

MINUTES OF THE MEETING  
BUSINESS & INDUSTRY COMMITTEE  
MONTANA STATE SENATE

January 14, 1985

The fourth meeting of the Business & Taxation Committee was called to order by Chairman Mike Halligan at 10:05 a.m. in Room 410 of the Capitol Building.

ROLL CALL: All members were present except for Senator Gage and Senator Neuman.

CONSIDERATION OF SENATE BILL 6: Senator Daniels, Senate District 24, is the sponsor of this bill. This bill will help make the Uniform Codes language more uniform with the Uniform Code. It is basically just a housekeeping bill.

PROPOSERS: Mr. Greg Petesch, Staff Attorney for the Legislative Council explained the bill would correct the provisions that were missed when the last uniform codes bill was passed. Sec. 1 deals with the omission of registered owners. Sec. 2 applies to unauthorized signatures on initial transaction statements. Sec. 3 through 7 are technical wording changes to conform the language to the uniform language. Sec. 9 deals with section captions which are substantive law in Sec. 31-1-09.

OPPOSERS: There were no opposers to Senate Bill 6.

DISPOSITION OF SENATE BILL 6: Senator Kolstad moved that Senate Bill 6 DO PASS. Motion passed by the committee.

CONSIDERATION OF SENATE JOINT RESOLUTION 2: Senator Ray Lybeck, Senate District 4 is the sponsor of this resolution which would require state agencies and state boards to give priority to applications for grants and assistance to employee owned companies. This resolution would deal with employee buyouts of companies and give them priority for grants and help to make them more efficient. (See Exhibit 1)

PROPOSERS: Jo Brunner, representing the Montana Cattlemen's Association, testified for their support of SJR 2. She felt it would be very beneficial to farmers and ranchers and their communities. (See Exhibit 2) Mr. Mike Micone, representing the Western Environmental Trade Association, supported the concept of SJR 2 to help stabilize the economy of Montana. George Allen, Montana Retail

Association, feels this would be a good idea for those who are wanting to sell their businesses and also for the young people who want to get into a business of their own. Mr. Sam Hubbarb, Department Director of the Department of Commerce, supports the resolution because it might be helpful to those existing businesses that might otherwise be forced to close down. Testimony was also submitted by Mr. Keith Kelly, Director of the Department of Agriculture for the State of Montana favoring SJR 2. (See Exhibit 3)

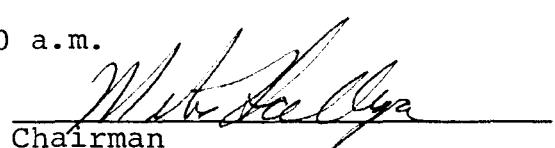
OPPONENTS: There were no opponents to SJR 2.

Questions from the committee were called for. Senator Williams questioned whether they sometimes tried to get employees to help out when the problems were caused by poor management. Senator Lybeck stated it was a source of getting specialist help for an ailing company. Senator Thayer thought there should be some interpretation as to just when you might qualify as an employee owned business. Mr. Sam Hubbarb stated they do advice and analysis after consultation with bankers and financial experts and do a careful study of each case. Senator Goodover wondered how many of the employees have to be owners in an employee owned business. Mr. Hubbarb said it would depend upon the particular situation. Senator Goodover also questioned why those who own part of a business are more inclined to work harder to produce more. Senator Lybeck felt it was just a natural tendency that employee owned businesses would be an additional incentive to work harder. Senator Fuller wanted to know what the legal effect of a resolution would be and was told it was simply a letter of intent on the part of the legislature and was not legally binding. Senator Lybeck stated this was the way it has been handled in other states. Senator Williams questions the word priority in the resolution. Senator Goodover wondered if the state would be asked to support the union as in the case of ASARCO buying out the plant in Columbia Falls. Chairman Halligan wondered also who would be given priority when examining the economic feasibility studies. Mr. Sam Hubbard stated at this time they have been able to take care of every request but that it might help to put them at the head of the list. Senator Goodover wondered if it would require more funds to hire experts for these studies but Mr. Hubbarb stated it is in their budget already and they did not anticipate any additional funding be required.

The hearing was closed on SJR 2.

The meeting was adjourned at 10:40 a.m.

cd

  
Chairman

ROLL CALL

BUSINESS & INDUSTRY

COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date 1/14/85

SENATE  
SEAT  
#

NAME	PRESENT	ABSENT	EXCUSED
Chairman Halligan	X		
V-chrm. Christiaens	X		
Senator Boylan	X		
Senator Fuller	X		
Senator Gage		X	
Senator Goodover	X		
Senator Kolstad	X		
Senator Neuman		X	
Senator Thayer	X		
Senator Williams	X		

Each day attach to minutes.



This resolution would require that all state agencies and state boards give priority to applications for grants and assistance for employee owned companies.

Employee ownership plans are programs through which employees buy all or part of a plant from shareholders and prevent a shutdown or layoffs.

Employee-owned businesses can create an increase in productivity because the worker has a personal monetary interest in the most efficient production. It could improve worker satisfaction, particularly for workers who have a part in the decision making process. It could prevent massive lay-offs and plant closings by offering alternatives to shutdowns. Possibly 5000 plants have been saved through participation in employee-owned businesses. It could encourage a more flexible financial environment for a business. Money can be borrowed to buy employee stock using the plant as collateral. The employee is permitted to guarantee the loans.

- At least ten states have already passed laws to encourage employee-owned companies.

- 1974 Minnesota
- 1979 Michigan
- 1980 Maryland and New Jersey
- 1981 Delaware
- 1982 California, Illinois, Massachusetts and Ohio
- 1983 West Virginia

- Some examples of employee owned businesses in the United States are:

- Rath Packing Company of Iowa
- The Milwaukee Journal
- Chicago and Northwestern Railroad
- Peoples Express Airlines
- Hyatt Clark Industries, Inc.
- W.L. Gore and Associates
- Weirton, West Virginia Steel Plant

- Over 6000 companies in this country have employee stock ownership plans and over 500 are actually controlled by employees.
- It is an opportunity for state and local governments to increase economic growth in their own jurisdictions and to locate jobs for their constituents.
- Employee buyouts in companies have had major success nationwide in retaining jobs, increasing productivity and profitability and stimulating the economic base of regions faced with job loss.
- tax incentives
- twice the productivity
- 150% more profitability
- generates 3 times more jobs per year than regular companies

*Jo Brunner*

BUSINESS & INDUSTRY  
Exhibit 2  
JANUARY 14, 1985

Agriculture Legislative Work

*Page 159*

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Business and Industry. Room 410

10:00 a.m.

Senate Joint Resolution 2

Senator Ray Lybeck

Montana Cattlemens association

Jo Brunner

Mr. Chairmen, members of the committee, for the record, my name is Jo Brunner and I speak for the Montana Cattlemens Association at this hearing.

Mr. Chairman, we believe that Mr. Lybeck has gone into the legal realities of taxation and of incentives for a program such as asked for in SJR 2 and so will not take your time to reiterate much of that.

We do wish to address the idea that such business ventures as would be granted priorities with this bill will be beneficial to our communities, ~~and from~~ the small business standpoint and hopefully for those of us in agriculture who for one reason or another are leaving the farm and ranch and want to see our operations continued on within our family or neighborhood.

I would like to inject a personal note at this time. The evening before Senator Lybeck brought this bill to my attention I was visiting with the lady whose house I rent during the session. She told me that they were going to California to visit one of their sons who owned a bakery. I asked her how he got into the bakery business and she told me that 9 years ago he arrived in San Francisco without a job and found one at a small private bakery that had one other employee beside the owners family. After two years, the owner decided to retire and so the two employees entered into an agreement, which she did not elaborate on--to purchase the bakery. Since then it has grown considerably, although they keep it on a comparatively small scale, and they have several other owners, about a half dozen my friend says, and they all take turns working in the bakery, so many hours a week. Her son is the only full time person, and it provides several families with additional income and maintains a service to the community, among other beneficial uses. I have heard the concern expressed that care must be taken when a preference is designated for any program and perhaps this is true. The Cattlemens Association is hopeful that any problems will be taken care of and that we will be able to implement a program such as this to help revive our community businesses and we are especially hopeful that it will enable agriculture to keep more of our farm operations within the family structure. We ask a do pass on SJR2. Thank you.



TED SCHWINDEN  
GOVERNOR

STATE OF MONTANA  
DEPARTMENT OF AGRICULTURE

OFFICE OF THE DIRECTOR  
AGRICULTURE/LIVESTOCK BLDG.  
CAPITOL STATION  
HELENA, MONTANA 59620-0201

Exhibit 3  
Business & Industry  
January 14, 1985

TELEPHONE:  
AREA CODE 406  
444-3144

KEITH KELLY  
DIRECTOR

TESTIMONY OF MONTANA DEPARTMENT OF AGRICULTURE  
DIRECTOR KEITH KELLY FOR  
THE SENATE BUSINESS AND INDUSTRY COMMITTEE  
ON SENATE JOINT RESOLUTION 2  
HELENA, MONTANA

Chairman Halligan, members of the committee, thank you for the opportunity to testify before you on this resolution.

The problems facing agriculture and the corresponding loss of the family farms and ranches are of paramount concern to the Department of Agriculture. Recently, the department completed a statistical survey of the agricultural financial situation in Montana. Survey results did not paint a very bright future for agriculture. For this reason I ask you to consider the following.

I concur with the concept behind the resolution, but believe further clarification is needed to prevent possible abuse. I believe the following issues need to be addressed:

1. The definition of an employee-owned business should be limited solely to employee- or family-owned businesses.
2. The asset level of the recipient should be limited to a reasonable maximum.
3. The definition should include the family farm as being an employee-owned business.

With priority given to employee-owned businesses as defined above, I believe the family farm could well benefit in obtaining grants or assistance they so desperately need.



# STANDING COMMITTEE REPORT

January 14 1985

MR. PRESIDENT

We, your committee on **BUSINESS & INDUSTRY**

having had under consideration **SENATE BILL** No. **6**

**first** reading copy ( **white** )  
color

**REVISION OF CHAPTERS 3 AND 9 OF THE U.C.C.**

Respectfully report as follows: That **SENATE BILL** No. **6**

DO PASS.

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Chairman.