MINUTES OF THE MEETING
BUSINESS & INDUSTRY COMMITTEE
MONTANA STATE SENATE

February 18, 1987

The twenty-third meeting of the Business and Industry Committee was called to order by Chairman Allen C. Kolstad at 10 a.m. on Wednesday, February 18, 1987 in Room 325 of the Capitol.

ROLL CALL: All committee members were present.

CONSIDERATION OF SENATE BILL NO. 291: Sen. Thomas Keating, Senate District 44, Billings, chief sponsor, presented his bill saying that the bill allows an out-of-state bank or bank holding company in a reciprocal state to acquire an in-state bank or bank holding company. An in-state bank or holding company under the reciprocity requirement could acquire an out-of-state bank or holding company. Federal law allows such acquisition over state lines only if state law authorizes it. The bill would also allow the department of commerce to examine any out-of-state financial institution that is acquired by or acquires an in-state bank.

He said that banks, particularly in rural areas, are having difficulty in attracting sufficient capital in order to supply the needs of their borrowers and to be able to service their customers. He stated that numerous states are beginning to change their rules to allow interstate banking. This bill is a method of relaxing the state laws to participate in this regional interstate banking on a limited basis. He referred to page 2, line 20 of the bill which extends the relaxation of the interstate banking laws only to reciprocal states that are specifically named in the bill; Arizona, Colorado, Idaho, North Dakota and Wyoming and South Dakota. This bill would keep it to a region and would not be interstate banking from one end of the country to the other. The bill says that the acquiring institution must be financially sound. If an out-of-state bank is buying a Montana bank they would have to allow the review by our Board of Bank Examiners. He felt the bill would assist in Montana's capital short state and there could be an opportunity for an injection of more capital and maybe some banks in Montana would want to do business in other states which this would allow.

PROPONENTS: Mr. Bob Wood, representing Montana Bancsystem, a moderate sized holding company with its chief offices in Billings supported SB 291 and presented written testimony which he read to the committee. (EXHIBIT 1) He also referred to an article of the Wall Street Journal, Tuesday, January 20, 1987 (EXHIBIT 2) and a copy of an article from The Federal Reserve Bulletin which had come out the day before the hearing. (EXHIBIT 3) Neither of these articles indicated that interstate banking has had any detrimental effect on independent banks in the country. Seventy-seven percent of the assets of banks in this country are controlled by banks which are involved in interstate banking in one form or another, he said.

OPPONENTS: Roger Tippy, representing the Montana Independent Bankers' Association, stated that the proponents claim they are modernizing the statutes. He said that in 1956 Congress passed the Bank Holding Company Act and added a section to that the Douglas Amendment. This amendment provided that states with holding companies could not acquire banks in states other than their home states unless the laws of those other states specifically allowed such acquisitions. Mr. Tippy felt the present statutes are modern having been in existence only since 1956. The effect of this legislation would be to allow holding companies domiciled in the other states to make loans in other cities on the reciprocal list. He questioned how this bill would mesh with SB 198 if it should be enacted into law.

Dick Mower, associated with Valley Bank as Senior Vice President in Kalispell and also a director of the Montana Independent Bankers' Association, said they were opposed to SB 291 on the basis that it would create a concentration of assets among a few banks. He also said it would adversely affect the economy of Montana and distributed an article that appeared in the Waterloo, Iowa paper referring to interstate banking, entitled "5,000 will lose jobs in biggest bank merger". (EXHIBIT 4)

DISCUSSION OF SENATE BILL NO. 291: Chairman Kolstad called for questions from the committee.

Sen. Thayer asked Mr. Tippy what prevents an in-state holding company from acquiring all the banks in Montana today. Mr. Tippy replied that nothing in federal law would bar that sort of transaction and he wasn't aware of anything in state law which would prevent that. Sen. Thayer remarked that Mr. Tippy had said this bill would preclude the "Minnesota Twins" from being able to acquire banks in Montana but since none of them were appearing as proponents to the bill apparently they were not interested in acquiring our banks.

Sen. Williams asked Mr. Wood about the reciprocal states that were named and wondered if this law was on their books at this time. Mr. Wood responded that they had reciprocal laws - Idaho, Utah, North Dakota, Arizona, Nevada and Washington - Washington, he said, has a general interstate banking law which does not restrict to reciprocating states.

Sen. Hager noted that there had been quite a bit of discussion about how the Minnesota holding companies do have quite a few banks in Montana and California also - neither one of these states is on the reciprocal list and asked for Sen. Keating's comments. Sen. Keating replied that they are not on the list and said if Sen. Hager was referring to First Interstate, they have an affiliation with a California holding company and Firstbank System is a Minnesota holding company. He did not know if the bill passed if it would allow those companies to buy banks in this state. It was not intended to exclude

California and Minnesota when the bill was drafted because of the association of holding companies there with Montana banks at the present time.

Sen. Weeding remarked that there were several on the list that Mr. Wood hadn't mentioned and asked if this was contemplating that those states may enact something like this. Do they not have this on their books at the present time? Mr. Wood replied that the law specifies that there has to be reciprocity between the two states. He was not sure which ones already had reciprocal agreements of those on the list.

Mr. Wood said the states that he did not mention are states which do not have, according to the latest Federal Reserve Bulletin, laws that would allow for the reciprocal sale or purchase of banks provided in SB 291.

Sen. Weeding asked him to state those that do not. Mr. Wood said South Dakota, Colorado, Wyoming, Oregon do not.

Sen. Williams asked Mr. Wood if the states that do have the reciprocal law are interacting between themselves at the present time - are they reciprocal amongst themselves. Mr. Wood answered that he could not answer that specifically.

Sen. Neuman pointed out that the impact of one of the larger systems failing would be much more significant than if a small community bank failed. He expressed his concern regarding that. Mr. Wood said he had gone through the very unpleasant experience in Columbia Falls and knows that no bank is immune to failure and that includes Montana banks and major banks are not immune. No bill can guarantee there will be no failure. The bill does require that the acquiring bank be in sound financial condition and there are standards used by both federal and state examiners to determine the condition of the bank. This would provide a tool to at least look at the alternative of out-of-state capital aiding in failing banks in the state.

There being no further questions, Sen. Keating closed on SB 291. Sen. Keating said California has reciprocal agreements with 11 states, both large and small, as does Minnesota also. He said that most of the reciprocals are on a regional basis, except for Washington, which has national reciprocity. The Federal Reserve and Congress has been tracking regional interstate very carefully and closely, there are on-going studies to determine the results of interstate banking as the laws are relaxed. A recent study by the Federal Reserve Board on interstate banking on a regional basis says that "although interstate banking has not reduced the number of firms competing in local banking markets it has not yet increased that number, therefore, interstate banking has neither increased nor decreased local banking market concentration". He said it was pretty obvious that local banking is not affected by interstate banking permission and it does not appear to threaten the small banks. He said there was no data, whatsoever, to indicate that there is any threat to independent or small banks. He encouraged the committee support SB 291 so the state of Montana can get into the mainstream of banking activity and provide us with the capital necessary to serve the customers and needs in the state.

The hearing on SB 291 was closed.

CONSIDERATION OF SENATE BILL NO. 272: Sen. J.D. Lynch, Senate District 34, Butte-Silver Bow, Anaconda-Deer Lodge, sponsor, said it was an uncontroversial bill. He said that the bill was a railroad bill although Burlington Northern might not think so as it doesn't concern the caboose. The bill, with the amendments which are absolutely necessary, would exempt any railroad used for tourism and is less than $1 million, from property taxes. This was endorsed in his area by both local governments. He said there were a couple other tour trains in the state to which this would apply. This would not affect the larger trains. The trains involved are non-profit and going on line for the first time this spring. (EXHIBIT 4A)

PROPONENTS: Tom Shands, Managing Editor of the Livingston Enterprise, appeared as one of the persons responsible for a scenic passenger railroad in Park County urged support of the bill and submitted written testimony from the Crazy Mountain Railroad (EXHIBIT 5).

Rep. Bob Raney, District 82, Livingston, said he had worked on the Crazy Mountain Railroad for the past year. He said their goal is to attract tourist dollars to the Upper Yellowstone and said they feel if they could get this railroad into existence it would benefit all of their area and could provide an added attraction to using the Gardiner and Red Lodge entrances to Yellowstone Park.

Bill Fogarty, Department of Commerce, said there are two proposed tourist railroads in the state - one from Livingston to Wilsall, about 22 miles and the other from Rocker up onto the old mine area in Butte, a distance of approximately 8 miles. They are both primarily designed for tourism, they would be tax exempt under this proposal if their gross operating revenues would be less than $1 million. The initial start-up cost is rather large, there is a large outlay required for rail rehab and equipment acquisition. The tax loss, if the railroads do not materialize and the land goes back to grazing land, would be $56 to Park County and for Butte-Silver Bow about $21.33. He said the Department of Commerce supported the bill.

DISCUSSION OF SENATE BILL NO. 272: Chairman Kolstad then called for questions from the committee. Sen. Williams asked Sen. Lynch if the railroads would be state-owned. Sen. Lynch said they would not be owned by any local government and would be owned by private non-profit corporations. There would be no added expense to the state.

Sen. Neuman asked Sen. Lynch why they included the definition of "abandonment" as it is not discussed in the bill at all. Mr. Fogarty said that these branch lines were acquired under that title 16 and the reason that definition was included in there was because some of the lines had gone through a formal abandonment procedure. The line at Butte was donated to the state of Montana by Atlantic-Richfield and they were trying to clarify what they meant by abandonment.

Sen. Neuman asked what the tax was from which they would be exempt. Mr. Fogarty said as long as the state has any ownership in the rail bed the Department of Revenue deemed that they could be taxed under what they determined was a beneficial use concept. They would not be exempt from corporate license tax and property tax. Mr. Fogarty said it would be just property tax exemption and they are a non-profit organization.

Sen. Weeding wondered what a beneficial use tax was. Sen. Lynch said it is just a property tax. He said the Department of Revenue is obligated to tax, unless this bill passes, as if it was a profit making private industry because they are using abandoned railroads that they presently have.

In closing, Sen. Lynch said this was one very small way to stimulate some tourism in several different communities. He reminded the committee that the amendments were very necessary to the bill.

CONSIDERATION OF SENATE BILL NO. 308: Sen. Larry Tveit, Senate District 11, chief sponsor of the bill, said the bill legalizes the card game of blackjack if local voters authorize its play. Blackjack or twenty-one is added to the list of authorized card games in Title 23 if the issue is referred to the electorage and a majority authorize its play in the locality. The bill provides that a licensed establishment may have only two tables with one tame at a table and a maximum of 7 persons, including the dealer, in a game. The maximum bet allowed is $5 per player per hand he plays. The bill allows the locality to charge an annual license fee. A dealer must be licensed at a fee of $50 per year. The dealer must wear an identifying badge or card that identifies him as the dealer and states he is licensed. Sen. Tveit said there were some clean-up amendments that are needed in the bill. He briefly went through the amendments for the benefit of the committee members. (EXHIBIT 6)

PROPONENTS: Phil Strope, attorney and lobbyist for the Montana Tavern Association, echoed the statements of Sen. Tveit and said they need to give the local governing bodies the authority to make the decision. They felt the stimulus of "21" would be good for the marketplace. They agreed with the effective date in the amendments as they would like to have this available for the summer season of 1987.

Bob Mullen, Richland County Commissioner, Sidney, said from their geographical location they have gone from a boom to bust economy primarily because of the oil industry but during that time a lot of their trade was from their Canadian neighbors. He said that two years ago the North Dakota Legislature enacted a "21" bill, however, that is the only game they play in North Dakota in addition to pull-tabs. That has been very successful in North Dakota and have done an excellent job of marketing their facilities. Since that time his area has seen a significant loss of Canadian trade and an exodus of their own residents on weekends going to North Dakota to play "21". Senate Bill 308 may go a long way to returning some vitality to service-sector jobs in northeastern Montana and urged support of SB 308.

Dale Tlustosch, President of the Montana National Bank in Plentywood, appeared in support of SB 308 and submitted written testimony. (EXHIBIT 7)

Alec Hansen, Montana League of Cities and Towns, said at their convention last year they approved a resolution endorsing the expansion of legalized gambling on a local option basis by a vote of 29-9. There has been a change in the attitude and he thought it was because of the realization that something has to be done to generate some new economic activity in Montana. He said the legalization of "21" would bring a lot of new business into the state, particularly those towns next to the Canadian border. They believe also that the licensing revenues could contribute to the financial stability of the cities and towns, and urged the committee's support.

Glen Jacobson, Mayor of Plentywood, testified in favor of SB 308. As a member of the League of Cities and Towns, Plentywood voted in favor of the resolution endorsing "21". He said between the severe drought, grasshoppers, decline in oil and low commodity prices the main street businesses are struggling for survival and felt this bill would help to some extent. The licensing fees, he said, would help tremendously. He also submitted his written testimony. (EXHIBIT 8)

Robert E. Clark, barowner from Eureka, submitted EXHIBIT 9 showing the travelers crossing the border in and out of Canada. With the amount of Canadians coming to the U.S. this is added revenue and felt that "21" would be an added source of revenue. He asked the committee to support SB 308.

Joe Flynn, Red Lodge, appeared as a proponent of SB 308 and said that Red Lodge could not compete in dollar amounts with northern Wyoming for the tourist money as Cody and the Buffalo Bill Museum spends over $50,000 a year to encourage people to exit Yellowstone Park through Cody. He said that SB 308 would benefit the other three exits through Montana and encourage people to use those exits if we had some form of gambling such as "21" to encourage them to come that way. He urged support of SB 308.

Steve Wilken, Steer In, Three Forks, said this was a good bill and would help the employment picture. He also said the cities, towns and counties need the added revenue.

Mike Hallesy, Plentywood Chamber of Commerce, President and also the general manager of their family grocery store in that town. He said that SB 308 was a very beneficial bill for their area. He reiterated the testimony of the other people testifying from Plentywood and asked for the committee's support of SB 308.

Sid Smith, Helena, owner of the Bingo Palace, urged the support of the committee for SB 308.

Chairman Kolstad stated, for the record, that Mayor Driscoll of Havre was unable to be at the hearing but would like the minutes to reflect that he was a proponent of SB 308.

Noel Williams, Lincoln County Board of Commissioners Chairman, said the Board supported SB 308 which is written as a county option and would provide local control. He pointed out that the Port of Roosville is the only port of entry for 200 miles in either direction and Hiway 93 runs the length of Lincoln County to the Canadian border. He said this bill was a possibility for increasing the international traffic, thus increasing the new money and giving his county a "shot in the arm".

Sonia Marchurek, Bozeman, member of the Tavern Owners' Association, she urged the committee's support of SB 308.

Dr. J. Britt Chandler, one of two dentists in Sheridan County, strongly supported SB 308, the "21" bill. He felt this bill would promote tourism from Canada.

<u>OPPONENTS</u>: Mignon Waterman, speaking on behalf of the Montana Association of Churches, opposed SB 308. She submitted her written testimony. (EXHIBIT 10)

<u>DISCUSSION OF SENATE BILL NO. 308</u>: Chairman Kolstad called for questions from the committee on SB 308.

Sen. Meyer questioned Sen. Tveit about page 3 where there is a fee of $50 for a dealer but the local government sets the license fee for each establishment and asked if there shouldn't be a standard license fee. Sen. Tveit replied that it was a local option bill and this would be within the jurisdiction of the county government or city, to set a fee on each table as it is with the poker machines and the price per table could vary.

Sen. Williams asked Mr. Strope if there is a county attorney that is against gambling and a city in that county chooses to implement this would there be a problem there. Mr. Strope replied there would be a concern but he did not think there would be a legal problem, however, that attorney might spend an inordinate amount of time seeing that the establishment complied with the law. His obligation would be to support the wishes of the voters. Sen. Williams said he assumed then if the city chooses to have "21" the county attorney would have no jurisdiction over it. Chairman Kolstad said there was a proposed amendment relating to that. Mr. Strope said the proposed amendment would authorize the governing body, by ordinance, to legalize the game or they could refer the issue to the people.

In answer to a question from Sen. Weeding, Sen. Tveit said this would lure people from the neighboring states and Canada. They come in here with dollars to spend and they would like to keep them in Montana a little longer.

Sen. Williams asked Mr. Strope what the penalty is for dealing "21" without a law. Mr. Strope said if somebody has been playing blackjack in public places in the state he is probably violating the law. Sen. Williams wanted to know what the penalty was. Mr. Strope said the penalty is in the poker act and he would have to research that. The penalty is very severe for the holder of an all-beverage license - if he is convicted of engaging in illegal gambling in the place of business that conviction is a felony and then the all-beverage liquor license is in jeopardy. If you are a convicted felon you cannot have that type of license in the state of Montana, so, if you are convicted you either have to get rid of the license or there would be an administrative hearing to take it away.

Sen. Thayer asked Sen. Tveit if he could explain the fee schedule in North Dakota and said he understood "21" was instituted in North Dakota as revenue for charities. Sen. Tveit responded that he did not know if there was a small fee. It is totally run by fraternal organizations, he said, with free help. It goes just to charitable organizations and said there was a $2 limit. However, there is legislation to try to expand that to $5. He said from personal experience he had seen a lot of people from Minnesota go across the line to play "21".

Sen. Thayer asked Sen. Tveit if he had any statistics as to the average take per table in a week or whatever. Sen. Tveit deferred to any proponents that might be able to answer that question. Mr. Clark said that with a $2 limit, donated help and running for seven months, they generated $13 million throughout the state for charitable organizations.

Sen. Thayer agreed that was a lot of money but wanted to know what kind of fees they collected for those tables.

Sen. Neuman asked about the number of tables they operate but Mr. Clark did not have that information; only what he read in the papers.

Sen. Tveit said they have 4-5 tables at the Elks Club in Fargo on Saturday night. They also advertise quite heavily for their "21".

Sen. Weeding asked Mr. Strope what the odds were over-all. Mr. Strope said he did not know that but said that information would be available and could respond to that at a later time. Sen. Tveit said the bill was restricted and referred to the "shoe" which he would touch upon in his closing statement. One important aspect of the bill is giving odds to the players with the five decks in a shoe, much more so than with one deck. The shoe keeps the game honest because with that many cards it is next to impossible to know what card is coming up next. With one deck it is possible for some people to know all the cards that are out. He said it was fairness to both sides to use this type of system. That is the reason for licensing a reputable, honest person as a dealer.

Sen. Thayer asked Mr. Smith if he knew the fee schedule in Nevada and what the establishments there have to pay in order to have "21" tables. Mr. Smith said he did not know but he had been told the odds in Las Vegas are 52 for the house and 48 for the people and the 4% is what built the "strip" in Las Vegas. There are no percentages set in "21"; it is based on the cards coming out for the house.

Rep. Pavlovich commented that if it was a single deck, basically it favors the player better than 90% and the reason for the shoe, or the five deck, is the card counter who remembers every card in the deck. Las Vegas prefers to use the shoe and that eliminates the card counter. With the shoe, he said, it is about 50-50 chance.

There being no further questions, Sen. Tveit closed his presentation on SB 308. He commented that Commissioner Ryan from Great Falls was unable to attend but wished to be on record in support of SB 308. He said that the local level is struggling with city and county budgets and this would be one way to help some of their problems. There would be no limit that the local government could charge for each table. This would be a chance to put people to work and in the end this would help the state with more income tax collections. He stated that the power to license these would be the same as the existing poker law and the authority would be left with the local governing bodies. The game of "21" according to this bill is restricted and that was the way it was meant to be, he said.

Sen. Tveit then referred to the "shoe", the $5 limit and the amount of players as being restrictive and they did not want to expand gambling to become Mafia style. He said they thought two tables would be sufficient and would do the job for most establishments. He stated that "21" would be beneficial to Montana because of the number of tourists that bring money to the state. He expressed his hope that the committee would approve SB 308.

The hearing was closed on SB 308.

EXECUTIVE SESSION:

Sen. Neuman asked the Chairman to have the committee consider the possibility of introducing the bill on emergency chartering. He said he had it drafted and would like to have them consider it as a committee bill. He also referred to the two bills that were presently in the Senate but since they were getting close to the deadline he would like to introduce it and be ready to have a hearing in the event those other two bills failed. Sen. Neuman MOVED THEY CONSIDER THE COMMITTEE BILL, seconded by Sen. Weeding.

Sen. Thayer asked if it was Sen. Neuman's intention to just have the emergency chartering and Sen. Neuman answered affirmatively. Sen. Neuman said it was the same amendment that would be put on Sen. Thayer's bill and Sen. Boylan's bill authorizing the state banking board to issue a certificate of authority without hearing in certain circumstances and that's emergency chartering.

Sen. Meyer asked Sen. Neuman if both SB 198 and SB 163 are both killed - do they have the same language as what he proposes to introduce. Sen. Neuman replied that they have similar language and it was not the problem he initially thought it was and asked Ms. McCue to address this point. She said the problem has arisen in the past where a whole bill was defeated and then a second one comes out that is so similar. She did not think there was a problem with introducing this bill.

Sen. Boylan asked if both the bills get out of the Senate and go to the House and get killed over in the House then these emergency clauses would all be gone and they would not have the emergency banking. Sen. Neuman replied that was right and he didn't want to lose the emergency chartering.

Chairman Kolstad asked Sen. Neuman if either of the other two bills should pass would he just let his bill remain in committee. Sen. Neuman responded that would be correct.

Sen. Williams expressed his concern as to the possible vote in the Senate if they knew there was a back-up bill sitting in the committee waiting to come out. He also questioned the need for the emergency chartering bill within the next two years.
Sen. Thayer said the emergency chartering was technically a little

better than what is current law. The only thing different would be allowing him to waive the time. Sen. Thayer also pointed out they could ask for reconsideration of one of the other bills to accomplish what Sen. Neuman was trying to do.

Sen. Neuman said he did not want to lose this part and for that reason would like to see the emergency chartering. If a bank closes and they can't do the emergency chartering then they have to wait 30 days until they have the hearing. By that time the people with money in the bank have gone to other banks. He said it would be hard to get a bank started up once it has been shut down for 30 days and that's what the emergency chartering would solve.

Sen. Walker asked Ms. McCue if it was within their capability to amend out the other sections and save the section referring to emergency chartering on the floor of the Senate. Ms. McCue said they could be broken down to that.

Sen. Boylan said the bill would have to be put in because after February 19th there would have to be a suspension of the rules. If the bills should be killed in the House then it would be too late to introduce any bills so Sen. Boylan felt there should be some follow through. If one of the other bills should pass, containing the emergency chartering, this bill could be killed as unnecessary, therefore, he was in favor of the motion.

Sen. Meyer said he did not think they should cloud the issue at the present time and could still go ahead with it on the following day, February 19th.

Sen. Neuman pointed out they were close to the deadline for posting the bill, introducing the bill, printing, etc. He said he would like to have the bill as a back-up in case they both fail.

The question being called, the MOTION CARRIED with Sen. Williams voting "no", giving authorization to Sen. Neuman to introduce the committee bill.

<u>DISPOSITION OF SENATE BILL NO. 324</u>: Sen. Walker MOVED SB 324 DO PASS, seconded by Sen. McLane. Ms. McCue pointed out that during the discussion Tom Dowling had the impression that this would place the requirement on an out-of-state merchant to post a $2,000 bond in each county but that was not the way the bill was written. She said they pay the weekly license fee or in lieu of that they have the option of the bond. However, she had not talked with Mr. Dowling any further.

Sen. Thayer said the bill was fraught with problems and it would create more problems. He also thought it was an unenforceable law and said it was something that should be done by local cities and towns by passing their own ordinances to deal with it. George Allen had told Sen. Thayer that the bill was unworkable as it is and they were withdrawing their support.

Chairman Kolstad referred to EXHIBIT 11, a letter from Bill Chiesa, General Manager of Metrapark, which is the State Fair in Great Falls and read it to the committee. They were in opposition to SB 324, according to the letter.

Sen. Boylan remarked that the appropriations subcommittee had increased the out-of-state licenses $100, however, there were certain people that were not included in that.

Sen. Hager corrected Chairman Kolstad that the letter he had read was from the Fair in Billings. (EXHIBIT 11)

Sen. Thayer made a SUBSTITUTE MOTION THAT SB 324 DO NOT PASS, seconded by Sen. Boylan. The MOTION CARRIED UNANIMOUSLY. Sen. Thayer will carry the Adverse Committee Report on the floor of the Senate.

FURTHER DISCUSSION OF SENATE BILL NO. 291: Chairman Kolstad asked the wishes of the committee regarding SB 291. Sen. Hager requested that the committee delay action until the following day to enable him to make some calls. Chairman Kolstad remarked that it would have to be taken care of on the following day because of the deadline for transmittal of bills.

The next meeting of the Business and Industry Committee was announced for Thursday, February 19, 1987 at 10 a.m.

There being no further business, the meeting was adjourned at 12:20 p.m.

Allen C. Kolstad

SEN. ALLEN C. KOLSTAD, CHAIRMAN

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ROLL CALL

Business & Industry COMMITTEE

50th LEGISLATIVE SESSION -- 1987 Date 2/18/87

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 2-18-87

COMMITTEE ON Business & Industry

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One: Support	Check One: Oppose
Roselee Bullock	Silver Saddle	308	✓	
Chester A Bullock	M.T.A.	308	✓	
Steve Wilken	Steer IN	308	✓	
Gary Elwidge	Mint Bar Livingston	308	✓	
C J HOLJE	Sheridan Co Comm	308	✓	
Thomas Shands	Crazy Mnt. Railroad	272	✓	
BILL FOGARTY	Dept of Commerce	272	✓	
Bob Wood	Montana Bancsystem	291	✓	
Brinton Markle	Dept of Commerce	272	✓	
Glenn Jacobsen	Mayor of Plentywood	308	✓	
Deborah Wilken	Steer In	308	✓	
[illegible] DeVienne	Park Plaza Hotel, Helena	308	✓	
Dale A. Tlustosh	Montana National Bank-Plentywood	308	✓	
Kay Chandler	Farmer Dooley	308	✓	
Robert M. Jobe	Grandview Hotel Plentywood	308	✓	
[illegible] E Clark	[illegible] Eureka Montana	308	✓	
Jerry M Smith	[illegible] Saloon Fortine mt	308	✓	
Helen M. Clarke	First & Last Eureka Mt	308	✓	
[illegible] McCarthy	Flathead Tavern Assn.	308	✓	
[illegible]	Stockman Bar Holbrook	308	✓	
Mike Halley	Chamber of Commerce Plentywood MT	308	✓	
[illegible]	OASIS Bar Harlowton	308	✓	
Ken Burley	MTA	308	✓	
Lance Chandler	Tri-County Dist Plentywood	308	✓	
Ed Smith	SELF	308	✓	
Dale Hurst	TRI-COUNTY DIST. PLENTYWOOD	308	✓	

(Please leave prepared statement with Secretary)

DATE 2/18/87

COMMITTEE ON Business & Industry

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One Support	Oppose
Bernt Ward	Sheridan Co.	308	✓	
Alan Overgaard	Sherwood Inn Plentywood	308	✓	
[illegible] Overgaard	Pres - Sherwood Inn - Spec Inv - Western Imp	308	✓	
Mignon Waterman	Mont. Assoc of Churches	308		X
Ron Ahlers	First Security Bank of Bz	291		✓
Phil Sandquist	- - -	291		✓
[illegible]	Businessman	308	✓	
Michael D McCormick	Plentywood Mt.	308	✓	
Dr J. Britt Chandler	Plentywood, Mt	308	✓	
Joe Flynn	Red Lodge MT	308	✓	
Robert Mullen	Richland County	308	✓	
Noel Williams	Lincoln County	308	✓	
Eugene [illegible]	Richland Cty	308	✓	
David McMillen	Richland Co.	308	✓	
Larry Tobiason	Helena self	308	✓	
Gary Severson	Richland Co Sidney	308	✓	
Marcey Durkee	MTA - Helena	308	✓	
Randy Keith	Silver Bow	308	✓	
Sheldon [illegible] Nelson	~~[illegible]~~ Missoula	308	✓	
D. D. Dunn	Helena M.T.A.	308	✓	
Bob Durkee	MTA	308	✓	

(Please leave prepared statement with Secretary)

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 1
DATE 2-18-87
BILL NO. SB 291

Mr. Chairman, members of the Committee, My name is Robert Wood, I am here representing Montana Bancsystem, a Montana bank holding company with 12 banks in the state of Montana. We are here to support and urge the passage of SB 291.

As Senator Keating has noted, the purpose of the bill is to provide modernization of the banking laws in Montana. The bill is simple in its form. It provides that in states in this region which have reciprocal laws like this one, our banks can purchase banks in those states and banks in those states can purchase banks in Montana. Under the current laws of the states which are mentioned in this bill, there are several states that can become involved in the purchase or sale of banks: Idaho, Utah, North Dakota, Arizona, and Nevada and Washington.

This means that under the terms of the bill as proposed, there can be a sale or purchase of banks only in those states. In fact, the only states which are allowed as reciprocal states under the bill are the Dakotas, Wyoming, Idaho, Nevada, Arizona, Utah, Washington, Oregon and Colorado.

The bill provides for two major advantages than under the current restrictions. By providing for the sale of banks to out of state banks under the limitations provided, we can assure that there will be more capital available to assist in these difficult times. It is important to avoid the specter of a bank closing in Browning with no banking services provided to the community. It may have been important in Columbia Falls, which is a bank which I assisted in the closing of as part of my last duties in the department of Commerce, and, more importantly, it may provide the capital in the case of other banks which are on the verge of failure if that unfortunate event occurs. From the testimony which this committee received on the merger and consolidation bills in recent weeks, it is clear that this state is not immune from bank failures, and the problems will not go away.

We hope that the bill will provide additional tools to deal with the problem. The other important facet of the bill is to provide that banks which get offers to sell or wish to expand have the right to do so as any other business. It does not seem appropriate that banks, unlike other businesses, have no right to sell their banks to outside interests or purchase banks in other states in a free market system.

Allow me to make one thing clear. We are not talking about interstate branching in the traditional sense. Under the law, the banks which are sold or purchased remain banking corporations chartered under the laws of this state. They are subject to examination and criticism by the department of Commerce examiners and the federal examiners. They are subject to the same capital restrictions. They are complete banks with Boards of directors required by state law to have qualifying shares in the bank structure.

In summation, the bill provides two major things, the right to sell or purchase business if the financial condition of the acquiring bank is sound, as is the case with any business. And, the tools to keep banks open in troubled times. I suspect that if there is a troubled bank in Eastern Montana which is on the verge of collapse, the local ranchers and farmers and the local businesses would rather have a bank which is owned by a North Dakota bank than no bank at all. You need only look at the experience in Brownng and Columbia Falls to assure yourselves. I hope you will take this important step in modernizing our banking laws and pass SB 291.

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SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 2
DATE 2-18-87
BILL NO. SB 291

Interstate Banks Could Ease Farm Credit Woes

Speaking of Business

By Lindley H. Clark Jr.

In the new budget the Reagan administration indicates it would like to kill or slash most direct-loan farm programs and instead guarantee more private loans or sell loans to private lenders. In view of the continuing troubles of farms and farm lenders, it isn't surprising that the government is changing its approach, but this change isn't likely to help.

The farming business is perhaps more dependent on credit than businesses generally. Planting costs money, and then it's months before harvests start to generate any cash flow. In the meantime farmers must buy and maintain equipment and pay the help. In recent years many farmers overexpanded, but many others were caught by a world price decline stemming from overproduction. It's tough to sell wheat abroad when other countries are producing more than they need.

For a half-century and more, federal lenders have been helping to take care of farm credit needs, and lately they've taken a beating in the process. As of June 30, 1985, close to 50% of the loan portfolio of the Farmers Home Administration, a major governmental lender, was delinquent. The portfolios of other federal lenders also are in sorry shape.

Private commercial banks in farm areas also are in deep trouble. Of the record 138 bank failures last year, nearly half were farm-area banks. The problems may be getting worse. A study by Veribanc of Woburn, Mass., based on Federal Reserve Board data, showed that the number of farm banks with more problem loans than capital rose to 207 last June 30 from 139 at year-end. Problem loans are those that are believed to require more than normal supervision.

A new National Bureau of Economic Research paper considers the farm credit problems and possible solutions. The authors are Charles Calomiris and R. Glenn Hubbard of Northwestern University and James Stock of the Hoover Institution. (NBER Working Paper No. 2085, available from NBER, 1050 Massachusetts Ave., Cambridge, Mass., 02138, $2.)

The paper offers a quick survey of farm history since World War II. In the 1950s and 1960s, farmers did pretty well, expanding their real incomes, even though agriculture was providing a diminishing share of the gross national product. The reason was that the pie could be cut into fewer pieces. Farm productivity was rising at an astonishing rate, and many farm workers were moving into jobs in a rapidly growing non-farm economy. From 1955 to 1984, total output per hour of farm labor increased fivefold.

In the 1970s, the situation changed. Commodity prices soared amid the general inflation. Demand for farm exports rose. Farm income raced upward, and expectations of farm income rose even faster. Many farmers borrowed to buy land and equipment to share in the new bonanza.

"Finally," the National Bureau economists write, "during the 1980s farm prices declined and, faced with an appreciating dollar, exports fell sharply. Accordingly, farm incomes, and with them farmland values, declined at rates unprecedented in the postwar period. This sharp decline in income, coupled with the high levels of debt acquired during the expansion of the 1970s, has led to a sharp decline in the ability of farmers to meet their debt obligations and to the corresponding rise in farm bank failures."

Where do we go from here?

The National Bureau economists' first conclusion is that the experiences of the 1970s and 1980s could very well be repeated. More countries are agricultural producers and the number of consumers continues to expand. Farming will be increasingly involved in international trade, and that means that while some years may be very good some may be very bad. Farm incomes will be more sensitive to changes in world as well as domestic economic conditions.

The old ways of shoring up farm income—stabilizing prices, cutting acreage and the like—aren't likely to prevent increased farm income volatility. The primary burden will be on farm operators.

The authors argue, I think correctly, that there will be a continuing role for the federal government in farm credit, either through direct loans or by shoring up the Cooperative Farm Credit System. The current farm problems are concentrated in farms producing cash grains, general livestock or dairy products, and these farms are mainly in the Corn Belt and Northern Plains states. Local commercial banks in those areas have little chance to diversify their risks either outside of their areas or outside of agriculture because of the existing restrictions on branch banking. As long as those restrictions are there, federal farm lenders have an advantage since they can diversify nationally.

The National Bureau economists don't urge a crash effort to get rid of restrictions on branch banking, but they clearly see the advantages. They point them out by telling the story of agricultural credit in California.

"The scope for improvement," they write, "is demonstrated by the robust performance of California banks. California leads the country in total agricultural production and has had a higher than average percentage of troubled loans. . . . Net charge-offs as a percentage of agricultural loans were 6.1% in California and 1.8% in other states.

"At the same time, California accounted for only one of the 68 agricultural bank failures in 1985. This is because large banks, which account for most of the agricultural lending in California, held only 3% of their portfolio in agricultural production loans."

Branch banking in the farm states clearly would be a help, but it would be less than a complete solution. Several of the farm states have little industry into which banks could diversify. The country is creeping slowly toward nationwide banking, and the credit needs of agriculture surely provide a reason for swifter movement in that direction.

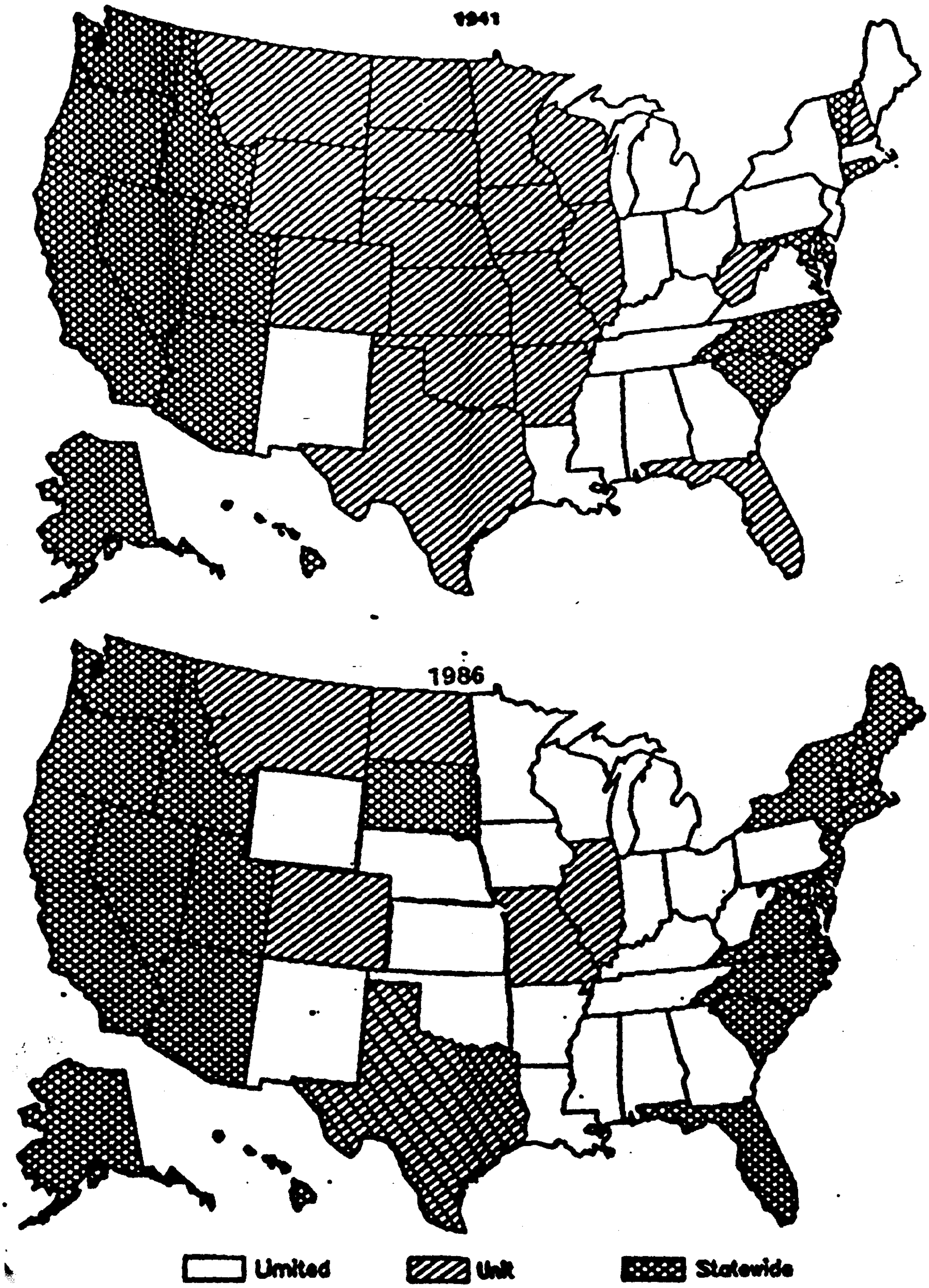
The Federal Deposit Insurance Corp. now often has trouble finding banks to take over failed farm banks. A bank with an opportunity to expand nationally might be more willing to help the FDIC by picking up a few failed institutions along the way.

Banks that take over failed farm banks, moreover, tend to pursue a very cautious lending policy. If branch restrictions keep them solely or almost solely within a troubled farm area, such a lending policy is to be expected—indeed any other policy would be stupid. A nationwide bank would be much freer to construct a lending policy that would better serve the area.

The current farm problems are leading to an increase in farm size. The National Bureau economists seem unhappy about this, since they call it farm "agglomeration," which would imply that it was all pretty much unplanned. Certainly the farmers who are going out of business didn't plan it, but the large operators, taking advantage of the economies of size, know what they're doing.

They'll need credit, too. Much of it is likely to come via the federal government for some time ahead, but given the condition of the federal budget a lot of bank lending will be needed. If the banks are to play their role they will need a wider franchise, through broader branching powers and, eventually, nationwide banking.

State banking structure



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Interstate Banking Developments

Donald T. Savage of the Board's Division of Research and Statistics prepared this article. Elaine J. Peterson provided research assistance.

After years of confinement to a single state, and in many cases to a single location within that state, banking organizations are now being permitted to expand their deposit-taking operations over wider geographic areas. Federal laws have not been changed, but the states are lowering the barriers to interstate bank expansion by exercising an option provided by the Bank Holding Company Act of 1956. This article offers data on interstate banking and discusses the continuing deregulation of geographic expansion by banking organizations.

A Brief History

The first and second Bank of the United States, which combined commercial banking with some central banking functions, operated branch offices throughout the country. After the 1836 decision not to recharter the second Bank, however, commercial banking came under the regulatory control of the individual states. Each state chartered its own banks, and no state provided a general method for the entry of banks chartered in other states. Banking became an industry characterized by relatively small, locally oriented firms.

The national banking system, following the pattern of state banking laws, made no provision for a bank to expand beyond the borders of its home state. Indeed, the general interpretation of the National Banking Act of 1863 was that a national bank could not operate branches even in its home state. This interpretation created a competitive disadvantage for those national banks operating in states that allowed state-chartered banks to operate branch offices. Therefore, many national banks in the branch banking states converted from national to state charters; the pressure of these conversions contributed to the passage of federal branching legislation in 1927 (McFadden Act) and 1933 (Glass–Steagall Act). These relaxations of federal law gave the national banks in each state the same branching powers enjoyed by the state-chartered banks in that state.

Early in the twentieth century, the bank holding company became a second vehicle for banking organizations to expand the geographic scope of their operations. A bank holding company could own and operate subsidiary banks in any number of states. The formation of a few large, multistate, multibank holding companies, especially in the upper midwest, led to numerous attempts to regulate the corporate ownership of more than one bank. The Glass–Steagall Act of 1933, better known for the separation of commercial and investment banking, also called for limited regulation of bank holding companies by the Federal Reserve System but did not prohibit their interstate expansion.

Although there were many subsequent proposals for more comprehensive regulation of multibank holding companies, further legislation was not forthcoming until the passage of the Bank Holding Company Act of 1956. The act increased Federal Reserve Board regulation of multibank holding companies and established standards for regulatory approval of future bank and nonbank acquisitions by bank holding companies. An amendment to the draft act, which came to be known as the Douglas Amendment, prohibited bank holding companies from acquiring banks in more than one state unless acquisitions were specifically permitted by the statutes of the state in which the bank to be acquired was located.

The 1956 legislation permitted the continued operation of the small number of multistate bank holding companies that existed when the law was passed. Most of the smaller multistate companies

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restructured or divested themselves of one or more of their banks in order to avoid regulation as multibank holding companies. Seven major domestic interstate bank holding companies remained in operation; the largest of these organizations now operates in 12 states.

With the Bank Holding Company Act of 1956 regulating multibank holding companies, subsequent federal legislative proposals focused on the extension of bank holding company regulation to one-bank holding companies and the nonbank activities of all bank holding companies. The 1970 Amendments to the Bank Holding Company Act of 1956 extended regulation to one-bank holding companies and established standards for the approval of proposed nonbank activities of holding companies. State legislation focused on branch banking laws and regulation of intrastate multibank holding companies. Most discussions of interstate banking were on an academic level, and the limited efforts to change the federal law were unsuccessful.

Except for some minor state provisions allowing additional bank acquisitions by the grandparented interstate bank holding companies, no state took advantage of its right to allow acquisitions by out-of-state bank holding companies until 1975. In that year, Maine passed the first state law providing for general entry by out-of-state bank holding companies under the provisions of the Douglas Amendment to the Bank Holding Company Act of 1956. No more state laws were enacted until 1982, when Massachusetts adopted a New England regional reciprocal law and New York enacted a nationwide reciprocal law.

The New England regional laws were challenged in the courts because they did not provide equal entry rights for banks headquartered in all states. The United States Supreme Court ruled in favor of the regional laws in June 1985 in Northeast Bancorp, Inc. v. Board of Governors of the Federal Reserve System. Knowing that they could allow entry by bank holding companies from selected states without having to open their borders to the states containing the money center banks, more states revised their laws. By the end of 1986, 36 states and the District of Columbia had enacted some provisions allowing entry by out-of-state bank holding companies. Other states had adopted laws permitting entry to acquire a failing bank or entry by limited-purpose banks, such as those only issuing credit cards.

The Causes of Change

After the protracted legislative battles that usually have accompanied even relatively minor changes in state branch banking and bank holding company laws, the speed with which the states have adopted interstate banking laws is surprising. There may be no one explanation for the speed of change, but several factors have played a role in various states. Maine's motivation in enacting the first interstate banking law was to attract new capital into the state. It was thought that the ownership of Maine financial institutions by out-of-state firms might expand the supply of economic development funds. Some also believed that the purchase of Maine institutions by out-of-state firms would free Maine funds for other uses, and that new banks organized by out-of-state firms would augment the supply of capital.

A second factor, also related to economic development, has contributed to the spread of regional interstate banking laws. Especially in the southeast, those advocating regional interstate banking laws argue that the development of large regional banks promotes the area's economic growth. The theory is that such banks, by understanding and supporting regional industries, will do more for economic growth than the money center banks would if they were permitted to acquire the major regional banks under a national interstate banking law.

Third, the reduction of barriers to entry affords bank holding companies expansion opportunities more nearly equal to those of other financial service firms. Nondepository financial institutions are not subject to expansion restrictions, and some thrift institutions have been able to expand interstate by acquiring troubled thrifts in other states. Banking organizations, however, were able to supply only limited financial services on an interstate basis. Loan production offices, nonbank subsidiaries of the bank holding company, and Edge act offices provided a way to offer some services across state lines, but full-service deposit-taking offices could not be operated outside the home state.

In addition, regional interstate deposit-taking

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constitutes a recognition of the fact that some banks have always offered nearly all their other services throughout a particular region. For example, the large Boston and Hartford banks had supplied certain services, usually to business firms, throughout the region long before they were permitted to take retail deposits in other New England states.

Fourth, in some states, the desire to maximize the number of potential acquirors of troubled institutions was a motivating factor in the passage of interstate banking laws. Some states have limited interstate acquisitions to the purchase of failed or failing banks; others, though motivated by the same fear of failures, have made all banks eligible for interstate acquisition.

Finally, an imitation effect has been at work in the spread of interstate banking laws. This effect is reminiscent of the rapid spread of the bank holding company form of organization in the 1970s. Seeing their colleagues in other states receiving new powers, bankers have desired equal expansion rights and have pressed for legislation. Moreover, many of the larger banks have feared being left out of a new alignment of the banking industry. The imitation effect has been strengthened by the perceived effect of the interstate banking laws on the price of the stock of those banks regarded as possible acquisition targets. The likely positive effect of interstate banking on bank stock prices is strengthened by the prohibition in many states of de novo entry by out-of-state bank holding companies. Thus entry can be gained only by acquiring the stock of banks already operating in the state.

Given these factors, most of which have been present to some degree throughout the country, many state laws have been liberalized to lower the barriers to out-of-state entry. But despite the rapid change in the laws, actual change in the geographic structure of the banking industry has only begun. Part of the framework of an interstate banking system has been erected, but its utilization to build interstate banking organizations will take time.

Interstate Banking Now

The details of the laws of those states that have passed statutes providing for interstate banking are presented in table 1. This and subsequent tables exclude state laws that provide for entry only by limited-service banks. Of the 37 state laws listed in table 1, 7 have not yet become effective, and not many acquisitions have taken place under the laws that are already in effect.

Eighteen of the interstate banking laws provide for eventual entry from all other states, although in some states the move to nationwide entry is preceded by a period of entry from a limited number of states. Only one major banking state, Texas, and a few smaller states—Arizona, Alaska, Maine, Oklahoma, Nevada, and Utah—do not require reciprocal entry rights for their banks as a condition for out-of-state entry. Those states are not the home of large numbers of major banks that would be expected to make numerous interstate acquisitions.

In geographic terms, regional interstate banking has proven to be most popular in the southeast. All of the states along the coast from Maryland through Louisiana have adopted the regional approach, although not all have defined their region in the same way. An upper midwestern region has also been formed, but it involves fewer states and its definition is even less uniform. The New England region, which began developing the earliest, does not yet embrace all six states because New Hampshire and Vermont have yet to enact interstate banking laws.

Approximately 77 percent of all federally insured U.S. commercial banks are located in states that have enacted interstate banking laws; they hold more than 91 percent of all U.S. domestic banking assets. Although most banks now have some opportunity for interstate expansion, few organizations have been able to achieve a full banking operation in a large number of states because of the limited time that most laws have been in effect.

Table 2 presents another view of the state laws, taking into account interactions between the state laws, the effects of reciprocity requirements, and delays in the effectiveness of some of the laws. This table, which includes laws in effect or enacted as of January 1, 1987, indicates the opportunities for expansion available to bank holding companies in each state. It tells when a banking organization in a given state can enter each other state (the columns), and by the same

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1. Interstate banking legislation, by state, January 1, 1987

State	Effective date	Area covered by interstate legislation[1]
Alabama	July 1, 1987	Reciprocal, 12 states (AR, FL, GA, KY, LA, MD, MS, NC, SC, TN, VA, WV) and DC
Alaska	Currently	National, no reciprocity
Arizona	Currently	National, no reciprocity
California	July 1, 1987	Reciprocal, 11 states (AK, AZ, CO, HI, ID, NV, NM, OR, TX, UT, WA)
	January 1, 1991	National, reciprocal
Connecticut	Currently	Reciprocal, 5 states (MA, ME, NH, RI, VT)
District of Columbia	Currently	Reciprocal, 11 states (AL, FL, GA, LA, MD, MS, NC, SC, TN, VA, WV)
Florida	Currently	Reciprocal, 11 states (AL, AR, GA, LA, MD, MS, NC, SC, TN, VA, WV) and DC
Georgia	Currently	Reciprocal, 9 states (AL, FL, KY, LA, MS, NC, SC, TN, VA)
Idaho	Currently	Reciprocal, 6 states (MT, NV, OR, UT, WA, WY)
Illinois	Currently	Reciprocal, 6 states (IA, IN, KY, MI, MO, WI)
Indiana	Currently	Reciprocal, 4 states (IL, KY, MI, OH)
Kentucky	Currently	National, reciprocal
Louisiana	July 1, 1987	Reciprocal, 14 states (AL, AR, FL, GA, KY, MD, MS, NC, OK, SC, TN, TX, VA, WV) and DC
	January 1, 1989	National, reciprocal
Maine	Currently	National, no reciprocity
Maryland	Currently	Reciprocal, 3 states (DE, VA, WV, and DC)
	July 1, 1987	Reciprocal, 14 states (AL, AR, DE, FL, GA, KY, LA, MS, NC, PA, SC, TN, VA, WV) and DC
Massachusetts	Currently	Reciprocal, 5 states (CT, ME, NH, RI, VT)
Michigan	Currently	Reciprocal, 5 states (IL, IN, MN, OH, WI)
	October 10, 1988	National, reciprocal
Minnesota	Currently	Reciprocal, 4 states (IA, ND, SD, WI)
Mississippi	July 1, 1988	Reciprocal, 4 states (AL, AR, LA, TN)
	July 1, 1990	Reciprocal, 13 states (AL, AR, FL, GA, KY, LA, MO, NC, SC, TN, TX, VA, WV)
Missouri	Currently	Reciprocal, 8 states (AR, IA, IL, KS, KY, NE, OK, TN)
Nevada	Currently	Reciprocal, 11 states (AK, AZ, CO, HI, ID, MT, NM, OR, UT, WA, WY)
	January 1, 1989	National, no reciprocity
New Jersey	Currently	Reciprocal, 13 states (DE, IL, IN, KY, MD, MI, MO, OH, PA, VA, TN, WI, WV) and DC
	Trigger of 13 states with reciprocity for NJ. 4 of 13 must be among 10 states with largest bank deposits.	National, reciprocal
New York	Currently	National, reciprocal
North Carolina	Currently	Reciprocal, 12 states (AL, AR, FL, GA, KY, LA, MD, MS, SC, TN, VA, WV) and DC
Ohio	Currently	Reciprocal, 13 states (DE, IL, IN, KY, MD, MI, MO, NJ, PA, TN, VA, WV, WI) and DC
	October 17, 1988	National, reciprocal
Oklahoma	July 1, 1987	National. After initial entry, BHC must be from state offering reciprocity or wait 4 years to expand.
Oregon	Currently	8 states, no reciprocity (AK, AZ, CA, HI, ID, NV, UT, WA)
Pennsylvania	Currently	Reciprocal, 7 states (DE, KY, MD, NJ, OH, VA, WV) and DC
	March 4, 1990	National, reciprocal
Rhode Island	Currently	Reciprocal, 5 states (CT, MA, ME, NH, VT)
	July 1, 1988	National, reciprocal
South Carolina	Currently	Reciprocal, 12 states (AL, AR, FL, GA, KY, LA, MD, MS, NC, TN, VA, WV) and DC
Tennessee	Currently	Reciprocal, 13 states (AL, AR, FL, GA, IN, KY, LA, MO, MS, NC, SC, VA, WV)
Texas	Currently	National, no reciprocity
Utah	Currently	Reciprocal, 11 states (AK, AZ, CO, HI, ID, MT, NM, NV, OR, WA, WY)
	December 31, 1987	National, no reciprocity
Virginia	Currently	Reciprocal, 12 states (AL, AR, FL, GA, KY, LA, MD, MS, NC, SC, TN, WV) and DC
Washington	July 1, 1987	National, reciprocal
West Virginia	January 1, 1988	National, reciprocal
Wisconsin	Currently	Reciprocal, 8 states (IA, IL, IN, KY, MI, MN, MO, OH)

1. Several states prohibit acquisition of banks in operation for less than a specified number of years. Some allow out-of-state firms to acquire problem institutions.

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token, when banks in other states can enter that state (the rows).

Because of unmet reciprocity requirements and the distant effective dates of some statutes, banks have fewer opportunities for expansion than expected given the number of laws. In only 334 (13 percent) of the 2,550 possible combinations (indicated by "now") is entry currently permitted. Even if all of the laws that have been enacted were fully in effect at the moment, that percentage would rise to only 28 percent.

Fifty-one banking organizations have subsidiary banks in one or more states besides their home state. On average, these bank holding companies have bank subsidiaries in only two other states; only 11 own banks in three or more additional states, and 4 of these are grandparented organizations that predate the current move to interstate banking.

Banking assets held by bank holding companies outside their home states total $148.4 billion, or approximately 6 percent of total U.S. domestic commercial banking assets (see table 2A). The table does not include other means by which banking organizations have been able to attain an interstate presence, such as nonbank subsidiaries of bank holding companies, limited-purpose banks, nondeposit trust companies, Edge act subsidiaries, or thrift institutions owned by bank holding companies.

Again reflecting the early stage of interstate banking and the relative importance of their grandparented bank holding companies, California and Minnesota bank holding companies hold a relatively large percentage of the interstate banking assets, as table 2A suggests. The collective interstate banking assets of grandparented interstate organizations account for 35.5 percent of the interstate banking assets, a percentage that reveals the early stage of the current interstate banking movement.

While the assets of the grandparented banks remain important, acquisitions under the new state interstate banking laws account for 55.8 percent of the interstate banking assets reported in table 2A. In only a few years, such assets have come to exceed those held under the grandparent provisions of the federal law. Given the short time that these laws have been in effect, the volume of assets that has been acquired is impressive.

A variety of state and federal statutes are responsible for the remaining 8.7 percent of interstate assets. The provisions for emergency interstate acquisitions of large failed banks resulted in entry into Florida and Oklahoma. A state emergency acquisition law allowed one large interstate bank acquisition. In a few instances, bank holding companies were permitted by the states and by the Federal Reserve System to acquire failed state-insured thrift institutions and convert them to commercial banks. These commercial banks are included in table 2A, which excludes several thrift institutions acquired by bank holding companies and maintained as such.

EARLY TRENDS

Interstate banking is still in its initial stages. But, in light of its significance for the structure of the banking system, the early trends are important. At this point, any perceived problems can still be addressed by state or federal legislation.

The first clear trend is the attempt by banking organizations to enter states whose volume or growth of deposits makes them especially attractive. Thus substantial interstate activity has involved the acquisition of Florida banks, particularly by Georgia and North Carolina organizations under the regional interstate banking laws. Florida banking organizations, on the other hand, have not yet completed any out-of-state acquisitions, contrary to the expectation that Florida would become the region's banking center. Florida banks, already in an attractive market, had less incentive to enter other markets than other banks had to enter Florida.

In a second trend, nearly all interstate expansion has been via acquisition rather than de novo entry. Thus, although interstate banking has not reduced the number of firms competing in local banking markets, it has not yet increased that number. Therefore, interstate banking has neither increased nor decreased local banking market concentration.

Banking organizations generally prefer to enter new markets by acquisition; moreover, de novo entry in the context of interstate banking is prohibited by many interstate banking laws. The usual means of preventing de novo entry is

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2. Interstate banking laws, January 1, 1987[1]—Continued

Date of permitted entry

State permitting entry	Alabama	Alaska	Arizona	Arkansas	California	Colorado	Connecticut	Delaware	District of Columbia	Florida	Georgia	Hawaii	Idaho
	State whose banks are permitted entry												
Alabama[2]				(3)					JL 87	JL 87	JL 87		
Alaska	now		now	now	now	now	now	now	now	now	now	now	now
Arizona	now	now		now	now	now	now	now	now	now	now	now	now
Arkansas													
California	(3)	JL 87	JL 87	(3)		(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Colorado													
Connecticut[2]													
Delaware													
District of Columbia[2]	JL 87[4]									now	(3)		
Florida[2]	JL 87[4]			(3)					now		now		
Georgia[2]	JL 87[4]									now			
Hawaii													
Idaho[2]													
Illinois[2]													
Indiana[2]													
Iowa													
Kansas													
Kentucky[2]	JL 87[4]	now	now	(3)	JL 91[4]	(3)	(3)	(3)	(3)	(3)	now	(3)	(3)
Louisiana[2]	JL 87	JA 89	JA 89	(3)	JL 91[6]	(3)	(3)	(3)	JL 87	JL 87	JL 87	(3)	(3)
Maine	now	now	now	now	now	now	now	now	now	now	now	now	now
Maryland[2]	JL 87			(3)				(3)	now	JL 87	(3)		
Massachusetts[2]							now						
Michigan[2]	(3)	OC 88	OC 88	(3)	JL 91[6]	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Minnesota[2]													
Mississippi[2]	JL 88			(3)						JL 90	JL 90		
Missouri[2]				(3)									
Montana													
Nebraska													
Nevada[7]	JA 89	now	now	JA 89	JA 89	JA 89[5]	JA 89	JA 89	JA 89	JA 89	JA 89	JA 89[5]	now
New Hampshire													
New Jersey[2]	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)
New Mexico													
New York[2]	(5)	now	now	(5)	JL 91[4]	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
North Carolina[2]	JL 87[4]			(5)					now	now	now		
North Dakota													
Ohio[2]	(3)	OC 88	OC 88	(3)	JL 91[6]	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Oklahoma	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]
Oregon		now	now		now							now	now
Pennsylvania[2]	(3)	MR 90	MR 90	(3)	JL 91[6]	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Rhode Island[2]	(3)	JL 88	JL 88	(3)	JL 91[6]	(3)	now	(3)	(3)	(3)	(3)	(3)	(3)
South Carolina[2]	JL 87[4]			(5)					now	now	now		
South Dakota													
Tennessee[2]	JL 87[4]			(5)						now	now		
Texas	now	now	now	now	now	now	now	now	now	now	now	now	now
Utah[10]	DE 87	now	now	DE 87	DE 87	DE 87[5]	DE 87	DE 87	DE 87	DE 87	DE 87	DE 87[5]	now
Vermont													
Virginia[2]	JL 87[4]			(5)					now	now	now		
Washington[2]	(3)	JL 87	JL 87	(3)	JL 91[6]	(3)	(3)	(3)	(3)	(3)	(3)	(3)	JL 87
West Virginia[2]	JA 88	JA 88	JA 88	(3)	JL 91[6]	(3)	(3)	(3)	JA 88	JA 88	(3)	(3)	(3)
Wisconsin[2]													
Wyoming													

Notes appear on page 87.

to require that banks that are the object of out-of-state acquisition must have been in existence for some minimum number of years before their acquisition. Many states adopted prohibitions against de novo entry to answer concerns that allowing large banks to enter de novo would destroy the franchise value of existing bank charters.

Third, a trend has developed toward control by out-of-state organizations of banking in states with relatively low deposits and relatively small banking organizations. Maine illustrates this development. Banks that have entered that state own its five largest commercial banking organizations and control 83 percent of its commercial banking assets.

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2. Continued

State permitting entry	Illinois	Indiana	Iowa	Kansas	Kentucky	Louisiana	Maine	Maryland	Massachusetts	Michigan	Minnesota	Mississippi	Missouri
	State whose banks are permitted entry												
Alabama[2]					JL 87	JL 87		JL 87				JL 88[6]	
Alaska	now	now	now	now	now	now	now	now	now	now	now	now	now
Arizona	now	now	now	now	now	now	now	now	now	now	now	now	now
Arkansas													
California	(3)	(3)	(3)	(3)	JA 91	JA 91	JA 91	(3)	(3)	JA 91	(3)	(3)	(3)
Colorado													
Connecticut[2]							now		now				
Delaware													
District of Columbia[2]						JL 87[4]		now				(5)	
Florida[2]						JL 87[4]		JL 87[4]				JL 90[4]	
Georgia[2]					now		JL 87[4]						JL 90[4]
Hawaii													
Idaho[2]													
Illinois[2]		now	(3)		now					now			now
Indiana[2]	now				now					now			
Iowa													
Kansas													
Kentucky[2]	now	now	(3)	(5)		JL 87[4]	now	JL 87[4]	(3)	OC 88[4]	(3)	JL 90[4]	now
Louisiana[2]	(3)	(3)	(3)	(3)	JL 87	...	JA 89	JL 87	(3)	JA 89	(3)	JL 88[6]	(3)
Maine	now	now	now	now	now	now	...	now	now	now	now	now	now
Maryland[2]					JL 87	JL 87		...				(3)	
Massachusetts[2]							now						
Michigan[2]	now	now	(3)	(3)	OC 88	JA 89[6]	OC 88	(3)	(3)	...	(5)	(3)	(3)
Minnesota[2]			(5)								...		
Mississippi[2]					JL 90	JL 88						...	(3)
Missouri[2]	now		(5)	(5)	now								
Montana													
Nebraska													
Nevada[7]	JA 89	JA 89	JA 89	JA 89	JA 89	JA 89	JA 89	JA 89	JA 89	JA 89	JA 89	JA 89	JA 89
New Hampshire													
New Jersey[2]	(5)	(5)	(8)	(8)	now	(8)	(8)	(5)	(8)	OC 88[4]	(8)	(8)	(5)
New Mexico													
New York[2]	(5)	(5)	(5)	(5)	now	JA 89[4]	now	(5)	(5)	OC 88[4]	(5)	(5)	(5)
North Carolina[2]					now	JL 87[4]		JL 87[4]				JL 90[4]	
North Dakota													
Ohio[2]	(5)	now	(3)	(3)	now	JA 89[6]	OC 88	(5)	(3)	now	(3)	(3)	(5)
Oklahoma	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]
Oregon													
Pennsylvania[2]	(3)	(3)	(3)	(3)	now	MR 90	MR 90	JL 87[4]	(3)	MR 90	(3)	(3)	(3)
Rhode Island[2]	(3)	(3)	(3)	(3)	JL 88	JA 89[6]	now	(3)	now	OC 88[6]	(3)	(3)	(3)
South Carolina[2]					now	JL 87[4]		JL 87[4]				JL 90[4]	
South Dakota													
Tennessee[2]		(5)			now	JL 87[4]						JL 88[4]	now
Texas	now	now	now	now	now	now	now	now	now	now	now	now	now
Utah[10]	DE 87	DE 87	DE 87	DE 87	DE 87	DE 87	DE 87	DE 87	DE 87	DE 87	DE 87	DE 87	DE 87
Vermont													
Virginia[2]					now	JL 87[4]		now				JL 90[4]	
Washington[2]	(3)	(3)	(3)	(3)	JL 87	JA 89[6]	JL 87	(3)	(3)	OC 88[6]	(3)	(3)	(3)
West Virginia	(3)	(3)	(3)	(3)	JA 88	JA 88	JA 88	JA 88	(3)	OC 88[6]	(3)	JL 90[4]	(3)
Wisconsin[2]	now	(5)	(5)		now					now	now		(5)
Wyoming													

Fourth, the Maine experience also indicates the greater possibilities offered by nationwide rather than regional interstate entry. Entry into Maine came from Boston, Hartford, and Providence, as expected, but bank holding companies from outside New England also have been important participants. One money center bank from outside New England established a de novo bank, and two upstate New York bank holding companies acquired major Maine organizations. These entrants would have been excluded had Maine chosen a New England regional banking policy.

A fifth trend is the development of "superregional" banking organizations formed by the merger of major banking organizations from two or more of a region's states. The regional banking laws have prevented the acquisition of a

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2. Interstate banking laws, January 1, 1987[1]—Continued

Date of permitted entry

State permitting entry	State whose banks are permitted entry												
	Montana	Nebraska	Nevada	New Hampshire	New Jersey	New Mexico	New York	North Carolina	North Dakota	Ohio	Oklahoma	Oregon	Pennsylvania
Alabama[2]								JL 87					
Alaska	now	now	now	now	now	now	now	now	now	now	now	now	now
Arizona	now	now	now	now	now	now	now	now	now	now	now	now	now
Arkansas													
California[2]	(3)	(3)	JA 89[6]	(3)	(8)	(3)	JA 91	(3)	(3)	JA 91	JA 91	JL 87	JA 91
Colorado													
Connecticut[2]				(3)									
Delaware													
District of Columbia[2]								now					
Florida[2]								now					
Georgia[2]								now					
Hawaii													
Idaho[2]	(3)		now									now	
Illinois[2]													
Indiana[2]										now			
Iowa													
Kansas													
Kentucky[2]	(5)	(5)	JA 89[4]	(5)	now	(5)	now	now	(5)	now	JL 87[4]	(5)	now
Louisiana[2]	(3)	(3)	JA 89	(3)	(8)	(3)	JA 89	JL 87	(3)	JA 89	JL 87	(3)	MR 90[6]
Maine	now	now	now	now	now	now	now	now	now	now	now	now	now
Maryland[2]								JL 87					JL 87
Massachusetts[2]				(5)									
Michigan[2]	(3)	(3)	JA 89[6]	(3)	OC 88	(3)	OC 88	(3)	(3)	now	OC 88	(3)	MR 90[6]
Minnesota[2]									(5)				
Mississippi[2]								JL 90					
Missouri[2]		(5)									JL 87[4]		
Montana	...												
Nebraska		...											
Nevada[7]	JA 89[5]	JA 89	...	JA 89	JK 89	JA 89[5]	JA 89	JA 89	JA 89	JA 89	JA 89	now	JA 89
New Hampshire				...									
New Jersey[2]	(8)	(8)	(8)	(8)		(8)	(8)	(8)	(8)	now	(8)	(8)	now
New Mexico						...							
New York[2]	(5)	(5)	JA 89[4]	(5)	(5)	(5)	...	(5)	(5)	OC 88[4]	JL 87[4]	(5)	MR 90[4]
North Carolina[2]								...					
North Dakota									...				
Ohio[2]	(3)	(3)	JA 89[6]	(3)	now	(3)	OC 88	(3)	(3)	...	OC 88	(3)	now
Oklahoma	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	...	JL 87[9]	JL 87[9]
Oregon			now									...	
Pennsylvania[2]	(3)	(3)	MR 90	(3)	now	(3)	MR 90	(3)	(3)	now	MR 90	(3)	...
Rhode Island[2]	(3)	(3)	JA 89[6]	(5)	(8)	(3)	JL 88	(3)	(3)	OC 88[6]	JL 88	(3)	MR 90[6]
South Carolina[2]								now					
South Dakota													
Tennessee[2]								now					
Texas	now	now	now	now	now	now	now	now	now	now	now	now	now
Utah[10]	DE 87[5]	DE 87	now	DE 87	DE 87	DE 87[5]	DE 87	DE 87	DE 87	DE 87	DE 87	now	DE 87
Vermont													
Virginia[2]								now					
Washington[2]	(3)	(3)	JL 87	(3)	(8)	(3)	JL 87	(3)	(3)	OC 88[6]	JL 87	JL 87	MR 90[6]
West Virginia[2]	(3)	(3)	JA 89[6]	(3)	JA 88	(3)	JA 88	JA 88	(3)	JA 88	JA 88	(3)	JA 88
Wisconsin[2]										now			
Wyoming													

region's major banks by money center banks. Thus banks with a strong regional orientation have grown through mergers to a size that now limits the number of potential acquirors.

Finally, interstate banking appears likely to increase the concentration of banking assets in the nation over the long run because most geographic expansion is attributable to large banks and is conducted through mergers and acquisitions. In the case of interstate banking, many of the organizations resulted from mergers between relatively large banks. Of the 51 interstate organizations noted in table 2A, all but 6 rank among the country's top 200 banking firms.

2. Continued

State permitting entry	Rhode Island	South Carolina	South Dakota	Tennessee	Texas	Utah	Vermont	Virginia	Washington	West Virginia	Wisconsin	Wyoming
	State whose banks are permitted entry											
Alabama[2]		JL 87		JL 87				JL 87		JA 88[6]		
Alaska	now	now	now	now	now	now	now	now	now	now	now	now
Arizona	now	now	now	now	now	now	now	now	now	now	now	now
Arkansas												
California	JA 91	(3)	(3)	(3)	JL 87	DE 87[6]	(3)	(3)	JL 87	JA 91	(3)	(3)
Colorado												
Connecticut[2]	now						(5)					
Delaware												
District of Columbia[2]		now		(5)				now		JA 88[4]		
Florida[2]		now		now				now		JA 88[4]		
Georgia[2]		now		now				now				
Hawaii												
Idaho[2]						now			JL 87[4]			(5)
Illinois[2]											now	
Indiana[2]												
Iowa												
Kansas												
Kentucky[2]	JL 88[4]	now	(5)	now	now	DE 87[4]	(5)	now	JL 87[4]	JA 88[4]	now	(5)
Louisiana[2]	JA 89	JL 87	(3)	JL 87	JL 87	JA 89	(3)	JL 87	JA 89	JA 88[6]	(3)	(3)
Maine	now	now	now	now	now	now	now	now	now	now	now	now
Maryland[2]		JL 87		(3)				now		JA 88[4]		
Massachusetts[2]	now						(5)					
Michigan[2]	OC 88	(3)	(3)	(3)	OC 88	OC 88	(3)	(3)	OC 88	OC 88	now	(3)
Minnesota[2]			(5)								now	
Mississippi[2]		JL 90		JL 88	JL 90			JL 90		JL 90		
Missouri[2]				now								
Montana												
Nebraska												
Nevada[7]	JA 89	JA 89	JA 89	JA 89	JA 89	now	JA 89	JA 89	JL 87[4]	JA 89	JA 89	JA 89[5]
New Hampshire												
New Jersey[2]	(8)	(8)	(8)	(5)	(8)	(8)	(8)	(5)	(8)	JA 88[4]	(5)	(8)
New Mexico												
New York[2]	JL 88[4]	(5)	(5)	(5)	now	DE 87[4]	(5)	(5)	JL 87[4]	JA 88[4]	(5)	(5)
North Carolina[2]		now		now				now		JA 88[4]		
North Dakota												
Ohio[2]	OC 88	(3)	(3)	(5)	OC 88	OC 88	(3)	(5)	OC 88	JA 88[4]	now	(3)
Oklahoma	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]	JL 87[9]
Oregon						now			now			
Pennsylvania[2]	MR 90	(3)	(3)	(3)	MR 90	MR 90	(3)	(5)	MR 90	JA 88[4]	(3)	(3)
Rhode Island[2]	...	(3)	(3)	(3)	JL 88	JL 88	(5)	(3)	JL 88	JL 88	(3)	(3)
South Carolina[2]		...		now				now		JA 88[4]		
South Dakota			...									
Tennessee[2]		now		...				now		JA 88[4]		
Texas	now	now	now	now	...	now	now	now	now	now	now	now
Utah[10]	DE 87	DE 87	DE 87	DE 87	DE 87	...	DE 87	DE 87	JL 87[4]	DE 87	DE 87	DE 87[5]
Vermont							...					
Virginia[2]		now		now				...		JA 88[4]		
Washington[2]	JL 88[6]	(3)	(3)	(3)	JL 87	JL 87	(3)	(3)	...	JA 88[6]	(3)	(3)
West Virginia[2]	JL 88[6]	JA 88	(3)	JA 88	JA 88	JA 88	(3)	JA 88	JA 88	...	(3)	(3)
Wisconsin[2]											...	
Wyoming												...

1. Laws already in effect or with established effective dates.
2. Reciprocity required.
3. Entry would be allowed at a future date, but the state in the column has not enacted a law granting reciprocity to the state in the row.
4. Entry would be allowed now, but the reciprocity requirement is not met. The state in the column has enacted a law providing for entry from the state in the row, but the law does not become effective until the date given.
5. Entry would be allowed now, but the reciprocity requirement is not met. The state in the column has not enacted a law permitting entry from the state in the row.
6. Entry would be allowed at an earlier date, but the law of the state in the column granting reciprocity will not be effective until this later date.
7. Reciprocity is required until January 1989.
8. Future reciprocity is provided for, but the trigger date is indeterminate because it depends on the action of other states.
9. Entry is permitted but subsequent expansion depends on reciprocity.
10. Reciprocity is required until December 1987.

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Since the days of the first and second Bank of the United States, concentration has been a concern in the regulation of American banking. Unlike other countries, where a relatively small number of banks hold the vast bulk of banking assets, the United States has designed a policy that avoids concentration of control over the allocation of credit. Whether the nation would be better served by a small number of large banks or a large number of small banks is a central question in all discussions of branch banking and bank holding company expansion policy.

The issue of aggregate concentration embodies both economic and sociopolitical questions. On the economic side, higher concentration means fewer, but larger, banks. In face of the difficulties arising from the failure of a large bank and the limited number of firms able to acquire a large failed bank, should economic policy foster even larger banks? On the sociopolitical side, how dispersed should power over the allocation of credit be in a free enterprise society? Credit is a key input in the production and distribution of all other goods, and the access to credit on fair and competitive terms has always been important to policymakers. Therefore, heavy emphasis has been placed on ensuring that no firm or group of firms gains monopoly control over the allocation of credit.

While traditional policy is oriented toward preventing an increase in the aggregate concentration of banking, other views suggest that ag-

2A. Interstate banking assets[1]

Millions of dollars

State permitting entry	State whose banks are permitted entry											
	California	Connecticut	District of Columbia	Georgia	Idaho	Illinois	Indiana	Kentucky	Massachusetts	Michigan	Minnesota	Missouri
Alaska												
Arizona	10,281											
Colorado	2,568											
Connecticut									9,542			
District of Columbia												
Florida				15,347		347						
Georgia												
Idaho	789											
Illinois												910
Indiana								339		603		
Iowa											2,130	
Kentucky							117					
Maine									1,928			
Maryland			845									
Massachusetts		2,594										
Michigan							88					
Montana	301										2,873	
Nebraska											1,424	
Nevada	2,844											
New Jersey												
New Mexico	931											
New York			956									
North Dakota											2,467	
Ohio												
Oklahoma	1,754											
Oregon	5,418				272							
Rhode Island		3							3,555			
South Carolina				3,167								
South Dakota											2,915	
Tennessee			397									446
Utah	943				352							
Virginia			2,601									
Washington	12,184											
Wisconsin											1,303	
Wyoming	476											
Total	38,489	2,597	4,799	18,513	624	347	204	339	15,025	603	13,111	1,355

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gregate concentration poses less threat than it did in the past. Such views stress the larger number of credit-granting organizations in the economy. These include U.S. agencies and branches of foreign banks and thrift institutions that have only recently gained the power to make commercial and industrial loans and all types of consumer loans. In addition, the wide variety of nondepository institutions would offer competition if large banks were not allocating credit to its most efficient uses. The ease of entry into the banking industry would permit the formation of new banks to seek profits by meeting those credit needs. According to this view, aggregate concentration would be a problem only if there were substantial barriers both to the formation of new banking organizations and to the expanded lending activity of entities other than domestic commercial banks.

For a long time, the barriers to interstate banking have maintained a relatively deconcentrated banking industry because the inability to acquire banks in other states has limited the share of national banking assets that any one firm could acquire. The shares of total domestic banking assets held by the 5, 10, 25, 50, and 100 largest insured banking organizations are indicated in table 3. In recent years, the shares of banking assets held by the 50 and 100 largest banking organizations have increased. With in-

2A. Continued

State permitting entry	State whose banks are permitted entry												
	Nebraska	New York	North Carolina	Ohio	Pennsylvania	Rhode Island	Tennessee	Utah	Vermont	Virginia	Washington	Wisconsin	Total[2]
Alaska		558									130		688
Arizona	19	1,127						26				243	11,695
Colorado													2,568
Connecticut						1,501							11,042
District of Columbia										1,854			1,854
Florida		580	13,979										30,253
Georgia			9,988										9,988
Idaho								1,753					2,543
Illinois													918
Indiana				2,898									3,839
Iowa	33												2,163
Kentucky				703			168						987
Maine		1,975				779			39				4,721
Maryland		484			235					6,357			7,923
Massachusetts						5							2,599
Michigan				359									446
Montana													3,174
Nebraska													1,424
Nevada								211					3,055
New Jersey					2,070								2,070
New Mexico													931
New York													956
North Dakota													2,467
Ohio		394											394
Oklahoma													1,754
Oregon		128											5,818
Rhode Island													3,558
South Carolina			3,721										6,887
South Dakota													2,915
Tennessee													842
Utah		41											1,335
Virginia													2,601
Washington													12,184
Wisconsin													1,303
Wyoming								68					543
Total	53	5,287	27,688	3,959	2,305	2,285	168	2,058	39	8,212	130	243	148,432

1. All the data on assets are as of June 30, 1986, except for California banks in Oklahoma, for which data are as of March 31, 1986. The table reflects acquisitions and mergers reported in the FEDERAL RESERVE BULLETIN through the issue for November 1986.

2. Details may not add to totals because of rounding.

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3. Shares of domestic commercial banking assets held by largest banking organizations[1]

Percent

Year	Top 5	Top 10	Top 25	Top 50	Top 100
1970..	14.0	21.4	32.8	41.1	50.4
1971..	13.4	20.5	31.7	40.1	49.5
1972..	13.5	20.7	31.8	40.3	50.3
1973..	13.3	20.9	32.4	41.1	51.2
1974..	14.2	22.2	33.9	42.3	52.3
1975..	13.7	21.3	32.6	41.1	50.8
1976..	13.4	20.8	31.7	40.2	49.9
1977..	13.5	21.0	32.0	40.5	50.2
1978..	13.4	21.1	32.4	41.1	50.8
1979..	13.4	21.3	32.6	41.5	51.2
1980..	13.5	21.6	33.1	41.6	51.4
1981..	13.2	21.1	33.1	41.6	51.7
1982..	13.4	21.8	34.2	43.0	53.6
1983..	13.1	21.0	33.8	43.2	54.3
1984..	13.0	20.3	33.1	43.5	55.0
1985..	12.8	20.3	33.1	45.7	57.7

1. Banks are ranked by domestic banking assets. Only insured commercial banks are included; nondeposit trust companies are excluded.

terstate banking expected to result in higher concentration, the choice is either to develop new methods to maintain deconcentration or to accept the greater banking concentration on the hypothesis that it does not necessarily mean greater control over the allocation of credit.

Various proposals have been advanced for the prevention of a substantially higher level of nationwide banking concentration under a system of interstate banking. One relatively simple alternative would be to bar mergers among the 10, 25, or 50 largest banking organizations. These large organizations, which are the most likely to become regional or nationwide organizations, would be forced to expand either on a de novo basis or by acquiring organizations outside the top tier. Any bank ranked below the top 50 nationwide holds less than ½ percent of nationwide banking assets. Therefore, expansion of the major banks by acquisitions outside the top 50 would have no real effect on the level of banking concentration in the short term, although it might in the long run.

An alternative way of controlling aggregate concentration would be to establish a limit on the percentage of total nationwide banking assets that any one banking organization could hold. Once a firm reached this limit, it could not expand by merger, although it would still be free to increase its national share by internal growth or de novo entry into new markets.

Federal Reserve Policy toward Interstate Banking

The Federal Reserve Board has supported the concept of interstate banking. In 1956, the Board supported the original draft of proposed bank holding company legislation that did not yet contain the Douglas Amendment barrier to interstate banking. Then-Chairman William McC. Martin, Jr., added the Board's support to a proposal advanced in 1969 that would have permitted interstate banking within the Washington, D.C., area. Hearings were held by the Senate Committee on Banking and Currency, but the bill did not advance.

One interstate banking measure the Board suggested was the provision for emergency interstate acquisitions, which was ultimately included in the Garn–St Germain Act of 1982. This technique for dealing with the failure of a large banking organization was proposed annually by the Board after the difficulties in arranging an acquisition of Franklin National Bank in 1974.

The most recent Board statement on interstate banking is the testimony by Chairman Paul A. Volcker before a subcommittee of the House Committee on Banking, Finance and Urban Affairs on April 24, 1985. In his testimony, the chairman focused on the survival of small banks, aggregate concentration, states' rights, and the potential "Balkanization" of the banking industry. He stressed that small banks continue to operate profitably in all varieties of banking markets. Probably because substantial economies of scale are not available in banking, no evidence suggests that small banks cannot compete with much larger organizations. Indeed, even in large metropolitan markets, small banks can compete with larger ones and frequently earn higher rates of return on assets.

Chairman Volcker described a variety of approaches to limiting aggregate concentration in banking. The plan he suggested would prohibit mergers among banks ranked in the top 25 nationwide. In addition, no organization could acquire, through large acquisitions, more than 2.5 percent of total domestic deposits in depository institutions.

While recognizing the value of the dual banking system and the right of the states to enact

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 3
DATE 2-18-87
BILL NO. S.B.291

their own legislation, Chairman Volcker expressed the Board's concern over the regionalization of the banking industry resulting from the new state laws. To reconcile the desire for a uniform national policy with the desire to maintain a dual system of bank regulation, Chairman Volcker recommended a federally legislated limit on the number of years that states could maintain a system of regional interstate banking. After a suggested interval of three years, the state would have to allow entry from any state that was open to its banking organizations. A draft interstate banking bill incorporating most of the Board's recommendations was adopted by the House Banking Committee, but was not acted upon by the full House of Representatives.

LIKELY FUTURE DEVELOPMENTS

If the experience of the last few years persists, most of the states that have not already done so will pass some form of interstate banking legislation. Because the major banking states already have enacted laws, however, the initial legislative phase of interstate banking is already over. The next phase will focus on attempts to expand the limited regions that have been selected by many states. If the process depends on a gradual state-by-state expansion of interstate banking rights, however, full nationwide banking is likely to be achieved only in the distant future, and the expansion opportunities of the money center banks will remain limited.

The current high level of interstate mergers, as well as intrastate mergers, gives every sign of persisting. A few bank holding companies will acquire more banks as they attempt to develop nationwide banking organizations, and a larger number will form regional organizations. These organizations will be seeking added diversification of their deposit bases and loan portfolios. They may also expect their growth to yield lower costs, although the empirical evidence does not support this view.

Over the longer run, the merger activity may involve more relatively small banks. For the short term, however, the development of interstate banking will continue to involve mainly large banking organizations. The development of the superregional banks is likely to continue; their growth and expansion into new states and markets will result from the acquisition of relatively large banking organizations.

Thus far interstate banking has not increased concentration in local banking markets because the interstate banks are acquiring banks in markets in which they were not previously allowed to operate a full-service bank. Their entry into a new market via the acquisition of a firm already in that market has merely replaced one competitor with another without changing market concentration.

As noted, the expansion of interstate banking does not appear to threaten the small banks. In the long run, as interstate organizations expand beyond major banking markets into smaller cities and towns, fewer small banks will be isolated from large bank competitors. Yet, just as the small banks have survived decades of competition from major branch banks in the relatively concentrated statewide banking states, they will survive competition from the nationwide banking organizations.

Nevertheless, the issue of the aggregate concentration of the banking industry will continue to be important as the expansion of interstate banking intensifies nationwide concentration of assets beyond the degree attainable before interstate banking. Taking a long view and assuming no restrictions on mergers among large banks, one can argue that the banking system will comprise thousands of small banks, and a few very large banking organizations operating in most major banking markets and collectively holding a large share of the nation's banking assets. These large banks will be competing against both the small banks and many other depository and nondepository financial institutions.

Finally, at some point in the development of interstate banking, efforts will be made to change the state laws to allow interstate branch banking as well as interstate bank holding companies. Generally, after the liberalization of state branching laws, banking organizations have sought to reduce costs by consolidating many subsidiary banks into one bank with many branch offices.

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SUMMARY

After being prohibited for most of the nation's history, interstate banking is now being permitted by state statutes. Although the laws have been changed only recently in most states, many interstate acquisitions have already taken place as firms have attempted to build regional or national bank holding companies.

Interstate banking will continue to develop in the next several years and will significantly affect the structure of the American banking system. While the aggregate concentration of banking is the issue that has raised the most concern, it could be addressed by appropriate policies. In the long run, geographic deregulation could be as important to the banking system as the deregulation of interest rates and the provision of new bank products and services.

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SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 4
DATE 2/18/87
BILL NO. 291

THE REST OF THE STORY . . .

The benefits of interstate bank ownership and "mergerization" of the industry are indeed wonderful!

The following article appeared in the June 1 edition of the Waterloo Courier. Those who favor interstate bank ownership cannot help but be overcome with emotion at the sight of the savings in personnel expense.

And one assumes that all of those previously employed workers appreciate that their sacrifice is not in vain, but a contribution to the new technology and the new and better services we all know to be the direct and necessary consequences of consolidation.

5,000 will lose jobs in biggest bank merger

SAN FRANCISCO (AP) — About 5,000 people will lose their jobs as Wells Fargo & Co. absorbs Crocker National Corp. in the nation's biggest bank merger, a Wells Fargo executive says.

Wells Fargo President Paul Hazen said termination notices were given Friday to 1,650 workers, most of them from Crocker, and further reductions will be made over the next two years as operations are consolidated.

Wells Fargo completed its $1.1 billion acquisition of Crocker from the London-based Midland Bank PLC on Friday, making it the country's 10th largest bank holding company and California's third largest bank.

Affected employees received a 30-day notice that their positions have been eliminated, and they will be provided with job search assistance and allowed to apply for other jobs within the company.

If employees fail to find jobs during that period, they will be placed on a paid leave of absence ranging from two weeks to 21 months, depending on their position and length of employment.

[Ed. Note. Of course, this could not happen in Iowa because consolidation here would mean more jobs, right?]

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 4A
DATE 2-18-87
BILL NO. SB 272

Amend Senate Bill No. 272, Introduced Copy

1. Page 2, lines 18 and 19.
Following: "that" on line 18
Strike: "Class III"
Following: "railroads" on line 18
Strike: ", as defined by the interstate commerce commission in 49 CFR, part 1201,"

2. Page 2, line 20.
Following: "than"
Strike: "$5"
Insert: "$1"
Following: "million"
Insert: "that are devoted solely to tourism promotion"

Crazy Mountain Railroad

P.O. Box 216 Livingston, Montana 59047

Montana State Senate
Business and Industry Committee
Room 410, State Capitol
Helena, Montana

Feb. 18, 1987

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 5
DATE 2/18/87
BILL NO. SB 272

Dear Committee Member,

The Crazy Mountain Railroad in Park County, Montana has been incorporated as a non-profit entity for the sole purpose of developing the Shields River Branch Line as the route for an historic passenger railroad. The objective of the tourist railroad is to attract more visitors to the county, thereby bolstering the local economy.

Throughout the nation small scenic passenger railroads — many of which create an historic flavor through the use of steam locomotives, old passenger cars, dining cars and train personnel dressed in period clothing — have proven themselves to be a popular tourist attractions. Many of these scenic tourist railroads carry 50,000 to 100,000 riders a year and some carry over 200,000 riders annually.

Those working on the Crazy Mountain Railroad project believe that such an attraction could be successful in Park County, which is in an excellent position to attract tourists from Yellowstone National Park, a world-renowned attraction that recieves over 2.2 million visitors annually. Park statistics show that over 360,000 people enter the park through the north entrance at Gardiner each year, and many more exit the park there. But the key to developing a tourist industry is having local attractions that get people off the highways and into town for an extended visit.

The Livingston Depot Foundation is in the process of transforming the magnificent Northern Pacific Depot into a Western art museum. The museum is slated to open this July and will bring thousands of people into Livingston — people who will spend money in the local economy and help build our tourist industry. The Crazy Mountain Railroad directors believe the passenger train project will complement the Depot Center Museum and help attract additional visitors and give them a reason to stay longer and spending more money.

The Crazy Mountain Railroad has received a $10,000 grant from the federal Economic Development Administration to conduct a feasibility study of the passenger train project. Several firms from throughout Montana and the nation have submitted bids to conduct that study, and that bid will be awarded in early March. We are confident the study will show the project can be viable on a break-even basis, with any and all profits turned back into the railroad for track maintenance, purchasing and repairing rolling stock and advertising.

Addition expenses, such as property taxes on the line, would create additional burdens for small, non-profit scenic railroads, which — when combined with other expenses such as insurance and maintenance — may even prove to be too much for the short-line railroad to bear.

The operation of a short-line passenger railroad in Park County would create jobs in itself, as well as creating "spinoff" jobs in Livingston, Clyde Park and Wilsall. If the project fails, the Burlington Northern will remove the track and the railroad right-of-way would eventually revert back to an agricultural tax classification. As such, it would only generate about $400 a year in property taxes.

The Board of Directors of the Crazy Mountain Railroad believes that by exempting from property taxes state-acquired railroad rights-of-way, SB 272 will not result in any great loss of revenue for local governments and school districts across the state but will in fact help to create jobs wherever these scenic passenger railroads are established and bolster new and existing businesses. Developing the Crazy Mountain Railroad would be beneficial to all of Park County, which has suffered enormously in the last few years.

As you know, in 1986 Livingston Park County were shocked by the closure of the Burlington Northern locomotive repair shops and the loss of over 500 jobs both in the railroad industry and other support industries. Some estimate put the 1986 job loss in Park County at over 900, and many, many more jobs have been lost since 1979 when over 1,000 people were employed at the shops. Economic redevelopment efforts are underway, but progress will be slow and hard fought as the local development corporation tries to create new jobs to bolster the sagging economy.

The prospect of attracting new business and industry to Park County appears to be limited due to a number of factors, such as distance from major markets, facilities available locally and the "negative" business climate many perceive Montana to have. Tourism, on the other hand, is a bright spot in the state's economic picture and one not affected by the Montana's location or its business climate.

Tourism is Montana's second leading industry behind agriculture and one that is well suited to help bring Park County out of its economic woes. Many believe that with the Depot Center Museum, the Crazy Mountain Railroad and the historic rehabilitation that was completed in downtown Livingston, Park County will actually begin to divert tourists through Yellowstone Park who head north to Montana to see those attractions before heading on to see other attractions in the state such as Glacier National park.

We, the Board of Directors of the Crazy Mountain Railroad urge the Montana Legislature to pass SB272 to remove one roadblock that stands before us and a project that could have a tremendous beneficial impact on the Park County and the City of Livingston.

The following information is submitted for your behalf to provide more information about the Crazy Mountain Railroad project and the Shields Valley Branch Line. If you have any additional questions please contact Rep. Bob Raney or call me, Tom Shands at 222-2665.

The Shields River Branch Line is a 23-mile line that runs between Mission (a siding located four miles east of Livingston) and the town of Wilsall, Montana. The line was built in 1909 to haul passengers to and from the towns of Chadbourne, Clyde Park and Wilsall, and to haul grain from the valley. Resumption of grain hauling from the valley is a possibility if the line is reopened for passenger use.

The Burlington Northern Railroad abandoned the line in 1985 and has since removed several sections of rail to physically disconnect the branch line from its main line. The line was slated for removal during the summer of 1986, but through local efforts the BN agreed to leave the line in place to allow time to develop this project.

Burlington Northern officials have given tentative approval of plans to donate the branch line right-of-way to the State of Montana if the Crazy Mountain Railroad can demonstrate that the project could be economically viable. BN has also left the door open for additional donations of used track, ties and rolling stock to further assist the project. (In other states BN has generously donated similar items to tourist railroads)

A feasibility study will soon be underway to determine potential ridership, initial start-up costs and annual expenses and revenues. That study should be completed by May 1.

Exhibit 5
Date 2-18-87
Bill no. SB 272

5-8-89

Livingston men studying Shields Valley tourist train

By PETER CAUGHEY
Chronicle Staff Writer

Two Livingston men are looking into running a steam-powered tourist train between Livingston and Wilsall.

Burlington Northern announced this week that it will suspend for one year the proposed demolition of the 23-mile Shields Valley branch line to allow the possibility of creating a tourist line to be explored.

Bob Raney, a BN conductor and state legislator, and Tom Shands, a reporter for the Livingston Enterprise newspaper, will study starting up a "Crazy Mountain Railroad," Shands said Wednesday.

Shands said old steam locomotives, passenger and dining cars are available to buy. Dining on a tourist train making an evening run has proved popular in other parts of the country, he said.

The tourist train would run as far north as Wilsall, which is equipped with a turnaround, Shands said.

With the loss of the BN locomotive repair shops the Livingston economy is going to have to change, Shands said, adding that many people believe tourism is a natural for the area.

The railroad could capitalize on tourists visiting Yellowstone National Park and the museum in the old Livingston BN depot, he said.

BN abandoned the Shields Valley line, which had been used to haul grain, in 1983. It might even be feasible to resume hauling grain if the tourist line became a reality, he said.

Montana law allows the state to assume control of abandoned railroad lines, as the state has done near Geraldine, he said.

Shands said the tourist line would be non-profit, which would make it eligible for grants. He estimated the cost of starting the railroad at about $1 million.

Steam railroad dream gets boost

5-2-89

By Enterprise Staff

A dream took a step closer to reality Tuesday for two Livingston residents hoping to develop a scenic passenger railroad in Park County.

The turn-of-the-century steam engine railroad being promoted by Tom Shands and state Rep. Bob Raney, D-Livingston, would run from Livingston to Wilsall along the 23-mile Mission branch line, shuttling tourists through the Shields Valley.

The Burlington Northern Railroad, which owns the branch line, announced Tuesday that it would hold off on a planned demolition of the line, giving Shands and other backers a chance to study the feasibility of developing the tourist train.

"We're taking this one step at a time," said Shands. "We've got a line, now we need funding. We're going to have to get on it quickly."

"Every town has the same dream, to have something unique," Raney said. "This is one of those projects."

Shands, who would like to open the railroad by 1989, the state's centennial, said development of a tourist railroad has "been done recently and it's been done successfully."

He said railroad backers will have to determine first whether it will be economically feasible to operate the railroad. If the study proves positive, the group will look for a steam engine and passenger cars, he said.

Shands said backers would need about $1 million to start the railroad, which would include buying a steam engine and passenger cars and repairing parts of the branch line. Once in operation, the tourist train would employ about 15 full-time mechanics and train operators as well as seasonal employees, he said.

Raney said railroad backers can also take advantage of a skilled work force of retired railroad workers, many of whom repaired steam engines for the Northern Pacific Railroad.

"With everyone I've talked to, there's immediate excitement," Raney said. "There are a lot of old-timers who are ready to twist the nuts and bolts and pull the throttle" on a steam engine.

Shands said there are 60 steam engine railroads already in operation in just about every state but Montana. A train in the isolated town of Durango, Colo., for example, attracts about 185,000 riders and over $4.5 million into the local economy. Smaller trains in West Virginia and Wisconsin are operating at a profit, averaging about 50,000 riders annually.

In addition to scenic rides through the Shields Valley, Shands said the train may offer evening dinner rides serving gourmet food.

Shands said the railroad would go "hand in hand" with recent efforts to develop Livingston heritage such as downtown historic renovation and the Livingston Depot Foundation effort to renovate the railroad depot to house a Western art and history museum.

The railroad would be another drawing card to bring the more than 2 million people who visit Yellowstone National Park to Livingston, Shands said.

John Wilson, head of the state Commerce Department's travel promotion division, said Wednesday that the railroad, if developed, would contribute to the "critical mass" needed to attract tourists to a community.

"It's a nice addition to what Livingston has already done," Wilson said. "These kind of projects can really pull the people off the road."

"The sky's the limit on this," Raney said. "Just dream and let your mind wander."

5-18-86

SUNDAY

OPINION

THE BILLINGS GAZETTE

GAZETTE OPINION

Fund offers opportunity

Grants aid development

Livingston has an opportunity to rise like a phoenix from the ashes left by Burlington Northern cutbacks.

In February, BN announced that it would transfer more than 300 jobs elsewhere in the system. The news was devastating. Livingston has been a railroad town since its founding 103 years ago. Those 300 jobs threaten to cripple its economy.

But now there is good news, paradoxically from BN.

The giant rail and resource corporation is giving more than $1 million to Montana's windy city to ease the loss of jobs.

That $1 million is nothing compared to the annual payroll of 300 BN workers, but $950,000 is uncommitted money that the city can use to begin building a new future.

And the money isn't all.

BN has agreed to hold off demolishing locomotive shops for a year to allow the community to determine whether the buildings can be used for other purposes, and delay demolition of the 23-mile rail line from Livingston north to Wilsall.

A group of Livingston residents are considering using the line for a scenic railroad for tourists.

The money from the BN grant can be used to investigate and, perhaps, develop those possibilities.

Certainly, a scenic train ride wending its way to Wilsall against a backdrop of mountains has a great deal of tourist appeal.

The maintenance shops hold potential for shops or restaurants to snare tourists before or after their ride.

And if all that comes together, Livingston will have a steady flow of money into its downtown district.

The BN grant can aid efforts of that sort and others, too, -- if it is handled right.

The money should be put into a trust fund, and the interest used to promote development and tourism in Livingston. That would ensure a continuing supply of money to investigate, and perhaps fund, other opportunities.

Many an opportunity has been lost because money wasn't available for one reason or another.

Livingston sits on the banks of one of the nation's best trout streams. It is a gateway to Yellowstone National Park. It has the seeds of an art colony in writers up and down Paradise Valley.

And now it has $1 million to promote those assets for years to come provided the money is handled carefully. That's good news for Livingston and for the rest of us, too.

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 6
DATE 2-18-87
BILL NO. SB308

Amend Senate Bill No. 308 (Introduced Copy)

1. Title, line 7.
Following: "IF THE"
Insert: "GOVERNING BODY OR"

2. Title, line 8.
Strike: "AND"

3. Title, line 9.
Following: "MCA"
Insert: "; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE"

4. Page 1, line 21.
Strike: "<u>blackjack or</u>"
Strike: "<u>if,</u>"
Following: "<u>upon</u>"
Insert: "approval:
(i) by the governing body of the licensing city, town, or county; or
(ii)"

5. Page 1, line 22.
Following: "<u>electorate,</u>"
Insert: "and"

6. Page 2, line 25.
Following: "liquor,"
Insert: "wine, or"
Following "beer"
Strike: ", food,"

7. Page 3, line 1.
Strike: "cigarettes, or any other consumable products"

8. Page 3, line 9.
Following: "liquor,"
Insert: "wine, or"

9. Page 3, lines 9 and 10.
Strike: ", food" on line 3 through "product" on line 10

10. Page 4.
Following: line 5
Insert: "<u>NEW SECTION.</u> Section 4. Effective date. This act is effective on passage and approval."

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SENATE BUSINESS & INDUST
EXHIBIT NO. 7
DATE 2-18-87
BILL NO. SB 308

My name is Dale Tlustosch. I am the President of the Montana National Bank in Plentywood. I am here to testify in support of Senate bill 308.

I have seen the number of Canadian dollars spent in our community drop to nothing since the North Dakota 21 bill was passed. I have talked to many Canadians, who are customers of our bank, who tell me that they no longer go to Montana because they prefer to spend their money in North Dakota playing 21. They also tell me that they would prefer to be in Montana and would again return to Plentywood if 21 was available.

This bill has the potential to help us immediately. It will benefit motels, bars, restaurants, grocery stores, clothing stores and most other businesses. It will create many new jobs and will keep many existing businesses open.

Our town and community can't afford to see more people move out of State and more businesses close. These businesses, that will most likely close without 21, will continue to serve all the citizens of our community if you pass this bill.

~~Our ag~~ economy and oil industry are suffering.
If this bill is passed the ~~This~~ tourist trade will provide a new source of income and revenue to all Montana towns and additional revenue to local government.

I ask you to vote ~~for~~ Senate Bill 308 to help all Montana

Thank You

Mayor-Glenn Jacobsen
City Clerk-Elsie Olson
City Treasurer-Frank French

CITY OF PLENTYWOOD

205 1st AVENUE WEST
PLENTYWOOD, MONTANA 59254
406-765-1700

COUNCILMEN
Charles Devaney
~~Terry Gilbertson~~
Jon Mehl
Mike Fanning

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 8
DATE 2-18-87
BILL NO. SB-308

February 18, 1987

S.B. 308

Mr. Chairman and members of the committee
My name is Glenn Jacobsen

As Mayor of Plentywood I am testifying in favor of S.B. 308. Plentywood is a member of the League of Cities and Towns, who at thier last convention in Butte, passed a resolution supporting a form of Black Jack or the card game of 21 for Montana.

Most cities and towns are in a very serious economic slump. You are all very well aware that the State of Montana is in the same shape.

Plentywood was a thriving community until the decline of oil exploration, due to the reduction of oil prices. The farm economy was hit by severe drought, grasshoppers and lower commodity prices. Main street business is struggling for survival. The three motels in Plentywood are at an occupancy rate of 37%, 16% and 41% respectively for 1986. They tell me that 60% occupancy is needed in order to make a family living.

There is approximately 40 homes for sale in Plentywood where 4 years ago it was difficult to find one for sale. In order to get a motel room 4 years ago you had to make reservations to be assured of a room.

I am not advocating that S.B. 308 is a cure all for our economic woes but that it will have a positive effect towards keeping main street afloat. The licensing fees will help tremendously the city general fund. Police salaries all have to come from property taxes and this new revenue will help defray property tax costs.

Fifteen miles north of Plentywood is the Canadian Border with a 24 hour port of entry at Regway, Sask. The canadians are coming accross the border in large numbers, bypassing Plentywood, to go to Williston and other towns in North Dakota to play Black Jack. Afew years ago they came down to play Stuk Poker (a form of Black Jack) in large numbers until it was ruled illegal.

Mayor-Glenn Jacobsen
City Clerk-Elsie Olson
City Treasurer-Frank French

CITY OF PLENTYWOOD

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SENATE BUSINESS & INDUSTRY
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The population of canadians within 125 miles of Plentywood is approximately 250,000. Regina alone, 117 miles from Plentywood, at the last census was 149,000 and they now claim 180,000. It is difficult to estimate how many of these thousands will come to Montana to play 21 but it is far certain that a great number will.

This is a new source of revenue (not tax money on our citizens) that will have a positive effect on a sluggish economy for not only Plentywood, but the State of Montana. There are many cities and towns in Montana that are within easy reach of a large canadian population not very many miles away.

There is another good reason to have the canadians come to Montana and espicially the 24 hour port of Regway 15 miles north of Plentywood, which is also a gateway to Glacier and Yellowstone Parks in Montana.

There is a group of North Dakotans working hard on the north-south Highway 85, which comes through Williston, North Dakota and goes north to the port of entry north of Fortuna, North Dakota. This is not a 24 hour port and this group is working hard to have it declared such. North Dakota wants the canadian business. If they succeed and we do not maintain a good traffic flow through Regway, Montana could lose a 24 hour port of entry.

I would ask that this committee seriously consider putting an immediate effective date on this bill.

I would also ask that the committee seriously consider amending S.B. 308 in both the title and contents to removal of the electorate. It seems that the elected governing bodies of the counties and cities could make that choice just as effectively and still represent the wishes of the people. It is to late to get the issue on the same ballot as the school election and there is not another election until Nov. Aspecial election would be costly and also would take considerable time to enact. The longer we wait the worse our economic condition becomes.

Respectfully submitted,
Glenn Jacobsen
Glenn Jacobsen, Mayor
City of Plentywood

Foot note:
I don't have any interest in any gaming equipment or gambling business. Perhaps I'm the biggest gambler of all being a farmer and in the Farm Implement business.

SENATE BUSINESS & INDUS
EXHIBIT NO. 8
DATE 2-18-87
BILL NO. S.B. 308

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 9
DATE 2/18/87
BILL NO. 308

PORT of ROOSVILLE

HIGHWAY 93

	Travelers Entering U. S.		Travelers Entering Canada	
Month	1985	1986	1985	1986
January	14850	14870	15735	12323
February	17493	15523	14437	12650
March	19201	20660	19133	17077
April	17267	14758	12830	10500
May	21510	21595	15123	14404
June	23726	26749	18000	17605
July	38713	41552	27994	26157
August	40035	42967	27774	27937
September	22889	22445	10109	13572
October	18841	21952	8844	10895
November	10550	10380	6752	6572
December	14723	15970	9013	8688
TOTALS	259798	269421	185744	178380

Montana
Association of
Churches

MONTANA RELIGIOUS LEGISLATIVE COALITION • P.O. Box 745 • Helena, MT 5962[illegible]

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 10
DATE 2-18-87
BILL NO. SB 308

February 18, 1987

WORKING TOGETHER:

American Baptist Churches of the Northwest

American Lutheran Church Rocky Mountain District

Christian Church (Disciples of Christ) in Montana

Episcopal Church Diocese of Montana

Lutheran Church in America Pacific Northwest Synod

Roman Catholic Diocese of Great Falls-Billings

Roman Catholic Diocese of Helena

United Church of Christ MT-N.WY Conference

United Methodist Church Yellowstone Conference

Presbyterian Church (U.S.A.) Glacier Presbytery

[illegible]yterian Church (U.S.A.) Yellowstone Presbytery

Senator Kolstad and members of the Senate Business and Industry Committee:

I am Mignon Waterman and I am speaking on behalf of the Montana Association of Churches.

The Montana Association of Churches opposes SB 308 because we oppose the expansion of authorized gambling in the state of Montana.

There are numerous bills pending before the Montana legislature that would expand gambling and I believe it is to the Legislature's credit that it has chosen to proceed with caution. I urge you to exercise that same caution in reviewing this bill.

While SB 308 will permit local option blackjack and while local governments might benefit from the fees generated by those games, it is important to remember who will bear the costs that may be associated with expanded gambling.

There is no doubt that as gambling increases, so do the social costs associated with gambling. Numerous studies show that unemployment, child and spouse abuse, addiction to gambling and alcohol do increase as the amount of gambling increases.

Under SB 308, local governments would receive any revenue that this gambling might generate while the state of Montana would assume the burden of the increased social costs. The costs of welfare and other social and human service programs are serious issues facing this body during this legislative session. The Montana Association of Churches would urge the Montana Legislature to study the social costs of gambling before considering any further expansion of gambling.

The Montana Association of Churches opposes SB 308.

METRAPARK

FAIRTIME · ARENA · HORSE RACING

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 11
DATE 2-18-87
BILL NO. SB 324

Good Morning:

We need your help - Senate Bill #324 requires all out of state businesses to pay a $25.00 license fee plus post a $2,000.00 bond.

This has many negative consequences for the 36 fairs of Montana. A large number of our commercial exhibitors, concessionaires, and carnival operators come from outside the State. Each pay a substantial fee for the priveledge of doing business on our fairgrounds. Of the 250 businesses who paid well over $200,000.00 to the Yellowstone Exhibition in 1986 over 50% were from outside of Montana.

MATE, a regional trade show held here in METRA has a major economic impact on Billings. 1986, there were over 200 exhibitors from out of State.
Senate Bill #324 will seriously affect the ability to bring out of state exhibitors to our facility.

Please give this your consideration. We continue to be asked to provide services independent of tax revenues. Senate Bill #324 prohibits that process. Please amend the bill to exclude trade shows, fairs and exhibition

Sincerely yours,

Bill Chiesa

Bill Chiesa
General Manager METRAPARK

Box 2514 · Billings, Montana 59103 · 406-256-2400

STANDING COMMITTEE REPORT

FEBRUARY 18 19 87

MR. PRESIDENT

We, your committee on BUSINESS AND INDUSTRY

having had under consideration SENATE BILL No. 324

FIRST reading copy (WHITE)
color

REQUIRE OUT-OF-STATE TRANSIENT RETAIL MERCHANT TO PAY $25 LICENSE FEE

Respectfully report as follows: That SENATE BILL No. 324

~~DO PASS~~

DO NOT PASS

SENATOR KOLSTAD, Chairman.