

MINUTES

**MONTANA SENATE
53rd LEGISLATURE - REGULAR SESSION**

COMMITTEE ON BUSINESS & INDUSTRY

Call to Order: By J.D. Lynch, Chair, on February 3, 1993, at
10:00 a.m.

ROLL CALL

Members Present:

Sen. J.D. Lynch, Chair (D)
Sen. Chris Christiaens, Vice Chair (D)
Sen. Betty Bruski-Maus (D)
Sen. Delwyn Gage (R)
Sen. Tom Hager (R)
Sen. Ethel Harding (R)
Sen. Ed Kennedy (D)
Sen. Terry Klampe (D)
Sen. Francis Koehnke (D)
Sen. Kenneth Mesaros (R)
Sen. Doc Rea (D)
Sen. Daryl Toews (R)
Sen. Bill Wilson (D)

Members Excused: None.

Members Absent: Sen. Ethel Harding

Staff Present: Bart Campbell, Legislative Council
Kristie Wolter, Committee Secretary

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

Committee Business Summary:

Hearing: HB 130, HB 162
Executive Action: SB 263

HEARING ON HB 130

Opening Statement by Sponsor:

Representative Wiseman, House District 33, stated HB 130 was a request from the Board of Investments for 4 major changes in the current law.

Representative Wiseman referred to the change on page 2 which was an attempt to straighten out a quote in the constitution. The constitution states "except for monies contributed to retirement

funds no public funds shall be invested in private corporate capitals". Representative Wiseman explained the definition of private corporate capital stock has changed since the drafting of the constitution. He stated the current definition of private corporate capital stock is any stock held by a corporation such as a farm or a ranch. He stated the constitutional convention was trying to decide on any limitations the Board's investments of any money. He stated the constitutional convention wanted the funds to be invested in a secure, interest bearing investment, but they did recognize retirement funds were susceptible to inflation and they wanted to make it clear that any restrictions in the constitutions did not apply to the retirement funds. The Board wants to make it clear that when they are referring to "private corporate capital stock" they are simply referring to common stock and retirement funds may invest in common stock.

Representative Wiseman referred to page 3, lines 5 through 8. He stated the Board will not loan money to a private individual, but this does not preclude the Board from buying an individuals loan after it has been serviced by a private bank or savings and loan institution.

He then referred to page 3, lines 10 and 11 which states another agency may not invest state funds unless otherwise provided by law. The board asked for this change to make it clear that they are to manage all state funds except when the state legislature allows another agency to go in and invest funds. He stated this provision is directed specifically at the Science and Technology Fund which has been established by the legislature.

Representative Wiseman referred to page 4, stating the Board would like the authority to upkeep the property which sometimes comes under their control and extend the funds used in the upkeep and show them as an expense rather than just a reduction.

Proponents' Testimony:

Karol South, Executive Director, Board of Investments stated his support of HB 130. He stated the constitutional convention transcripts debated two funds: the pension funds and the school trust funds. He stated the school trust funds had to be invested in instruments that are backed by the federal government. He stated the unanswered question was how the coal trust fund should be invested. HB 130 would give the Board some direction saying they can't invest the coal trust fund in common stock but there are other investments with a guaranteed return which are permissible. Mr. South stated the second change regarding the Board's inability to make loans to individuals didn't address pension funds. He stated HB 130 specifically prevents the board from making direct loans to individuals. He stated the section in HB 130 also repeals the section of state law which deals with the permanent coal trust fund. Mr. South stated the third change would appear to have a fiscal impact, but doesn't. He stated

when the board repossesses a house, the seller/servicer makes the repairs on the home, pays for the repairs and the Board issues a state check (warrant) to the seller/servicer to compensate them for the costs incurred. Currently, under the state accounting system the compensation checks are not recorded as expenditures, but are recorded as a reduction in income. HB 130 would permit the Board to record the expenditures as they should be.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

Senator Christiaens asked Mr. South if the new language would be more appropriate in just naming the Board of Technology. Mr. South stated the language clarifies a conflict in the current law. He stated the law regulating the board states it is the only entity which can invest state funds, but further along in the statute, the legislature authorized the Board of Science and Technology to invest 12.6. million of the coal trust fund. HB 130 not only covers the Board of Science and Technology, but insures there will be no conflict in the law in the future.

Senator Rea asked if the policy of the Board in the past has been to make loans to individuals. Mr. South stated it hasn't been the policy, but there is nothing in state law which prevents those types of loans with the pension funds. The language in HB 130 would prevent that from happening with any of the funds.

Senator Lynch asked Mr. South if the Board is currently not making loans to individuals, why the Board wanted it put into a law. Mr. South stated it would provide a comfort level for financial institutions.

Senator Gage asked Mr. South about the Board guaranteeing the loans and if that put them in the position of investment of common stock of a corporation. Mr. South stated the Board does not guarantee the loans, but is a participant in the loan. He stated the investment is not an equity investment, so it cannot be construed as common stock.

Closing by Sponsor:

Representative Wiseman stated the Board of Investment's administrative costs are 6/10ths of one percent per year. He stated the Board has been limited to fixed income type of investments, which gets more difficult as the interest rates go further down. He closed asking the Committee for a favorable consideration on HB 130.

HEARING ON HB 162Opening Statement by Sponsor:

Representative Gervais, House District 9, opened on HB 162 stating it is an act changing the name of the Montana Western Province Committee to the Montana/Alberta Boundary Advisory Committee. He stated the problem with the old name was that funding was deleted by the Legislative Council in August of 1992. HB 162 was introduced to limit the scope of the Boundary Committee to Alberta only. HB 162 will not effect the executive branch and their dealings with Saskatchewan and British Columbia, but will curtail legislation involving those two provinces.

Representative Gervais stated the Montana/Alberta Advisory Committee has served as an excellent mediator for cross-border issues. He said the Committee is viewed as an extremely valuable asset.

Proponents' Testimony:

Moe Wosepka, Director of the International Trade Division, Department of Commerce, stated their division serves as the staff for the Montana/Alberta Advisory Commission. He stated the Commission is a legislative group and a way for the legislature to stay involved in the international trade efforts. He gave examples of some of the successes of the Commission.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

Senator Christiaens asked Mr. Wosepka if there should be a fiscal note regarding the membership of the Commission. Mr. Wosepka stated the budget has no impact and the budget was approximately \$3,400 per year.

Senator Christiaens asked Mr. Wosepka about the name change and asked for clarification on what the name change has to do with any of the testimony. Mr. Wosepka stated the name change was to answer Legislative Council's action of eliminating the Western Boundary Advisory Council (WBAC) because the focus on the WBAC was too large. He stated there were other economic groups which included the three provinces, so in response they changed the name and limited the activities to the Alberta Boundary Advisory Commission. He stated the name change does not keep the group from being involved in issues in Saskatchewan and British Columbia.

Senator Toews asked Mr. Wosepka if they were treating Alberta as a nation or as another state. Mr. Wosepka stated HB 130 addresses several issues the Committee can deal with between Alberta and Montana, treating Canada as an individual nation. He stated there are quite a few issues which need to be dealt with between the two "states" which would be beneficial to both.

Senator Lynch stated the Legislative Council eliminated the WBAC because of the development of a regional conference which was working with Canada and the Northwest Region. Senator Lynch stated the Council cut the WBAC funding, not because of their scope, but because there were too many conferences. Senator Gage agreed with Senator Lynch and gave some background on the issue.

Senator Lynch asked if the \$3,400 was for the biennium and if it was in the Governor's Budget proposal. Mr. Person stated the budget proposal which accompanied HB 162 stated \$3,400 would be the amount of money needed to fund the activities and the proposal was out for subcommittee consideration. Mr. Person stated HB 130 would give legislative sanction to and focus the activity to the level it had been conducted at. He stated HB 130 would arrange the Council to how it was originally proposed. He stated the legislature had expanded the Council and had never funded it. Mr. Person stated the alternate choice would be no funding for the Council as it stands. He stated HB 130 would allow for a smaller Council and allow for financing for the Council.

Senator Lynch asked Mr. Person why HB 162 was just to change the name, and didn't guarantee funding for the Committee. Mr. Person stated the issue is the statement of legislative policy associated with the law. He stated the policy is to meet with British Columbia, Saskatchewan and Alberta and the proposed budget is for all three provinces.

Senator Lynch asked Mr. Person if the Forestry Task Force was still intact. Mr. Person stated there was no proposal for the Forestry Task Force. Senator Lynch asked if the Five States was still going. Mr. Person said yes. Senator Lynch asked Mr. Person if the National Conference of State Governments (NCSG) would still allow for contact with the other states. Mr. Person stated the budget has eliminated funding for the NCSG by reducing the budget for the National Conference of State Legislatures by 25%.

Senator Lynch stated HB 162 does not state the legislature wants to keep the Committee alive, but the name would be changed which would make the Committee's purpose more acceptable and focused.

Closing by Sponsor:

Representative Gervais stated the name change is important, even though it is confusing. He stated it is difficult to achieve

contact with the Canadian government without the Committee and added the Northern cities are benefitting from the Committee. He stated Senator Christiaens would carry HB 162 in the Senate and asked the Committee for favorable consideration.

EXECUTIVE ACTION ON SB 263

Motion/Vote:


Senator Kennedy moved SB 263 DO PASS. MOTION CARRIED UNANIMOUSLY.

Announcement:


Bart Campbell distributed a copy of a "gray bill" on SB 233 for the Committees consideration.

ADJOURNMENT

Adjournment: 10:47 a.m.



SENATOR J.D. LYNCH, Chair



KRISTIE WOLTER, Secretary

JDL/klw

ROLL CALL

SENATE COMMITTEE Business & Industry DATE Feb. 3, 1993

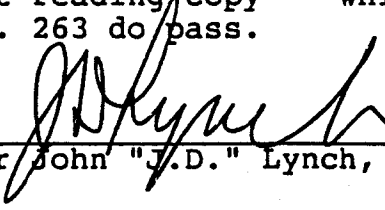
NAME	PRESENT	ABSENT	EXCUSED
Senator Lynch	✓		
Senator Christaens	✓		
Senator Bruski-Maus	✓		
Senator Gage	✓		
Senator Hager	✓		
Senator Harding			✓
Senator Kennedy	✓		
Senator Klampe	✓		
Senator Koehnke	✓		
Senator Mesaros	✓		
Senator Rea	✓		
Senator Toews	✓		
Senator Wilson	✓		

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
February 3, 1993

MR. PRESIDENT:

We, your committee on Business and Industry having had under consideration Senate Bill No. 263 (first reading copy -- white), respectfully report that Senate Bill No. 263 do pass.

Signed: 
Senator John "J.D." Lynch, Chair

DATE Feb. 3, 1993

SENATE COMMITTEE ON B & I

BILLS BEING HEARD TODAY: HB 130, HB 162

Name

Representing

Bill
No.

Check One
Support Oppose

Moe Wosepka,	Dept of Commerce International Trade Division	162	<input checked="" type="checkbox"/>	<input type="checkbox"/>

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY