

MINUTES OF THE MEETING
BUSINESS AND LABOR COMMITTEE
49TH LEGISLATURE SPECIAL SESSION III

June 27, 1986

The meeting of the Business and Labor Committee was called to order by Vice-Chairman Les Kitselman on June 27, 1986 at 12:05 p.m. in Room 312-2 of the State Capitol.

ROLL CALL: All members were present, with the exception of Rep. Ellerd who was excused by the Vice-Chairman and Rep. Kadas who was absent.

CONSIDERATION OF HOUSE BILL NO. 50: Rep. Bob Pavlovich, District #70 sponsor of the bill, presented it to the committee. Rep. Pavlovich stated that in HB 14 that there is a recovery plan listed inside that bill. The revenue oversight committee worked on that plan and the overall outcome is that the Department of Revenue has control over all the liquor stores. On HB 50 it clarifies that a liquor store will not be closed by the department of revenue unless it is approved by the legislature by joint resolution. If a liquor store is in a local grocery store. Rep. Pavlovich stated that the bill provides that the closure is approved by the legislature by joint resolution at the next session of the legislature following the department's announcement of intent to close the store.

PROPOSERS: Bob Durkee, representing the Montana Tavern Association, stated his support for the bill and the amendments. Mr. Durkee said that the current prices are driving the prospective purchaser out of state to buy liquor. Business that should be done in Montana is being done out of state. Tavern owners prohibited to buying liquor out of state and tavern owners buy approximately 51% of all liquor sold by the state of Montana. He felt it was time that the tavern owners be recognized for their contribution to the general fund of the state. He mentioned that 26% is taxed and 16% is excise tax and 4% goes to law enforcement. He would like some changes done within the system that could be done in the '87 session. But for the meantime to have a control put into action against the immediate closure of liquor stores.

Patty Scott, building owner of the liquor store in East Helena and also representing agency in Lolo and Walkerville. She stated that she has no problem with the closure of liquor stores but how the closure is executed is her main problem. Also stated is that Ms. Scott has had some confusion as to where this issue is going. She requests that a major halt occur so that other issues can be found. There is no immediate danger of the system going downhill until this issue can be brought out in

the '87 session. She asked that committee for its support for this bill.

OPPONENTS: John LaFaver, Director of the Department of Revenue, stated his opposition to this bill. Mr. LaFaver presented a brief background on the history of this proposed bill. His conclusion of this situation was to put those store closures on hold and work with the revenue oversight committee and present a recovery plan for this special session. The revenue oversight committee, after reviewing and revising several plans, stated to continue with the policy that has been used in the past and possibly accelerate the pace. In the Governor's recovery plan it states: that the department shall not shut down a liquor store; the department shall not lower a commission rate; the department shall restructure the pricing of liquor products sold at retail; that leases that expire during the next year will not terminate any lease; the department of revenue is to work for a conversion of other stores to neogiate the lease to turn it to an agency; and that the department work towards the conversion of state liquor stores in communities that have more than one state liquor store with the same hours as the other stores. Mr. LaFaver's view on the bill is to do nothing, not even what has been done in the past. He stated that it seems ironic to the special session that this issue not tighten its belt along with the others.

DISCUSSION OF HOUSE BILL NO. 50: Rep. Simon questioned Mr. LaFaver on the number of state owned liquor stores. It was stated that there are 52 stores and 87 agency stores for a total of 139 liquor stores. Rep. Simon asked Mr. Durkee what the difference of liquor prices was compared to as in other states. Mr. Durkee noted that the prices are cheaper in other states. Rep. Simon wanted it clairified that no liquor stores could be closed until the next regular session. Rep. Pavlovich stated that Rep. Simon's statement was correct and he also stated that it can go into effect as soon as the committee meets. Rep. Pavlovich stated that it gives the committee time to counter act any decision and is also protecting the committee.

Rep. Schultz noted some confusion on the first sentence on the titles of the bill, the concern was on the meaning of profit. Rep. Pavlovich stated that if prices are lower then more products will be sold. Also questioned by Rep. Schultz is what it the meaning of profit. Mr. LaFaver stated that a profit is expenses, lease costs, employee benefits, subtracted from the original amount.

Rep. Simon asked that the department can close a store if it is not operating at a profit. Rep. Pavlovich stated that it is listed in the bill that the department can close a store if it is not operating on a profit.

Rep. Glaser stated that last session it was noticed that the department was showing little consideration for their employees. He felt that the department should have improved their attitude and wondered if Rep. Pavlovich had felt the same way. Rep. Pavlovich stated the attitude hasn't changed any and that the department does exactly what the department wants to do. Rep. Pavlovich mentioned that a lady who owns a liquor store wrote to him stating that she asked if the department of revenue would pick up some junk that has been in the store. Her response to the letter was that the department was then asking for a wood stool that was listed in her inventory and she stated she never had a wood stool before. Rep. Pavlovich wanted to make a note that from that letter no one really knows what is going on in the department. Rep. Pavlovich suggested that the committee come back in the next session and then work on a solution but for now pass this bill to put a hold on any further action. Mr. LaFaver had stated that letters were sent out to all employees for suggestions to improve the situation. Mr. LaFaver stated that those suggestions have been submitted to the revenue oversight.

Rep. Glaser asked Mr. LaFaver why he felt that the department had to control the hours of the liquor stores. Rep. Glaser thought it was good to have some competition. Mr. LaFaver stated that the agency stores do not control their hours. Those stores are open on the same days and open at the same hours. Rep. Glaser didn't understand why the department had to set rules among the agency stores. Mr. LaFaver said that those rules had come from revenue oversight committee. Mr. LaFaver stated that a person should be able to buy one item at one price then be able to buy the same item at another store or bar at the same price. To change that, would change what has been used has a long time practice.

Rep. Pavlovich added that if this proves to be damaging in any way that in January the committee can meet as a body and change the bill or the bill may not have to be changed by then.

Rep. Schultz asked Mr. LaFaver what the difference would be to go on the recommendations of the revenue oversight committee or go on the bill. Mr. LaFaver stated that the fiscal impact of the recommendations by the revenue oversight committee are at \$1.1 million, this equals

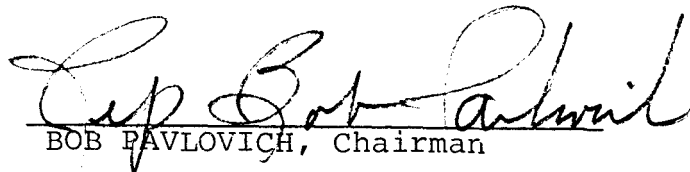
revenue that we would get above the status quo. Mr. LaFaver stated that Rep. Pavlovich's bill as amended would be looking at a less revenue than we have now. The figure that Mr. LaFaver had stated was for the next fiscal year.

Rep. Driscoll asked how much of the \$1.1 million is from savings and how much is for taxes. Mr. LaFaver stated that there is no control increase on taxes. The proposed price increase structure would mean that \$800,000 be shipped to the agency structure and would increase revenue by \$300,000. Mr. LaFaver added that a present state employee has an advantage over a new employee that does not have much experience. Those new employees will have to operate at a lower price. A present employer has a great advantage over a new employee because of the experience they have after operating a state agency for some time.

Rep. Brandewie asked Mr. LaFaver if he had calculated what the effects would be of the amendments. Mr. LaFaver could not answer because he had not had an opportunity to go through the numbers, but stated that it would certainly be a loss.

Rep. Pavlovich closed by stating the amendments do not raise the prices out of range or without some recommendation. Through personal experience liquor is bought out-of-state. It can't be bought by tavern owners but if the prices were at the same range as out-of-state prices then more business could be generated in this state.

DISPOSITION OF HOUSE BILL NO. 50: Rep. Driscoll moved to DO PASS on the amendments. There was question on the changing of prices, in the bill it does not state any changes but in the amendments the pricing is changed. Rep. Pavlovich stated that no one really knows what the changing of pricing will be. The amendments PASSED with a 10 to 9 vote. Rep. Ellerd's vote was recorded by proxy (see attached roll call vote). Rep. Driscoll moved that HB 50 DO PASS as amended. The motion PASSED with a 11 to 8 vote (see attached roll call vote).


BOB PAVLOVICH, Chairman

DAILY ROLL CALL

BUSINESS AND LABOR COMMITTEE

49th LEGISLATIVE SESSION -- 1986

SECOND SPECIAL SESSION

Date June 27, 1986

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

STANDING COMMITTEE REPORT

June 27 1966

Mr. Speaker: We, the committee on BUSINESS AND LABOR

report HOUSE BILL NO. 50

☒ do pass
☐ do not pass

☐ be concurred in
☐ be not concurred in

☒ as amended
☐ statement of intent attached

Rep. Bob Pavlovich

Chairman

"An act preventing the closure of liquor stores operated by the department of revenue..."

BE AMENDED AS FOLLOWS:

1) Title, line 10.

Following: "RESOLUTION;"

Insert: "PROVIDING FOR THE PRICING OF LIQUOR;"

2) Page 2, line 18.

Following: "sold"

Strike: ", and prices"

Insert: ". Such pricing:

(a) may not be fixed until after notice and public hearing as provided in the Montana Administrative Procedure Act;

(b) shall provide that prices do not exceed retail prices of the same items in contiguous states; and

(c) "

First reading copy (White color)

ROLL CALL VOTE

BUSINESS AND LABOR COMMITTEE
 DATE June 27, 1986 BILL NO. HB 50 NUMBER 1

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

TALLY

10

9

Secretary

Chairman

MOTION: Rep. Driscoll moved to DO PASS the amendments.

Ellard

No on Bull

ROLL CALL VOTE

BUSINESS AND LABOR COMMITTEE
 DATE June 27, 1986 BILL NO. HB 50 NUMBER 2

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

TALLY

11

8

 Secretary

 Chairman

MOTION: Rep. Driscoll moved that the bill PASS as amended.

Ellard

No on Bull

VISITORS' REGISTER

Business + Labor

COMMITTEE

BILL NO. HB 50

DATE June, 27, 1986

SPONSOR Rep. Pawluch

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.