

MINUTES OF THE MEETING
BUSINESS AND LABOR COMMITTEE
50TH LEGISLATIVE SESSION

March 6, 1987

The meeting of the Business and Labor Committee was called to order by Chairman Les Kitselman on March 6, 1987 at 8:00 a.m. in Room 312-F of the State Capitol.

ROLL CALL: All members were present with the exception of Reps. Bachini, Brown, Driscoll, and Pavlovich who were excused.

SENATE BILL NO. 298 - Sen. Ted Neuman, Senate District 21, introduced SB 298. He explained that the bill would combine the Board of Investments with the Montana Economic Development Board. He said the Board of Investments managed over \$2 billion dollars of state assets. He said the load has been increasing over that department as the amount of funds available to be invested in the state has grown. He said the Economic Development Board in the Department of Commerce has been using 25 percent of the Coal Tax to invest in Montana companies and corporations. Under this bill the functions of the new Board of Investments would be moved from the Department of Administration to the Department of Commerce.

PROPOSERS

Buster Schreiber, member of the Board of Investments, spoke in favor of SB 298. He said that 6 years ago the portfolio managed by the board was \$800 million managed with 14 employees. He said that presently the board is managing 2.3 billion dollars in funds with 15 employees. He said the consolidation is supported by the members of the board. He pointed out that this would reduce the cost to the general fund by \$144,000. He discussed other reasons for the consolidation. He said the beneficiaries are the retirement funds because of the more efficient operations. He pointed out that they would be able to create through the departmentalization a better ability to service loans and utilize money in Montana. He said that without this bill the Board of Investments would have to look out of the state of Montana to look at institutional management because of the growth of the portfolio and need for additional personnel to administer this.

Steve Brown, representing himself and as a member of the Economic Development Board, distributed copies of a statement prepared by the staff of the Economic Development Board. Exhibit No. 1. He pointed out concerns about the

staffing, increased costs associated with the merger, and the mission of smaller loans be preserved.

OPPONENTS

None.

QUESTIONS

Rep. Simon asked Jim Howeth about the exempt positions. He replied that there would be six exempt positions between the two boards. He said that five more exempt positions have been proposed to handle the investment load but the bill had been tabled after the consolidation bill was proposed. He said with the consolidation there would be sufficient employees to handle the work load. He said that additional office space would need to be rented.

Rep. Swysgood asked Steve Brown about the concern that the Economic Development Board would be overshadowed by the Board of Investments having more say over what happens or the direction not the same. Steve Brown said the bill allows the sharing of staff but does not allow flexibility. He said the six exempt positions should be allocated according to the needs of the combined boards. He said the concept of combining the boards originated in the Governor's office after discussion with the Board of Investments.

Rep. Hanson said the intent of the Economic Development Board was different than the Board of Investments. Steve Brown replied that the reason the Economic Development Board exists today is there was belief that the Board of Investments was not doing enough instate investing. He mentioned the loan limits and the ability of additional funding use by combination of the two boards. He mentioned that the Board of Investments needed additional exempt positions to deal with their side and also wanted to be able to take advantage of the expertise of the Economic Development Board in the commercial loan area.

CLOSING

Sen. Neuman said by combining the two boards it would encourage more in-state investment. He pointed out that the Board of Investments has \$125 million invested in Montana and the Economic Development Board has \$20 million. He said the Board of Investments needed additional staff.

SENATE BILL NO. 110 - Sen. Darryl Meyer, Senate District 17 Great Falls, introduced SB 110. He said the bill would amend the Montana In-State Investments Act of 1983 to provide for investments and to allow the Montana Economic

Development Board to purchase debentures sold by Montana Capital Companies.

PROPOSERS

Jim Bourke, president of the Development Corporation of Montana, testified in support of the bill. He distributed information about the corporation structure including proposed amendments (Exhibit 2).

Jerry Sullivan, vice chairman of the Montana Economic Development Board, testified in support of the bill. He discussed the creation of the board as a result of the passage of Initiative 95. He said the voters expressed their desire for the state to invest in Montana. He pointed out that the Coal Tax loans have strengthened the businesses' ability to survive in a hostile economic environment through long-term, fixed rate financing. He said this would help strengthen and diversify the economy. He said the bill would allow the board to consider purchasing debentures from qualified capital companies. The companies would invest the funds in projects that traditional lenders could not reach. Providing risk capital to small companies who now have little or no access to risk capital is an area that needs attention in Montana. He pointed out that the investments would not exceed 10 percent of the board's portfolio, which presently amounts to \$3.6 million. He said the reserve for bad debts is needed as the projects undertaken under SB 110 strengthen the need for the reserve.

Stewart Doggett, representing the Montana Chamber of Commerce, supports SB 110. He said the Montana Chamber supports efforts to create more venture capital in the state.

OPPOSERS

None.

QUESTIONS

None.

CLOSING

No further comments.

SENATE BILL NO. 218 - Sen. Darryl Meyer, District 17, Great Falls, introduced SB 218. He said the bill was designed to continue insurance for protection of the Medicare Supplement Insureds in Montana. These are primarily the senior citizens.

PROPOSERS

Elmer Hauskins, an unpaid volunteer for the American Association of Retired Persons, spoke in support of the bill.

Jerry Leondorf, representing the Montana Medical Association, spoke in support of the bill.

Bonnie Tippy, representing the Montana Association of Life Underwriters, testified in support of the bill. She said this bill was important for protection of the consumers.

OPPOSERS

None.

QUESTIONS

Rep. Thomas asked Commissioner Bennett about the problems experienced by the department. Commissioner Bennett discussed some of the serious problems with senior citizens. She said there had been complaints about companies non-renewing, changing, canceling, or abusing Medicare insurance supplements. She pointed out that senior citizens are on fixed incomes and do not want to be a financial burden. She said because companies do not make enough money they discontinue a product line. She said that one other problem area was Medicare Supplement insurance offered by one company for another company or fronting by one company for another. Under this practice a company admitted to do business in this state offers a product developed by another non-admitted company. She said the result was that senior citizens were required to buy new coverage and meet new waiting periods. She pointed out that seniors were not able to purchase insurance at all since problems developed during that time. The bill provides that an individual having a policy in place, should not be required to meet another preexisting waiting period on a new policy. Companies cannot discontinue an individual's policy for bad claims experience. She pointed out that the reason a policy was purchased was to cover such occurrences. Companies who do not wish to renew a particular coverage must renew all policies of that type. The bill provides that if all policies of a certain type are non-renewed, the company must offer some type of replacement policy so that those affected will not be left without the option to purchase replacement coverage.

CLOSING

Sen. Meyer closed.

SENATE BILL NO. 138 - Sen. Tom Hager, Senate District 48 Billings, introduced SB 138. He said the bill has been referred to as the sunrise bill. He said the reason for the bill was a way to measure whether to have boards license professional areas. He said the bill would handle starting a new board and consolidation of two or more boards. He discussed the bill and the fee required for request. He pointed out that the fees would keep the frivolous requests down.

PROPONENTS

Bill Leary, representing the Montana Hospital Association, spoke in support of SB 138. He discussed various groups that desired to be licensed.

Miki Medora, a dietician, spoke in support of SB 138. She said the criteria and qualification for applying for licensure is set up in the bill.

OPPONENTS

None.

Rep. Simon asked Sen. Hager if a group wanted to set up a licensure board if this was the only mechanism in order to submit legislation. Sen. Hager said that the Legislative Audit report would have to be part of the proposal for a new board.

CLOSING

Sen. Hager closed.

SENATE BILL NO. 115 - Sen. Delwyn Gage, Senate District 5, introduced SB 115. He explained that the bill set up a requirement that life and disability agents be required to complete continuing education. He pointed out the complexity of the tax laws and types of life and disability insurance including the multitude of changes in those areas.

PROPONENTS

Steve Daniel, president of the Montana Association of Life Underwriters, spoke in support of the bill. He said that MALU had over 500 members in the state and each had about 250 clients, representing over 125,000 policy holders in Montana. He said the goal was to improve the environment for the purchasing of life insurance and other related products for the consumers. He pointed out the reason the bill was needed. He said that there had been a move by agents to represent many different companies. He said that

companies have chosen not to have agent training departments. Rapid change in federal tax law and other legislation affects the way policies work. He said the insurance industry has had complete changes. He pointed out that good decisions can be made by the consumer with good information.

Peter Sullivan, former president of Montana Association of Life Underwriters, testified in support of the bill. He pointed out the importance of taking courses to keep up to date. He was concerned that consumers were being sold products by poorly trained agents.

Ken Hassler, State Legislative Chairman for the Montana Association of Life Underwriters, testified in support of the bill. (Exhibit No. 3) He discussed the requirements to obtain and maintain a life and health insurance agent's license now. He said that presently, the only requirement was to pay a ten dollar fee, study and pass the exam, and then they are in the insurance business. He said that anyone is eligible. A renewal fee of ten dollars each year is needed. The current system is causing problems that people in the industry are not keeping up with the changes. He pointed out that many agents had to go to a client's business or home to clean up after a part-time agent. He said that many times the client and their professional agent have been working for years to coordinate their insurance program and in one short afternoon or evening, an uneducated agent can ruin the whole program.

Ernest Keller, representing North Montana Association of Life Underwriters, spoke in favor of the bill. He discussed the number of agents this bill would effect. He said there were 5,500 life and disability agents licensed in Montana. He said that many people were inactive and sold policies only to friends and family and others were only part-time and worked at other jobs. He pointed out that those individuals do not have the same knowledge of their product as agents who work at the job full-time and keep themselves educated. He said the goal of the association was to impose basic continuing education requirements without unnecessarily burdening insurance agents. The bill empowers the Insurance Commissioner to set regulations, set the number of hours between 10-20 per year with some carry forward provisions. He pointed out that insurance education programs were already sponsored throughout the state.

Sherry Daniels, representing the Southeast Association of Life Underwriters, spoke in support of the bill because of the need for the legislation. She said her agency markets products all over Montana and Wyoming and currently have over 750 appointed agents. She said on an average day she spoke to 10-25 agents over the phone or in person requesting

quotes on products. She said many of these were qualified and experienced, however, many agents selling life and health products made mistakes. These are not intentional mistakes but the agent may quote a price with no idea of the needs of the client or what the product does. She said there are agents who have not sold a policy for years but are just maintaining their life license. She pointed out that if there were no requirements for keeping current knowledge in the everchanging industry then it would be better not to require agents to be licensed at all. By giving them a license to sell insurance in the state of Montana, it tells the consumer that the Montana Insurance Department has deemed them qualified to sell such products. The consumer has no reason to believe otherwise. She said her agency feels so strong about this that the secretaries that are non-licensed are required to take educational courses each year.

Klaas Tuininga, a Farmers Insurance Group agent from Bozeman, spoke in support of the bill. He said he owned a multiple lines agency and 60 percent of his business was commercial. He said he did have a life and health license and wanted to be in the business self-employed. He said that by not educating himself he was cheating his clients. By not keeping abreast of the industry he could, through ignorance, hurt the customer. He said that agents and the insurance industry need the bill as it was a consumer protection bill.

Frank Cody, from Butte and representing the Southwest Montana Association of Life Underwriters. He pointed out that 20 other states had similar legislation.

Reggie Good, from Great Falls, testified in support of the bill. He mentioned that many states had multiple level requirements depending on the credentials. He said that this bill would apply equally to all which would make it easy to administer. A statement of intent has been attached to the bill directing the regulators to follow the regulations of the state of Washington. He said currently there are people licensed in the state of Montana who have never had the state exam but are maintaining licenses by paying the \$10 fee. He said there is no reason for them other than desire for the professionalism that they wish to maintain for themselves for concern about their clients to do anything to improve themselves by gaining additional education. He pointed out that there have been too many mistakes. He discussed the potential to create problems that carry over long after we are here.

Dan Irving, a member of the Montana Association of Life Underwriters, testified in support of the bill. He

discussed examples of senior citizens being sold contracts of Medicare Supplements that said it would cover everything that Medicare would not cover. He said that was not true and people were suffering over the result. He pointed out that if agents had the knowledge and education of the products they were selling it would prevent unnecessary stress on families. He said that when selling a product that would affect future financial security, a well-educated professional would be necessary.

Jim Connole, an agent with Farmers Insurance, spoke in support of the bill. He said that continuing education would be progressive and the insurance industry was willing to support that financially.

Bonnie Tippy mentioned the structure of the Montana Association of Life Underwriters. She said the local associations were independent. She discussed the problems with other legislation in other states. She said that the problem with the model legislation was that it stair-stepped people which was unfair. She said this bill was fair in that there would be continuing education for all those with a life and disability agent's license, with no exceptions or grandfathering. She pointed out that the industry was willing to pay for the education and the bill set only minimal hours in terms of education. She said that most agents were already getting education. For the agencies, good employers train their employees.

Tanya Ask, from the Montana Insurance Department, pointed out that the bill imposes additional duties on the office and there was a fiscal impact. She said if the bill were enacted they would want to make sure the bill is enforceable.

OPPONENTS

Rick Hill, principal owner of a small multiple life insurance company, was opposed to the bill. He said he sells a variety of insurance. He said the bill would create an undue hardship to his agency and similar agencies. He discussed the fees that the company pays. He said the cost to his employees as a result of this legislation would be \$1,160 for his agency alone or \$300 per employee. This would cover the filing fees, wages while they attend school, tuition cost and study materials. He said that two of those people had never sold a life or disability product. He pointed out that the fees and costs were already on top of the \$70 in fees they pay for a license plus the \$25 for surplus lines license, \$100 for surplus lines license bond, and \$50 for a consultant license. He said his agency was licensed in North Dakota, South Dakota, Wyoming, Nevada,

Utah, Idaho, Washington, Oregon and applications pending in Arizona, California, and New Mexico. He said the cost to comply with this law would exceed the total of the licensing fees for all those states combined. He said the concept of education is good and is important to all professions. He said the agents join an association for the purpose of education. His agency spent \$2,500 last year for education based on the agency needs and the need of customers. He said they already spent \$1,000 this year to send an employee to Houston and that none of that would comply with this legislation. The organization for members sponsors many courses and members are continuously enrolled in education courses. He said that to mandate that a single line of insurance require this kind of commitment works an unnecessary hardship on his agency and those similar to it. He said that this was a case of government creating more unnecessary regulation and more cost of doing business. He pointed out that a filing of an affidavit and a \$20 fee by the several thousand licensed agents in Montana would not change the dishonest and irresponsible agent.

QUESTIONS

Rep. Hanson asked Bonnie Tippy about a list of continuing education programs. Bonnie Tippy said that the statement of intent of the bill was tied to the Washington state regulations which had an extensive list of approved course offerings. Rep. Hanson said she was concerned that the continuing education be used as criteria for belonging to an organization.

Rep. Simon asked Tanya Ask how long it would take for the department to process an affidavit. Tanya Ask replied that the affidavit would go on a checklist. She discussed the list of duties that would be imposed on the department and the reason for additional FTE. Courses would have to be reviewed and duplication monitored. She said that money collected over and above what was needed to implement the program would revert to the general fund.

Rep. Swysgood asked Bonnie Tippy about the \$20 fee for the agents. Bonnie Tippy replied that the bill was written so the fee was commensurate with costs.

Rep. Thomas asked Steve Daniels what problem would the bill solve. Steve Daniels replied that there were agents in the state that do keep up with their education but for the ones that did not there was no way to get them to be professional. He said the bill is for the good of the consumers.

Rep. Thomas asked Tom Daniel about the concern of the effect on the property and casualty agents. Tom Daniel replied

that this bill would be expensive for agents that only do property and casualty. He said that agents would either get disability or life insurance off their license or comply with the law. He said it was not hard to satisfy continuing education requirements.

Rep. Wallin asked about general agencies that sold different lines. Rick Hill said he represented 10 insurance companies and 7 lines of insurance and some of the companies were actually three different companies. He said that each one had a different product in every line of insurance. He said that course tend to address concepts, not specifics. He said the problem in maintaining his license was that he would have to send people to school that don't deal with life and disability insurance. He said if multiple line agencies who are licensed as an entity if they are going to be brought under this bill should be required to have one member of their agency comply with the educational requirements and only one filing name. The bill would require staff people be licensed as agents because they quote premiums, handle policies, endorsements and take requests for changes of coverage. He objected having to educate the people to do their job then educate them to do things that have nothing to do with their job.

Rep. Swysgood asked Mr. McKee for comments on courses. Mr. McKee said he was the general manager for F and I group, which had 17 multi-line agents. He said that because of the cost to the agency there were problems. He pointed out the problems with the Washington continuing education bill was that it was unfunded to determine whether compliance was there. He said that legislating continuing education would produce bogus affidavits.

Rep. Thomas asked Tanya Ask about pre-licensure education and whether the department had evaluated that. Tanya Ask replied that they had surveyed other states to determine how continuing education would work. She said that pre-licensing had worked in Nevada.

Rep. Thomas asked Mr. Hill for an explanation of why people had to be licensed life and disability agents but did not sell that product line. Mr. Hill explained that their corporation was appointed for all lines of insurance and agents must comply with the requirements of the agency license. He said traditional staff people are now being required to be licensed as agents because of their contact with the public.

Rep. Smith questioned Tanya Ask to respond if 2 years from now he wanted to buy insurance if he would have more confidence in the agent after the bill passed and he has had

continuing education. Tanya Ask replied that there were problems in all areas and it would depend on the individual agent.

CLOSING

Sen. Gage said the bill would limit agents. He pointed out that professionals were not ignorant.

EXECUTIVE SESSION - March 6, 1987, 10:50 a.m.

ACTION ON SENATE BILL 115

Rep. Simon moved BE CONCURRED IN. Rep. Simon moved to amend the bill on page 3, line 24, strike "\$20" insert "\$10". He said that fees collected would be more money than they need to administer the program. He said there was no reason for the life and disability insurance agents to be subsidizing the general fund since there was not a need for it and it should be a more reasonable level.

Rep. Nesbitt said this involved an expense on the Auditor's office on more than just handling the paper work as far as the filing of the affidavits. He said they would have the responsibility of reviewing the courses to determine which were appropriate to meet the requirement of continuing education including hearings and other expenses.

Rep. Simon said the fiscal note talks about 2.5 FTE. He said the filing of the affidavits would not take one person full-time. He said the numbers were inflated and it would bring in more than they needed.

Rep. Thomas pointed out that the state ought to pick up part of the charges. He said if the \$300 figure per agent were used times the 5,600 agents that is \$1.7 million that the agents would spend for continuing education.

The question was called on the amendment. The motion FAILED on a tie vote 9-9.

Rep. Smith moved to TABLE the bill. He said this would tell the general public that the agent was OK with 15-20 hours of education. He said that 15-20 hours of education a year does not make an insurance agent. The motion to TABLE the bill carried with Reps. McCormick, Hanson, Glaser, Driscoll, Pavlovich, and Kitselman opposed.

ACTION ON SENATE BILL NO. 138

Sen. Wallin moved BE CONCURRED IN. Rep. Simon moved the amendment to strike section 12, the effective date. He said

there was no reason why this bill had to be effective earlier than October because audits would not even be conducted until 1988. He pointed out that there were additional expenses if this bill were in effect early. The question was called. The motion carried with Rep. McCormick.

The question was called on the motion to be concurred as amended. The motion carried with Rep. Driscoll voting NO.

ACTION ON SENATE BILL NO. 218

Rep. Thomas moved SB 218 BE CONCURRED IN. The motion carried unanimously.

ACTION ON SENATE BILL NO. 110

Rep. Hanson moved SB 110 BE CONCURRED IN. The question was called. The motion carried unanimously.

ADJOURNMENT:

The meeting was adjourned at 11:10 a.m.



REP. LES KITSELMAN, Chairman

DAILY ROLL CALL

BUSINESS & LABOR

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date MARCH 6, 1987

| NAME | PRESENT | ABSENT | EXCUSED |
|---------------------------------|---------|--------|---------|
| REP. LES KITSELMAN, CHAIRMAN | ✓ | | |
| REP. FRED THOMAS, VICE-CHAIRMAN | ✓ | | |
| REP. BOB BACHINI | | | ✓ |
| REP. RAY BRANDEWIE | ✓ | | |
| REP. JAN BROWN | | | ✓ |
| REP. BEN COHEN | ✓ | | |
| REP. JERRY DRISCOLL | | | ✓ |
| REP. WILLIAM GLASER | ✓ | | |
| REP. LARRY GRINDE | ✓ | | |
| REP. STELLA JEAN HANSEN | ✓ | | |
| REP. TOM JONES | ✓ | | |
| REP. LLOYD MCCORMICK | ✓ | | |
| REP. GERALD NISBET | ✓ | | |
| REP. BOB PAVLOVICH | | | ✓ |
| REP. BRUCE SIMON | ✓ | | |
| REP. CLYDE SMITH | ✓ | | |
| REP. CHARLES SWYSGOOD | ✓ | | |
| REP. NORM WALLIN | ✓ | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

STANDING COMMITTEE REPORT

MARCH 6

19 37

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

report SENATE BILL NO. 138

☐ do pass
☐ do not pass

☒ be concurred in
☐ be not concurred in

☒ as amended
☐ statement of intent attached

REP. LES KITSELMAN

Chairman

AMENDMENTS AS FOLLOWS:

1) Title, line 10

Strike: "AND AN EFFECTIVE DATE"

2) Page 11, lines 6 and 7

Strike: section 12 in its entirety

970
THIRD

reading copy (**BLUE**)
color

STANDING COMMITTEE REPORT

March 6

19 87

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

report SENATE BILL NO. 213

☐ do pass
☐ do not pass

☒ be concurred in
☐ be not concurred in

☐ as amended
☐ statement of intent attached

REP. LES KITSRLMAN

Chairman


THIRD

BLUE

reading copy ()
color

STANDING COMMITTEE REPORT

MARCH 6

19 87

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

report SENATE BILL NO. 110

☐ do pass
☐ do not pass

☒ be concurred in
☐ be not concurred in

☐ as amended
☐ statement of intent attached

REP. LES KITSelman

Chairman

THIRD

reading copy (BLUE)
color

✓ SB110 Thayer Investment of In-state Investment Capital companies

✓ SB115 GMSR Regulating and Licensing of Sex Offenders

✓ 218 M/12 Transfer of medical fees

✓ 138 HAGER Supreme Court Hearing Bonrabs

✓ 298 Newman Create Bond or Investment

Mending

SB297 Newman PRO Re ...

MOB

Bonrabs ...
Opposed: none ...
signed

SB110 Thayer (promoted by myoe) Dick ...
Stewart ...

SB218 Myer PRO Elmer Hoskins, Jerry Lindner
BC MA medical ... Bonnie ...
Questions

SB138 Hager PRO ...
BCR Opposed: none Questions

B 115 GAGE, PRO Steve Smith, PRO MALU, Richard
Ken Hassler, Eugene Kellere, Ernest Kellere
Tabled Norman Kellere, Steve Smith, PRO
PRO of SEMALU, Glad Stone - Flowers in Brown
Fence Co. - Botic SEMALU, Reggie Gage G/T
Dan Smith, MALU, Jim Knott, Steve
Tom, Eugene Kellere / Eugene Kellere
Oppose Kellere / Eugene Kellere
Randy Hester Questions Harson Simon
Sysgood Thompson Sumner Thompson
Sumner Thompson

EXHIBIT 1
DATE 3-6-87
HB SB 298

The Montana Economic Development Board is neutral on this bill but has three concerns:

- 1) The integrity of the MEDB mission and program should not be diminished or dwarfed by the new investment board.
- 2) The exempt positions currently assigned to the MEDB remain in place for the purpose originally planned. The success of our program is due in part to our ability to attract quality people.
- 3) The MEDB calls to your attention that this bill leads to an overall increase in costs per fiscal note of \$109,713 in FY88 and \$124,980 in FY89. Attached to this testimony is the MEDB's analysis of the consolidated budget.

REVIEW OF PROPOSED CONSOLIDATED BOARD OF INVESTMENTS BUDGET

| FY88 <u>Proposed Increased Costs</u> | | FY88 <u>Proposed Savings</u> | |
|---|-----------|---------------------------------|----------|
| Personnel | \$ 52,219 | Per Diem | \$ 3,850 |
| Moving | 2,000 | Vacancy Savings | 2,089 |
| Equipment | 7,000 | Rent | 7,269 |
| Indirect at 9.8% | 64,702 | Travel | 3,000 |
| TOTAL | \$125,921 | TOTAL | \$16,208 |

Net Cost of Merger FY88 = \$109,713

Jim Howeth advises that the indirect expenses at 9.8% of personnel cost is not currently being paid to Department of Administration by MBI. The MEDB will pay \$23,136 in FY88 to Department of Commerce. Using personnel cost (consolidated staff) of \$896,310 X .098 = \$87,838 less MEDB \$23,136 equals the \$64,702 increased cost. Mr. Howeth also said that the combined board would have to pay for additional office space if MEDB were to move to Board of Investment quarters. Therefore, the rent savings is questionable.

The new funding proposed for FY88 is:

| | |
|---------------------------------------|-------------|
| General Fund (Linked Deposit Program) | \$ 250,000 |
| MEDB Proprietary Fund | 159,847 |
| MBI Proprietary Fund | 1,263,484 |
| TOTAL | \$1,673,331 |
| | ===== |

There are several points to be made regarding funding:

- 1) MEDB Proprietary Fund of \$159,847 is made up of \$112,500 fee income and \$47,347 of unspent loan proceeds. (MEDB's \$150,000 four year loan)
- 2) The MBI Proprietary Fund of \$1,263,484 is made up of:

| | |
|---------------------------------------|-------------|
| a) MBI FY88 Proprietary | \$ 972,509 |
| b) MEDB FY88 General Fund | 131,262 |
| c) Increased Operating Cost in Merger | 109,713 |
| TOTAL | \$1,263,484 |
| | ===== |

General Fund Impact:

| <u>Before Merger FY88</u> | | <u>After Merger FY88</u> | |
|---------------------------|----------------|--------------------------|-------------------|
| MBI Proprietary FY88 | | MBI Proprietary | |
| \$972,509 X 12.5% | 121,564 | \$1,263,488 X 12.5% | \$ 157,935 |
| MEDB General Fund | 181,262 | | -0- |
| MBI General Fund | <u>250,000</u> | | <u>\$ 250,000</u> |
| (Linked Deposit) | | | |
| TOTAL | \$552,826 | TOTAL | \$ 407,935 |
| | ===== | | ===== |

Net General Fund Savings \$144,891
=====

The obvious questions: 1) Is it worth the increased cost of \$109,713 in FY88, (spread over all funds managed) to save the General Fund \$144,891 in FY88? 2) How does MEDB pay off its General Fund loan coming due in September 1987?

BOARD OF INVESTMENT/ECONOMIC DEVELOPMENT BOARD PROPOSAL

The following detail provides budgetary information on the proposed consolidation of the Montana Economic Development Board (MEDB) and the Montana Board of Investments (MBI). The unified Board will be attached to the Department of Commerce for administrative purposes only.

Several assumptions are used in developing these figures.

- 1) FTE will remain the same as proposed in the Governor's Budget. The total number of exempt positions will also remain the same.
- 2) The staff of the MEDB will move to the present MBI facility. Adequate space to accommodate the two staffs is available.
- 3) Funding for the investment activity of MEDB will be provided by the current MBI proprietary account rather than the general fund.
- 4) Proprietary funding for investment operations has an impact on the general fund. 12.5% of funds appropriated for investment operations are considered lost general fund earnings.

CURRENT BOARD BUDGET REQUESTS

| | <u>7 Member</u> <u>Board of Investments</u> | | <u>7 Member</u> <u>Mt. Econ. Development Board</u> | |
|---------------|--|-------------|---|------------|
| | FY88 | FY89 | FY88 | FY89 |
| FTE | 19.0 | 19.0 | 7.0 | 7.0 |
| Expenditures: | | | | |
| Per.Svs. | \$ 613,946 | \$ 613,803 | \$ 236,084 | \$ 235,918 |
| Operating | 344,114 | 268,378 | 105,025 | 104,001 |
| Equipment | 5,259 | 1,759 | 0 | 0 |
| Local Assist. | 250,000 | 250,000 | 0 | 0 |
| Debt Service | 9,190 | 3,924 | 0 | 0 |
| | ----- | ----- | ----- | ----- |
| Total | \$1,222,509 | \$1,137,864 | \$ 341,109 | \$ 339,919 |
| Funding: | | | | |
| Gen.Fund | \$ 250,000 | \$ 250,000 | \$ 181,262 | \$ 181,262 |
| Prop. | 972,509 | 887,864 | 159,847 | 158,657 |
| | ----- | ----- | ----- | ----- |
| Total | \$1,222,509 | \$1,137,864 | \$ 341,109 | \$ 339,919 |

Current General Fund Impact for Both Boards

| | | | |
|-----------------------|------|-------------------------------|------------|
| MBI Proprietary | FY88 | \$972,509 x 12.5% = \$121,564 | |
| | FY89 | \$887,864 x 12.5% = \$110,983 | |
| | | <u>88</u> | <u>89</u> |
| MBI Gen. Fund | | \$ 250,000 | \$ 250,000 |
| MBI 12.5% | | 121,564 | 110,983 |
| MEDB Gen. Fund | | 181,262 | 181,262 |
| | | ----- | ----- |
| Total Current GF Cost | | \$ 552,826 | \$ 542,245 |

Under the new consolidated board, several positions will be reclassified to provide additional investment expertise.

All personal services costs include benefits and insurance.

Position # 71102 under the current MEDB budget will be filled by the present director of the Department of Social and Rehabilitation Services, Dave Lewis. The proposed salary will be increased to this individual's current pay level.

| | | |
|---------------|-----------|-----------|
| | <u>88</u> | <u>89</u> |
| Budgeted Cost | \$ 30,247 | \$ 30,227 |
| Proposed Cost | 59,418 | 59,445 |
| | ----- | ----- |
| Cost Increase | \$ 29,171 | \$ 29,212 |

Two proposed classified positions will be filled by current employees at their current pay levels. These new positions were originally budgeted at grade 17. However, due to actual salary level differences, the proposed grade level would be modified to reflect the employees' current salaries.

| | | |
|---------------|-----------|-----------|
| | <u>88</u> | <u>89</u> |
| Budgeted Cost | \$ 66,884 | \$ 66,784 |
| Proposed Cost | 81,430 | 81,307 |
| | ----- | ----- |
| Cost Increase | \$ 14,546 | \$ 14,523 |

Two existing exempt positions will be increased to \$38,000 in fiscal year 1988 and \$48,000 in fiscal year 1989. These positions will be filled with high level investment personnel to enhance the consolidated board's investment mission.

| | | |
|---------------|-----------|-----------|
| | <u>88</u> | <u>89</u> |
| Budgeted Cost | \$ 81,430 | \$ 81,307 |
| Proposed Cost | 89,932 | 113,118 |
| | ----- | ----- |
| Cost Increase | \$ 8,502 | \$ 31,811 |

=====

| | | |
|------------------------|-----------|-----------|
| Total PS Cost Increase | \$ 52,219 | \$ 75,552 |
|------------------------|-----------|-----------|

9 Member
PROPOSED CONSOLIDATED BOARD OF INVESTMENTS

| | <u>FY88</u> | <u>FY89</u> |
|---------------------------------|--------------------|--------------------|
| FTE | 26.0 | 26.0 |
| Pers. Services | \$ 850,030 | \$ 849,721 |
| Adjustments: | | |
| Salary Increases | 52,219 | 75,552 |
| Per Diem Decrease | (3,850) | (3,850) |
| Added Vac. Savings | <u>(2,089)</u> | <u>(3,022)</u> |
| Sub-total | \$ 896,310 | \$ 918,401 |
| Operations | \$ 449,139 | \$ 372,379 |
| Adjustments: | | |
| Rent Reduction | (7,269) | (7,583) |
| Travel Reduction | (3,000) | (3,000) |
| Moving Expense | 2,000 | 0 |
| Indirect cost @ 9.8% | 64,708 | 64,889 |
| Sub-total | \$ 505,572 | \$ 428,679 |
| Equipment | \$ 5,259 | \$ 1,759 |
| Adjustments: | | |
| Office Furniture | <u>7,000</u> | <u>0</u> |
| Sub-total | \$ 12,259 | \$ 1,759 |
| Local Assistance | \$ 250,000 | \$ 250,000 |
| Debt Service | \$ 9,190 | \$ 3,924 |
| <u>TOTAL BOARD EXPEND.</u> | <u>\$1,673,331</u> | <u>\$1,602,763</u> |
| New Funding | | |
| General Fund | \$ 250,000 | \$ 250,000 |
| MEDB Prop. Fund | 159,847 | 158,657 |
| MBI Prop. Fund | <u>1,263,484</u> | <u>1,194,106</u> |
| Total Funds | <u>\$1,673,331</u> | <u>\$1,602,763</u> |

Proposed impact on the general fund for the consolidated board:

MBI's Proprietary FY88 \$1,263,484 x 12.5% = \$157,935
 FY89 \$1,194,106 x 12.5% = \$149,263

| | <u>FY88</u> | <u>FY89</u> |
|--------------------|-------------------|-------------------|
| MBI Gen. Fund | \$ 250,000 | \$ 250,000 |
| MEDB Gen. Fund | 0 | 0 |
| MBI 12.5% | <u>157,935</u> | <u>149,263</u> |
| Proposed Gen. Fund | <u>\$ 407,935</u> | <u>\$ 399,263</u> |

CURRENT BUDGET/PROPOSED BUDGET COMPARISON

| | <u>FY88</u> | <u>FY89</u> |
|---------------------------|-------------|-------------|
| Current Combined FTE | 26.0 | 26.0 |
| Proposed Single Board FTE | <u>26.0</u> | <u>26.0</u> |
| Difference | <u>0</u> | <u>0</u> |

| | | |
|-----------------------|-------------------|-------------------|
| Current Combined Cost | \$ 1,563,618 | \$ 1,477,783 |
| Proposed Cost | <u>1,673,331</u> | <u>1,602,763</u> |
| Difference | <u>\$ 109,713</u> | <u>\$ 124,980</u> |

| | | |
|-----------------------|-------------------|-------------------|
| Current General Fund | \$ 552,826 | \$ 542,245 |
| Proposed General Fund | <u>407,935</u> | <u>399,263</u> |
| Gen.Fund Savings | <u>\$ 144,891</u> | <u>\$ 142,982</u> |



DEVELOPMENT CORPORATION OF MONTANA

350 North Last Chance Gulch • Post Office Box 916 • Helena, Montana 59624 • Telephone (406) 442-3850

BOARD OF DIRECTORS

Lee Carolhers

Pacific Power & Light
Kalispell, Montana

John N. Elchart

Burlington-Northern, Inc.
Helena, Montana

Lynn D. Grobel

First National Bank
Glasgow, Montana

W.A. "Bill" Groff

Farmers State Bank
Victor, Montana

Randolph Jacobs, Jr.

Montana Bank of Billings
Billings, Montana

Earl W. Johnson

First Bank Helena
Helena, Montana

L. Bruce Madsen

D.A. Davidson & Co.
Great Falls, Montana

Alan D. Nicholson

Nicholson, Inc.
Helena, Montana

John L. Olson

Blue Rock Products Co.
Sidney, Montana

Jorge R. Ruff

Mountain Bell
Helena, Montana

Masahito Saigusa

The Long Term Credit Bank
of Japan, Ltd.
Los Angeles, California

Phillip R. Sandquist

First Security Bank
Bozeman, Montana

Thomas W. Scott

Security Banks of Montana
Billings, Montana

Wilbur Scott

Montana Board of Investments
Great Falls, Montana

Frank W. Shaw

Norwest Bank Great Falls
Great Falls, Montana

Raymon F. Thompson

Semtool, Inc.
Kalispell, Montana

Frank V. Woy

Montana Power Company
Butte, Montana

TESTIMONY IN SUPPORT OF

SENATE BILL 110

OBJECTIVE

To allow the Montana Economic Development Board (MEDB) to purchase debentures sold by Montana Capital Companies.

DEFINITIONS

Montana Economic Development Board - The board established to implement I-95, and the resulting In-State Investment Act. Currently manages \$34 million in assets.

Debenture - A secured promissory note, with interest only payments until maturity, and full principal repayment at maturity.

Montana Capital Company - A Montana-based venture capital company created pursuant to Title 90, Chapter 8.

BACKGROUND

In January, 1986, the MEDB adopted a rule authorizing a program allowing for purchase of debentures issued by Capital Companies.

Upon further review, it was agreed to seek specific statutory language authorizing the program.

DCM counsel and MEDB have jointly developed the bill, consistent with state laws governing investment and the programs of the in-state investment fund.

The MEDB endorses the bill.

REASONS FOR THE PROPOSED BILL

1. The debenture program will provide a needed source of long term, fixed-rate leverage for capital companies.
2. It will expand the financing programs of the MEDB, and allow it to become slightly more risk-oriented.
3. It will allow the MEDB to diversify its portfolio.
4. The original sponsors of the In-State Investment Fund, Dan Kemmis and Tom Towe, supported this debenture proposal during administrative hearings held by the MEDB.

THE AMENDMENTS

1. P.1, lines 16-17
Definition of capital companies
2. P.2, lines 8-10
Clearly states that purchase of a debenture is not a "loan participation".
3. P.3, lines 10-11
Clearly states that the purchase of a debenture issued by a capital company is not a direct loan.
4. P.4, lines 2-3
Allows for a single capital company to issue a total amount of debentures exceeding 10% of the prior years coal severance tax deposits into the In-State Investment Fund.
5. P.4, lines 3-6
Sets upper limit on total amount of capital company debentures MEDB may purchase.
6. P.4, lines 20, 23-24
Provides that capital companies are treated in the same manner as financial institutions.

Mr. Chairman and members of the committee, for the record my name is Kenneth L. Hassler LUTCF. I would like to cover two points this morning. The first being "What are the requirements to obtain and maintain a life and health insurance agent's license now?" Presently the only thing a person has to do is pay a \$10.00 fee, buy or borrow a book to study for the exam, pass this exam and they are in the life and health insurance business. Anyone is eligible to take this exam. If someone is between jobs or is looking for something to do they can spend a little time and get into the business. In order for them to stay in the business they pay their renewal fee of \$10.00 and away they go. There are no other requirements.

Point number two is "What kinds of problems is the current system causing?" The biggest problem is that very few people keep up with the many changes that affect our industry. Our industry is a dynamic and ever changing one and a person must keep up with the changes. Changes in tax laws, new products, and new and improved methods to program a clients needs are always coming up. There are some underwriters who consistently take courses or attend seminars to keep ourselves up to date. Many of us have had to go into a client's business or home and clean up after a part-timer or uneducated agent has gone in and completely messed up their insurance program. Many times the client and their professional agent have been working for years to coordinate their insurance program and in one short afternoon or evening an uneducated agent can ruin the program. Other times the client has purchased an insurance program and then it is very costly or impossible to get out of it. It has been said that we are trying to put agents out of the insurance business. Much to the contrary, we want agents who are in the business to be educated and by being educated they will be able to do a better job and increase their income because of this legislation. I will appreciate your favorable action on this piece of legislation.

BUSINESS AND LABOR

BILL NO. Senate Bill No. 298

DATE March 6, 1987

SPONSOR Senator Ted Neuman

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

CS-33

VISITORS' REGISTER

BUSINESS AND LABOR

COMMITTEE

BILL NO. Senate Bill No. 218DATE MARCH 6, 1987SPONSOR Senator Darryl Meyer

| NAME (please print) | REPRESENTING | SUPPORT | OPPOSE |
|---------------------|---------------|---------|--------|
| Andy Bennett | State Auditor | ✓ | |
| David ... | ... | | |
| ... | ... | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

BUSINESS AND LABOR

BILL NO. Senate Bill No. 138

DATE March 6, 1987

[illegible]

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

BUSINESS AND LABOR

COMMITTEE

BILL NO. Senate Bill No. 115

DATE March 6, 1987

SPONSOR SENATOR Delwyn Gage

| NAME (please print) | REPRESENTING | SUPPORT | OPPOSE |
|---------------------|-----------------------------|-----------|--------|
| Rick Weil | Self - Parker + Co | | X |
| Ray Barker | Self | — | |
| F. Perry | Self | — | X |
| L. A. Hill | Self - Agent | | X |
| Wanda A. Grant | Self | — | X |
| Walter W. Lindy | Self | — | |
| W. J. Jones | Self | | |
| Robert W. Jones | Ind. Ent. Rep. - 100 Agents | | |
| Donna L. Anderson | Ant. Ind. Ent. Indemnity | X | |
| James J. Brown | Lawyer - Ind. Group | X | |
| John D. Brown | Ind. Ind. | X | |
| Don Brown | Ind. Ind. | X | |
| Wanda L. Brown | Western Ind. Ind. | | X |
| Timothy Ask | MT. Ins. Dept | Info Only | |
| W. J. Jones | Ind. Ind. | X | |
| W. J. Jones | Ind. Ind. | X | |
| W. J. Jones | Ind. Ind. | X | |
| Ernest A. Keller | Port Montana HLL | X | |
| Ernest A. Keller | Self - Ind. Ind. | X | |

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

COMMITTEE

DATE 6 March 1980

SPONSOR SENATOR NELSON 1462

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

MINUTES OF THE MEETING
JOINT CONFERENCE COMMITTEE

HOUSE BILL NO. 374

A meeting of a Joint Conference Committee on the amendments proposed by the Senate on House Bill 374 was called to order by Representative Bruce Simon, Chairman, on March 7, 1987 at 9:00 a.m. in Room 312-F in the State Capitol.

Members of the Committee included the Chairman, Representative Bruce Simon, Rep. Bob Pavlovich, Rep. John Mercer, Senator Lawrence Stimatz, Senator Mike Walker, and Senator H. W. "Swede" Hammond.

DISCUSSION

Senator Walker stated that the biggest problem that was brought up in the Senate was that there were already 700 exempt positions in state government and were concerned about having another one.

Representative Simon stated that there were two key reasons for making the position of the Director of Security exempt; first, security in a lottery is of paramount importance, and the job of the Director of Security, which is the Assistant Director, is extremely important; second, if the position is not exempt, and he is hired as a classified employee, it would be very difficult to terminate him in a quick manner if it was necessary.

Representative Simon commented that it would be difficult to hire a person at \$20,000 a year, a higher salary would have to be offered in order to get someone that has the knowledge and expertise to be the Director of Security. He said that security is the whole key to the lottery.

Representative Pavlovich stated that the Director, Diana Dowling, would have control over the Director of Security and could terminate his employment if the need arises, and not have to go through the state process. He said that they feel that the State Lottery is separate from any other part of the state government.

Salaries were also discussed. Representative Pavlovich stated that the salary for the Director was based on what the Director of the Department of Commerce, Keith Colbo, made which was approximately \$50,000; Diana Dowling, as the Director of the State Lottery would get 90% of that, which is \$45,000. The Assistant Director would get no more than 90% of her salary.

Joint Conference Committee
House Bill No. 374
Page two
March 7, 1987

Representative Simon stated that the opportunity for this committee is to cede or recede from the amendments proposed by the Senate, and he did not hear any disagreement from the committee that the Senate should recede from the amendments and return to the original bill.

Senator Hammond stated that he was concerned about the manner the Director's position will be handled, and asked if the Governor would be able to remove the Director. Rep. Pavlovich responded that all the directors served at the pleasure of the Governor.

Rep. Mercer stated he did not have a problem with the salaries, but is concerned about the Director of Security not having any job security. He stated that person might want to cover up some problems there were because he would be afraid that he would lose his job if he reported them.

Senator Stimatz commented that everybody in the lottery business knows and understands the risks in handling a lottery.

Representative Simon stated if that person covered up something that was happening and it was illegal, it would eventually be known, and he would run the risk of not only losing a job, but possibly being arrested.

MOTION

Rep. Mercer moved to RECEDE the amendments proposed by the Senate on House Bill No. 374. Senator Stimatz seconded the motion, which carried unanimously.

ADJOURNMENT

The meeting adjourned at 9:30 a.m.


REP. BRUCE SIMON, Chairman

STANDING COMMITTEE REPORT

SENATE

FEBRUARY 20, 1987

MR. PRESIDENT

We, your committee on BUSINESS AND INDUSTRY

having had under consideration HOUSE BILL No. 374

3rd reading copy (blue)
color

PAVLOVICH (STIMATZ)

GENERALLY AMEND MONTANA STATE LOTTERY ACT OF 1985

Respectfully report as follows: That HOUSE BILL No. 374

be amended as follows:

1. Title, lines 10 and 11.

Strike: "TO PROVIDE FOR THE ASSISTANT DIRECTOR'S SALARY;"

2. Title, line 16.

Strike: "SECTIONS 2-18-103 AND"

Insert: "SECTION"

3. Title, line 15.

Strike: "8,"

4. Page 5, line 12 through line 16 on page 6.

Strike: section 3 in its entirety

Renumber: subsequent sections

5. Page 16, line 22 through line 24 on page 17.

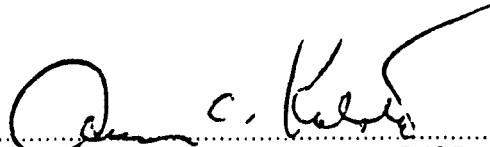
Strike: section 10 in its entirety

Renumber: subsequent sections

AND AS AMENDED,
BE CONCURRED IN

XXXXXX

XXXXXX


SENATOR ALLEN C. KOLSTAD, Chairman.

R-20-87
pg 8
8:00

HOUSE NO. 374

INTRODUCED BY LAWRENCE W. STIMATZ

BY REQUEST OF THE DEPARTMENT OF COMMERCE

1 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE
2 MONTANA STATE LOTTERY ACT OF 1985; TO ALLOW REGIONAL LOTTERY
3 GAMES; TO PROVIDE FOR A LEGISLATIVE LIAISON COMMITTEE; TO
4 PROVIDE THAT COMMISSIONS PAID TO LOTTERY TICKET AND CHANCE
5 SALES AGENTS ARE NOT STATE LOTTERY OPERATING EXPENSES; TO
6 CLARIFY USE OF THE TEMPORARY LINE OF CREDIT; TO INCREASE PRIZE
7 INSTALLMENT PAYMENTS FROM 10 TO 20 YEARS; TO PROVIDE FOR
8 CONFIDENTIALITY OF CERTAIN AUDIT FINDINGS; TO FURTHER
9 CLARIFY SALES RESTRICTIONS; TO PROVIDE FOR STATUTORY
10 APPROPRIATION OF OPERATING EXPENSES; AMENDING SECTIONS 5, 7,
11 8, 10, 13, 16, 17, AND 24, CHAPTER 669, LAWS OF 1985, AND
12 SECTION 17-7-502, MCA; AND
13 PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 5, Chapter 669, Laws of 1985, is amended to read:

"Section 5. Powers and duties of commission. The commission shall:

(1) establish and operate a state lottery and may not

1 become involved in any other gambling or
2 (2) determine policies for the operation of the state
3 lottery, supervise the director and his staff, and assist with
4 the director at least once every 3 months to make and
5 consider recommendations, set policies, determine types and
6 forms of lottery games to be operated by the state lottery,
7 and transact other necessary business;

8 (3) determine the price of each ticket or chance and
9 the number and size of prizes;

10 (4) provide for the conduct of drawings of winners of
11 lottery games;

12 (5) carry out, with the director, a continuing study
13 of the state lotteries of Montana and other states to make
14 the state lottery more efficient, profitable, and secure
15 from violations of the law;

16 (6) study the possibility of working and may enter
17 into agreements with other lottery states to offer regional
18 lottery games;

19 (7) prepare quarterly and annual reports on all
20 aspects of the operation of the state lottery, including but
21 not limited to types of games, gross revenue, prize money
22 paid, operating expenses, net revenue to the state,
23 contracts with gaming suppliers, and recommendations for
24 changes to [sections 1 through 20], and deliver a copy of
25 each report to the governor, the department of

1 administration, the legislative auditor, the president of
 2 the senate, the speaker of the house of representatives, and
 3 each member of the senate and the committee of each house of
 4 the legislature as determined by the president of the senate
 5 and the speaker of the house; and

6 (8) adopt rules necessary to carry out [sections 1
 7 through 20]."

8 Section 2. Section 7, Chapter 669, Laws of 1985, is
 9 amended to read:

10 "Section 7. Powers and duties of director: (1) The
 11 director shall:

12 (a) administer the operation of the state lottery in
 13 accordance with [sections 1 through 20] and the rules and
 14 other directives of the commission;

15 (b) appoint an assistant director for security and
 16 employ and direct personnel necessary to the operation of
 17 the state lottery;

18 (c) license lottery ticket or chance sales agents and
 19 suspend or revoke licenses pursuant to [sections 1 through
 20 and commission rules]; and

21 (d) maintain with the assistant director for
 22 security the security of the state lottery.

23 (2) With the concurrence of the commission or pursuant
 24 to commission rules, the director may enter into contracts
 25 for materials, equipment, and supplies to be used in the

1 operation of the state lottery, for sign and
 2 installation of games, for consultation and for
 3 promotion of the lottery. All contracts made in
 4 accordance with state law. No contract legal or
 5 enforceable that provides for the management of the state
 6 lottery or for the entire operation of the state
 7 private person or firm. When a contract is awarded, a
 8 performance bond satisfactory to the commission and executed
 9 by a surety company authorized to do business in this state
 10 or otherwise secured in a manner satisfactory to the
 11 commission in an amount equal to the price of the contract
 12 must be delivered to the commission.

13 (3) The director may appoint a bipartisan legislative
 14 liaison committee of two senators and two representatives.

15 NEW SECTION. SECTION 2. LEGISLATIVE LIAISON COMMITTEE
 16 -- BIPARTISAN -- COMPENSATION FROM LOTTERY FUND. (1) THERE
 17 IS A LEGISLATIVE LIAISON COMMITTEE.

18 (2) THE LIAISON COMMITTEE CONSISTS OF FOUR
 19 LEGISLATORS. TWO MEMBERS MUST BE FROM THE SENATE AND TWO
 20 MEMBERS MUST BE FROM THE HOUSE OF REPRESENTATIVES. THE
 21 SPEAKER OF THE HOUSE AND THE SENATE COMMITTEE ON COMMITTEES
 22 SHALL APPOINT THE MEMBERS OF THE LIAISON COMMITTEE, AND NO
 23 MORE THAN TWO MEMBERS MAY BE OF THE SAME POLITICAL PARTY. NO
 24 LEGISLATOR WHO HAS ANY OWNERSHIP INTEREST IN ANY GAMBLING
 25 DEVICE OR ESTABLISHMENT MAY BE APPOINTED TO THE LIAISON

COMMITTEE.

(3) A MEMBER OF THE LIAISON COMMITTEE IS ENTITLED TO COMPENSATION AND EXPENSES AS PROVIDED IN 5-2-302, PAID FROM ANY MONEY IN THE ALLOCATION UNDER [SECTION 13(2), CHAPTER 669, LAWS OF 1985], WHILE PERFORMING HIS DUTIES AS A MEMBER OF THE LIAISON COMMITTEE, PAID FROM ANY MONEY IN THE ALLOCATION UNDER [SECTION 13(2), CHAPTER 669, LAWS OF 1985], AS PROVIDED IN SUBSECTION (4) OF THIS SECTION.

(4) THE LIAISON COMMITTEE SHALL MEET ONCE EACH FISCAL YEAR WITH THE COMMISSION AT HELENA AND SHALL REPORT TO EACH LEGISLATURE ON THE ACTIVITIES AND OPERATIONS OF THE STATE LOTTERY.

Section 3, Section 0, Chapter 669, Laws of 1985, is amended to read:

"Section 0, Assistant director for security qualifications, duties, compensation: (1) The director shall appoint an assistant director for security who serves at the pleasure of the director:

(2) The assistant director for security must be qualified by training and experience, have at least 5 years of law enforcement experience, and be knowledgeable and experienced in computer security.

(3) The assistant director for security shall:

(a) be responsible for a security division to assure security, honesty, fairness, and integrity in the operation

and administration of the lottery, including but not limited to an examination of the background of prospective employees, ticket or chance sales agents, lottery vendors, and lottery contractors. The security division is designated a law enforcement agency for the purpose of administering sections 1 through 20:

(b) in conjunction with the director confer with the attorney general or his designee to promote and ensure security, honesty, fairness, and integrity of the operation and administration of the lottery, and

(c) in conjunction with the director report any alleged violation of law to the attorney general, the legislative auditor, and any other appropriate law enforcement authority for further investigation and action:

(4) The salary of the assistant director for security is equal to 90% of the salary of the director of the lottery."

Section 3, Section 13, Chapter 669, Laws of 1985, is amended to read:

"Section 13. Disposition of revenue. (1) (a) As near as possible to 45% of the money paid for tickets or chances in each separate state lottery game must be paid out as prize money for the game, except as provided in subsection (b).

(b) In the case of a regional lottery game, a maximum

1 of 50% of the money paid for tickets or chances may be paid
2 out as prize money.

3 (2) Up to 15% of gross revenue from the state
4 lottery may be used by the director to pay the operating
5 expenses of the state lottery. Commissions paid to lottery
6 ticket or chance sales agents are not a state lottery
7 operating expense.

8 (3) Funds to pay the operating expenses of the lottery
9 are statutorily appropriated as provided in 17-7-502.

10 (3)(4) That part of all gross revenue not used for the
11 payment of prizes, commissions, and operating expenses is
12 net revenue and must be paid quarterly from the enterprise
13 fund established by [section 12] to the superintendent of
14 public instruction for distribution as equalization aid to
15 the retirement funds required by 20-9-501. [The net revenue
16 is statutorily appropriated, as provided in section 2-of
17 House-Bill--12] 17-7-502.} The superintendent of public
18 instruction shall establish the dollar amount per ANB by
19 dividing the net lottery revenue for the school year by the
20 total state ANB in the prior school year. He shall then
21 notify each county superintendent by the fourth Monday of
22 July of the total retirement fund equalization aid available
23 to the county, as calculated separately for elementary and
24 high school districts using the prior year's ANB and
25 prorated as specified in 20-9-501(6) for any joint school

1 district, and each county superintendent use such
2 amounts to reduce the total retirement requirement
3 for elementary school districts and retirement
4 fund levy requirement for high school districts. The
5 superintendent of public instruction shall then distribute
6 by state warrant the total amount of retirement--fund
7 equalization--aid net lottery revenue available that has been
8 deposited in the superintendent of public instruction
9 lottery account for each county by October 1 of the school
10 fiscal year."

11 Section 4. Section 16, Chapter 669, Laws of 1985, is
12 amended to read:

13 "Section 16. Drawings for and payment of prizes --
14 unclaimed prizes. (1) All drawings must be held in public.
15 The selection of winning tickets may not be performed by an
16 employee of the lottery or by a member of the commission.
17 All drawings must be witnessed by a professional staff
18 employee of the legislative auditor's office, and all
19 lottery drawing equipment used in public drawings to select
20 winning prizes or participants for prizes must be examined
21 by the director's staff and a professional staff employee of
22 the legislative auditor's office prior to and after each
23 public drawing.

24 (2) The commission may provide for the immediate
25 payment of prizes by the ticket or chance sales agent who

1 sold the winning ticket or chance whenever the amount of the
 2 prize is less than an amount set by commission rule.
 3 Payment may not be made directly by a machine or device or
 4 by a computer terminal.

5 (3) Prizes over \$100,000 may in the discretion of the
 6 commission be paid either in one lump sum or in equal yearly
 7 installments without interest over a period of not more than
 8 10 20 years, except that each installment payment must be at
 9 least \$20,000.

10 (4) Prizes not claimed within 6 months are forfeited
 11 and must be paid into the state lottery fund. No interest is
 12 due on a prize when a claim is delayed but made within 6
 13 months.

14 (5) The right to a prize is not assignable, but prizes
 15 may be paid to a deceased winner's estate or to a person
 16 designated by judicial order."

17 Section 5. Section 17, Chapter 669, Laws of 1985, is
 18 amended to read:

19 "Section 17. Disclosures by gaming suppliers. (1) Any
 20 person, firm, association, or corporation that submits a bid
 21 or proposal for a contract to supply lottery equipment,
 22 tickets, or other material or consultant services for use in
 23 the operation of the state lottery shall disclose at the
 24 time of such bid or proposal:

25 (a) the supplier's business name and address and the

1 names and addresses of the following:

2 (i) if the supplier is a partnership, all of the
 3 general and limited partners;

4 (ii) if the supplier is a trust, the trustee and all
 5 persons entitled to receive income or benefit from the
 6 trust;

7 (iii) if the supplier is an association, the members,
 8 officers, and directors;

9 (iv) if the supplier is a corporation, the officers,
 10 directors, and each owner or holder, directly or indirectly,
 11 of any equity security or other evidence of ownership of any
 12 interest in the corporation; except that, in the case of
 13 owners or holders of publicly held equity securities of a
 14 publicly traded corporation, only the names and addresses of
 15 those owning or holding 5% or more of the publicly held
 16 securities must be disclosed;

17 (v) if the supplier is a subsidiary company, each
 18 intermediary company, holding company, or parent company
 19 involved therewith and the officers, directors, and
 20 stockholders of each; except that, in the case of owners or
 21 holders of publicly held securities of an intermediary
 22 company, holding company, or parent company which is a
 23 publicly traded corporation, only the names and addresses of
 24 those owning or holding 5% or more of the publicly held
 25 securities must be disclosed;

1 (b) if the supplier is a corporation, all the states
2 in which the supplier is licensed to do business and the
3 nature of that business;

4 (c) other jurisdictions in which the supplier has
5 contracts to supply gaming materials, equipment, or
6 consultant services;

7 (d) the details of any conviction, state or federal,
8 of the supplier or any person whose name and address are
9 required by subsection (1)(a) of a criminal offense
10 punishable by imprisonment for more than 1 year and shall
11 submit to the commission a full set of fingerprints of such
12 person made at a law enforcement agency by an agent or
13 officer of such agency on forms supplied by the agency;

14 (e) the details of any disciplinary action taken by
15 any state against the supplier or any person whose name and
16 address are required by subsection (1)(a) regarding any
17 matter related to gaming consultant services or the selling,
18 leasing, offering for sale or lease, buying, or servicing of
19 gaming materials or equipment;

20 (f) audited annual financial statements for the
21 preceding 5 years;

22 (g) a statement of the gross receipts realized in the
23 preceding year from gaming consultant services and the sale,
24 lease, or distribution of gaming materials or equipment to
25 states operating lotteries and to private persons licensed

1 to conduct gambling, differentiating that from the
2 gross receipts attributable to transactions with states
3 operating lotteries from that portion of the receipts
4 attributable to transactions with private persons licensed
5 to conduct gambling;

6 (h) the name and address of any source of gaming
7 materials or equipment for the supplier;

8 (i) the number of years the supplier has been in the
9 business of supplying gaming consultant services or gaming
10 materials or equipment; and

11 (j) any other information, accompanied by any
12 documents the commission by rule may reasonably require as
13 being necessary or appropriate in the public interest to
14 accomplish the purposes of [sections 1 through 20].

15 (2) No person, firm, association, or corporation
16 contracting to supply gaming equipment or materials or
17 consultant services to the state for use in the operation of
18 the state lottery may have any financial interest or
19 connection with in any person, firm, association, or
20 corporation licensed as a ticket or chance sales agent.

21 (3) No contract for supplying consultant services or
22 gaming materials or equipment for use in the operation of
23 the state lottery is enforceable against the state unless
24 the requirements of this section have been fulfilled."

25 Section 6. Section 24, Chapter 669, Laws of 1985, is

1 amended to read:

2 "Section 24. Temporary state treasury line of credit
3 for expense of starting state lottery. There is a temporary
4 line of credit that may be drawn by the director of the
5 state lottery from the state general fund and deposited in
6 the state lottery fund, in the amount of \$1,500,000. This
7 temporary line of credit may be drawn upon only during the
8 first 12 months after the effective date of [sections 1
9 through 20] and only for the purpose of financing the
10 initial expenses of starting the state lottery. The director
11 may draw upon all or part of this temporary line of credit.
12 This temporary line of credit must be available for
13 expenditure regardless of fiscal or biennium yearend. Any
14 funds advanced under the temporary line of credit must be
15 repaid out of the lottery's net revenue to the general fund
16 within 1 year of the advance, and no net revenue may be paid
17 out under [section 13(3)] until all advanced funds are
18 repaid. Interest must be paid at an annual simple interest
19 rate of 10% on funds advanced, commencing on the day funds
20 are advanced and until the funds are repaid."

21 NEW SECTION. Section 7. Certain audit findings
22 confidential. Specific audit findings relating to security
23 invasion techniques are confidential and may be reported
24 only to the legislative audit committee, the director of the
25 lottery, the commission, the attorney general, and the

1 governor.

2 SECTION 8. SECTION 10, CHAPTER 669, LAWS OF 1985, IS
3 AMENDED TO READ:

4 "Section 10. Sales restrictions. (1) The price of each
5 lottery game ticket or chance must be clearly stated
6 thereon. The price of a lottery game chance vended by a
7 machine or electronic device must be clearly stated on the
8 machine or device.

9 (2) Tickets and chances may not be sold to or
10 purchased by persons under 18 years of age.

11 (3) Tickets and chances must be paid for in cash.

12 (4) Tickets and chances may not be sold to or
13 purchased by commissioners, the director, his staff, gaming
14 suppliers doing business with the state lottery, suppliers'
15 officers and employees, employees of any firm or auditing or
16 investigating the state lottery, governmental agency
17 employees auditing or investigating the state lottery, or
18 members of their families living with them.

19 (5) The names of elected officials may not appear on
20 any ticket or chance."

21 Section 9. Section 17-7-502, MCA, is amended to read:
22 "17-7-502. Statutory appropriations -- definition --
23 requisites for validity. (1) A statutory appropriation is an
24 appropriation made by permanent law that authorizes spending
25 by a state agency without the need for a biennial

1 legislative appropriation or budget amendment.

2 (2) Except as provided in subsection (4), to be
3 effective, a statutory appropriation must comply with both
4 of the following provisions:

5 (a) The law containing the statutory authority must be
6 listed in subsection (3).

7 (b) The law or portion of the law making a statutory
8 appropriation must specifically state that a statutory
9 appropriation is made as provided in this section.

10 (3) The following laws are the only laws containing
11 statutory appropriations:

12 (a) 2-9-202;
13 (b) 2-17-105;
14 (c) 2-18-812;
15 (d) 10-3-203;
16 (e) 10-3-312;
17 (f) 10-3-314;
18 (g) 10-4-301;
19 (h) 13-37-304;
20 (i) 15-31-702;
21 (j) 15-36-112;
22 (k) 15-70-101;
23 (l) 16-1-404;
24 (m) 16-1-410;
25 (n) 16-1-411;

1 (o) 17-3-212;
2 (p) 17-5-404;
3 (q) 17-5-424;
4 (r) 17-5-804;
5 (s) 19-8-504;
6 (t) 19-9-702;
7 (u) 19-9-1007;
8 (v) 19-10-205;
9 (w) 19-10-305;
10 (x) 19-10-506;
11 (y) 19-11-512;
12 (z) 19-11-513;
13 (aa) 19-11-606;
14 (bb) 19-12-301;
15 (cc) 19-13-604;
16 (dd) 20-6-406;
17 (ee) 20-8-111;
18 (ff) 23-5-612;
19 (gg) 37-51-501;
20 (hh) 53-24-206;
21 (ii) 75-1-1101;
22 (jj) 75-7-305;
23 (kk) 80-2-103;
24 (ll) 80-2-228;
25 (mm) 90-3-301;

1 (nn) 90-3-302;
 2 (oo) 90-15-103; and
 3 (pp) Sec. 13, HB 861, L. 1985; and
 4 (qq) [Sec. 13, Chapter 669, L. 1985, as amended by
 5 section 4].

6 (4) There is a statutory appropriation to pay the
 7 principal, interest, premiums, and costs of issuing, paying,
 8 and securing all bonds, notes, or other obligations, as due,
 9 that have been authorized and issued pursuant to the laws of
 10 Montana. Agencies that have entered into agreements
 11 authorized by the laws of Montana to pay the state
 12 treasurer, for deposit in accordance with 17-2-101 through
 13 17-2-107, as determined by the state treasurer, an amount
 14 sufficient to pay the principal and interest as due on the
 15 bonds or notes have statutory appropriation authority for
 16 such payments."

17 SECTION 10. SECTION 2-10-103, MCA, IS AMENDED TO READ:

18 "2-10-103. Officers and employees excepted. Parts 1
 19 and 2 do not apply to the following positions in state
 20 government:

21 {1} elected officials;
 22 {2} county assessors and their chief deputy;
 23 {3} officers and employees of the legislative branch;
 24 {4} judges and employees of the judicial branch;
 25 {5} members of boards and commissions appointed by the

1 governor appointed by the legislature; appointed by
 2 other elected state officials;
 3 {6} officers or members of the militia;
 4 {7} agency heads appointed by the governors;
 5 {8} academic and professional administrative personnel
 6 with individual contracts under the authority of the board
 7 of regents of higher education;
 8 {9} academic and professional administrative personnel
 9 and live-in houseparents who have entered into individual
 10 contracts with the state school for the deaf and blind under
 11 the authority of the state board of public education;
 12 {10} teachers under the authority of the department of
 13 institutions;
 14 {11} investment officer and assistant investment
 15 officer of the board of investments; and
 16 {12} four professional staff positions under the board
 17 of oil and gas conservation; and
 18 {13} assistant director for security of the Montana
 19 state lottery."

20 NEW SECTION. Section 10. Codification instruction.
 21 Section SECTIONS 2 AND 8 7 is ARE intended to be codified as
 22 an integral part of the Montana State Lottery Act of 1985,
 23 and the provisions of the Montana State Lottery Act of 1985
 24 apply to section SECTIONS 2 AND 8 7.

25 NEW SECTION. Section 11. Extension of authority. Any

HB 0374/04

- 1 existing authority for the state lottery commission to make
- 2 rules on the subject of provisions of this act is
- 3 extended to the provisions of this act.
- 4 NEW SECTION. Section 12. Effective date. This act is
- 5 effective on passage and approval.

-End-

HB 374

-19-

BUSINESS AND LABOR

BILL NO. SENATE BILL NO. 110

DATE March 6, 1987

SPONSOR SENATOR GENE THAYER

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.