

MINUTES OF THE MEETING
BUSINESS AND INDUSTRY COMMITTEE
MONTANA STATE SENATE

January 23, 1987

The eighth meeting of the Business and Industry Committee was called to order by Chairman, Allen C. Kolstad on Friday, January 23, 1987, in Room 410 of the Capitol Building at 10:05 a.m.

ROLL CALL: All committee members were present except Senator Delwyn Gage who was excused.

CONSIDERATION OF SENATE BILL NO. 140: Senator Joe Mazurek, Senate District 23, Helena, chief sponsor of SB 140, stated that in the last session he carried SB 349 which made some changes in the Economic Development Statutes. He noted that one of the things the bill did was to create a loan loss reserve fund that the MED Board could have to protect against bad loans. The problem is that as set up, it generates an infinitesimally small amount of interest. For example, every thousand dollars of a loan would generate a quarter; and, Senator Mazurek stated further that the MED Board asked him to introduce this bill in hopes of increasing the amount of the contribution and building a reserve fund that would be meaningful. This has been recommended by bank examiners, is a prudent practice that banks use to build a fund to guard against loan loss reserves, and it would in turn, protect the Coal Tax Trust, itself. Senator Mazurek feels that this is an important bill because those funds should be protected; and, he urged the Committee's support.

PROPOSERS: Jerry Sullivan, Vice Chairman of the Montana Economic Development Board, speaking in favor of SB 140, testified that it establishes a loan loss reserve fund up to a level they feel will provide adequate protection to the state in the use of Coal Tax Funds for loans. In the banking industry when any loss is incurred, the banks have several layers of safety to the depositors to absorb that loss. The state at the present time, has between itself and a loss to the permanent trust, a very small reserve which was established in the 1985 session. Mr. Sullivan stated further the reserve ought to run in the range of about 2% of the outstanding loans at risk. Mr. Sullivan then noted that when the committee passed SB 110, it authorized the MED Board to purchase debentures in capital companies. As he pointed out then, and as he pointed out again, these loans to capital companies are at greater risk than the MED Board has taken to date in the Coal Tax Loan Program; but, they feel that they ought to participate in the purchase of debentures. Therefore, that compounds the need for an adequate reserve in the event of a loss.

Mr. Steve Brown, member of the Montana Economic Development Board testified that at the present time, 6.7 million dollars of the Coal Tax Funds invested by the MED Board are at risk; and, fortunately, as of this date, there are no delinquent or bad loans. However, the loan loss reserve as a fund, should be adequately funded in the event that something does go wrong down the road. He expressed his support of SB 140.

OPPONENTS: Keith Colbo, Director of the State Department of Commerce, representing both that department and the Executive, stated that the reasons for testifying in opposition to SB 140 are not with the concept of the loan loss reserve but strictly on the basis of the budgetary impact that will ensue if SB 140 passes. The department does, in fact, support the concept of the loan loss reserve. He represented to the committee that the original bill, that set up this process, did not contain a reserve provision. Secondly, the amendment to establish a reserve at the last session even though it was in error, was supported by the administration. At the time that the budget was being put together and final decisions were being made with regard to budgetary matters, this piece of legislation came before the Executive with an estimate that indicated that it would cost approximately \$200,000 during the biennium to the general fund. Mr. Colbo stated that would disagree with the fiscal note that would be prepared presently because an error was discovered in the earlier fiscal note and that was the basis on which the decision was made. The bill which was submitted to the Executive has also been reduced. The original proposal considered by the Governor at that time was for two and one-half. The impact to the general fund is now approximately \$112,000 in the biennium that would be set aside. He made a comparison to some of the other budgetary considerations that were going on within the Department of Commerce at that time with a lack of \$50,000 per year and the department laying off three employees. He cited the proposed reorganization of MEDB and the Board of Investments as other factors. Mr. Colbo feels that it is reasonable to have the opportunity to review the loan requirements of the investment funds, and in particular, this measure. He noted the loans that have been made are quality loans and those responsible for handling those should be given credit, but he feels there is not a compelling need to move ahead at this time with the loan loss reserve. He feels that the new organization could take a look at it and bring it back in two years if it is still necessary.

There being no other opponents, Chairman Kolstad called for questions from the committee.

DISCUSSION OF SENATE BILL NO. 140: Senator Neuman asked Mr. Bob Pancich, MEDB, what the average size of the loans are, and Mr. Pancich answered that the \$6.7 million mentioned by Mr. Brown represents 30% of the total loans and commitments they have out of \$22,000,000, and the average is approximately \$300,000. Senator Neuman wondered if the MEDB envisioned needing the fund. Mr. Pancich said the purpose of the fund is to build up for a rainy day. For example, there is \$70,000 in the fund at present, but if a loan went sour and there was a loss of \$100,000, \$30,000 would have to come out of the corpus. In the banking environment, it would come out of the interest earned but because of the governmental accounting, it would come out of the corpus and then they have to address how to restore the corpus and the loan loss reserve fund. He said they cannot guard against the possibility of some kind of economic disaster in a business. Senator Neuman then stated that he thought he had heard in testimony on a previous day that capital corporations were secured by the assets of the corporation and those loans were super safe loans. He further stated that today's testimony shows there is more risk than he thought. Mr. Sullivan answered that these are going to be different kinds of loans than what they have participated in up to this point. Capital companies have a loss experience of 30% of the loans that they make and the deals they participate in. It is their hope and anticipation in the future that as these deals come through to them they will secure them with patent rights or reach to those kinds of things that they can to secure them. At the present time, the portfolio of the MEDB is probably 60 to 70% SBA guaranteed paper which is as good as a U.S. Treasury obligation.

Senator Williams asked Senator Mazurek what the service charges consist of and who determines what percent it would be which are referred to on lines 17 and 18. Senator Mazurek answered that it would be at the discretion of the MED Board. Mr. Brown when asked, stated that it is correct and it is based on the amount of money at risk, and if the fund built up over time and 2% had been being collected, and the board did not feel it was necessary to collect that amount, they could change that amount. Senator Williams then asked if the service charges were based also on the size of the loan. Mr. Pancich answered that there are service fees collected in the terms of application fees. On Federal guaranteed loans, for instance, it is \$100, on participation loans it is \$500. If they get a commitment into the future where they are building a project, and they want them to reserve the funds for six months, they have a fee that is on a scale of 1/2% to 1 1/2% of the amount outstanding. So far this year they have collected about \$33,000 in the fee income category and they anticipate that at the

current level of applications coming in, they will probably have fees in the neighborhood of \$40,000 plus the interest that they would generate in that reserve account. Last year they collected \$1,888 out of the 1/4 of 1% on their loans, and had they been collecting at the rate they intended, it would have been closer to \$18,000. He noted that another thing to consider in the reserve is that they do have bonds outstanding against the moral obligation, and there is a reserve building up in the bonds outstanding as well, but should there be a problem in that category, they could in essence take and roll some of this money into that reserve to protect the moral obligation once they have met a level that was sufficient to cover the loans they have in their portfolio. Senator Williams then asked Mr. Pancich if all of the service charges go into this loss revenue fund and none for administration. Mr. Pancich said that is correct.

Senator Mazurek closed the hearing on SB 140 by stating that he appreciated the concerns raised by Mr. Colbo and appreciated that he was contacted in advance to let him know that they did have those concerns. However, he feels that this is just a prudent practice for a lender and the amount of money that is able to go in there now is probably not what it should be. He feels the proposal is a good one and one which they thought they had included in the last session, that it is discretionary and the impact may not be as significant as Mr. Colbo suggests.

DISCUSSION ON SENATE BILL NO. 79: Senate Bill 79 was heard in this committee on January 16, 1987, and it was felt that further work was needed on the bill before the committee could take any action on it. Senator Kolstad asked Mary McCue, Committee Researcher to explain what she and Senator Halligan, who is the chief sponsor of the bill, had come up with. Ms. McCue stated that one of Senator Halligan's major concerns was that the information certifying that smoke alarms were in place, not be required to be on a separate document because of the extra filing fee. Therefore, they prepared amendments which would provide that certification would be noted on the Realty Transfer Certificate that is submitted to the county clerk and recorder with the instrument of transferring title. (EXHIBIT 1) The Realty Transfer Certificate is to be submitted by the clerk and recorder to the Department of Revenue who will get this information and then supply the clerk and recorders with copies of the certificate. Therefore, Ms. McCue felt that it was not necessary to have the Section 3 which talks about what may be recorded. Senator Halligan also did not want the amendment suggested by the State Fire Marshal which would have required a \$5 fee to be collected by the county clerk and recorder and

transferred to his office for keeping track of the certificates. What this means then is that there is no provision in this bill for this information being transferred to the State Fire Marshal. The enforcement, if there is any, is just the person's having to certify on the Realty Transfer Certificate that the smoke detectors are in place when they sell their home. The other problem which Senator Halligan saw with the bill was that there was no language about the civil liabilities an individual might incur if there were some problem with the smoke detectors after he sold his house. Ms. McCue explained that she drew up an amendment concerning that which reads: "Neither the sellers nor the state's failure to comply with the requirements of this section (in other words the section that you certify) may be the basis for liability in a civil action. Evidence of the seller's or the state's failure to comply with these requirements is not admissible in a civil action." If you don't do what you are supposed to, someone can't come later, if the house burns down, and blame either the Fire Marshal because he didn't do the inspection correctly, or the individual didn't certify it correctly. There is a provision for a penalty in the criminal code if you falsify information to a civil official.

Senator Kolstad stated there is a bill in the House of Representatives that if passed, would do away with the Realty Transfer Certificate so that is a possibility of another problem for this bill.

Senator Boylan feels that SB 79 will be difficult to enforce as set up because it would be like saying if he sold his old second hand car, he would have to install seat belts in it and certify that they were there before he could transfer the title and things would drag on and on.

Senator Williams asked Ms. McCue what the bill does and Ms. McCue stated that when you sold your house it would be required that you state, on the certificate, that when you sold it, it had smoke detectors, and that by virtue of having to do that, you see that there was one in your home before you sold it.

Senator Meyer wanted to know if they are just going to put another box on the form to check off. Ms. McCue said that it would probably be what they would do. That is why in the last amendment she extended the rule-making authority of the Department of Revenue so that they can redesign the certificate form. Senator Meyer then asked if the fiscal note would be altered and Ms. McCue and Senator Kolstad stated that it would stay the same. Senator Neuman felt that it would not stay the same because there is no penalty for not certifying, so if you chose to certify and had the Fire Marshall inspect it, you would pay the \$25 fee. If you wanted to do it your-

self, you would not pay anything and no money would be involved, or you could choose to do it not at all since there is no penalty.

Senator Weeding stated that if you have to comply with all the provisions of the Transfer Certificate before you can file the Contract for Deed or Title, that would be the enforcement in the bill, because the smoke detector certification would be a part of the Realty Transfer Certificate. Ms. McCue said that is correct.

Senator Boylan made a MOTION that Senate Bill 79 be given a DO NOT PASS recommendation because of the difficulty in administering it. The motion was seconded by Senator Meyer.

After further discussion, a SUBSTITUTE MOTION was made by Senator Weeding that the committee ADOPT THE AMENDMENTS that were prepared by Senator Halligan and Ms. McCue. The motion was seconded by Senator Boylan, and PASSED UNANIMOUSLY. (EXHIBIT 2)

Senator Williams offered another SUBSTITUTE MOTION that the committee postpone action on SB 79 until further study could be made regarding the amendments and in view of the sentiments of the committee that smoke detectors are indeed important and that the bill should be one that would do the most possible to accomplish the true goal which is to save lives.

Senator Neuman concurred in Senator Williams SUBSTITUTE MOTION and stated that if the real goal is to have smoke detectors in every home in Montana, then he would be willing to try to help amend the bill so that smoke detectors would be mandatory in every Montana home with an effective date rather than waiting to have them put in and certified when a home was sold.

Senator Weeding felt that if the bill required mandatory installation of smoke alarms, the cost would have to be taken into consideration, both in terms of the installation cost to home owners and then the cost of enforcement. If a law is to be enforced, it will require money to do that, he stated, and a law without enforcement is meaningless and a meaningless law is not good legislation.

Senator Neuman felt that by making smoke alarms mandatory, the older homes owned by the elderly who don't sell their homes as often would then be equipped because they would want to comply with the law. He pointed out that the elderly, infirm, and young persons were the ones most often perishing in fires.

Senator Williams felt that if the bill were killed in committee, they would not be putting any emphasis on the importance of smoke detectors, but if it gets out on the floor maybe some emphasis would be put on the need for smoke detectors, even if the bill did not pass there.

Senator Kolstad asked Mr. H.S. (Sonny) Hanson to comment on regulations. Mr. Hanson who represents the Design Professions noted that presently the code for new houses requires smoke detectors, but the state legislature, several years ago, removed the requirement that communities follow the State Building Codes. They left it up to the local community. Now some cities follow the building code for the residences and some rural areas are saying that it is not necessary to follow those codes. He stated that it is not one smoke detector per house, it may be five, or eight depending what is required.

EXECUTIVE ACTION: THE MOTION by Senator Williams to delay action on SB 79, seconded by Senator Neuman, PASSED.

CONSIDERATION OF SENATE BILL 130: Senator Richard Manning, District 18, Great Falls chief sponsor of SB 130 introduced the bill and urged the committee's support for the bill.
(EXHIBIT 3)

PROPOSERS: Mr. Steve Pilcher, representing Last Chance Racing, Helena, stated that they would like to go on record as being in support of SB 130 since the raising and racing of horses is a big part of the agricultural activity in the state. They do not feel that this bill is an expansion of gambling but part of a form of gambling that is currently approved and regulated by the Montana Board of Horse Racing. He stated that it is a very important spectator sport. The legislation would contain some very important limitations. The wagering would take place only at those tracks where the Board of Horse Racing has already issued a license and a race is underway. The primary benefit is one of promotion because racing fans who are already at that event would now be given the opportunity to bet on a prestigious race such as the Kentucky Derby. It would generate more money wagered and it is a percentage of this money which pays the racers prize money, and supports the Board of Horse Racing.

Mr. Steve Meloy, Montana Board of Horse Racing, stated that this bill offers the race tracks in Montana another marketing tool to compete for the dollar that has become tougher to gain and that is the leisure dollar. It changes the parimutuel act very little and allows the track one more race to wager that happens to be running when that race is being run nationally. He urged the committee's support of the bill.

Mr. Sid Erickson, Montana Thoroughbred Breeders' Association, testified that their organization has voted nearly unanimously in support of this measure as they feel it will strengthen the ties of their industry in Montana to the showcase events in all horseracing sporting events and that this stronger image will benefit all horseracing in Montana.

Ms. Kim Enkerud, citizen, stated that she would like to urge the support of the committee for SB 130.

Mr. Bob Hollow, President of the Quarter Horse Race Owners of Montana, stated that he and their association strongly support SB 130.

OPPONENTS: Ms. Mignon Waterman, representing the Montana Association of Churches stated that they do view this as an expansion of gambling, along with several other gambling bills being introduced at the legislature this session. They feel that many of the bills expand gambling by working around the fringes and expand gambling little by little. They are concerned about the social problems of the state of Montana, and see the expansion of gambling opportunities as an expansion of the social costs of gambling. Ms. Waterman stated that they would like to go on record as opposing SB 130 because they are in opposition to gambling.

Senator Kolstad called for questions from the committee.

DISCUSSION OF SENATE BILL NO. 130:

Senator Neuman asked Mr. Pilcher if this bill would increase the conflicts between the different race tracks in Montana regarding the scheduling of races on certain dates. Mr. Pilcher said they felt that if a track had the opportunity to simulcast a major race it would increase their daily handle by 25%, but there are only so many national races. However, there are rules by which the board must allot dates now, based on tenure, public support, quality and management. He feels the allotment base won't be changed by this bill. Senator Neuman asked where the races are being held on the dates of national races. Mr. Pilcher stated that the Preakness would be during the state fair, and he was not sure of the other dates.

Senator Williams wanted to know how many races would be considered a race of national interest. Mr. Pilcher said that the ones they designate would be on the bill but the board by rule, would set up some criteria by which to designate a national race. Senator Williams wanted to know if there was any limit to how many that would include. Mr. Pilcher stated the board does have the discretion to determine what and how many would be of interest.

Senator Weeding wanted to know if the dates are something built in, or is this something which could become a political game. Mr. Pilcher said that he did not think it would cause anymore competition than there already was for those dates. He noted that historically they have been set by how those races have done in the past, who had the dates the previous year, do they project to do well again. They haven't seen much change in the dates for the past twenty or thirty years.

Senator Walker asked if the time frames allotted to the different tracks are set up in blocks. Mr. Pilcher said that some are set up by blocks and some are scattered.

Senator Williams asked if this was a national practice. Mr. Pilcher said that simulcast is used throughout the United States and has been very successful in neighboring states of Washington and Idaho.

Senator McLane wondered if some of the races ran simultaneously and Mr. Pilcher answered that conflicts were something they take into consideration when they set these dates.

Senator Thayer asked if there are places in other states where they have betting harbors. Mr. Pilcher said that is theatre betting and the board is adamantly against it at this point. Senator Thayer then asked Senator Manning if he saw any possibility that if this is adopted if it will open the door to off track betting. Senator Manning said that he did not.

Senator Neuman asked if the odds for these races are based on the odds where the race is run, or the odds at the track where the bets are taking place. Mr. Pilcher said that it would be based on the pooling of the monies at Helena where the money is taken and have nothing to do with the odds at the race track.

Senator Kolstad asked Senator Manning if he could add some information to that and Senator Manning stated they would use what they call house odds based on the amount of money that is taken in locally to determine the paramutual handle or the percentage of payout. If they were to go on track odds, the actual odds that are based back at Preakness could take a terrible beating if a long shot they had not determined would come in.

Senator Weeding asked if the state and local governments get some funds from this type of betting.

Mr. Pilcher stated that the State Board of Horse Racing gets 1% off the top of the total handle which is set aside to regulate the quarter horse racing and then they get a 2% of exotic wagering which is set aside for the owners and breeders of Montana Breds; the state gets 33% of that total figure and approximately 78 cents of every dollar is returned to the public.

Senator Weeding asked how much additional revenue could be anticipated for the state. Mr. Pilcher said that if the handle increased 25% on a particular day then 1% of that would go to the state whatever that would be.

Senator Kolstad asked Senator Manning if a fiscal note should be prepared since this might affect revenue. Senator Manning said the only effect it would have would be to increase the amount of money coming into the State Board of Racing and no additional state money is ever put into the racing board. Senator Kolstad noted that it is, however, still a state agency.

Senator Williams wanted to know what the races contribute to the State General Fund. Senator Manning said, "Nothing."

Senator Weeding asked what the gross take would be. Mr. Pilcher said that the total handle in 1986, was \$10,801,974, of which the racing board received 1% or \$108,019.74.

Senator Manning closed by stating the income from this bill would be very small, however, it won't cost the state anything. It will help stimulate more interest in the sport and help one of Montana's agricultural industries.

The hearing on Senate Bill 130 was closed.

Senator Thayer made a MOTION to amend SB 130 by deleting lines 12 and 13 of page 2. The MOTION was seconded by Senator Williams. Senators Meyer, Neuman, and Kolstad voted NO on the motion. THE MOTION PASSED.

Senator Weeding asked if the bill needed a fiscal note and Ms. McCue and Chairman Kolstad agreed that if a bill would have a fiscal impact of any type, it must have a fiscal note. Senator Manning stated that he would request a fiscal note and get it to the secretary.

Senator Williams asked Senator Manning if the amendment which the committee adopted would "take the meat out of the bill." Senator Manning said, "No."

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Chairman Kolstad stated the committee would withhold further action on the bill until Senator Manning had the opportunity to get the fiscal note prepared.

A letter from Mr. Jim Adair, Helena, proponent, SB 99 (heard by this committee on January 20, 1987) was received and distributed. (EXHIBIT 4)

The next meeting will be on Tuesday, January 27, 1987.

Chairman Kolstad adjourned the meeting at 11:47 a.m.



SENATOR ALLEN C. KOLSTAD, CHAIRMAN

ROLL CALL

BUSINESS AND INDUSTRY

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 1/23/87

NAME	PRESENT	ABSENT	EXCUSED
Allen C. Kolstad, Chairman	✓		
Ted Neuman, Vice Chairman	✓		
Paul Boylan	✓		
Delwyn Gage			✓
Harry H. "Doc" McLane	✓		
Darryl Meyer	✓		
Mike Walker	✓		
Cecil Weeding	✓		
Bob Williams	✓		
Gene Thayer	✓		

Each day attach to minutes.



DEPARTMENT OF REVENUE
PROPERTY ASSESSMENT DIVISION
MITCHELL BUILDING
HELENA, MONTANA 59601

READ INSTRUCTIONS ON REVERSE

BILL NO. SB79 RTC 9/85

REALTY TRANSFER CERTIFICATE

THIS STATEMENT IS CONFIDENTIAL

PART 1 (PLEASE READ INSTRUCTIONS ON REVERSE BEFORE STARTING)

Grantor's Name (SELLER) (Last, First, and Middle Initial)

Address (Number and Street or Rural Route)

City State Zip Code

Grantee's Name (BUYER) (Last, First, and Middle Initial)

Address (Number and Street or Rural Route)

City State Zip Code

SALES DATE ► _____
Month/Day/Year

PART 2 Type of Real Estate

- Vacant Residential Lots
- Other Vacant Lots
- Residential
- Commercial
- Industrial
- Agricultural
- Timber
- Tax Exempt by Law

PART 3 Description of Property: (If description is too lengthy, please attach on separate page)

County Municipality (City) Addition (Subdivision) Block Lot

Other description _____

PART 4 This sale is exempt from reporting sale information because: (Please check only one; see instructions on reverse)

- Property is agricultural land which will remain in that use.
 - Purchaser is U.S., State or other governmental agency.
 - Transfer is to correct, modify or supplement a previously recorded instrument. NO ADDITIONAL CONSIDERATION IS MADE.
 - Transfer is pursuant to a court decree.
 - Transfer is pursuant to a merger, consolidation or reorganization of a business entity.
 - Transfer is from a subsidiary to a parent corporation without actual consideration.
 - Transfer is pursuant to a decedent's estate.
 - Transfer is a gift.
 - Transfer is between husband and wife or parent and child with nominal actual consideration.
 - Purchaser and seller are identical parties.
 - Transfer is pursuant to delinquent taxes, sheriff sale, bankruptcy or foreclosure.
 - Transfer is made in contemplation of death without actual consideration.
- Instrument does not transfer realty:
- Mineral interest, lease or royalty
 - Assignment of interest as collateral

PART 5 This sale includes a transfer of water rights: Yes No

Part 6 If no exemption is indicated in Part 4 this part must be completed (See instructions on reverse)

Actual Consideration \$ _____	Value of any personal property (Please see instructions) \$ _____	Have SID's been paid? <input type="checkbox"/> YES <input type="checkbox"/> NO If no, amount due \$ _____
(SALE OF RESIDENTIAL PROPERTY)		
Financing <input type="checkbox"/> Cash <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> Conv. <input type="checkbox"/> Contract	Terms <input type="checkbox"/> Assumption of existing loan or <input type="checkbox"/> new loan	How many total days has this property been exposed to the market? _____ days.
(SALE OF COMMERCIAL PROPERTY)		
Financing <input type="checkbox"/> Cash <input type="checkbox"/> FHA <input type="checkbox"/> VA <input type="checkbox"/> Conv. <input type="checkbox"/> Contract	TERMS <input type="checkbox"/> Assumption of existing loan or <input type="checkbox"/> new loan	

PART 7 Prepared By:

Name _____
Address (Number and Street or Rural Route) _____
City State Zip Code _____

I declare that I have examined this statement, and that it is to the best of my knowledge and belief, true and correct, and that I am duly authorized to sign this statement.

SIGN HERE ► _____
Signature
Date Signed _____

WHEN COMPLETED, FILE WITH CLERK AND RECORDER WHEN FILING THE DEED

PART 8 County Clerk & Recorder (See Part 7 instructions on reverse)

Type of Instrument recorded in Book _____ Page _____ Date _____
Instrument: Deeds: Warranty Grant Quit claim Contract for Deed
(Check one) Other: Declaration of Interest Decree Assignment of Mineral Rights or Royalty

SENATE BILL 130

SENATOR MANNING

Senate Bill 130 simply offers the licensed race tracks in Montana the ability to allow wagering on races of National Interest which are simul-cast to race tracks around the country.

The race, which has to be identified by rule by the Board of Horseracing, has to be wagered on by patrons attending a licensed race track during the time in which the track has been granted dates. In essence, if a race such as the Kentucky Derby happen to fall on a day when the Helena race track is running, then management would have the opportunity to offer the race to it's patrons as an extra race for that day's card.

The odds for that race would be commensurate with monies wagered by the Helena patrons.

Simul-cast capabilities are already established and the race tracks involved would work out a contract which would include % paid etc.

Neighboring states have the ability to wager on simul-cast races. As examples, Playfair race track in Spokane which has an average daily handle of \$280,000, handled \$58,000 dollars on the Derby alone. We can estimate that this concept will increase the handle at Montana tracks by 25%.

The increased handle will benefit the purse structure and the Montana Bred bonus programs as these are built on per-centages of the total handle.

The Board of Horseracing earmarked account will also benefit as they recieve a given % of the total handle.

This simple bill will be an economic enhancement to all involved as well as stimulate more interest in the Sport in Montana.

*Adair*

JEWELERS

Jim Adair, owner

Senators,

Just a brief follow up to what I testified to the other day concerning Senate Bill 99 R.E. gemstone treatment disclosure.

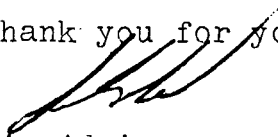
The article quoted by the gentleman from Vortex Mining Co. must be looked at closely, concerning heat treatment detection. His claim of 97% accuracy was prefaced with "given the origin of the stone" he could determine treatment. That's an educated guess only. I stand by my statement--no scientific test exists that can tell heat treatment in sapphires.

I would also like to point out that to do as Mr. Galt suggested--make a \$2,000.00 bottom limit on it--would affect less than 1/10 of 1% of the stones sold. Virtually all the consumers except the very wealthy won't benefit at all.

One other point we didn't mention, what about all the other sapphire mines in the Helena area that will be hurt. Heat treatment is routinely done to improve color so as to make the stones marketable. Call Mr. Don Johnson (owner of Montana's largest sapphire processing facility) at 475-3716 for further information on the damage this bill will do to his industry.

So as it stands the professional jewelers, the sapphire mines around Helena, and the consumers (through higher prices since many wholesalers will cease to do business in Montana to avoid the hassle) will be adversely affected, while the yogo mine owners will benefit from this bill. That's just not right.

Thank you for your time,



Jim Adair