

MINUTES OF THE MEETING  
BUSINESS AND INDUSTRY COMMITTEE  
MONTANA STATE SENATE

February 13, 1987

The twentieth meeting of the Business and Industry Committee was called to order by Chairman Allen C. Kolstad at 10:04 a.m. on Friday, February 13, 1987, in Room 410 of the Capitol.

ROLL CALL: All committee members were present.

CONSIDERATION OF SENATE BILL NO. 222: Sen. William Farrell, Senate District 31, Missoula, is the chief sponsor of this bill. He distributed a working copy of the bill with the proposed amendments already interjected into it so that the committee could see how the bill should be amended. He explained that the bill had to be amended because there was a statutory appropriation in it when it was originally drafted. He then learned that he couldn't introduce an appropriation bill in the Senate, thus the amendments. There were also some technical problems which would be taken care of. He noted that the bill originated because of fuel taxes imposed on the transportation industry and the fact that there is a lack of opportunity for many in-state truckers to bid on transportation of commodities purchased outside the state by state agencies. Present procedures only allow for vendor's bids on commodities including freight costs, and not separate bids for freight and bids for only the commodity. This bill is attempting to change that situation so that Montana companies can bid on the transportation only part of the cost of a product and a pilot program has been set up in the Department of Commerce. Rep. Farrell feels hopeful that this change will give our instate carriers a chance to bid and get the 3% preference. Rep. Farrell then explained that the figures on the fiscal note for SB 222 were not all correct, but the amount showing the estimated 1.9 million dollars spent by the state for transportation should still be accurate. Rep. Farrell believes that the pilot program has shown that the Montana transportation industry can cut the out-of-state broker out and save the state approximately 13% and at the same time put about a million dollars back into the trucking and transportation economy in Montana. (EXHIBIT 1)

PROPONENTS: Mr. William J. Fogarty, Administrator, Transportation Division, Department of Commerce, Helena, explained the pilot program referred to by Rep. Farrell as follows: At the request of Rep. Farrell, a joint meeting was set up early last summer for the Dept. of

Administration and Montana truckers to discuss possibilities of what could be done to give the Montana-based truckers an opportunity to bid on some of the transportation services on the delivery of commodities which are purchased by the state. One of the problems that was brought out was that Montana truckers were having a great deal of difficulty establishing back hauls coming back into Montana and that drivers that they hired here would get out of state and they couldn't get them back for long periods of time, so they were being forced to hire out-of-state drivers. Therefore, unless something was done to assist them in getting some back hauls into Montana, corporations or headquarters offices would have to move out of Montana. The other advantage to this was that if truckers could be brought home, it keeps the dollars and jobs in Montana, and it appeared that there was a good potential for saving money for the state. Mr. Fogarty explained that they worked with the Dept. of Administration to establish a procedure whereby the vendor when bidding on a commodity, would identify separately the price for the commodity and the transportation bid. Upon receiving this, the Dept. of Administration then gave it to the Transportation Division who sent out the notice of the commodity purchase to the various truckers in the state giving them the opportunity to bid on it. The Montana truckers' bid was then compared with the vendor's bid, and if the vendor's bid happened to be lower, the vendor received both the commodity bid and provided the transportation. If the Montana trucker's bid was lower, then in most cases that bid was given to the Montana trucker. A list of the Montana motor carriers had been acquired by the Dept. from Ben Havdahl and they were all notified of what procedures would be involved. The Dept. required that the truckers furnish insurance coverage for cargo, vehicle and cargo liability insurance, their ICC and PSC operating authority. The Dept. of Administration also determined whether they were eligible for the Montana 3% preference. In 1985 the Dept. of Administration records indicated there were about \$78,000,000 in various commodities purchased for state agencies. Out of the requests that were received for transportation services from Montana truckers, on an average of 55% of the time, the Montana based carriers were less than the vendor bids. The savings, depending on the commodity, ranged from about 4.4% to 76%. Initially, there were some problems getting bids on less than truckload amounts, but within the last couple of weeks, there have been a couple of fairly large Montana carriers who have come to the Dept. and told them that if they could deal with one state agency on large

quantity purchases, they would put into effect discounts on LPL rates of 35 to 48%. Mr. Fogarty felt that the proposed legislation would be positive not only from the standpoint of savings to state agencies but also in helping to keep jobs and dollars in the state.

At this time, Chairman Kolstad asked Sen. Gene Thayer to take over the chair, and Sen. Thayer called for further proponents.

Mr. Ben Havdahl, Montana Motor Carriers' Association, stated that they would like to go on record as being in support of SB 222. They feel that this bill is a good example of a positive economic benefit that can inure to the motor carriers in Montana through legislation in a time of depressed economics faced by the Montana trucking industry.

Mr. Gary Blewett, Administrator, Liquor Division, Department of Revenue, stated that he felt that it was important to recognize that as the bill is amended, the transportation of liquor into the state is still affected by the rule making that would be there. He felt that the purpose of making sure that as many Montana carriers get to carry products that are shipped into Montana as possible was good and his division supports that. He explained that there are some differences from the way that the liquor system operates such as: They do not have competitive bids for liquor. Instead they try to buy the full range of liquor that is available from all suppliers and producers, and it is bought at the price at which it is offered. They have a contract with all suppliers that they will supply it to this state at the cheapest price that they supply it to any other state in the nation. The transportation is done separately. They use the published tariffs under Interstate Commerce to identify who is the lowest tariff supplier from the source to bring in the product. In FY 1986 approximately 68% of the product brought into the state came from Montana based carriers. In FY 1987 that percentage, so far, is even larger because Montana carriers now appear to be more competitive with national carriers. He felt that it would still be possible under SB 222 that his division could continue to achieve the objective of getting the liquor at the cheapest prices possible. He was concerned that if there would be a potential disruption of supply due to large delays in the bidding process, they would have to maintain a larger inventory and the state would lose interest that it might otherwise have gained through general fund

investment. They would not want that to happen, so that would have to be carefully worked out.

OPPONENTS: [Although Ms. Feaver stated that she was appearing as a Proponent, Sen. Thayer, Temporary Chairman, ruled (following her testimony) that she would be recorded as an Opponent.] Ms. Ellen Feaver, Director, Department of Administration, stated that she was in somewhat of a dilemma as to whether she was appearing as a proponent or an opponent, but decided to stand as a proponent because she felt that the program has worthy objectives, as does anything that would help Montana businesses. 'However, she felt that it was important that the committee know some of the concerns she had about the bill. She explained that they relate primarily to trying to run the purchasing division for state government. She felt that the present system provides for a low bid system by combining the purchase and the freight costs and that the entire step is accomplished by the same department, same division and same bureau. She felt that the proposed change would create increased need for communications between departments and would increase time required to complete purchases. It would create the need for one department to bill another which she would not recommend. She stated that it is difficult to get people to follow the purchasing laws now even though her department has cut down the processing time from 90 days to 45 days. She stated that with the incentives of less processing time and money saved, people are still not following the purchasing laws. However, there are no penalties for non-compliance; and, the more difficult compliance becomes, the more the rules are broken. This could possibly create some legal liabilities for the state. She felt the percentage of savings shown in the fiscal note was reasonable, but she was somewhat concerned about the number of opportunities there will actually be to create savings under the bill. She explained that as State Treasurer, she was also concerned about the funding of a proprietary operation where she would be loaning out money to get the program started. There is a statute that requires repayment within twelve months, and she would have to make certain that the loan could be repaid within the required period. She also believes that having the procedure under her department would require at least one additional person, whereas the Dept. of Commerce already has the staff with the expertise to do the program.

DISCUSSION OF SENATE BILL NO. 222: Sen. Thayer then called for questions from the committee. Sen. Walker

asked Ms. Feaver to comment on the number of additional FTE's required by SB 222. She deferred to Mr. Mike Muszkiewicz, Administrator, Purchasing Division who explained that it will take additional personnel and that would be in the Dept. of Commerce rather than the Dept. of Administration. Sen. Walker then asked Mr. Fogarty if he currently had enough people to do this and Mr. Fogarty answered that they do currently do some of the work, but that it would take two additional FTE's. Sen. Weeding asked Ms. Feaver if this process was something that is not possible under the current rules of the State Administration, and Ms. Feaver answered the question is not whether they could do it but where the extra help would come from. Sen. Thayer asked Ms. Feaver if she had said they could do it with an addition of only one FTE and she replied, "yes, because it has to do with their already doing a lot of the purchasing and dealing with vendors." However, she felt that the added communications time spent between the departments would be time and resources better spent doing their other work. Sen. Thayer asked Sen. Farrell if he had given any consideration to reversing the process and putting Mr. Fogarty over in the Dept. of Administration and administering the program right there where the program already is. Sen. Farrell explained that the transportation people already know about bills of lading, insurance, tariffs, contract bidding, and all the things that are involved in the trucking industry, and therefore they did not feel that was advisable. He also noted that the possible savings of 13% to the state would more than pay for the two additional FTE's, not to mention the benefit of the money being put back into the state's industry. He cited the success of the same type of program in Orange County, California, where they are saving over 22% above any added costs. Sen. Thayer then asked if the bulk of products they were hauling would require ICC permits. Sen. Farrell answered that the pilot project requires that only qualified carriers may bid in order to assure that the state doesn't come up with a liability problem. Sen. Thayer asked Ms. Feaver why her department couldn't just revise their present purchasing program and ask that their vendors bid both F.O.B. and delivered and then it would be possible to compare the local versus vendor transportation charges. Ms. Feaver replied that that step is possible, but after that comes the bidding which would be a separate process by a separate department, and it would delay, somewhat, the process. Sen. Weeding wanted to know if the Fiscal Note was based on the assumption that the Montana firms would be doing all the hauling, and Mr. Fogarty answered that

the Montana truckers would only become the carriers when their bids were less than the vendor's which happened in the pilot study 55% of the time. Ms. Feaver interjected that she felt it should be clarified that only two percent of the purchasing went through the pilot program, so that would be 55% of two percent. Sen. Thayer wanted to know if Sen. Farrell would be requesting another Fiscal Note, and Sen. Farrell answered that it would depend on whether or not the committee accepted the proposed amendments. Sen. Thayer asked Mr. Blewett why he felt concerned about the necessity of having a larger inventory, and Mr. Blewett answered that he knows how the system works presently, and how long replacement of their supply takes. He does not know how the proposed system would be in terms of supplying the product promptly, etc.

Sen. Farrell closed the hearing on SB 222 by stating that he hoped something could be worked out concerning the Dept. of Commerce and the rules so that both agencies could be put together. He stated that he would like to request of the Liquor Division that the Montana truckers be considered for the 3% preference, because if the tariffs alone are compared, the truckers do not get the preference that is given to every other contractor within the state. He feels that there are a lot of other products shipped in for state use that Montana carriers never get a shot at and he hopes some system can be devised to accomplish giving them this opportunity.

EXECUTIVE ACTION ON SENATE BILL NO. 222: Sen. Thayer made a motion that the proposed amendments to SB 222 be adopted. The Motion was seconded by Sen. Walker. The motion PASSED AND THE AMENDMENTS WERE ADOPTED UNANIMOUSLY.

Sen. Farrell will request a revised Fiscal Note and Chairman Kolstad announced that no further action would be taken on this bill until the revised FN was prepared and the committee had an opportunity to study the bill further.

CONSIDERATION OF SENATE BILL NO. 263: Senator Bob Williams, Senate District 15, Hobson, is the chief sponsor of this bill. Sen. Williams distributed a copy of a letter which he stated would explain the bill introduced at the request of the Montana Economic Development Board and that there were other proponents who would help answer any questions from the committee. (EXHIBIT 2)

PROPOSERS: Mr. David Ewer, Bond Program Manager, MEDB, Helena, stated that Mr. Williams had explained the bill adequately and that he, of course, stood in support of the bill and would be available for any questions.

OPPOSERS: There were no opposers to SB 263.

DISCUSSION OF SENATE BILL NO. 263: Chairman Kolstad then called for questions from the committee. Sen. Walker asked if there were any big problems that prompted this legislation and Mr. Ewer answered that the inability to finance commercial projects with industrial revenue bonds as a matter of the federal statute prompted this bill. They want to be able to offer loans that are funded with bonds that are not subject to federal income taxes and want to eliminate the expensive, time consuming process of public hearings since the MEDB must by statute first determine that a project is in the best interest of the state and publicly notice its meetings and agendas already. They feel any added expense or hassle which discourages borrowers from participating in their program makes their program less competitive. Sen. Thayer wanted to know if their program would be the only one in state government that would still require a public hearing for this type loans if this legislation did not pass. Mr. Ewer answered that this bill pertains only to the bonds that they issue that are moral obligations in Montana. He explained that MEDB is the only issuer of bonds that are backed by the moral obligation of Montana which means that moral obligation bonds do not have the full faith and security of the state behind them; they only have the requirement that the government must ask the Legislature to pay if there is a problem with the loans being repaid. The Legislature does not have to pay it. Sen. Kolstad then asked if the lag time involved with public hearings was their only reason for wanting to do away with them. Mr. Ewer replied that lost time is an element, and that under the federal law there is no criteria that specify what the public has the right to ask or not ask. They are worried that this type of forum will discourage borrowers. Borrowers may not wish to get up in front of governments and be subject to grilling from the public. The MEDB doors are open, the agenda is set, and anyone has a right to come to the meetings at present. Sen. Kolstad wondered if there would be some information that would come out of the public hearings that might encourage the public to become interested in investing more money or perhaps less. Mr. Ewer explained that under the current law, the MEDB must give the local government the option to have the

public hearing, and in most cases they decline to hold a public hearing and then the MEDB holds the public hearing. He stated that they have nothing that they are trying to hide, but that there are many aspects of financing that they have a right to keep confidential for the sake of the borrower. Sen. Meyer wanted to know how much the bank would participate in a loan such as this and Mr. Ewer answered that they envision the program to call for a minimum participation by the bank of 20% and 80% by the MEDB.

Sen. Williams closed the hearing on SB 263 by reviewing a list of the Rationale For Removing the Public Hearing Requirements, and asked for the committee's support. (EXHIBIT 3)

CONSIDERATION OF A COMMITTEE BILL PROPOSED BY SEN. CECIL WEEDING: Sen. Weeding explained that the bill he wished to propose should have been drafted, and there were eight or ten small hospitals (or one-time hospitals) who had been led to believe that it had been; however, it was not. The proposed legislation was the result of a recommendation by an interim committee created by the Dept. of Health and the Governor. The committee had done a study and come up with a recommendation that a new medical assistance facility be categorized and created to deal with the need of ultra-small hospitals in less populated communities. It would be a pre-hospital facility which would have a doctor present for several days a week and would require licensing. It would operate under the Health Department. (EXHIBIT A)

EXECUTIVE ACTION ON PROPOSED COMMITTEE BILL AND HOUSE BILL NO. 80: Sen. Weeding made a MOTION that the committee introduce his proposed bill as a Committee Bill. The Motion was Seconded by Sen. Walker and PASSED UNANIMOUSLY.

Sen. Darryl Meyer made a MOTION that the proposed amendments to HB 80 BE ADOPTED. The Motion was Seconded by Sen. Thayer, and it PASSED UNANIMOUSLY.

Sen. Weeding Moved that House Bill No. 80 be CONCURRED IN AS AMENDED and it was Seconded by Sen. Thayer. Discussion of the Motion: Sen. Walker stated that he was not in favor of the bill and that the paper boys were not the same as the correspondents and should not be considered as such. Sen. McLane noted that the way he understands it, the kids buy the paper and then resell it like any other private contractor. Sen. Walker stated that they cannot



sell it for any price they want, but for whatever the paper tells them. Sen. Thayer stated that as he understood it, the paper boys are covered by insurance, and Chairman Kolstad asked Mr. Mike Voeller, Helena Independent Record, to verify that. He stated that they do offer them the supplemental accident type insurance, which covers them 24 hours per day; however, if they choose not to purchase that, they are covered by a policy the newspaper buys which covers them only when they are delivering papers. Sen. Walker asked Mr. Voeller if there were anything in the statutes that obligates the paper to buy the coverage, and Mr. Voeller answered, "No, but as a smart business practice, a paper would provide that." He stated that he felt that was why the newspapers gladly accepted an amendment in the House that would require a parent or guardian to sign an acknowledgement that a paper carrier would not be covered by workmen's compensation. Sen. Thayer asked Mr. Voeller if there were any newspapers that do not offer the coverage for carriers while they are on their routes, and Mr. Voeller answered, not to his knowledge. (Letter opposing HB 80 Rec'd & Read, EXHIBIT B)

The Motion that House Bill No. 80 BE CONCURRED IN AS AMENDED PASSED with Sen. Walker Voting NO.

CONSIDERATION OF HOUSE BILL NO. 254: Representative Fred Thomas, House District 62, Stevensville and chief sponsor of HB 254, explained that the bill essentially sets up cancellation and non-renewal rules and procedures for when an insurance company can terminate a policy. It is putting into law some rules that the insurance industry is following at this time, that have been very good for the insurance consumer in Montana, as well as the insurance agents of Montana. He noted that there would be some amendments proposed which he would like the committee to consider.

PROPONENTS: Kathy Irigoin, Staff Attorney, Legal Unit, State Auditor's Office presented copies of some proposed amendments to HB 254. She noted that the amendments were essentially corrections. Number one changes the reference to the entire chapter of the insurance code. Number two clarifies the effective date of a cancellation of a policy by an insurance company. The third amendment clarifies the language by changing the word "it" to "the notice." The fourth amendment remedies a typographical error, and the fifth amendmendment clarifies that the information that the insurance company is to deliver has to be delivered to the insured because as it is the bill leaves

it unclear exactly to whom the insurer is supposed to give the information. Ms. Irigoin also explained that by putting the rules into effect as a statute, under HB 254, it removes the possibility that the Commissioner's Officer was acting on shakey grounds. (EXHIBIT 4)

Mr. Roger, McGlenn, Executive Director of the Independent Insurance Agents' Association of Montana, Helena, stated that they supported the administrative rules back in 1985 and they support HB 254. He presented several proposed amendments for clarification. He explained that when you are dealing with large commercial policies there is a great deal of renewal information that must be obtained, such as new evaluations of equipment, etc. They feel that there are several areas where this could present a problem: and insurance company may be behind in their renewal notices, insurance agents may not have provided the necessary information, or the insured may not have had the information available at the time it was required. That concerns the insurance companies, because they may have to issue a non-renewal notice prior to the 30 days that the bill calls for in order to protect themselves. They would like to propose a new subsection which would make it possible that if a policy were renewed with higher premium rates, and it were not given within that time span provided under Subsection 5, the insured would have 30 days to cancel that policy on a pro rata basis on the basis of the previous premium rates. He stated that their second proposed amendment was put there because of a specific case where school districts were written on a three year basis. An insurance company charged an additional 5% of the premium clearly stated on the declaration page of the policy to guarantee a three year rate. Then, on an anniversary date, the company came back and said they couldn't continue the policy without an increased premium. His group supports the section of the bill, but asked for a clarification, because there are some three year policies that are written on what is called a Deferred Premium Payment Basis. There is no specific charge listed on the declaration page to guarantee the rate. They fear this may be a loophole in the bill on a three year policy that doesn't charge a specific additional premium to guarantee the rate. They would urge the committee's consideration of the amendments to clarify and they believe that they are in the best interests of the Montana insurance consumers. (EXHIBIT 5)

Mr. Glen Drake, Helena, representing the American Insurance Association, and also speaking for the National

Association of Independent Insurers stated that they ask that the committee put back in the amendment that is shown on line 22 of the third reading copy. He explained that the question that the committee would be addressing would be what is in the best interests of the Montana insurance consumer. He stated that Rep. Thomas believes the best interest is served if loss of reinsurance is not included as a basis for mid-term cancellation or renewal. His argument is that he represents the consumer and he is concerned about that person who is losing his insurance by reason of mid-term cancellation. The problem, however, goes a little bit deeper than that. For example, a company wrote a policy for an Eastern Montana bank, including officers' and directors' liability coverage. This was written on a three year basis, annually renewed. They lost their reinsurance at the end of the second year. They gave notice to the bank to that effect, that they would not be able to renew for the third year. The Insurance Commissioner then brought an action against the insurance company asking them to show cause why it was not guilty of deceitful practice, and why it should not be required to continue on on the policy, even though it had lost its reinsurance. Mr. Drake noted that he appeared on behalf of that company at approximately the same time that an action was brought in an Eastern Montana city suing the insurance company for bad faith and asking for declaratory judgment that the company had to stay on risk. They went to hearing here before the Insurance Commissioner Hearings Officer, and the HO determined that the insurance company had a right to nonrenew in view of the circumstances. That is, according to Mr. Drake, where the problem comes. What happened in the case cited was that that company had the same officers' coverage in about 27 states. Montana was the only state out of those that said, "No, you can't cancel without coming to a hearing before this department." The Insurance Dept. took the position that since the other states had allowed the cancellation, the fact that Montana only had \$5,000,000 in coverage out compared to the \$125,000,000 for the other 27 or so states, it would not put the company in jeopardy, and therefore, it was improper for them to cancel here in Montana, even though the Hearings Officer didn't agree with that and found to the contrary. Mr. Drake related to the committee that a broker from Portland had stated that he had not placed any business in Montana for the last two years because Montana always gave him trouble and no other states accounted for so much hassle. Mr. Drake then told the committee that what must be recognized is that the loss of reinsurance problem only comes about as a general

proposition in hard-to-place lines of insurance, such as officers' and directors' liability or malpractice coverage. It does not happen as a general proposition in auto insurance or anything like that. He felt that what happens if the loss of reinsurance is not included as being a grounds for cancellation, is that there will be less availability of the hard-to-place lines in Montana to the very consumer that Rep. Thomas wants to protect by this bill. Mr. Drake felt that the unavailability would be a far more serious problem than the cancellation and would recommend reinstating the loss of reinsurance as a grounds for cancellation.

OPPONENTS: There were no opponents to House Bill No. 254.

DISCUSSION OF HOUSE BILL NO. 254: Chairman Kolstad opened the discussion by asking Rep. Thomas if he opposed having the language reinstated as suggested by Mr. Drake. Rep. Thomas answered that he did and that he was not at the House committee hearing when the amendment was placed on the bill. He asked the House to take the amendment from the bill and the House took that out. He explained that he felt that a mid-term cancellation was what was in question here because the general public has no knowledge of what reinsurance is or that it could affect the renewal of their policies. The public generally believes that when they buy liability or malpractice coverage they are buying it from the insurance company they have dealt with. Then all of a sudden they are notified, sometime during the length of time they felt they were covered, that their policy would be cancelled. Sen. Thayer wondered if there was any consideration of changing the 30 days to 60 days. Rep. Thomas answered that the 30 days might be a little short, but in general, it works very well for everybody. Secondly, for those lines that are so difficult to place, the people involved in providing that probably have a good idea that a policy may not be renewed, are already working on it and know there might be a problem far ahead of the renewal date. He felt that an extension would not be that advantageous. Sen. Thayer felt that Mr. Drake did make a good point in stating that if we make it even more difficult for companies to provide insurance in the state, where does the consumer benefit? Rep. Thomas stated that he felt that when a company purchases reinsurance from another company they should well know who they are buying from, how long they have been in business, whether they are a solid financial outfit, and whether or not they are going to do something like that. Further, he

felt that those good companies would not buy bad reinsurance from a bad company, and all the proposed amendment would do would be to allow shoddier outfits to sell reinsurance and to exist in a market place that they probably shouldn't be in. Sen. Thayer asked Ms. Irigoin to respond to the same. She stated that she felt that in the case of a company that lost its reinsurance and loss of that reinsurance placed that company in a financially impaired condition, that company would be able to get off the hook because of language in the bill on line 21, page 4.

Rep. Thomas closed the hearing on HB 254 by stating that the consumer should be protected from insurance practices that they have no knowledge of.

There being no further business, Chairman Kolstad announced that the next meeting would be on Monday, February 16, 1987 and adjourned the meeting at 11:43 a.m.

  
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SENATOR ALLEN C. KOLSTAD, CHAIRMAN

Business & Industry COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 2/13/87

NAME	PRESENT	ABSENT	EXCUSED
ALLEN C. KOLSTAD, CHAIRMAN	✓		
TED NEUMAN, VICE CHAIRMAN	✓		
PAUL BOYLAN	✓		
TOM HAGER	✓		
HARRY H. MCLANE	✓		
DARRYL MEYER	✓		
GENE THAYER	✓		
MIKE WALKER	✓		
CECIL WEEDING	✓		
BOB WILLIAMS	✓		

Each day attach to minutes.

DATE 2/13/87  
COMMITTEE ON Business & Industry

## VISITORS' REGISTER

[illegible]

(Please leave prepared statement with C-)

Proposed Amendments for SB 222

1. Page 1, line 3  
Strike: "BY REQUEST OF THE DEPARTMENT OF COMMERCE"
2. Title, lines 5 and 6  
Following: "AN ACT TO"  
Strike: "ESTABLISH A MOTOR CARRIER TRAFFIC BUREAU WITHIN  
THE TRANSPORTATION DIVISION OF"  
Insert: "PROVIDE SEPARATE PROCUREMENT PROCEDURES FOR THE  
TRANSPORTATION OF COMMODITIES; PROVIDE THE  
AUTHORITY TO IMPLEMENT THESE PROCEDURES TO"  
Following: "COMMERCE", on line 7  
Strike: "; AMENDING SECTION 17-7-502, MCA;"
3. Page 1, lines 11 through 13  
Strike: section 1 in its entirety  
ReNUMBER: subsequent sections
4. Page 1, lines 15 and 22  
Strike: "4"  
Insert: "3"
5. Page 1, line 24  
Strike: subsection (1) in its entirety  
ReNUMBER: subsequent subsections
6. Page 2, lines 1 and 2  
Strike: subsection (3) in its entirety  
ReNUMBER: subsequent subsections
7. Page 2, line 5 through 7  
Following: "include", on line 5  
Insert: "the commodity services program,"  
Following: "rehabilitation services", on line 6  
Strike: "the commodity services program,"
8. Page 2, lines 9 and 11  
Strike: "4"  
Insert: "3"
9. Page 2, line 14  
Strike: "3"  
Insert: "2"
10. Page 3, lines 1 and 2  
Following: "(LTL)"  
Strike: "by territory"  
Following: "shipments", on line 2  
Strike: "by territory"



## SENATE BUSINESS &amp; INDUSTRY

SENATE BILL NO. 222

EXHIBIT NO. 1DATE 2/13/87BILL NO. SB222

INTRODUCED BY FARRELL

BY-REQUEST-OF-THE-DEPARTMENT-OF-COMMERCE

A BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH-A-MOTOR  
CARRIER-TRAFFIC-BUREAU-WITHIN-THE-TRANSPORTATION-DIVISION-OF  
PROVIDE SEPARATE PROCUREMENT PROCEDURES FOR THE  
TRANSPORTATION OF COMMODITIES; PROVIDE THE AUTHORITY TO  
IMPLEMENT THESE PROCEDURES TO THE DEPARTMENT OF COMMERCE;  
AMENDING-SECTION-17-7-502--MCA; AND PROVIDING AN EFFECTIVE  
DATE."

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

NEW-SECTION.---Section-1.---Motor-carrier-traffic-bureau.  
~~There-is-a-motor-carrier-traffic-bureau-administered-by-the~~  
~~transportation-division-of-the-department-of-commerce.~~

NEW SECTION. Section 21. Statement of purpose and  
policy. It is the purpose of [sections 1 through 43] and the  
policy of the state, in recognition of the need to obtain the  
most reasonable transportation rates and services for all  
state agency transportation service contracts, to provide  
Montana motor carriers the opportunity to bid on  
transportation service contracts.

NEW SECTION. Section 32. Definitions. In [sections 1  
through 43], unless the context clearly requires otherwise,

1 the following definitions apply:

2 ~~(1) -- "Bureau" means the motor carrier traffic bureau.~~

3 ~~(2) (1) "Department" means the department of commerce.~~

4 ~~(3) (2) -- "Division" means the transportation division of~~  
 5 ~~the department of commerce.~~

6 ~~(4) (3) (2)~~ "Services" means the furnishing of  
 7 transportation for the shipment of commodities for all state  
 8 agencies. The term does not include the commodity services  
 9 program, intergovernmental human services, social and  
 10 rehabilitation services, ~~the commodity services program~~, or  
 11 the school lunch program of the office public instruction.

12 NEW SECTION. Section 43. Authority and duties of  
 13 department. (1) The department may adopt rules, consistent  
 14 with [sections 1 through 43], governing the selection and  
 15 purchase of motor carrier transportation services for all  
 16 state agencies, with the exception of services exempted in  
 17 [section 32].

18 (2) The department shall:

19 (a) review state agency product purchase invitations  
 20 for bid;

21 (b) determine which state purchase orders are better  
 22 handled by vendor transportation;

23 (c) prepare invitations for transportation service bid  
 24 quotes;

25 (d) review and award transportation service bids;

SENATE BUSINESS & INDUST

EXHIBIT NO. 1

DATE 2-13-87

BILL NO. S.B. 222

(e) contract with interstate and intrastate motor carriers to provide motor carrier services for the following:

(i) less than truckload shipments (LTL)-~~by-territory~~;

(ii) truckload shipments-~~by-territory~~;

(iii) climatized padded van service; and

(iv) flatbed service;

(f) perform freight shipment time and status inquiries;

(g) process liability and damage claims;

(h) monitor motor carrier service performance;

(i) bill state agencies for transportation services;

(j) adopt, in conjunction with the Department of Administration, new procedures to be used by all state agencies for the ~~invitation of bids and bid awards~~ purchase of commodity transportation; and

(k) provide staff ~~for the bureau, including a transportation planner, traffic technician, billing clerk, and clerical assistant.~~

~~-----NEW--SECTION.---Section 54.---Initial--employees.---The transportation planner, hired at grade 13, will be a new position.---The traffic technician, hired at grade 10, and billing clerk and clerical assistant, each hired at grade 8, will be transferred into the motor carrier traffic bureau from the purchasing bureau of the liquor division of the department of revenue.~~

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 1

DATE 2-13-87

BILL NO. S.B. 222

1 ~~-----NEW--SECTION:--Section 65:--Appropriation--authority.~~  
2 ~~There-is-an-account-within-the-proprietary-fund.--Money-from~~  
3 ~~transportation--services--bids--must--be--deposited--in--the~~  
4 ~~account.---The--money--in--the--account--is--appropriated,--as~~  
5 ~~provided-in-17-7-502,--to-the-transportation-division-of-the~~  
6 ~~department--of--commerce--to--administer--the--motor--carrier~~  
7 ~~traffic-bureau.~~

8 ~~-----Section 76:--Section-17-7-502,--MCA,--is-amended-to-read:~~  
9 ~~-----"17-7-502:--Statutory--appropriations-----definition---~~  
10 ~~requisites-for-validity.--(1)--A-statutory-appropriation-is-an~~  
11 ~~appropriation-made-by-permanent-law-that-authorizes-spending~~  
12 ~~by-a-state-agency-without-the-need-for-a-biennial-legislative~~  
13 ~~appropriation-or-budget-amendment.~~

14 ~~-----{(2)}---Except--as--provided--in--subsection--{(4)}--to--be~~  
15 ~~effective,--a-statutory-appropriation-must-comply-with-both-of~~  
16 ~~the-following-provisions:~~

17 ~~-----{(a)}--The-law-containing-the-statutory-authority-must-be~~  
18 ~~listed-in-subsection-(3).~~

19 ~~-----{(b)}--The-law-or-portion-of-the-law-making-a-statutory~~  
20 ~~appropriation--must--specifically--state--that--a--statutory~~  
21 ~~appropriation-is-made-as-provided-in-this-section.~~

22 ~~-----{(3)}--The-following-laws-are-the-only-laws-containing~~  
23 ~~statutory-appropriations:~~

24 ~~-----{(a)}--2-9-202,~~  
25 ~~-----{(b)}--2-17-105,~~

1 -----{e}--2-18-8127  
 2 -----{d}--10-3-2037  
 3 -----{e}--10-3-3127  
 4 -----{f}--10-3-3147  
 5 -----{g}--10-4-3017  
 6 -----{h}--13-37-3047  
 7 -----{i}--15-31-7027  
 8 -----{j}--15-36-1127  
 9 -----{k}--15-70-1017  
 10 -----{l}--16-1-4047  
 11 -----{m}--16-1-4107  
 12 -----{n}--16-1-4117  
 13 -----{o}--17-3-2127  
 14 -----{p}--17-5-4047  
 15 -----{q}--17-5-4247  
 16 -----{r}--17-5-8047  
 17 -----{s}--{section-6}  
 18 -----{s}{t}--19-8-5047  
 19 -----{t}{u}--19-9-7027  
 20 -----{u}{v}--19-9-10077  
 21 -----{v}{w}--19-10-2057  
 22 -----{w}{x}--19-10-3057  
 23 -----{x}{y}--19-10-5067  
 24 -----{y}{z}--19-11-5127  
 25 -----{z}{aa}--19-11-5137

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 1

DATE 2-13-87

FILE NO. CA 222

1 -----{aa}{bb}-19-11-6067  
2 -----{bb}{cc}-19-12-3017  
3 -----{cc}{dd}-19-13-6047  
4 -----{dd}{ee}-20-6-4067  
5 -----{ee}{ff}-20-8-1117  
6 -----{ff}{gg}-23-5-6127  
7 -----{gg}{hh}-37-51-5017  
8 -----{hh}{ii}-53-24-2067  
9 -----{ii}{jj}-75-1-11017  
10 -----{jj}{kk}-75-7-3057  
11 -----{kk}{ll}-80-2-1037  
12 -----{ll}{mm}-80-2-2287  
13 -----{mm}{nn}-90-3-3017  
14 -----{nn}{oo}-90-3-3027  
15 -----{oo}{pp}-90-15-1037-and  
16 -----{pp}{qq}-See-137-HB-8617-57-19857  
17 -----{+}---There-is-a-statutory-appropriation-to-pay-the  
18 principal,-interest,-premiums,-and-costs-of-issuing,-paying,  
19 and-securing-all-bonds,-notes,-or-other-obligations,-as-due,  
20 that-have-been-authorized-and-issued-pursuant-to-the-laws-of  
21 Montana.---Agencies---that---have---entered---into---agreements  
22 authorized-by-the-laws-of-Montana-to-pay-the-state-treasurer,  
23 for-deposit-in-accordance-with-17-2-101-through-17-2-107,-as  
24 determined-by-the-state-treasurer,-an-amount-sufficient-to  
25 pay-the-principal-and-interest-as-due-on-the-bonds-or-notes

SENATE BUSINESS & INDUST

EXHIBIT NO. 1

DATE 2-13-87

1 have-statutory-appropriation-authority-for-such-payments."

2 ~~-----NEW-SECTION:--Section 84.--Temporary-state-treasury-line~~  
 3 ~~of-credit-for-expense-of-starting-the-motor-carrier-traffic~~  
 4 ~~bureau.--There-is-a-temporary-line-of-credit-that-may-be~~  
 5 ~~drawn-by-the-bureau-from-the-state-general-fund-and-deposited~~  
 6 ~~in-the-proprietary-fund,--in-the-amount-of-\$200,000.--This~~  
 7 ~~temporary-line-of-credit-may-be-drawn-upon-only-during-the~~  
 8 ~~first-12-months-after-the-effective-date-of-this-act-and-only~~  
 9 ~~for-the-purpose-of-financing-the-initial-expenses-of-starting~~  
 10 ~~the-motor-carrier-traffic-bureau.--The-bureau-may-draw-upon~~  
 11 ~~all-or-part-of-this-temporary-line-of-credit.--Any-funds~~  
 12 ~~advanced-under-the-temporary-line-of-credit-must-be-repaid~~  
 13 ~~out-of-the-bureau's-net-revenue-to-the-general-fund-within-1~~  
 14 ~~year-of-the-advance.--Interest-must-be-at-an-annual-simple~~  
 15 ~~interest-rate-of-10%--on-funds-advanced,--commencing-on-the-day~~  
 16 ~~funds-are-advanced-and-until-the-funds-are-repaid.--Any-funds~~  
 17 ~~advanced-under-the-temporary-line-of-credit-that-are-not~~  
 18 ~~expended-by-the-bureau-as-provided-in-this-section-revert-to~~  
 19 ~~the-general-fund.~~

20 NEW SECTION. Section 94. Effective date. This act is  
 21 effective July 1, 1987.

22  
 23 - End -  
 24  
 25

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 1

DATE 2-13-87

BILL NO. S.B. 222



# MONTANA ECONOMIC DEVELOPMENT BOARD

DEPARTMENT OF COMMERCE

(406) 444-2090

Lee Metcalf Building  
1520 East Sixth Avenue  
Helena, Montana 59620-0401

## MEMORANDUM

## SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 2

DATE 2/13/87

BILL NO. SB263

TO: Senator Bob Williams

FROM: *David Ewer* David Ewer, Bond Program Manager  
Montana Economic Development Board

DATE: February 13, 1987

RE: Senate Bill 263, Removal of Public Hearing Requirements for  
Taxable Bond Programs

### Purpose & Rationale

The sole purpose of this bill is to remove public hearing requirements for loans funded with bonds subject to federal income taxes. Current law requires that loans funded with industrial revenue bonds are subject to a public hearing requirement. This requirement is a federal law and a state law. The rationale is that the public should have a hearing process to air its views on the public interest given that the borrower will benefit from a lower borrowing cost because the source of funds will be exempt from federal taxes.

Under our new loan program funded with bonds that are subject to federal income taxes, the borrower would be getting a market rate and not be getting the benefit of a tax exempt-bond. With the principal reason for the public hearing gone, this requirement should be removed for this and other reasons explained below.

### Background

The MEDB now has two loan programs for the business sector. Coal tax revenues as a matter of policy are loaned for manufacturing, import substitution or goods made in Montana projects; the program does not finance commercial projects because the Board considers such projects not to be an efficient use of coal tax money. This program does not require a public hearing.

#### Board of Directors:

D. Patrick McKittrick, Chairman  
Great Falls  
Yvonne Snider  
Lewistown  
Jeremiah R. Sullivan  
Helena

G. Steven Brown  
Helena  
Patrice LaTourelle  
Whitefish

John C. Orth  
Butte  
Jackson L. Schutte  
Billings



Our industrial revenue bond program has been used as a compliment to the coal tax loan program. Up until December 1986, commercial projects such as office parks, shopping malls, warehouses, and industrial parks could be financed with industrial bonds. After December 1986, industrial revenue bonds cannot be used for commercial projects and, therefore, MEDB plans to have a taxable bond program that can finance commercial projects.

The new program will be financed with moral obligation bonds like the ones which were issued to finance industrial revenue bond projects, but they will be subject to federal taxes. The money to the borrower will be at a market rate but the borrower will have access to long-term fixed-rate money which is a difficult source of money to get today.

The public hearing process that is now required is time consuming, expensive, and may discourage borrowers from participating. The process takes a minimum of three weeks and can delay a loan for six weeks because the Board meets monthly. Given that the taxable loan program will have very similar benefits to coal tax loans, it seems unfair to require the public hearing requirement when it is not required for coal tax loans. The Montana Economic Development Board must by statute determine that the project is in the best interest of Montana and the Board must publicly notice its meetings and agenda. The public has the opportunity to express its views on any loan or other Board matter.

SENATE BUSINESS & INDUSTRY  
EXHIBIT NO. 2  
DATE 2-13-87  
BILL NO. S.B. 263

## MONTANA ECONOMIC DEVELOPMENT BOARD

Rationale for removing the public hearing requirements:

- 1) All loans are subject to MEDB requirement that the Board find the project to be in the best interest of Montana.
- 2) Coal tax loans do not have a public hearing requirement. The taxable bond program would be similar to the coal tax program except a) loans would be funded with taxable bonds, and b) loans as a matter of policy would be commercial.
- 3) The taxable bond program would provide funds at market rates. No interest subsidy through a tax break would be present. Such subsidies underlie the rationale for public hearings in the first place.
- 4) Public hearings may strongly discourage the small borrowers from participating. Public hearings may discourage any borrower and it seems unfair to require this type of public review.
- 5) MEDB meetings are public and are publicly noticed.

PROPOSED AMENDMENTS OF STATE AUDITOR  
HOUSE BILL 254

1. Page 2, lines 4 through 5.

Strike: "33-23-211 through 33-23-214, 33-23-301, 33-23-302,  
and 33-23-401"

Insert: "chapter 23 of this code"

2. Page 5, lines 8 through 9.

Strike: "date of delivery or mailing"

Insert: "notice is delivered or mailed to the insured"

3. Page 7, line 6.

Strike: "it"

Insert: "the notice"

4. Page 7, line 7.

Strike: "insured"

Insert: "insurer"

Strike: "or terminate"

Following: "coverage"

Insert: "to a period of"

5. Page 8, line 1.

Following: "information"

Insert: "to the insured"

PROPOSED AMENDMENTS TO HB-254 BEFORE SENATE BUSINESS & INDUSTRY

1. Page 6

Following Line 22:

Insert: (c) SECTION (6) APPLIES

2. Page 5

Line 11

Strike: an agreed term is guaranteed for additional premium  
consideration

Insert: THE CHARGES FOR ADDITIONAL INSTALLMENT PERIODS ARE  
SET FORTH IN THE POLICY

Respectfully submitted by:

Roger McGlenn, Independent Insurance Agents' Association of Montana  
phone: 442-9555

Rep Muller L.C. 1102  
Sen Regan L.C. 1390

## Medical Assistance Facilities

In March, 1986, the Montana Department of Health and Environmental Sciences, with the encouragement of Governor Ted Schwinden, created a task force to address regulations and propose solutions to the crisis facing rural hospitals in Montana. This task force was designated the Montana Rural Hospital Task Force.

The Montana Rural Hospital Task Force divided into three subcommittees:

1. Committee on Conditions of Participation and Regulations.
2. Committee on Licensure.
3. Committee on Payment Issues.

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. A

DATE 2/13/87

BILL NO. Committee Bill  
# Not Yet assigned

The task force decided to limit its scope to only ultra-small hospitals, i.e., hospitals with less than 600 discharges that meet the criteria of sole community provider.

Bill Not Yet drafted

In order to preserve health care in Rural areas, hospitals currently meeting the above criteria would be allowed to maintain their current hospital licensure or elect a new level of licensure. Hospitals maintaining the current licensure would be required to meet all existing conditions of participation.

The rest of this paper deals with the concept of a new category of licensure for rural health care providers. This new class of facility will be known as a Medical Assistance Facility.

The Medical Assistance Facility will establish an extension of the pre-hospital system which will assist with triage, treatment, observation and secondary transport if needed. The facility will be staffed and equipped at an advanced life support transport level. This new category of licensure will allow small rural hospitals the option to restructure or eliminate laboratory and radiology services, alter staffing patterns, and reduce service levels to an appropriate level to meet the community needs and the facility's budget.

The Medical Assistance Facility must meet the following requirements:

1. Registered Nurse on site or on call.
2. Regional and local medical control protocols. Regional protocols should be congruent with secondary transport protocols.
3. Pre-hospital personnel in the primary and secondary support systems must be certified to the Emergency Medical Technician level at a minimum.
4. Equipment and staffing for the treatment room of the facility must be staffed and equipped in accordance with the requirements for advanced life support transport units.
5. Admission to these facilities will be in accordance with the capabilities of the facility.



JAMES W. MURRY  
EXECUTIVE SECRETARY

Box 1176, Helena, Montana

ZIP CODE 59624  
406/442-1708

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. B

DATE 2/13/87

BILL NO. HB 80

February 10, 1987

The Honorable Gary Aklestad  
Montana State Senate  
Capitol Station  
Helena, Montana 59620

Dear Senator Aklestad:

On behalf of our labor federation, I urge you to oppose House Bill 80 when it comes before the Senate for consideration. Because of a conflict in our hearing schedule, we were unable to appear before the Senate Business and Industry Committee when the bill was heard today. Therefore, we are taking this means of communicating our position to all Senate Republicans.

House Bill 80 eliminates legal requirements that workers' compensation protections be paid to newspaper carriers and part-time correspondents. Newspaper carriers, many of whom are children or teenagers, are subjected daily to a variety of hazards that are inherent to their vocation. From being hit by a car to slipping on an icy sidewalk, these injuries may require costly or perhaps catastrophic medical care which should currently be covered by workers' compensation. Children and teenagers cannot be expected to be aware of the high costs of medical care. Thus, under the provisions of House Bill 80, should an injury occur, the burden and responsibility falls on the carriers or their parents, who may not have, or perhaps cannot afford, medical insurance. If parents are unable to provide medical insurance for their children, society would ultimately bear the burden of caring for these injured individuals.

Part-time correspondents are employees of large newspaper companies, and should be entitled to the same workers' compensation coverage given to all other employees. Many of these part-time correspondents may prefer to work full-time, but are unable to do so because full-time work is not available. Nevertheless, newspaper companies, like all other employers, should be responsible for providing a safe and healthful working environment for all their employees. And when injuries occur, it must be the responsibility of these employers to provide the required workers' compensation protections that all other employers must provide.

In this case, the responsibility for providing workers' compensation protection is perhaps greater. In addition to children being unaware of the need for health and accident coverage, many adults in these difficult economic times are compelled to accept these low-paying jobs just to feed their families. Obviously, these workers cannot afford appropriate accident and health insurance.

The Honorable Gary Aklestad  
Page Two  
February 10, 1987

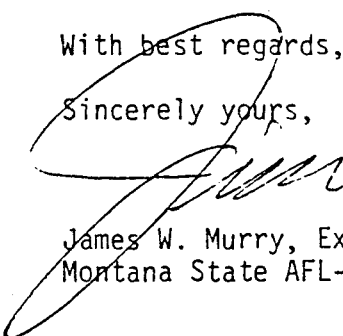
It's not as if these companies do not have the money to pay for this coverage. In the fiscal first quarter of 1987, the Lee newspaper chain reported a profit of almost twenty million dollars. Is it too much to ask for a giant media conglomerate such as the Lee Enterprises to pay workers' compensation premiums to employees earning close to minimum wage?

Please consider protecting these poorly-paid workers, many of whom are children whose parents may not be able to afford such protection. The newspaper industry should treat these employees the same as all other workers.

Thank you for considering our position on this issue.

With best regards, I am

Sincerely yours,



James W. Murry, Executive Secretary  
Montana State AFL-CIO

cc: All Senate Republicans

SENATE BUSINESS & INDUSTRY  
EXHIBIT NO. B  
DATE 2-13-87  
BILL NO. H.B. 80

# STANDING COMMITTEE REPORT

.....February 13..... 19 37.....

MR. PRESIDENT

We, your committee on.....**BUSINESS AND INDUSTRY**.....

having had under consideration.....**HOUSE BILL**..... No. **80**.....

**THIRD** reading copy ( **BLUE** )  
color

**BROWN ( MAZUREK )**

**NEWSPAPER CARRIER OR CORRESPONDENT NEED NOT HAVE WORKERS'  
COMPENSATION**

Respectfully report as follows: That.....**HOUSE BILL**..... No. **80**.....

**be amended as follows:**

1. Title, lines 6 through 8.

Following: "CORRESPONDENT"

Strike: remainder of line 6 through "PLAN" on line 8

Insert: "IS NOT COVERED BY THE WORKERS' COMPENSATION ACT UNLESS  
THE EMPLOYER ELECTS COVERAGE"

**AND AS AMENDED,**

**BE CONCURRED IN**

**~~DO NOT PASS~~**

**~~DO NOT PASS~~**

.....**SENATOR KOLSTAD**.....

Chairman.



SENATE BUSINESS & INDUSTRY

EXHIBIT NO. \_\_\_\_\_

DATE \_\_\_\_\_

BILL NO. HL 80

Amendments to HB 80

1. Title, lines 6 through 8.  
Following: "CORRESPONDENT"  
Strike: remainder of line 6 through "PLAN" on line 8  
Insert: "IS NOT COVERED BY THE WORKERS' COMPENSATION  
ACT UNLESS THE EMPLOYER ELECTS COVERAGE"