

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON BUSINESS & ECONOMIC DEVELOPMENT

Call to Order: By REP. BOB BACHINI, CHAIRMAN, on January 28, 1991, at 8:00 a.m.

ROLL CALL

Members Present:

Bob Bachini, Chairman (D)
Sheila Rice, Vice-Chair (D)
Joe Barnett (R)
Brent Cromley (D)
Alvin Ellis, Jr. (R)
Stella Jean Hansen (D)
Tom Kilpatrick (D)
Dick Knox (R)
Don Larson (D)
Scott McCulloch (D)
Bob Pavlovich (D)
John Scott (D)
Don Steppler (D)
Rolph Tunby (R)
Norm Wallin (R)

Members Excused: REPS. STEVE BENEDICT, TIM DOWELL, and
H.S. 'SONNY' HANSON.

Staff Present: Paul Verdon, Legislative Council
Jo Lahti, Committee Secretary

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Announcements/Discussion: SB 20, HB 203, and HB 196 were to be
heard, and executive action taken on SB 20.

HEARING ON SENATE BILL 20

Presentation and Opening Statement by Sponsor:

SEN. GENE THAYER, presented SB 20 for **SEN. BERNIE SWIFT**, Sponsor.
SEN. THAYER explained this is an Act clarifying permissible
locations of branch banks. It is a clean-up bill to clarify the
language of where a branch bank could be started. There was no
opposition in the Senate hearing, and it passed the Senate on a
50-0 vote.

Proponents' Testimony:

John Cadby, Montana Bankers Association, said this is to clarify restrictive language in the branch banking bill passed last session. The bill was interpreted that a Billings bank could put a bank in Western Montana. It can be read two different ways. SB 20 is to eliminate any misunderstandings. No bank has attempted to put a branch across the state or in a parent city or county. There have only been five branches created, one each at Lolo, Troy, Gardiner, Frenchtown, and Florence. They are branches of independent banks within those counties.

Opponents' Testimony: None**Questions From Committee Members:**

REP. KNOX asked about the language restricting branch bank sites. Mr. Cadby answered that paragraph was rewritten so it is perfectly clear you have to stay within your county or a neighboring county.

REP. SHEILA RICE asked if the word 'city' is what he meant. Would a branch bank have to be in a city? Mr. Cadby said it is very broad language. They spent hours last session trying to find a definition that would allow a branch to be established in a community, but not in the suburbs of a large town. That language was the agreed upon language with the Independent Bankers Association in the last session. It includes unincorporated towns like West or East Glacier. It doesn't include small communities.

Closing by Sponsor:

SEN. THAYER said this is a language cleanup bill to avoid future misinterpretation. SB 20 will put it in the format as was intended last session. REP. THOMAS is to carry SB 20 in the House. SEN. SWIFT urged favorable consideration.

HEARING ON HOUSE BILL 203**Presentation and Opening Statement by Sponsor:**

REP. SHEILA RICE, HD 36, Great Falls, explained HB 203 provides clarity. There are two reasons for this bill. Section 1 asks that a mutual or stock insurance company be included as a regulated lender in Montana. Line 9, page 2 the words 'mutual or stock insurance company regulated by any state' are stricken because they would now fall under the definition of regulated lender. There are two reasons, one is to bring mutual or stock insurance companies into conformity with other statutes in Montana Codes; secondly, it would present a level playing field so all lenders, especially in the agricultural community, would be under the definition of regulated lenders. This bill is important. See the highlighted areas in EXHIBIT 1. (2) includes with the words state

or national chartered bank 'a mutual or stock insurance company'. These are already included in the definition of regulated lenders. A regulated lender is not subject to the usury statute. If this bill is passed, mutual or stock insurance companies would be subject to regulated lender laws and would be exempt from the usury laws.

She read the Affidavit written by Thomas L. Ellis, a Conrad farmer who was unable to be here. EXHIBIT 2. He had contacted six bankers in Northcentral Montana and they had no objections to the proposed amendments.

Art Matteucci, Great Falls, appeared on behalf of The Travelers Insurance Company Real Estate Investment Division. They believe this amendment should go through so the laws regulating other lenders would be in conformity with those of insurance companies. The insurance companies perform the same function as do other lenders listed under the definition of regulated lenders in Section 31-1-111. There really is no reason to exclude insurance companies from this definition. If the insurance companies are not regulated by one of the agencies enumerated in subsection (1), they would not come under this exemption given to regulated lenders by Section 31-1-111. The inclusion of insurance companies was overlooked when previously enacted. The retroactive application of this law would place this law in conformity with other laws pertaining to lenders such as the law of Right of First Refusal, and the exemption proposed by HB 203. In the handout the definition of 'Holder of foreclosed agricultural land' means a national- or state-chartered bank, a mutual or stock insurance company regulated by any state,' that is the exact language requested to be inserted in Section 31-1-111. Also Mr. Ellis on his own, talked to six Northcentral Montana bankers, and that Affidavit speaks for itself that there is no opposition. This amendment will not mean more money for insurance companies because of higher interest rates or higher interest rates for Montanans. There will still be competition with other insurance companies and all the other money lenders. This exemption has not been abused by the banks. Now and in the past, banks do have the exemption. Insurance companies which don't have the exemption are very, very profitable. In summary, this amendment would provide consistency in the treatment of lenders and put all the lenders on a level playing field.

Opponents' Testimony: None

Questions From Committee Members:

REP. WALLIN asked if this pertains only to foreclosed farm land and doesn't have anything to do with residential property. Mr. Matteucci answered that Title 31, MCA, includes Montana's usury laws. He is mainly concerned with farm lands, but the Right of First Refusal is the one which deals only with foreclosed agricultural lands. Section 31-1-111 defines "regulated lenders" who are not restricted to lending on farm land.

REP. WALLIN asked why the words 'a mutual or stock insurance company regulated by any state,' were taken out of section (2) and put in section (1) the definition section. REP. SHEILA RICE explained that if it were included in section (1), it would be redundant to leave it in section (2). Mr. Matteucci said he would like to have the words 'mutual stock and insurance company' included in the definition of regulated lenders in Section 31-1-111. They do on page 2, but that isn't really clear. Section 70-32-221 has absolutely nothing to do with the usury rates. This has to do with Homestead exemptions and providing a waiver to the lenders. These are two completely different situations. We want to conform with Section 70-32-221 which is the Homestead exemption and Right of First Refusal which is Section 25-13-901. REP. BACHINI asked why is Section 70-32-221 needed when there is no correlation between the two? REP. RICE said the bill drafter did that because it was necessary to take out the words 'a mutual stock, etc.' otherwise it would be redundant. A mutual stock insurance company is a regulated lender in the first section and it would be redundant to include it in the second section. Mr. Matteucci said they did not request the amendment in Section 70-32-221. Mr. Verdon, researcher, said he was puzzled by this, too, that it worked out this way. Section 31-1-111 applies the definition of "regulated lender" only to the provisions of Section 31-1-112, and restricts that definition to that section. It doesn't apply to Section 70-32-221. REP. BACHINI said this will be checked out before executive action is taken.

REP. LARSON asked REP. RICE if she checked with the auditor's office regarding the amendments. She said she had. Mr. Dave Barnhill, Deputy Insurance Commissioner, said the Insurance Department does not regulate insurance companies when they make commercial loans. Therefore they take no position on this bill.

Mr. Verdon asked Mr. Matteucci if Section 2 amends Section 70-32-221 to strike mutual or stock insurance companies regulated by any state, and provides for borrowing money from a regulated lender. In Section 2 on line 12 they use the term 'financial institution'. On line 23, page 2, the term 'financial institution', is used as the statute does. His understanding of the definition of financial institution doesn't necessarily include an insurance company. It would seem this bill would be more effective if 'financial institution' were stricken in both those places, and replaced with 'regulated lender' to comply with the definition that appears for this purpose in Section 1. Mr. Matteucci said they were not aware of the language in Section 70-32-221, so he didn't have thoughts on that, but he agreed after hearing this discussion it appears to be more consistent to replace financial institution with regulated lender.

REP. WALLIN asked REP. RICE if amendments to that effect would be agreeable with her. REP. RICE answered yes. She would check with the drafter and make sure no changes have been made.

REP. STEPPLER asked about not regulating insurance companies that

make commercial loans. Mr. Barnhill explained the insurance commissioner regulates insurance companies but does not regulate this aspect of their business. REP. STEPPLER said that under this definition then, they would be considered an insurance company under the definition of regulated lender. Mr. Barnhill said the insurance commissioner regulates insurance companies with respect to solvency, policy provisions and the performance of those policies. They simply are not involved in the regulation of insurance companies in the performance of banking type functions, such as making loans for commercial purposes. A regulated lender is not subject to Title 33, MCA, the insurance code.

REP. BACHINI said that is the financial area where lending would be under the Department of Commerce.

REP. LARSON asked if they would then fall under the banking laws. Mr. Barnhill wasn't sure, but in all probability they would be.

Closing by Sponsor:

REP. RICE said she will work with Mr. Verdon and the bill drafter on appropriate amendments.

HEARING ON HOUSE BILL 196

Presentation and Opening Statement by Sponsor:

REP. TOM KILPATRICK, HD 85, Laurel, sponsor, is very interested in value-added products. HB 196 would create a value-added commission. Value-added means taking a raw product that is grown, mined, or otherwise produced in Montana, and by some process giving it more value. For example, cattle in Montana are shipped out-of-state to be butchered, the hide is taken out of state and is returned to Montana as leather at an increased price; Montana has lost value there. Timber is sent to Japan, processed in some ways and returned, and Montana loses money in the process. Montana has some value-added products now. Columbus has a timber weld process to make laminated wood beams. They are some of the best known beams in the United States; in fact many people suggest they are better than steel. Columbus also has a smelter recently built to process platinum and palladium mined in Montana. In Livingston scrap wood is glued together to make molding. These are value-added products. There are thousands of ways to make value-added products. Some are known, some are untried, and some are unknown.

Page 2, subsection (e) explains how a commission consisting of nine members is to be appointed: one from the wood products, oil and gas, coal mining, metal and nonfuel mineral mining, livestock, grain producers, manufacturing, high technology, tourism, and one member from the University Research Development Program. This ten member commission would meet to discuss a strategy to add value before exportation to Montana's basic

commodities, including coal, metal and nonfuel minerals, oil and gas, timber, agriculture, tourism and travel, water, and wildlife, in an effort to create new jobs and increase profits. This bill is not a new idea. It was presented last session and died in the Appropriations Committee because of a funding requirement of about \$21,000 a year. He is afraid that if this bill is sent to Appropriations, it will disappear again. The fiscal note is too high; he does not think it will cost \$43,000 for the biennium. A proponent has a plan that might work better. It is essential that value-added be considered a necessity. It is a way to increase our economy. If just one industry comes out of this that can bring in new taxes and new jobs, it would be well worth the money.

Proponents' Testimony:

Don Judge, Montana State AFL-CIO, said over a year ago the Montana State AFL-CIO, in conjunction with the National AFL-CIO and a number of International labor organizations, commissioned a study of Montana's economy from the Corporation For Enterprise Development (CFED). One conclusion the CFED reached recommends Montana create a Statewide Partnership Council, consisting of representatives of business, labor, government and conservation groups to identify key barriers to, and opportunities for, economic development and job creation, and to develop solutions through cooperative efforts. This Partnership Council would be created by the Legislature and funded in part by the Legislature with equal matches by business and labor. Production of the CFED report was a first step in efforts to address the issue of responsible economic development and job creation in Montana. The AFL-CIO pledges to work toward that goal with time and money and is willing to work with business and conservation organizations willing to do the same. EXHIBIT 3. He offered to work with this committee to prepare suggested amendments.

Opponents: None

Questions from the Committee:

REP. LARSON asked why there was no specific mention of labor. Mr. Judge answered they have a proposal they would like to address with members of the business community, conservation and government which would provide for a balanced committee with equal representation. It would also constitute a department of the people that would equally participate in the funding. Towards that end the AFL-CIO is committed additionally to raise and contribute \$25,000 towards this effort. They would hope each of the other organizations would do the same.

REP. TUNBY told REP. KILPATRICK he liked this idea. Resource, Conservation and Development Districts have a bill in and are trying to get funding to do work somewhat along these same lines. Are they trying to do the same thing? REP. KILPATRICK answered maybe there is some overlap. If he had known of the

Representative's proposal when this was drafted, he might have done things differently. Labor as such was not included but labor representatives were. He hoped the Department of Commerce, the Governor, and whoever appoints this commission would appoint representatives. It takes three groups such as labor. Mr. Judge said they would put in \$25,000, and need a business group to put in \$25,000, which might be enough to get this commission started. We are just going to have to go ahead, and hope that it doesn't overlap. Even if it does, somebody has to go ahead, you can't just sit back and say maybe somebody else is going to do it.

REP. LARSON asked REP. KILPATRICK if he had any objection to changing the bill. He answered absolutely not. Maybe this should go to a subcommittee. REP. BACHINI said he intended to establish a subcommittee on Economic Development, and this bill will be assigned to that committee.

REP. STELLA JEAN HANSEN asked what was meant by 'strategy'. What are the responsibilities of such a commission? It is necessary to have a good reason to establish a board. She thinks this is a good reason, but the responsibilities should be defined. What kind of strategies would add value? It's usually monetary. REP. KILPATRICK said scrap wood has been glued together to make moldings. That is so simple, but how many have done it? All of a sudden somebody thinks of a good idea - let's do it. There are other ideas out there. Anybody with an idea of how to add value to a product could be sent to this commission. Somehow we have to have some agent to collect these ideas.

REP. HANSEN said they have talked value-added for many years. We have been trying to get a packing plant going; some kind of cloth manufacturing to use wool; there are a lot of things that could be done, but concrete direction is needed for this commission. REP. BACHINI said this would be given to the subcommittee for consideration.

REP. LARSON said he had noticed several value-added bills in the Legislature. Could this be held until others are heard? REP. KILPATRICK said he would not object to holding it up and consolidating it.

REP. ELLIS said no one denies it is a terrific idea but he questioned how a commission is going to help. He has been involved for a long time in getting grants for our colleges to try to develop new products out of our agricultural products, and they have been working along that line. He ranches in the Billings area and they lost their packing plants. We know we could kill our own cattle in this state and probably have a leather industry and a packing industry if those industries could make a go of it, but that hasn't been the case. He doesn't see how a commission is going to help. REP. KILPATRICK explained when a baby starts to walk they start with one step at a time. He hopes this will be the first step. Mr. Judge's idea for a first step is to take a group from business, labor, and the

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Legislature, and publicize it and say this is what we are doing. Somebody must take the first step to get things moving.

REP. WALLIN asked if this will be ongoing. REP. KILPATRICK thinks this shouldn't go on forever. REP. BACHINI thought this should be part of the subcommittee consideration. They could make a sunset on the bill or make it permanent.

Closing by Sponsor:

REP. KILPATRICK closed reiterating that if only one industry develops from this that pays taxes and creates new jobs, it is worth it. He urged the committee to consider this and maybe something can be done.

REP. BACHINI appointed subcommittee members: REPS. SHEILA RICE, Chair; BRENT CROMLEY; STELLA JEAN HANSEN; DON LARSON; STEVE BENEDICT; SONNY HANSON; NORM WALLIN. The sponsor will work with this subcommittee. All economic bills will go to this subcommittee for fine tuning and discussion. We may be able to consolidate two or three as suggested.

EXECUTIVE ACTION ON SENATE BILL 20

Motion/Vote: REP. WALLIN moved SB 20 BE CONCURRED IN. Motion carried unanimously by those present. REPS. PAVLOVICH, DOWELL, and BENEDICT WERE EXCUSED.

ADJOURNMENT

Adjournment: 10:05 A.M.



REP. BOB BACHINI, CHAIRMAN



JO LAHTI, SECRETARY

BB/jl

BUSINESS AND ECONOMIC DEVELOPMENT COMMITTEE

DATE January 28, 1991

[illegible]

HOUSE STANDING COMMITTEE REPORT

January 28, 1991

Page 1 of 1

Mr. Speaker: We, the committee on Business and Economic Development report that Senate Bill 20 (third reading copy -- blue) be concurred in.

Signed: Bob Bachini
Bob Bachini, Chairman

Carried by: Rep. Thomas

Section 31-1-111 which defines what entities will be included within the definition of "regulated lender" does not include insurance companies. In conjunction with 31-1-112, M.C.A., an entity which comes within the definition of regulated lender is exempted from the usury statutes.

For the purposes of Section 31-1-112 et. seq., relating to usury, it would appear that insurance companies which lend money to farmers and businesses in the State of Montana should be in the same category as the other entities listed in 31-1-111. In that Montana banks have a ceiling on the amount that they can loan on any individual loan, in many cases involving large loan situations, it is necessary for insurance companies to make these loans to the farmers, ranchers, and business people in the State of Montana. The Legislature recognized that insurance companies were one of the major lenders with regard to agricultural land in 25-13-901(2), M.C.A. They defined "holder of foreclosed agricultural land" as meaning "a national or state chartered bank, a mutual or stock insurance company regulated by any state, a mortgage company, a farm credit system lender, or state or federal agency ...". Section 25-13-901 et. seq. covers the right of first refusal involving lessees or purchasers of agricultural real property.

Based upon the intent of 31-1-111 and taking into consideration 25-13-901, it would appear that the failure to include insurance companies in the definition of a "regulated lender" was merely an oversight.

To maintain regulation of lenders, especially for agricultural borrowers, and to further the intent of the Legislature with regard to agricultural lenders, it would seem that insurance companies should have been included in Section 31-1-111.

I would request that a bill be proposed to the Legislature which would include insurance companies within the definition of "regulated lender", as contained in 31-1-111 M.C.A. and that it have a retroactive application as of the effective date of said Section.

Part 9

Disposal of Foreclosed Agricultural Land

25-13-901. (Temporary) Definitions. As used in this part, the following definitions apply:

(1) "Agricultural land" means real property that is principally used for the production of livestock, poultry, field crops, fruit, or other animal or vegetable matter for food or fiber.

(2) "Holder of foreclosed agricultural land" means a national- or state-chartered bank, a mutual or stock insurance company regulated by any state, a mortgage company, a farm credit system lender, or a state or federal agency that has acquired the right to dispose of agricultural land through foreclosure of a mortgage on the land or through execution of a judgment obtained by it against the immediately preceding owner of the land. (*Terminates June 30, 1996—sec. 6, Ch. 472, L. 1987.*)

History: En. Sec. 1, Ch. 472, L. 1987.

25-13-902. (Temporary) Right of first refusal. (1) A holder of foreclosed agricultural land shall, when leasing such land or any portion thereof to a third party, make a good faith offer to lease the land or portion thereof to the immediately preceding owner if such owner has financial resources and farm management skills and experience to assure a reasonable prospect of success in the proposed farming operation. The offer to lease land to the immediately preceding owner must be upon the same terms and conditions offered by a third party that are acceptable to the lessor.

(2) A holder of foreclosed agricultural land shall, when selling such land or any portion thereof to a third party, make a good faith offer to sell the land or portion thereof to the immediately preceding owner for the same price offered by a third party that is acceptable to the seller.

(3) An offer to lease to the immediately preceding owner is required each time the foreclosed agricultural land is leased to a third party, except that once the immediately preceding owner fails to meet the terms of a lease offer, the right to meet future offers is extinguished and no offer to lease is required. An offer to sell to the immediately preceding owner is required only the first time the property is sold to a third party.

(4) An offer sent by certified mail to the name and address filed by the immediately preceding owner under 25-13-904 is a good faith offer.

(5) This section does not apply to foreclosed agricultural land if such land is owned by the state pursuant to The Enabling Act (Act of February 22, 1889, Ch. 180, 25 Stat. 676). (*Terminates June 30, 1996—sec. 6, Ch. 472, L. 1987.*)

History: En. Sec. 2, Ch. 472, L. 1987.

EXHIBIT
DATE Jan 28, 1991
PAGE 1

Ex. 1A

1-28-91

HB 203

WITNESS STATEMENT

NAME Art Maffucci ^{House} BILL NO. 203
ADDRESS Box 149 DATE 1/28/91
WHOM DO YOU REPRESENT? Travelers
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

STATE OF MONTANA)
 : ss.
County of Cascade)

A F F I D A V I T

COMES NOW, THOMAS L. ELLIS, Affiant herein, upon being first duly sworn, deposes and states:

1. I, THOMAS L. ELLIS, presently live in Conrad, Montana, and have lived and farmed in the Conrad area for more than 40 years since leaving Carroll College in 1950. Also, I have been on the Board of Directors for the Farmers State Bank of Conrad, for approximately twenty (20) years. Also, with regard to the Farmers State Bank of Conrad, I have served on the Investment Committee for seventeen (17) years and also have served on the Loan Committee and Budget Committee.

2. I have reviewed the proposed Amendment to Section 31-1-111, MCA, and have discussed said Amendment with six (6) bankers in Northcentral Montana to ascertain how the banking community would view such an Amendment. There was absolutely no objection whatsoever to said Amendment, in fact, the bankers said that it would only be fair to have the insurance companies included within the definition of "regulated lenders", and that all of the lenders should be on level playing field. Further, the bankers with whom I discussed the proposed Amendment, felt that such an Amendment would give the insurance companies greater incentive to loan more dollars to Montana and invest more money in our State. They felt that it would be an advantage to Montana and its economy to make such an Amendment.

Further, you Affiant sayeth not.

Ex. 2
1-28-91
HB 203

Thomas L. Ellis
THOMAS L. ELLIS

SUBSCRIBED AND SWORN TO before me this 25th day of
January, 1991.

(NOTARIAL SEAL)

Derrin B. Beck
Notary Public For The State Of Montana
Residing At Great Falls, Montana
My Commission Expires: 1/23/93



EXHIBIT

3

DATE Jan. 28, 1991

HB

196

Exhibit #3

DONALD R. JUDGE
EXECUTIVE SECRETARY

110 WEST 13TH STREET
P.O. BOX 1176
HELENA, MONTANA 59624

(406) 442-1708

TESTIMONY OF DON JUDGE ON HOUSE BILL 196 BEFORE THE HOUSE BUSINESS
AND ECONOMIC DEVELOPMENT COMMITTEE ON JANUARY 28, 1991

Mr. Chairman, members of the committee, for the record my name is Don Judge and I'm here today to represent the Montana State AFL-CIO in support of House Bill 196.

More than a year ago the Montana State AFL-CIO, in conjunction with the National AFL-CIO and a number of International labor organizations, commissioned a study of Montana's economy from the Corporation For Enterprise Development.

The Corporation For Enterprise Development is a Washington, D.C. based not-for-profit economic development research, technical assistance and demonstration organization. It is nationally and internationally recognized for its research, evaluation and design of leading-edge economic and opportunity development and enterprise support strategies.

The CFED was formed in 1979 and has been providing advice and technical assistance to government officials and agencies, businesses, foundations, labor unions and community organizations seeking to create a more supportive environment for business development, economic opportunity and growth. It's funding and support comes almost evenly from business and labor, and it has a respected eleven year history of producing quality work for clients from all walks of life.

I have attached to my testimony a copy of a short synopsis of the efforts of the Corporation For Enterprise Development and it's founder Bob Friedman. This should give you a better perspective of the organization and it's accomplishments.

I mention this background because each of you received, during your campaign for office, a copy of the report on Montana's economy produced by the CFED entitled "NEW DIRECTIONS Building an Economic Future For Montana's Children".

One of the conclusions reached in that report was that Montana needed to "Challenge the private sector to create and lead a Montana Value-Added Business Initiative". In fact, a significant piece of the report dealt with Montana's rich natural resources and the subsequent lack of any real effort to add value to these riches before they were shipped out of the state.

The report, which produced a comprehensive review of the state of Montana's economy, analyzed our state's strengths . . . and it's weaknesses. And the conclusions reached seemed to point to a

relative abundance of strengths while a weak, at best, utilization of those strengths.

Among it's conclusions is one which dovetails very nicely with the intent of House Bill 196. The CFED recommends that Montana create a Statewide Partnership Council, consisting of representatives of business, labor government and conservation groups to work at identifying key barriers to, and opportunities for, economic development and job creation, and to develop solutions through cooperative efforts.

The report further recommends that this Partnership Council be created by the Legislature and be funded in part by the Legislature . . . with equal matches from business and labor . . . with a mandate to form an agenda to address economic development concerns in the state. This council would not be a previously unattempted endeavor. The state of Pennsylvania has such a council called the "Make Industry and Labor Right in Today's Economy", known as the MILRITE Council.

Obviously, Mr. Chairman, such a council is structured significantly differently than HB 196 in it's current form. However, in speaking with it's sponsor, Representative Kilpatrick, he has indicated a willingness to work on amendments than may be used to restructure the council membership to address a balance among those parties I've listed above.

For our part, we want to assure this body that production of the CFED report was just a first step in our efforts to address the issue of responsible economic development and job creation in Montana. We will pledge to work towards that goal, with our time and our money, and would be willing to work with business and conservation organizations willing to do the same.

Make no mistake about it. We will continue to disagree with business and conservation on some issues, and they with us. But we sincerely feel that there are enough areas of potential agreement where, together, we can make a significant contribution towards "Building an Economic Future For Montana's Children".

We encourage you to look favorably on an amended version of House Bill 196, where business, labor, conservation and government are all represented. We will be happy to work with Representative Kilpatrick and your committee to prepare suggested amendments. Thank You.

Robert E. Friedman

Robert Friedman is founder and Chairman of the Board of The Corporation for Enterprise Development, a Washington, D.C.-based not-for-profit economic development research, technical assistance and demonstration organization.

For over ten years, Mr. Friedman and CFED have worked extensively with public and private policymakers in state and local governments, corporations, private foundations, labor unions and community groups to design and implement innovative and effective economic development strategies. CFED's work emphasizes job creation through enterprise development, with a special concern for approaches that help establish sustaining economies in chronically depressed communities and among economically depressed populations.

In pursuit of its concern for building a healthy economy — one in which both people and enterprise can grow and prosper — CFED has released several major publications over the last few years. *Taken For Granted: How Grant Thornton's Business Climate Index Leads States Astray*, critiqued the traditionally accepted myths of what constitutes a good "business climate." In March 1987, CFED issued its first annual survey of state economic climates, *Making The Grade: The Development Report Card For the States*. Since its release, the *Development Report Card* has been widely acclaimed for "changing the terms of the economic development debate" in state capitols across the country. The third annual *Report Card* was released in March of this year.

Among Mr. Friedman's other major publications are:

The Safety Net As Ladder: Transfer Payments and Economic Development (1988)

Expanding the Opportunity to Produce: Revitalizing the American Economy Through New Enterprise Development (Co-editor, 1981).

Building The New Economy: States in the Lead (Contributor, 1986).

Mr. Friedman is currently in the process of opening a West Coast office for CFED in San Francisco.

Mr. Friedman is a graduate of Harvard College and Yale Law School.

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Corporate Capabilities

The Corporation for Enterprise Development (CfED) is nationally and internationally recognized for its research, evaluation and design of leading-edge economic and opportunity development and enterprise support strategies.

Founded in 1979 as a not-for-profit corporation, CfED provides advice and technical assistance to government officials and agencies, businesses, foundations, labor unions and community organizations seeking to create a more supportive environment for business development, economic opportunity and growth.

CfED combines its up-to-date knowledge of state-of-the-art development with a healthy respect for local conditions. CfED is known for being thorough, practical and client-sensitive.

CfED can provide the following technical assistance, organized into four service areas, to help advance healthier state or local economies.

Information Services

CfED is a leading source of information about what's going on in the rapidly moving field of economic and enterprise development and, more importantly, what's working and why.

- Now in its eighth volume and newly redesigned, *The Entrepreneurial Economy Review*, published six times a year, provides a valuable survey of enterprise development strategies and initiatives both here and abroad.
- CfED's widely-acclaimed annual *Development Report Card for the States* examines over 150 individual economic and policy measures to assess and grade the economic climate of the fifty states on four separate indexes: Economic Performance, Business Vitality, Development Capacity, and State Policy.
- CfED's publications catalog lists over two dozen works in the areas of economic climate, transfer payment investment, non-traditional (minority, women, low-income) entrepreneurship, community revitalization and development finance.
- On a consulting basis, CfED can provide implementation packets, tailored to specific areas of policy interest, that discuss current initiatives and offer an insightful and clear analysis of the best way to approach putting these policies in place.
- CfED has served as the U.S. Department of Labor-designated American correspondent to the Organisation for Economic Development's (OECD) Cooperative Programme for Local Employment Initiatives.

Policy Design and Evaluation Services

Strategic Audits. CfED can analyze the comparative advantages in a state or local economy and propose realistic alternatives to enhance economic vitality and opportunity. CfED structures its work to answer the following key questions: How well is the economy performing? How dynamic are its large and small businesses? Does it maintain the financial, technological, human and infrastructure resources essential for future growth? Are the public or private policies and programs necessary to tackle its problems and build on its potentials in place? CfED's strategic audit efforts have:

- Produced a focused assessment of the Montana economy that is the foundation for recent government, business and labor discussions about Montana's economic direction.
- Advised development officials in Mississippi, West Virginia and Indiana about development options and strategies.
- Developed policy alternatives for the state of Michigan in development finance, technological innovation, human resources, and welfare reform.

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- Designed statewide entrepreneurial policies for Ohio.
- Devised county-wide strategic development plans in Tennessee and Virginia.
- Conducted a "metropolitan report card" assessment of the Baltimore region, assessing its strengths and weaknesses compared to metro areas across the country.

Organizational and Program Audits. CfED offers a hands-on evaluation of the effectiveness of specific development initiatives, and recommends ways to improve the implementation and delivery of economic development services. CfED has:

- Evaluated the effectiveness of private foundation investments in seed capital funds that are targeted at low-income communities and entrepreneurs.
- Examined the feasibility of a property development and marketing plan for a closed steel facility.
- Analyzed the effectiveness of the design of a low-income microenterprise program in a southern city.

Capital Market Audits. CfED can research and analyze the profitability, investment patterns, and risk-taking behavior of local and regional financial institutions, and prepare recommendations on how to better achieve their economic development and opportunity goals. CfED has:

- Evaluated the availability and effectiveness of South Carolina private and public financial institutions in meeting the needs of in-state firms.
- Analyzed the performance of Michigan banking institutions in addressing the credit needs of small- and medium-sized enterprises, and designed key program elements of the Michigan Strategic Fund to address these capital market gaps.
- Drafted national legislation (introduced in several sessions) to create a federal system for investing in state development banks.
- Designed a proposed regional secondary market institution for long-term small business debt.

Self-Sufficiency Strategies. CfED helps state and local policymakers design and implement new programs that support economic self-sufficiency efforts among low-income populations. CfED is the leading advocate of "transfer payment investment," a design approach for income maintenance systems that converts support payments into investments in training, job placement, temporary wage subsidies, and small business start-up capital. CfED has:

- Sponsored and coordinated a four-year demonstration project that is introducing and testing the feasibility of pilot self-employment programs for women in five state welfare systems.
- Assessed European small business programs targeted at poor and dislocated workers.
- Analyzed the initial lessons from U.S. and foreign self-employment programs.
- Assisted the District of Columbia in developing its self-sufficiency strategies.
- Drafted national legislation (passed in 1989) that created a national demonstration project allowing unemployment compensation recipients to use their unemployment benefits to start a business.
- Produced an analysis, based on field research, of what program design and practice works best to support the economic self-sufficiency efforts among low-income women.

Community Economic Development Services

Economic Leadership Development. CfED helps local civic entrepreneurs in the public, private and non-profit sectors craft their own strategic development plans and create new public/private partnerships. CfED's assistance ranges from training workshops, to resource audits, to leadership development, to strategic plan design. CfED has:

- Facilitated a multi-county focus group on area development in southern Texas.
- Organized and chaired development meetings in rural communities in Virginia, Tennessee, and Mississippi.

Community Based Organizational Development. CfED trains grassroots non-profit development organizations to launch more effective enterprise, social service and housing development strategies in low-income urban and rural communities. CfED has:

- Conducted field studies to determine the "best practice" in low-income community-based development strategies in five major American cities.
- Worked on community economic development policy design in two midwestern states.

International Exchange Services

Interchange, Inc. CfED and CEI Consultants Ltd., an economic development consulting firm based in the United Kingdom, created a for-profit joint venture, Interchange, Inc., in 1988. Interchange is dedicated to improving the international exchange of development personnel, ideas and experience between the U.S., Europe, and developing countries. CEI Consultants Ltd. itself has conducted over 60 consultations in twelve European countries, worked for the European Economic Commission, assessed the effectiveness of Danish volunteers working in Africa, and is now taking part in a five-nation study to evaluate projects addressing long-term unemployment. To date, Interchange's work has:

- Managed the German Marshall Fund Employment Fellows Program, organizing the placement of European policymakers in U.S. community agencies and organizations.
- Assisted the French Ministry of Industry and DATAR with putting together a series of conferences on public/private partnerships in Strashbourg.
- Evaluated the experiences of European public and private companies at creating jobs in the wake of plant closures.

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