONS DON'T PAY CORPORATE INCOME TAX. HOWEVER, FOR THE PUBLIC POLICY PURPOSE OF BROADENING THE VARIOUS PUBLIC UNITS' INVESTMENT OPTIONS, I DON'T THINK THE TAXATION ARGUMENT IS GERMANE TO THE QUESTION.

BUT IF THE TAXATION ARGUMENT DOES INFLUENCE SOME, THERE ARE TWO SITUATIONS THAT NEED EXPLAINING. FIRST, CREDIT UNIONS DO PAY PROPERTY TAXES ON THEIR BUILDINGS, FURNITURE, AND FIXTURES JUST LIKE ANY OTHER CORPORATE ENTITY. AND MUCH OF THE PUBLIC MONIES INVESTED ARE GENERATED FROM PROPERTY TAXES IN ADDITION TO INCOME TAXES. HOW DOES THE TAXATION ARGUMENT WORK IN THIS CASE?

TOO, DO THE CALIFORNIA SAVINGS AND LOAN ASSOCIATIONS THAT AT LEAST ONE MONTANA COUNTY INVESTS IN PAY TAXES TO THE STATE OF MONTANA? DO THE OUT-OF-STATE AND FOREIGN CORPORATIONS THAT THE STATE BOARD OF INVESTMENTS INVESTS TAX MONIES IN PAY TAXES TO THE STATE OF MONTANA? IT HARDLY SEEMS FAIR THAT THE STATE'S CREDIT UNIONS DON'T HAVE THE SAME TREATMENT AS OUT-OF-STATE INSTITUTIONS AND THAT THEY BE TREATED AS SECOND-CLASS CITIZENS.

SOMETIMES OPPONENTS USE THE ARGUMENT THAT CREDIT UNIONS AREN'T INSURED, THAT PUBLIC FUNDS IN CREDIT UNIONS CANNOT BE INSURED, OR THAT CREDIT UNIONS' FEDERAL INSURING AGENCY IS NOT AS STRONG AS THOSE OF BANKS AND SAVINGS AND LOANS.

CREDIT UNIONS ARE INSURED. THEY HAVE TO BE OR THEY CAN'T DO BUSINESS IN THE STATE OF MONTANA. PUBLIC FUNDS IN CREDIT UNIONS ARE INSURED, UP TO \$100,000 UNDER THE SAME TERMS AND CONDITIONS AS THEY ARE INSURED IN BANKS AND SAVINGS AND LOANS.

CURRENTLY, THE NATIONAL CREDIT UNION SHARE INSURANCE FUND IS THE BEST-RESERVED OF THE THREE DEPOSIT INSURANCE FUNDS. EVERY \$100 IN SAVINGS IN FEDERALLY-INSURED CREDIT UNIONS IS BACKED WITH \$1.24 IN INSURANCE. COMPARABLE FIGURES FOR THE FDIC AND FSLIC RESPECTIVELY ARE 94 CENTS AND 77 CENTS PER \$100.

IN SUMMARY, SENATE BILL 340 WOULD GRANT MONTANA'S CREDIT UNIONS PARITY OF TREATMENT WITH OTHER TYPES OF FINANCIAL INSTITUTIONS DOING BUSINESS BOTH IN AND OUT-OF-STATE BY ALLOW-

ING THEM TO BE INCLUDED AS PERMISSIBLE INVESTMENT VEHICLES FOR PUBLIC FUNDS.

IT WOULD ALSO SERVE TO BROADEN THE INVESTMENT POTENTIAL FOR THE VARIOUS PUBLIC UNITS AND PUBLIC FUNDS THROUGHOUT THE STATE. CREDIT UNIONS BELIEVE THAT SENATE BILL 340 WILL ALLOW THE VARIOUS PUBLIC UNITS TO OBTAIN THE BEST RETURNS ON THEIR SURPLUS AND OPERATING FUNDS BY CREATING MORE RATE COMPETITION.

IN THE PAST SEVERAL YEARS, A NUMBER OF MONTANA CREDIT UNIONS HAVE RECEIVED INQUIRIES FROM COUNTIES, MUNICIPALITIES, AND SCHOOL DISTRICTS ASKING WHETHER THEY COULD PLACE FUNDS IN THE CREDIT UNION. CREDIT UNIONS HAVE HAD TO TELL THEM NO. SENATE BILL 340 WILL REMEDY THAT SITUATION.

WE WOULD APPRECIATE YOUR CAREFUL CONSIDERATION OF THIS BILL AND RESPECTFULLY URGE THIS COMMITTEE TO RECOMMEND THAT SENATE BILL 340 "BE CONCURRED IN."

SENATE BILL 340

FACTSHEET

SB 340 ALLOWS THE STATE, ITS POLITICAL SUBDIVISIONS AND AGENCIES, AND OTHER PUBLIC UNITS TO INVEST FUNDS IN CREDIT UNIONS AS THEY CURRENTLY DO IN OTHER FINANCIAL INSTITUTIONS.

A. The issue is not whether credit unions can accept the funds. Eighty-seven federal credit unions currently can. And HB 475, passed by the House, would allow the 24 state-chartered credit unions that same authority.

B. The issue is whether the legislature wants to broaden the state's and local governments' investment options. To do so, credit unions must be amended into the various statutes listing the permissible investment vehicles.

C. Credit unions already have partial authority to accept state government funds. They have the authority to accept deposits of the State Board of Investments and the State Economic Development Board. SB 340 extends that authority to all public funds. That is, SB 340 creates no new authority but simply extends existing authority.

D. Banks, and in some cases, S&Ls can serve as public funds depositories. At least one county currently invests funds in California S&Ls. There seems to be little reason to deny credit unions the same authority other types of financial institutions have if the issue is one of broadening investment options of state and local governments.

E. Credit unions would have to play by the same rules as banks and S&Ls. They would have to bid for the funds and abide by the same pledging requirements as anyone else.

OPPONENTS' ARGUMENTS AND RESPONSES TO THEM

1. CREDIT UNIONS ARE BECOMING MORE AND MORE LIKE BANKS.

A: There is nothing in the definition of "bank" that says banks are the only depositories for public funds. Simply because they have traditionally been able to accept deposits of public funds does not make that a proprietary activity for banks.

Although the banks have traditionally enjoyed this activity free from competition, the legislature's concern should be more for state and especially local governments' ability to obtain the highest earnings from their surplus or operating funds and less for protecting one segment of the financial services community.

2. CREDIT UNIONS DON'T PAY CORPORATE INCOME TAXES.

A: That's true. As financial cooperatives, they don't. However, they do pay property taxes on their buildings, furniture, and fixtures, just like any other corporation.

Do California S&Ls pay taxes to the State or to local governments? Do the out-of-state or foreign corporations the State Board of Investments invests in pay State or local taxes? Why is it different for credit unions? At least with credit unions the money stays in the community and in the state.

But the question is more one of public policy. Should the state and its political subdivisions have the opportunity to earn the highest rate of return the market offers? If so, investment options should be broadened to include credit unions.

3. CREDIT UNIONS' FUNDS AREN'T INSURED.

A: That's false! Funds in both federal and state-chartered credit unions are insured to \$100,000 just as they are in banks and S&Ls. And credit unions' federal insurance fund is the best-reserved of the three deposit insurance agencies. Every \$100 in federally-insured credit unions is backed with \$1.24 in insurance. Comparable figures for banks and S&Ls are 94 cents and 77 cents per \$100.

4. THERE IS NO PRECEDENT FOR THIS TYPE OF LEGISLATION.

A: That's also false! In 1984 alone six states passed legislation allowing credit unions to serve as depositories for public funds. That makes a total of 23 states that have passed similar legislation. Michigan even had to go to its voters to amend its constitution to allow credit unions that authority.

5. CREDIT UNIONS AREN'T AS SAFE AS BANKS AND S&LS.

A: There are no statistics to document that. To date, no credit unions have failed in the State of Montana. One bank has. There are far more banks and S&Ls on their regulators' "problem" list both than there are credit unions. According to the National Credit Union Administration, the number of "problem" credit unions decreased substantially in 1983 and 1984. The number of "problem" and failed banks were higher in 1984 than at any time since the 1930s.

6. CREDIT UNIONS SHOULD BE TAXED LIKE BANKS.

A: No, they shouldn't. Credit unions are exempt from paying corporate income tax by Congress because they are not-for-profit financial cooperatives. Their service offerings are still much more limited than those of banks, and their capital

structure and organization are much different from banks. There is no way they can be taxed similarly.

7. GOVERNMENT UNITS WILL HAVE TO BECOME CREDIT UNION MEMBERS.

A: Although opponents will tell you that government units will have to become members of the credit union for credit unions to be able to accept public funds deposits, that's simply not true!

The Federal Credit Union Act and House Bill 475, which amends the State Credit Union Act, create a special situation allowing government units only to deposit funds in the credit union without any membership requirement. Those funds represent a true deposit relationship, not a purchase of shares.

3/26/85

SB340

Submitted by: Gene Rice

Mr. Chairman and Members of the Committee, for the record I am Gene Rice, Chairman of Treasure State Corporate Central Credit Union and Treasurer Manager of State Capitol Employees Credit Union here in Helena with a branch office in Bozeman. I too stand in support of Senate Bill 340.

Senate Bill 340 addresses an inequity in the present Act as it does not include credit unions as one of those financial institutions eligible to recieve deposits of public funds. Because of this exclusion, the Act provides no authority for a Credit Union to "act as fiscal agents for and recieve deposits from the State or any agency or political subdivision thereof".

The intent of the passing of the Depository Institutions Deregulation and Monetary Control Act of 1980 was to place all financial institutions on a "level playing field" - equal competition in the financial marketplace. With the inclusion of Credit Unions into the act it would provide the avenue for Credit Unions to compete in the bidding process for public funds.

What are public funds? They are the operating funds of counties, municipalities, school districts, water districts and other types of public entities.

In today's marketplace, County Treasurers, City Commissions, School Boards and the officials of the other public entities have to maximize their earnings on those public funds entrusted

to them. In many counties and towns throughout Montana there is only one authorized financial institution in which to deposit these funds: consequently, no competition and probably a smaller return to the investing agency. With the inclusion of Credit Unions into the Act, a greater return is possible as it would provide for greater competition.

There are 110 federal and state charter credit unions serving all the counties within the state inclusive of the cities and school districts. Many of these credit unions are of sufficient size to bid aggressively for school funds and funds of municipalities - thus a greater return. Many credit unions, such as the ones I manage here in Helena and Bozeman, own their own buildings and pay taxes to these counties, cities and school districts, so we do have a vested interest in public funds.

During the 1983 Legislative session, "credit unions" were amended into the list of permissible investment vehicles for public funds coming under the authority of the State Board of Investments. However, that still leaves those public units noted before, unable to utilize credit unions as a permissible investment vehicle.

Even though a credit union might not be awarded a bid, state and federal credit unions being able to bid on and accept these funds would create more competition. This might allow these various public units to earn more on their funds than they do where they deal in most cases with only one other financial institution.

Senate Bill 340 merely completes our being able to accept public funds, which was begun last session with the "Build Montana" legislation. Credit Unions can accept any public funds under the "umbrella" of the State Board of Investments - Section 17-6--211 (e), MCA. So really this bill does nothing new.

In fact, it turns out to be a "companion bill" for Senate Bill 416, recently given approval by this House Committee. SB 416 would allow brokerage firms and mutual funds to get into the public funds business. Without SB 340' credit unions would be the only financial institutions or financial service providers excluded from accepting deposits of public funds.

Mr. Chairman and Members of the Committee, this overview for your consideration and concerns is presented from a Credit Union Managerer's viewpoint. Thank you for this opportunity to testify in support of Senate Bill 340 and I urge the Committee to recommend that the Bill do pass.

Exhibit 3

3/26/85

HJR41

Submitted by: Mike
Fitzgerald

TESTIMONY

IN SUPPORT OF HJR 41

(TAIWAN SISTER STATE RESOLUTION)

By:

Mike Fitzgerald
President & Managing Director
Montana International Trade Commission
Suite 612, Power Building
Helena, Montana 59601

Before
The House Committee On Business And Labor
Montana State Legislature
State Capitol
Helena, Montana 59601

March, 1985

Taiwan

Taiwan, meaning "Terraced Bay", formerly known to Westerners as 'Formosa', is a lush island in the Western Pacific, approximately 100 miles east of the China coast. Shaped like a tobacco leaf, it is separated from Fukien Province on the Chinese mainland by the Taiwan Straits, whose width is from 90 to 120 miles, almost the same distance as between the state of Florida and the island of Cuba.

Taiwan is not just one island, but several. Its area, including Penghu Island (the Pescadores) and other islets, is 13,851 sq. miles, a little larger than Holland, or about the size of Massachusetts and Connecticut combined. Roughly 76 percent of Taiwan is mountainous, rising to 13,000 feet, leaving only 24 percent or about 2.2 million acres of land suitable for farming. Its climate is semitropical with plenty of rainfall and sunshine, almost like that of the state of Georgia.

People:	19.2 million
Land:	@ 13,000 square miles (@ 1/10 as big as Montana)
Exports to U.S.:	\$11.2 billion
Imports from U.S.:	\$4.7 billion
Total World Trade:	@ \$43 billion (15th largest in the world)
Per Capita Income:	@ \$2,600
Premier:	Kuo Hua Yu
President:	Ching-Ku-Chiang
Governor of Taiwan:	Chuan-Chiu-Huah
Rep. of Coordination Council of North American Affairs in the U.S.:	Fredrick Chien.

- Over the past decade Taiwan has been one of the 5 fastest growing economies in the world. Taiwan's average compounded growth rate has been 8.2% - about 3 times that of the European Economic community.
- Trade between the U.S. and Taiwan has increased from \$100 million in 1950 to @ \$15 billion 1984.
- Taiwan is the 7th largest trading partner of the U.S. and the 2nd in Asia after Japan.
- Taiwan is the 10th largest agricultural market in the world. In an attempt to equalize her trade balance advantage, Taiwan has sent special procurement missions to the U.S. in 1976, 1978, 1979, 1980, 1981, 1982, 1983 and 1984 - making purchases of U.S. goods totalling about \$40 billion.

- Taiwan's special procurement missions have purchased the following in Montana:

1978:

- 28,500 metric tons dark northern spring wheat
price = \$4,081,392
- 27,500 metric tons hard red winter wheat
price = \$3,722,655
- 29,000 metric tons of barley
price = \$2,844,202

1980:

- 43,000 metric tons dark northern spring wheat
price = \$8,301,320
- 25,000 metric tons hard red winter wheat
price = \$4,455,875

1983:

- 34,500 metric tons dark northern spring wheat
price = \$6,219,642
- 26,000 metric tons of barley
price \$3,827,200

1984:

- 60,000 metric tons dark northern spring wheat
price = \$10,317,000
- 26,000 metric tons of barley
price = \$3,620,500

- For a total of @ \$47.5 million dollars worth of wheat and barley.

- Taiwan now has Sister State Agreements with the following:

Arizona, Indiana, Kentucky, Missouri, Oklahoma, South Carolina, Tennessee, West Virginia, Virginia, Utah, Alabama, Arkansas, Colorado, Connecticut, Idaho, Illinois, Mississippi and Nebraska.

- The economic, political and cultural achievements of these people is truly admirable. Their economic progress, when one considers that they have no natural resources of consequence, is an inspiration. They are, without a doubt, some of the most industrious, ingenious people in the world.

When Chiang Kai-shek and his followers migrated to Taiwan between 1947 and 1949, they first developed their agriculture creating immediate surpluses which provided the basis for their world trade. Using the income from their trade surpluses they developed their arts, crafts and cottage industries then light manufacturing. During the past ten years they have been developing highways, railroads, ports, their steel industry, heavy manufacturing capacity and world class ship building industry. Now they are well along in becoming one of the leading technology manufacturing centers of Asia.

Their ingenious productivity and the vitality of the people is evidenced by the trade balance advantage they enjoy with nearly everyone of their trade partners. Their world trade organization, the China External Trade Development Council is one of, if not the most dynamic organization of its kind in the world.

Taiwan is a good friend and good customer to Montana. Our Commission heartily endorses HJR 41 and commits to insuring the successful continuation of Montana's expanding friendship and trade with Taiwan. I commend this legislative group for non-partisan support of HJR 41.

Thank you.

TESTIMONY OF MONTANA WHEAT RESEARCH AND
MARKETING COMMITTEE DIRECTOR GLENN MOORE
FOR THE HOUSE BUSINESS AND LABOR COMMITTEE
ON HOUSE JOINT RESOLUTION 41
TUESDAY, MARCH 26, 1985
HELENA, MONTANA

Chairman Pavlovich, members of the Committee, on behalf of the Montana Department of Agriculture and the Montana Wheat Research and Marketing Committee, thank you for the opportunity to testify on a resolution that could benefit the relationship between Montana and Taiwan.

As you know, the need to develop new foreign markets and cultivate new trading partners for our agricultural products is very prevalent. Our relationship with one of our current trading partners, Taiwan, is as important, if not more important, than any new relationship we may establish. When attending a trade conference in Taiwan in 1983, Governor Schwinden made a commitment toward building a sister-state relationship. The importance of this relationship, and others in the Far East, to the future of Western United States' markets cannot be overstated as so aptly pointed out by Ambassador Mike Mansfield.

On September 28, 1984 we witnessed the sale of \$13.9 million of Montana grain to the Republic of China. This sale of grain was not to new trading partners, but to old and very dear friends. We have been selling to this country for many years. These people keep coming back because they recognize the quality of our products and the strength of our friendship.

This recent visit of the "Buying American" Procurement Mission was the ninth such mission to the United States and the

more

fourth to Montana. From these four visits alone, Montana reaped great benefit:

1978	28,500 M/T DN Spring Wheat	\$ 4,081,392
	27,500 M/T HR Winter Wheat	\$ 3,722,655
	29,000 M/T Barley	\$ 2,844,202
1980	43,000 M/T DN Spring Wheat	\$ 8,301,320
	25,000 M/T HR Winter Wheat	\$ 4,455,875
1983	34,500 M/T DN Spring Wheat	\$ 6,219,642
	26,000 M/T Barley	\$ 3,827,200
1984	60,000 M/T DN Spring Wheat	\$10,317,000
	26,000 M/T Barley	\$ 3,620,500
Total	166,000 DN Spring Wheat	\$28,919,354
	52,500 HR Winter Wheat	\$ 8,178,530
	81,000 Barley	<u>\$10,291,902</u>
	Total	\$47,389,786

To a state like ours, where agriculture is the number one industry, these figures take on special significance.

Over the last five years the United States has consistently retained 85 percent of the Taiwanese wheat import market. What makes this figure so important for Montana is that 70 percent of these imports are of the type of wheat Montana produces best -- dark northern spring wheat and hard red winter wheat. Therefore, the majority of the type of wheat used in Taiwan is produced in Montana.

We are deeply grateful to have long-time friends and trading partners who have given us the opportunity to expand our export market. The passage of this resolution would give us the opportunity to strengthen the bonds of friendship now and help assure procurement of future markets.

SB 423

There are some common misunderstandings about banks' normal operations in delaying availability of funds to depositors who deposit checks drawn on remote banks:

Myth: "Banks hold back credit to the account of the depositor."

Fact: Not true. Most banks, if not all in Montana, give the depositor provisional credit immediately. Accounts which earn interest would usually earn interest during the time it takes to clear the checks.

Myth: "Banks profit from depositors' funds before the depositor earns interest."

Fact: False, and the reverse is usually true. The bank may receive provisional credit for the check sent to a remote bank after three days, and the bank loses income on this float time because it credited the depositor's account immediately, and may have paid interest on time deposit accounts.

Myth: "Many bank customers have problems because of delayed deposit availability."

Fact: False, because most bank customers have established satisfactory relationships with their banks, and banks never consider withholding immediate withdrawal privileges for the vast majority of their depositors.

On new accounts opened with checks on out-of-area banks, banks have logical, good business reasons for limiting funds availability. The same is true for accounts that maintain very low or overdraft balances but have large dollar volume transactions, and on accounts which exhibit "kiting" possibilities. There is no reason for a bank to accept risks of loss under these circumstances. Neither is it reasonable for a depositor to expect a bank to grant him what amounts to "unsecured credit" for the time it takes the bank to know that a check on a remote bank is actually paid.

Submitted by: MONTANA BANKERS ASSOCIATION
1 No. Last Chance Gulch
Helena, MT 59601

Important Notice

"Hold for Uncollected Funds"

Information to help you understand why we sometimes must place a hold on funds.

Why do we place a hold on some checks?

We may place a "hold for uncollected funds" on a check or other item you deposit, to protect us in the event the item is dishonored for any reason by the institution on which it is drawn.

What happens when a "hold" is placed?

Your account may be conditionally credited with the amount of your deposit when we receive it. However, your legal right to use those funds on which a hold has been placed does not begin until a reasonable amount of time for collection of the funds has passed and the item has been returned to the branch where your account is maintained. If your deposit is made to an interest-bearing account, the *interest paid on the deposit will not be affected* by the existence or length of a hold period.

After a hold is released, if an item deposited to your account is returned unpaid for any reason, we may charge your account for the amount of the item (and any applicable accrued interest), even if you have already used the funds.

What criteria are used to place a hold?

A hold may be placed on deposits for several reasons (e.g.: because your account was recently opened; if you have not handled your account properly; if the check is for a large amount, or for an amount larger than the balance in your account; when the check is drawn on a distant or unknown financial institution; or when it is issued by an individual or organization whose reliability is unknown or questionable).

How long will funds be held?

We will tell you when the funds will be available or how to determine when the funds will be available. Of course, the funds may not be available if we receive notice that the check you

See Reverse

deposited will not be paid. The length of a hold depends on a number of factors, including the location, number and type of institution(s) through which the check must be processed to effect collection. (Although electronic means have speeded the clearing of many transactions, checks must still be physically presented for payment, and many returned checks are sent by regular U.S. mail.)

What happens if you write a check against funds being held?

If you write a check against uncollected funds which are being held, we may either return the check unpaid or advance funds

to cover the check. We may deduct from your account any handling or other charge for funds which we have disbursed to you.

What can you do if you need uncollected funds immediately or before the hold period ends?

Talk with a Bank Officer to see what alternatives are available. In some cases, we may be able to call the institution upon which the check is drawn and determine whether the check has been paid. There will be a service charge if you request us to do this, even if we cannot successfully determine whether or when the check has been paid.



First Interstate Bank
of Great Falls
Telephone: 761-1750

Member FDIC

HOF1 11-84



Exhibit 7

3/26/85

SB423

Submitted by: Julie

Montana Public Interest Research Group DalSaglio

729 Keith Avenue • Missoula, MT. 59801 • (406) 721-6040

532 NORTH WARREN HELENA, MT 59601 406-443-5155

TESTIMONY BEFORE THE COMMITTEE ON

BUSINESS AND LABOR OF THE

HOUSE OF REPRESENTATIVES

MARCH 26, 1985

GOOD MORNING MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE. MY NAME IS JULIE DALSOGLIO AND I AM HERE TODAY ON BEHALF OF THE MONTANA PUBLIC INTEREST RESEARCH GROUP (MONTPIRG), A NON-PROFIT, NON-PARTISAN RESEARCH AND ADVOCACY ORGANIZATION ESTABLISHED AND DIRECTED BY UNIVERSITY OF MONTANA STUDENTS. I AM HERE TODAY TO SPEAK IN SUPPORT OF SENATE BILL 423.

DURING THE SUMMER OF 1984 MONTPIRG CONDUCTED A SURVEY OF CHECK-HOLD PERIODS FOR FINANCIAL INSTITUTIONS IN SEVEN MONTANA CITIES. THE RESULTS REVEAL A GREAT DEAL OF VARIATION AND INCONSISTENCY IN THE LENGTH OF TIME FINANCIAL INSTITUTIONS HOLD CUSTOMERS' CHECKS BEFORE CREDITING THEM INTO THE CUSTOMERS' ACCOUNTS.

CREDIT UNIONS, IN GENERAL, CLEAR CHECKS MUCH MORE QUICKLY THAN EITHER BANKS OR SAVINGS AND LOANS. ALL CREDIT UNIONS PROVIDE IMMEDIATE FUNDS FOR LOCAL CHECKS ON ESTABLISHED CUSTOMER ACCOUNTS. NINETY-SEVEN PERCENT OF THE BANKS PROVIDE IMMEDIATE FUNDS BUT ONLY ABOUT HALF (53%) OF THE SAVINGS AND LOANS DO SO. FORTY-TWO PERCENT OF THE SAVINGS AND LOANS HOLD CHECKS FOR FOUR TO EIGHT DAYS.

FOR IN-STATE CHECKS ON ESTABLISHED ACCOUNTS, NEARLY 77% OF THE BANKS CLEAR THEM WITHIN ZERO TO THREE DAYS; OVER HALF THE SAVINGS AND LOANS (53%) HOLD THESE CHECKS FOR 10 TO 21 DAYS. FOR IN-STATE CHECKS ON NEW ACCOUNTS OVER ONE QUARTER OF THE BANKS (26%) AND 68% OF THE SAVINGS AND LOANS PLACE HOLDS OF 10 TO 14 DAYS.

FINANCIAL INSTITUTIONS IMPOSE THE GREATEST DELAYS ON OUT-OF-STATE CHECKS. FOR ESTABLISHED CUSTOMER ACCOUNTS, 26% OF THE BANKS PLACE HOLDS ON THESE CHECKS FOR 10 TO 14 DAYS AND OVER HALF OF THE SAVINGS AND LOANS (53%) HOLD THEM FOR 15 TO 21 DAYS. FOR NEW CUSTOMER ACCOUNTS, 54% OF THE BANKS HOLD OUT-OF-STATE CHECKS FOR 10 TO 14 DAYS AND 84% OF THE SAVINGS AND LOANS HOLD THESE CHECKS FOR 10 TO 21 DAYS.

RESULTS OF THE SURVEY CLEARLY INDICATE THAT THERE IS A TREMENDOUS AMOUNT OF VARIATION IN CHECK HOLD PERIODS AMONG FINANCIAL INSTITUTIONS, REGARDING LOCAL, IN-STATE AND OUT-OF-STATE CHECKS.

THE QUESTION THAT ARISES IS WHAT SORT OF IMPACT DOES THESE VARIATIONS IN CHECK HOLD PERIODS HAVE ON FINANCIAL INSTITUTIONS' CUSTOMERS. THE MOST OBVIOUS DISADVANTAGE IS THE CHRONIC DELAY IN ACCESS TO FUNDS THAT MAY OCCUR. THE ENTIRE PURPOSE OF DEPOSITING FUNDS IN A CHECKING ACCOUNT IS TO HAVE ACCESS TO THE MONEY. DELAYED ACCESS TO FUNDS IS HARDER ON SOME CUSTOMERS THAN OTHERS. FOR CONSUMERS LIVING ON LIMITED INCOME, BEING REQUIRED TO WAIT A WEEK OR EVEN MORE TO CASH THEIR PAYCHECKS OR SOCIAL SECURITY CHECKS CAN BE A GENUINE HARDSHIP.

IN ADDITION TO THE INCONVENIENCE OF WAITING FOR ACCESS TO THEIR MONEY, MANY CONSUMERS HAVE ALSO BEEN VICTIMIZED BY OVER-DRAFT CHARGES ASSESSED WHEN FUNDS WERE IN THEIR ACCOUNTS BUT "ON HOLD" AND THUS UNAVAILABLE. BILL CUSHMAN, SUPERVISOR OF CASH RECEIVING, ACCOUNTS RECEIVABLE AND LOAN FUNDS FOR THE UNIVERSITY OF MONTANA, ILLUSTRATED THIS PROBLEM BY EXPLAINING WHAT HAS HAPPENED TO SEVERAL UNIVERSITY STUDENTS OVER THE LAST FEW YEARS WITH ONE PARTICULAR BANK. THREE OF FOUR STUDENTS A QUARTER HAVE HAD TO PAY AN \$8.00 SERVICE CHARGE TO THE UNIVERSITY OF MONTANA AND A \$15.00 LATE REGISTRATION FEE WHEN THEIR TUITION PAYMENTS WERE RETURNED FOR INSUFFICIENT FUNDS BECAUSE THEIR DEPOSITED CHECKS WERE PLACED ON TWO WEEK HOLDS.

VERY FEW BANKS PROVIDE THEIR CUSTOMERS WITH ANY NOTICE ON HOLD POLICIES AND CONSUMERS OFTEN BECOME AWARE OF THE EXISTENCE OR TERMS OF HOLD POLICIES ONLY WHEN THEY RECEIVE NOTICE THAT THEIR ACCOUNT IS OVERDRAWN. IN THE CASE OF THE UNIVERSITY OF MONTANA STUDENTS, MR. CUSHMAN STATED THAT THE PROBLEM OF STUDENTS' OVERDRAWN ACCOUNTS COULD HAVE BEEN ALLEVIATED IF THOSE STUDENTS HAD BEEN AWARE OF THE INSTITUTION'S HOLD POLICY. A STUDY CONDUCTED IN MARCH 1983 FOR THE FEDERAL RESERVE BOARD FOUND THAT 46% OF THE RESPONDENTS FIRST LEARNED OF THEIR BANKS' CHECK-CLEARING RULES WHEN THEY HAD PROBLEMS.

AFTER EXAMINING THE IMPACTS OF CHECK HOLD POLICIES ON MONTANA CONSUMERS MONTPIRG RESEARCHERS QUESTIONED WHY THERE ARE LENGTHY VARIATIONS IN CHECK HOLD PERIODS AMONG FINANCIAL INSTITUTIONS. CAREFUL EXAMINATION OF THE STATE'S CHECK-CLEARING PROCESS

REVEALED THAT IN THE VAST MAJORITY OF CASES FINANCIAL INSTITUTIONS RECEIVE PROVISIONAL CREDIT FOR A DEPOSITED CHECK WITHIN ONE TO TWO DAYS. ADDITIONALLY, RESEARCH CONDUCTED IN 1979 BY THE BANK ADMINISTRATION INSTITUTE (BAI) SHOWED THAT 99.33% OF ALL CHECKS PROCESSED ARE GOOD (NOT RETURNED) AND OF THE .67% OF THE CHECKS WHICH ARE RETURNED FOR INSUFFICIENT FUNDS, ONLY ONE IN 5,245 MUST BE WRITTEN OFF.

IT BECAME CLEAR TO MONTPIRG THAT THE REAL REASON BEHIND THE CHECK HOLDS ARE THE PROFITS EARNED FROM INVESTING CUSTOMER MONEY THAT IS ON HOLD. ONCE A FINANCIAL INSTITUTION HAS RECEIVED PROVISIONAL CREDIT FOR THE CHECK FOR A CHECK CLEARINGHOUSE OR THE FEDERAL RESERVE BANK, WHICH OFTEN TAKES A DAY AND RARELY MORE THAN THREE DAYS, THE INSTITUTION CAN INVEST THOSE FUNDS AT MARKET INTEREST RATES FOR THE REMAINDER OF THE HOLD PERIOD. THE PROFITS MADE BY FINANCIAL INSTITUTIONS ARE HARD TO ESTIMATE. KAREN BURSTEIN, CHAIRMAN OF THE NEW YORK STATE CONSUMER PROTECTION BOARD, ESTIMATED THAT NEW YORK BANKS EARN "MILLIONS OF DOLLARS A WEEK" ON THESE FLOAT LOANS. LEE FALLS, A VICE PRESIDENT OF CALIFORNIA'S BANK OF AMERICA ESTIMATED THAT HIS BANK EARNS \$3.3 MILLION OFF OF THE FLOAT EACH DAY.

AS AN ADVOCATE FOR THE CONSUMER MONTPIRG'S POSITION IS THAT CONSUMERS SHOULD NOT HAVE TO ENDURE LENGTHY AND UNWARRANTED CHECK HOLD PERIODS IMPOSED BY FINANCIAL INSTITUTIONS WHO ARE PROFITING FROM ARTIFICALLY-IMPOSED DELAYS. MONTPIRG SUPPORTS THE PROVISIONS IN SB 423 WHICH REQUIRE NOTICE OF CHECK HOLD POLICIES TO ALL CUSTOMERS OF A FINANCIAL INSTITUTION AND WHICH REQUIRE POSTED AND PRINTED NOTIFICATION ON DEPOSIT SLIPS. WE BELIEVE THIS LEGISLATION IS A STEP TOWARD INCREASED CONSUMER AWARENESS ABOUT FINANCIAL INSTITUTIONS' POLICIES. BUT MONTPIRG ALSO STRONGLY ADVOCATES IMPOSING LIMITS ON THE TIME PERIODS FOR CHECK HOLD DELAYS AS ORIGINALLY SUBMITTED IN SB 423. THE ADOPTION OF STANDARD CHECK CLEARING PERIODS COMBINED WITH CUSTOMER NOTIFICATION WOULD PROTECT ALL MONTANA CONSUMERS EQUALLY AND FAIRLY.

THANK YOU MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE FOR YOUR TIME.

WITNESS STATEMENT

NAME Charles R. Abrell BILL NO. 340
ADDRESS Box 37 Whitefish, MONT DATE 3-26-85
WHOM DO YOU REPRESENT? Whitefish Credit Union
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

CAN provide competitive Rates for
Local funds deposits

Keep Tax \$ Locally
paid substantial RE Taxes in 1984

BUSINESS AND LABOR

BILL NO. House Joint Res. 41

DATE March 26, 1985

SPONSOR Representative Wallin

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER
BUSINESS AND LABOR
COMMITTEE

BILL NO. House Joint Res. 42 DATE March 26, 1985

SPONSOR Representative Kitselman

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
<i>AH Bule</i>	<i>Mt Chamber</i>	✓	
<i>Bill Olson</i>	<i>Mt. Contractors Assn.</i>	✓	

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

BUSINESS AND LABOR

BILL NO. Senate Bill 423

DATE March 26, 1985

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.