MINUTES

MONTANA SENATE 54th LEGISLATURE - REGULAR SESSION

COMMITTEE ON JUDICIARY

Call to Order: By CHAIRMAN BRUCE D. CRIPPEN, on January 25, 1995, at 10:00 AM.

ROLL CALL

Members Present: Sen. Bruce D. Crippen, Chairman (R) Sen. Al Bishop, Vice Chairman (R) Sen. Larry L. Baer (R) Sen. Sharon Estrada (R) Sen. Lorents Grosfield (R) Sen. Ric Holden (R) Sen. Reiny Jabs (R) Sen. Sue Bartlett (D) Sen. Steve Doherty (D) Sen. Mike Halligan (D) Sen. Linda J. Nelson (D)

Members Excused: None.

Members Absent: None.

Staff Present: Valencia Lane, Legislative Council Judy Keintz, Committee Secretary

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

Committee Business Summary: Hearing: SB 136, SB 192 Executive Action: None.

HEARING ON SB 192

Opening Statement by Sponsor:

SENATOR FRED VAN VALKENBURG, Senate District 32, Missoula, presented SB 192 which provides that the county prosecutor services coordinator would receive the same salary as a full time county attorney. The standing members of this committee are familiar with county prosecutor services coordinator. SENATOR VAN VALKENBURG provided a handout to the committee entitled, "County Attorney Training Coordinator", EXHIBIT 1. Governor Marc Racicot was the first person to serve as county prosecutor services coordinator and there has only been one other person in that capacity since he left to become attorney general. The

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legislature created this position to provide assistance to the county attorneys across the state, especially jurisdictions with smaller populations, in handling major cases and in providing overall support through training and coordination of other services. The state of Montana has benefited tremendously from the services that John Connor has provided while he has been county prosecutor services coordinator. Most recently the area he would focus on is the tremendous benefit received by virtue of the prison riot cases on the criminal side of the docket. All of those cases have been successfully prosecuted and defended on appeal at no out-of-pocket costs to the state other than actual expenses. He would contrast that to what will be paid in the future for the civil defense of tort claims that have been brought against the state with respect to those same cases. We need to make sure that in the future we are competitive in terms of our ability to make sure that there is a competent and qualified individual in that position. This position is paid \$11,000 to \$12,000 a year less than full time county attorneys are earning in this state. The positions are the same. SENATOR VAN VALKENBURG provided another handout showing the pay scale for full time prosecutors in the state, EXHIBIT 2.

Proponents' Testimony:

Joe Mazurek, Attorney General, stated that the county attorney training coordinator is an employee of the attorney general. His office did not request this bill. The position is not vacant. When they do need to fill this position again, he would want to make sure, as the chief legal officer of the state, that we get the best applicant possible due to the importance of this position. The majority of high profile prosecutions in this state are handled by this person or his office. Prosecutors represent the taxpayers of this state, they do not practice in the private sector. They must look to experience in the public sector to provide prosecution services. This person sets the highest standard for county attorneys across this state to ensure that prosecutions are handled fairly and convictions are clean The pay for this office is very low. The average convictions. county attorney earns \$57,000. City attorneys earn an average of \$51,000. A lawyer with ten to fourteen years experience in the state of Montana earns an average salary of \$59,611.

Leo Giacometto, Governor's Office, supports SB 192. The governor believes that this position does deserve just compensation.

Jim Hubble, County Attorney for Judith Basin, commented that last year Judith Basin County had its first murder in 48 years. John Connor, the county attorney training coordinator, immediately sent help and provided terrific service to the people of Judith Basin County. Anyone in the job of county attorney training coordinator would earn considerably more in the private sector or if they left Montana.

George Corn, County Attorney for Ravalli County, stated the

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training the coordinator provides for county attorneys is invaluable.

William Hooks, State Appellate Defenders Office, remarked that he represents the people on appeal who have been convicted on felony offenses. Mr. Connor and his staff get the most labor intense cases charged in Montana. A well defended case results in fewer issues available on appeal and permits a more prompt resolution on appeal.

Mike McGrath, County Attorney for Lewis and Clark County, commented that they support SB 192.

John Northy, Legislative Auditor's Office, commented that under the Legislative Audit Act when an audit discloses an apparent penal violation in a state agency, they are required to report that fact to the governor and the attorney general. They work with the county attorney training coordinator in this matter. This function is very important to prosecuting any apparent penal violations which are disclosed in state government. This office is not limited to helping county attorneys.

Opponents' Testimony: None.

Informational Testimony: None.

Questions From Committee Members and Responses:

SENATOR AL BISHOP questioned where the monies come from to fund this office. SENATOR VAN VALKENBURG stated the staff is funded via the state general fund. There is a charge back to county governments for certain services. This money goes back into the general fund.

Closing by Sponsor:

SENATOR VAN VALKENBURG offered no further comments in closing.

HEARING ON SB 136

Opening Statement by Sponsor:

SENATOR LARRY BAER, Senate District 38, presented SB 136. Article XIII, Section 4 of the State Constitution reads: "Code of ethics. The legislature shall provide a code of ethics prohibiting conflict between public duty and private interest for members of the legislature and all state and local officers and employees." It says "shall" not "may". It says "prohibiting" not "compromising". It expressly prohibits conflict between public duty and private interests with no implication of exceptions. This constitutional directive is clear, unambiguous and mandatory under our state's supreme law of the land, yet it has been skewed, obfuscated, and patently violated for the last 22 years. Instead of carrying out their duty directed by the Constitution, the legislature created statutes rendering the mandate of our Constitution merely discretionary. The language of 2-2-100, MCA, reads more like a license to perform rather than a prohibition of unethical conduct. There's nothing in the constitutional language which expresses nor implies that a conflict must be substantial. It simply prohibits any conflict of any kind. The language "shall prohibit" does not conform with 2-2-105(1), MCA, statutory language which says it is intended only as a guide to legislator conduct and does not constitute violations of such of the public trust. Nor does the statutory language "should consider" comply with the constitutional prohibitory requirements. The language "shall prohibit" does not exempt or exclude the membership of a profession, occupation, or class nor does it express or imply that indirect or insignificant violations should be overlooked. Nearly all of the abuses appear to be by those serving also as public employees. Because of this, stronger applications to them is appropriate with a more liberal interpretation applied to private sector legislators. What part of the words "shall prohibit" do we intelligent people not understand? This is a direct contradiction of the Constitution. Such offense of dilatory statutory language renders the definitive constitutional provision impotent. This is repugnant to the intent of the framers of our Constitution and it is a material example of why the people of Montana no longer trust their government. We have set a bad example for them. Furthermore, the statute insults the constitutional directive "shall prohibit" by giving a legislator the discretion to "elect to disclose the interest creating the conflict." Thus there is no actual statutory requirement of obedience to the Constitution nor provision for a specific power of enforcement. The code of ethics imposed upon professionals by their respective government regulatory bodies are far more restrictive than those imposed upon legislators or public employees. The ethical code of his legal profession does not even allow the appearance of impropriety. The other severe and flagrant violation of Article XIII, Section 4, is the use of public time, facilities, equipment, supplies and funds to promote a political idealogy or preference intended to affect the outcome of an election or political decision. Nearly a century ago the U.S. Supreme Court held the constitutional commitment to free elections quarantees an electoral process free of partisan intervention by the current holders of government authority or the current holders of the public treasury. This should not apply to legislators since they are often advocates for constitutional amendments and other legitimate political functions while on the job. The same should hold true for the governor, lieutenant governor and their staff, less we eliminate government from politics entirely. Furthermore, department representatives provide essential information to committees and legislators during the legislative process. Therefore, provisions for such exceptions are within the bill. In Montana we arrogantly choose to permissively disregard such constitutional prohibitions in violation of our

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own state Constitution. Must the legislature be humiliated by a lawsuit certifying their unwillingness or incompetence to submit to both state and federal constitutional mandates? Must Montana, as in at least eight other states, ban public employees from the legislature? He submits that this bill is a reasonable alternative to such drastic action and will fulfill the requirements demanded by compliance with our state supreme law of the land.

Proponents' Testimony:

Robert G. Natelson presented his written testimony EXHIBIT 3.

Walter J. Kero, Vice Chair Montanans for Better Government, remarked that their organizations has three concerns with regards to ethics. The reason they support SB 136 is because the public trust is the most sacred covenant government has with its citizens. SB 136 addresses the three issues of ethics reform they are concerned with: conflicts of interest, taxpayer paid lobbying, and taxpayer financed influencing of ballot issues. In regard to conflict of interest, the proposed addition to MCA 2-2-104 (3) would prohibit public employees, including teachers and professors, from drawing two paychecks at the same time. Private sector individuals who serve in the legislature do not enjoy such a position. Public employees should not be legislators or local elected officials at the same time that they are serving in the capacity of an employee. We have a member of the present Board of Regents who is also on the board of the MSU Foundation. In the private sector, if this person was a trustee on a pension plan who was also doing business with a brokerage house that was doing the investment for the brokerage plan, ERISA would prohibit such a relationship. We have had university professors voting and approving on HB 2 which is appropriations for the university. We have had public employee legislators voting on bills to accept a contract which included their own particular employment. In the last Special Session grade school children were brought to Helena to make a lobbying appearance. When the taxpayers are paying for it, I think this is questionable. The current Montana law states that public officers are charged with a fiduciary responsibility.

{Tape: 1; Side: B}

Mike Cooney, Secretary of State, commented that for the last 18 months he and members of the Ethics Advisory Council have worked closely with people from across the state to fully examine and to scrutinize the question of ethics in state government. It is clear that Montanans expect public officials to do a more effective job of making the government accountable. He would encourage the committee to closely examine the issue of enforcement. In the early 1980s, the district court ruled that the office of the secretary of state does not have the authority to handle ethical violations. SB 136 does not resolve this conflict.

Fred Happel, Montanans for Better Government, stated there is a conflict of interest when you have someone who is receiving funds from the public sector lobbying on public sector legislation that will benefit that employee or his organization. Both of the organizations he lobbies for are funded entirely by member dues.

Leo Giacometto, Governor's Office, stated they rise in support of SB 136. The public's trust is the main concern of the governor.

Beth Baker, Department of Justice, stated they support this bill. The current laws are confusing and unworkable for public employees and private sector to understand. SENATOR BAER'S amendments address one of their principal concerns which is the role of the Department to be here and provide information to this committee.

Bill Olsen, AARP, commented that they support legislation which strengthens ethics rules.

Russ Ritter, Montana Resources, remarked that their concerns are in the area of the permitting process. Their company appears before state organizations and state committees which are involved in permitting. What they are asking is that those individuals who do have conflicts identify themselves. They are not saying they cannot belong to other organizations, they want to have them identify the organizations they represent.

Wes Higgins presented his written testimony, EXHIBIT 4.

Debra Smith, Common Cause, commented they are a proponent of reform to the ethics laws. This bill does not provide any agency with any authority to enforce its provisions. It provides for civil penalties and it makes the requirements mandatory, but no one has the authority to enforce it. Section 3 (2), which deals with impropriety, should be more specific. Section 4 would add rules of conduct for legislatures. That amends Section 121 of this part. Section 111 of this part, which is not amended, is entitled, "Rules of Conduct for Legislators". On page 5, (g) should be more specific than "use of public time". Paragraph (h) would not allow department employees, or even the governor or the lieutenant governor, to testify on behalf of a bill. All elected people should be subjected to the same rules of conduct. On page 4, (3) keeps the language concerning voluntary disclosure procedures of conflict of interest for legislators, however, (5) eliminates voluntary disclosure for local government officials and requires disclosure and elimination of an interest creating the appearance of impropriety. That is not an acceptable solution to the lack of guidance on ethics for legislators.

Arlette Randash, Eagle Forum, commented that she was recently.

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contacted by a pollster. All of the questions had to do with a upcoming school board levy and how would she best be influenced to vote for or against the levy. The schools must have hired that pollster. As she was asked questions, seeds of doubt were planted in her mind as to whether the high schools in Helena were safe. Two things were happening. They were formulating how they would best influence her next vote and also suggesting that if she refused to vote for the next school levy, she was putting our children in an unsafe situation.

Raymond Babb announced his support of SB 136.

Michael Gonsior, Montanans for Better Government, commented he would favor a constitutional amendment that would prohibit public employees from seeking elective political office.

Jim Blankenship stated he supports SB 136.

Kamela Webb, Fully Informed Jury Association Director, announced their support of SB 136.

Laurie Koutnik, Christian Coalition of Montana, stated they support ethical reform.

John Rice, Montanans for Better Government, stated their support of SB 136.

Bob Balyeat, Montanans for Better Government, stated their support of SB 136.

Opponents' Testimony:

Eric Feaver, Montana Education Association, spoke in opposition of SB 136. Even if this committee would adopt the bill with amendments, there are still some questions. Page 3, lines 20 through 24, says that virtually no Montanan could serve in the legislature. How would you not be related to someone who had some interest that might be at hand? How would you not be the member of some class, occupation or profession that would not be impacted by decision of the legislature? Page 4, lines 19 and 20, appears to say that the Montana School Board Association, the School Administrators of Montana, the Montana Rural Education Association and all other entities that represent public employers would be prohibited from hiring lobbyists to lobby this legislature. He would be delighted to be the only voice on employee/employer issues before this legislature. He is the advocate of public school funding. Despite the number of teachers who have served in this legislature, Montana is spending less per pupil today than two years ago.

Mary Ann Wellbank stated she is speaking as a private citizen who happens to be employed by the state of Montana. Her interpretation of this legislation is that it specifically targets public employees and infringes on the rights of public

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employees to be represented by a legislator who happens to be their peer. Section 3 (3), page 3, which provides if a legislator or a person connected with a legislator is a public employee and a member of a profession, occupation, or class affected in any way by the legislation, the legislator shall refrain from participation in the action. This legislation sets different standards for public employees and private sector employees who are legislators. Private sector employees are trusted to give careful consideration to conflicts. Public sector legislators related by blood or marriage to a public employee cannot be trusted to give careful consideration to potential conflicts and must refrain from participation in the action. Only public employees are targeted and the language is unusually broad and restrictive. Her representative lives in the Ash Grove Cement area. Because he is a public employee, he could not vote on any legislation in which a member of the class is affected by the legislation. He could not represent his constituents, 30% of whom are public employees. Legislators who are ranchers can vote on livestock and access issues. As a state employee she is entitled to the same rights and representation as any other Montana citizen.

Don Waldron, Montana Rural Education Association, stated that schools do hire him to lobby for them. He offered an amendment, EXHIBIT 5.

Larry Fasbender commented that he is a farmer, a past legislator, and a past employee of the state. He is now a lobbyist paid through public funds. He is in favor of ethics legislation, however, this bill is going too far in addressing ethics legislation.

Terry Minow, Montana Federation of Teachers, Montana Federation of State Employees, announced their strong opposition to SB 136. SB 115 seems to be a much more balanced approached to the issue of ethics in government. As a representative of public employees, it is difficult for her to listen while this bill's proponents bash public employees. They do not deserve this abuse.

Amy Pfeifer stated she is a state employee attending this hearing on her own time. She has problems with Section 1, (3), that would prohibit a public employee who is also a legislator from earning a salary during the time they are compensated as a legislator. If she took a leave of absence, she would still have the same interests. This is to discourage public employees from getting involved as legislators. There is nothing in current law, this bill, or in SB 115, which would prohibit other legislators from earning a salary while they are a legislator. She asks that state employees be subject to the same ethical restrictions as other legislators would be. Section 3 would state that if you happened to be a legislator who is a public employee or related, within very broad degrees, to a public employee you could not vote on legislative matters where there

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might be a conflict of personal or financial interest. She wouldn't be able to vote on anything that affected her. Section 3, (4) seems to conflict with (2).

Mike Piccard remarked his concern with this bill is that it is overly broad. No one would argue against some type of ethical guidelines. This bill singles out public employees in a way that is inequitable. Public employees are private citizens. They work and perform a job for pay. Public employees pay property taxes, income taxes, and have the same conflicts and problems that every other private citizen has.

Informational Testimony: None.

{Tape: 2; Side: A}

Questions From Committee Members and Responses:

SENATOR GROSFIELD, referring to the last few lines of the bill, questioned the wording which stated that a local government member had to eliminate the interest creating the appearance of impropriety. Does that mean that they have to sell a business or some asset? SENATOR BAER stated that this is an existing section in the code. He is open to any suggestions on this bill that would clarify any possible ambiguities.

SENATOR DOHERTY asked if this bill would apply to all levels of government including federal and state retirees. SENATOR BAER stated we could not interfere with federal laws. Regarding state retirees, he felt there might be an area of vagueness which would need to be addressed. SENATOR DOHERTY further remarked that there is nothing in the bill which refers to a legislator who is accepting private money from investments or profession. He felt that would create equal protection problems. SENATOR BAER stated that this bill does not affect any activity by a public employee on his own time and using his own resources. SENATOR DOHERTY questioned the use of public time, facilities, and equipment to further an election. His opponent had his picture taken with the governor in the governor's office. Would that be prohibited? Ιf the governor wanted to endorse someone, he would have to do so off of public property. SENATOR BAER stated the amendments to this bill remove that situation. SENATOR DOHERTY questioned how this would affect the situation where the governor would be invited to speak to a club, clearly on government time, drives in a state car and during his speech voices his opinion about anything. SENATOR BAER stated there are specific exemptions for that type of performance by our governor. He is expected to represent himself and the people of Montana and this bill does not prohibit him from doing so.

SENATOR HALLIGAN was concerned about the enforcement policy. On page 2, line 15, reference is made to disciplinary action and a

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civil penalty. He questioned who would handle the enforcement policy and what the disciplinary action would be. SENATOR BAER stated that he would consider merging this bill with SB 115 to form a consolidated ethics bill that will address this question. SENATOR HALLIGAN questioned what the internal rules of the legislature would be if he failed to disclose a conflict of interest. Could the Senate then suspend him for a day or two or is this something which would be handled by the Commissioner of Political Practices? SENATOR BAER stated there was a provision in this bill for the creation of a Senate Ethics Committee similar to the Ethics Committee in the House. SB 115 addresses a procedural process whereby disciplinary action is made available. SENATOR HALLIGAN stated there has been concern by industry that a lot of the employees making decisions in public agencies may be involved in environmental groups who directly oppose the decision on a permit. He questions whether this bill reached that far. ROB NATELSON stated he wasn't sure the bill reached that far.

SENATOR BAER pointed out that the section he is concerned with is existing law.

SENATOR GROSFIELD stated his understanding of Mr. Natelson's handout is that the concern is mostly with legislators who are public employees. He questioned whether it would be unethical for a person in agriculture to serve on the ag committee. Mr. Natelson stated that the first concern was with the policy of separation of powers. The belief that the legislative branch and the executive branch should be kept as distinct as possible. His personal opinion is that someone involved in a particular area of endeavor should not be sitting upon the committee that oversees that area of endeavor. A vote on a particularly agricultural matter to a farmer would have a disproportionate impact on that legislator. SENATOR GROSFIELD further asked about the situation which would be created wherein the MEA, being privately funded by teachers, ending up to be the only lobbying group allowed to participate in education issues in front of the legislature. Mr. Natelson stated the intent of the bill was overstated. The bill does not affect the constitutional rights of public employees or employers to organize or lobby the way private entities do. It states that that activity not be on the taxpayers money.

SENATOR DOHERTY asked about a private individual who contracts with the state. Mr. Natelson stated that this bill does not deal with that situation, however, SB 115 deals with the issue of contracting with the state.

SENATOR CRIPPEN questioned the conflict of farmers and ranchers serving on the Ag Committee. He stated that in this body they tried to take advantage of the abilities of the individuals who are in the legislature. They are then able to make informed judgements on the issues in front of that committee. Mr. Natelson stated that there are studies that committees ought to be rotated to prevent people whose interests are directly impacted by a particular committee from serving on the committee.

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He suggested permitting a certain number of the regulated profession on the committee, but to limit it to a certain percentage. SENATOR CRIPPEN further questioned the scenario created when the legislature is over and he is invited to speak before a group, would he be in jeopardy as a legislator if he made a definite statement about a referendum? Mr. Natelson felt he would have the right to freely express his opinion. SENATOR CRIPPEN expressed concern that the supreme court would say that the legislature overstepped its bounds in this bill and has discriminated against a class of citizens. Mr. Natelson stated there is authority that holds that it is constitutional for a state to go even further and completely ban public employees from the legislatures. This bill does not affect the first amendment rights of public employees. Instead of dealing with free speech, this bill deals with taxpayer subsidized speech.

Closing by Sponsor:

SENATOR BAER stated this bill would not prohibit any public employee from lobbying on their own time and using their own resources. Independent contractors would not be effected in a business relationship with the state. Some states ban public employees from serving in the legislature. We are not doing that.

EXHIBIT 6, amendment requested by SENATOR BAER. EXHIBIT 7, Montanans for Better Government handout.

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ADJOURNMENT

Adjournment: The meeting adjourned at 12:05 p.m.

40 BRUCE D. CRIPPEN Chairman KEJŃTZ, Secreta JUDY

BC/jjk

MONTANA SENATE 1995 LEGISLATURE JUDICIARY COMMITTEE

ROLL CALL

DATE /- 23-95

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SB192

SEMALE JUDICIART COMMETTEL EXHIBIT NO ._ OATT

COUNTY ATTORNEY TRAINING COORDINATOR

The position of county attorney training coordinator was created by statute in 1973. In 1977, Marc Racicot assumed the position and the functions were expanded to allow the training coordinator to also act as special counsel to assist counties in the prosecution of criminal cases. The current coordinator is John Connor, who has held the position since 1989 when Marc Racicot became Attorney General. The training coordinator is appointed by the Attorney General from a list of three names submitted by the Montana County Attorneys' Association.

The training coordinator currently acts as chief of the county prosecutor services bureau of the Attorney General's office. CPS provides training, research and trial assistance to county attorneys. They also process all complaints received in the office involving county attorneys, assist law enforcement agencies with teaching and case review, and handle criminal lawrelated matters before the legislature on behalf of the Montana County Attorneys Association. The bureau is comprised of four attorneys, one of which is dedicated exclusively to workers' compensation fraud prosecutions and one whose primary function is the prosecution of drug cases.

In addition to managing the bureau, the training coordinator arranges at least two training seminars for county attorneys each year. He also serves as special counsel, prosecuting cases in which a county attorney has a conflict, or lacks the resources or experience to handle a particular case. In this regard, the current training coordinator has prosecuted many high profile homicide cases during the past seven years. He managed the prosecution of all the criminal cases resulting from the 1991 prison riot and tried the majority of these cases. The criminal cases were prosecuted and upheld on appeal without any extraordinary expenditures beyond the office's normal operating budget.

He has also prosecuted or assisted in the prosecution of numerous other violent crimes and public official misconduct cases. He supervises the office investigations of complaints against county attorneys and works with other bureau attorneys in providing research and support functions for county attorneys.

During the past 18 months, CPS has either handled exclusively, or assisted county attorneys in the prosecution of several homicide cases. The training coordinator successfully tried two homicide cases in which a mental disease or defect defense was used, involving extensive expert mental health testimony, and handled two other homicide cases as well. He also consulted with county attorneys in the prosecution of several others, as did the other CPS attorneys.

CPS has also prosecuted a number of other diverse matters, including public official misconduct, felony and misdemeanor offenses involving attorneys, drug sale and manufacture, gambling, stalking (a probation officer defendant), arson, assisted on the "freemen" cases in Garfield County (one trial in August, 1994), rape and sexual assault, etc.

EXHIBIT_

DATE.

1-25-95

CPS cases come from throughout the state but are primarily from smaller jurisdictions with less resources. CPS attorneys travel frequently but almost always by car since they have a slim travel budget.

In contrast to the recently publicized situation involving retention of private counsel by the state in civil cases, County Prosecutor Services is the agency to which difficult criminal matters are referred. The attorneys in CPS have tried cases against virtually every well-known criminal defense attorney in the state, as well as many noted out-of-state attorneys.

The value to the state in having these positions is that there is less chance a criminal case will be overturned on appeal when it is handled by an experienced prosecutor rather than inexperienced county attorneys in small jurisdictions which process very few felonies.

The current training coordinator has practiced law for 25 years. He has approximately 20 years of criminal trial experience. It would be extremely difficult to fill the position with someone of equal experience at the present salary level. The current coordinator typically works hundreds of hours of overtime each year and forfeits several weeks of comp time and vacation annually for non-use.

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FULL-TIME COUNTY ATTORNEYS

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SB136

Testimony in Support of Senate Bill 136

by

Robert G. Natelson¹

Mr. Chairman; Members of the Committee:

My name is Robert Natelson, and I am Chairman of Montanans for Better Government. I'm also Professor of Law at the University of Montana School of Law, where, among other tasks, I teach a course in the origins of the U.S. Constitution. I mention that last point because it is relevant to my testimony. I hasten to add, however, that my opinions are my own and I do not speak for the University or the law school.

Unfortunately, when I wrote this testimony, I had only the Introduction Copy of Senate Bill 136. Sen. Baer has told me that the draft may have been amended by the time I testify. With one exception, therefore, I am going to address only the general purposes of the bill rather than specific provisions.

Senate Bill 136 is directed at three problems: First, conflicts of interest among legislators who are employees of the state or subdivisions of the state; second, diversion of taxpayer resources to influence the outcome of elections, especially initiatives and referenda; and, third, taxpayer-financed lobbying.

All three of these problems actually are of like kind: Senate Bill 136 is designed to further the constitutional policy of separation of powers by reducing improper influence of the executive branch of government over the legislative branch.²

Let me explain. On the federal level, the *legislative* branch consists of Congress alone. Under our state constitution and supreme court decisions, however, the legislative branch includes the people as well as the house and senate. The people act as a separate, legislative body during the initiative and referendum process.³ Thus, lobbying lawmakers, serving in the legislature, and campaigning on ballot issues are all part of the Montana legislative process.

Similarly, on the federal level the *executive* branch is headed by the President alone; but Montana has a *fragmented* executive branch. In addition to the Governor and Lieutenant Governor, our executive branch includes the auditor, secretary of state, the public school and university systems, the attorney general, county attorneys, and other officers charged with

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¹ Professor of Law, University of Montana; Chairman of Montanans for Better Government. The opinions expressed in this testimony are his and not necessarily those of any other person or institution.

² The separation of powers doctrine is stated in Mont. Const., Art. III, §1.

³ Mont. Const., Art. III, §§5, 6. See State ex rel. Esgar v. District Court, 56 Mont. 464, 185 P. 157 (1919); State ex rel. Hay v. Alderson, 49 Mont. 387, 142 P. 210 (1914).

carrying out the law.⁴ Thus, employees of any of those entities are members of the executive branch; and when they sit in the legislature or lobby or campaign on ballot issues they are executive branch officers involved in the legislative process.

As former British subjects, the framers of the U.S. Constitution were familiar with a system in which the executive branch exercised undue influence over the legislative. They wrote that this influence impaired the role of lawmakers as representatives of the people and as exercisers of independent judgment. The framers used strong words to describe that situation, calling it "betrayal," "corruption" and "seduction."⁵

The framers' cure was an absolute rule against federal employees serving in Congress. This rule does not come from the Hatch Act; it is in the U.S. Constitution,⁶ and was inserted when Congress was still a citizen legislature. Defenders of the status quo in Montana sometimes argue that a citizen legislature makes conflict of interest standards less desirable; but our country's founders recognized that because a citizen legislature has many potential conflicts, clear ethical rules are *more necessary*, not less, than in a professional legislature.

Unlike the federal constitution and several other states,⁷ Montana does not bar public employees from the legislature. But our Constitution does requires that the legislature adopt a Code of Ethics prohibiting conflict of interest.⁸ Because the legislature has fulfilled this duty only imperfectly, in recent years we have witnessed the consequences: Lawmakers who are university professors voting for university appropriations; lawmakers employed by the public

⁴ Mont. Const. Art. VI, §1 lists only the governor, lieutenant governor, secretary of state, attorney general, superintendent of public instruction, and auditor as being in the executive branch. However, county attorneys enforce the law and are subject to the supervision of the attorney general, Mont. Code Ann. §2-15-501(4), and to a lesser extent, of the governor. §2-15-201(6). The Montana University System executes the laws of the state, and as such clearly is part of the executive branch. See State ex rel. Spire v. Conway, 472 N.W.2d 403 (Neb. 1991) (under Nebraska constitutional provision prohibiting members of one branch of government from exercising powers of coordinate branch, state senator could not also serve as assistant professor at state college; professor is member of executive branch).

⁵ FEDERALIST PAPERS No. 55 (Madison); No. 76 (Hamilton)

⁶ Art. I, §6.

⁷ E.g. Mich. Const., Art. IV, §8:

No person holding any office, employment or position under the United States or this state or a political subdivision thereof, except notaries public and members of the armed forces reserve, may be a member of either house of the legislature.

Similar rules exist in several other states. A non-exhaustive list includes Connecticut, Georgia, Nebraska, and Virginia. Conn. Const., Art 3, §11; Ga. Code §16-10-9; State ex rel. Spire v. Conway, 472 N.W.2d 403 (Neb. 1991); Va. Const., Art. IV, §4; and are fully valid under the U.S. Constitution. Stolberg v. Caldwell, 175 Conn. 586, 402 A.2d 763, app. dis'd 454 U.S. 958 (1978).

⁸ Mont. Const., Art. XIII, §4.

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school system voting against a bill to open up their quasi-monopoly to competition;⁹ the superintendent of public instruction using taxpayer funds to threaten state contractors with dire consequences if they sign a referendum petition;¹⁰ extensive lobbying by public employees on the taxpayer's nickel;¹¹ and repeated use of taxpayer funds to influence votes on school mill levy and bond referenda. In fact, despite recurrent complaints, this last practice threatens to continue this year, as demonstrated by a leaflet now being prepared by Missoula Elementary School District #1, and attached to my testimony for your examination.

Senate Bill 136 is a serious attempt to deal with the problem of executive branch interference in the legislature. This is in marked contrast to the secretary of state's ethics bill, S.B. 115, that does not deal as effectively with that problem. For example, Section G(2) of S.B. 115 specifically permits a lawmaker to vote on a measure that will disproportionately benefit him if it results in similar disproportionate benefit to other members of his own profession. This, I submit, is an open an invitation to ethical abuse.

To protect academic freedom, I do favor some amendment of Senate Bill 136, specifically 2-2-121(2)(g) (p.4, lines 25-26). The current language is broad enough to forbid honest scholarship that might have policy consequences. We can cure the problem by changing "to promote a political ideology that could potentially affect the outcome of an election" to "for the purpose of affecting the outcome of a specific election." We might narrow subparagraph (h) for the same reason.

Finally, I note that although I am a public employee myself, this testimony was prepared on my own time and at my own expense.

Thank you very much for your attention.

¹⁰ During the 1993 petition drive that led to Initiative Referendum 112, OPI prepared and mailed a leaflet threatening school bus contractors with loss of work if the petition were successful.

⁹ Thus, House Bill 81, voted on in the 1993 special session, would have encouraged competition among public and private schools through a refundable tax credit mechanism. All ten public schoolteacher-legislators voted against it.

¹¹ The Commissioner of Political Practices lobbying reports disclose substantial numbers of lobbyists paid either directly by the taxpayers (as through state agencies, the university system, or local governments) or indirectly (as through the Montana League of Cities and Towns).

Election: Tuesday, April 4, 1995

Building Reserve Funds for School Safety and Maintenance

Missoula Elementary School District #1

WHY? Wear and aging have taken a toll on our school buildings. Missoula County Public Schools is committed to keeping its buildings safe and well maintained. Over the years, Missoula voters have supported that commitment and voted on short-term funds to pay for safety and major maintenance. Our school buildings continue to need major work although the elementary school funds have expired and the high school fund will expire June 30. If approved, the high school building fund would renew and expand the one expiring.

WHEN? On April 4, two Building Reserve Funds will be on the ballot. Although the two school districts unified this school year, state law requires that their budgets remain separate. Therefore, there will be two ballots: one for the high schools and one for the elementary and middle schools.

WHAT? The safety and maintenance work that needs to be done includes: Elementary and Middle Schools

- sewer hookups at Franklin, Russell, Lewis and Clark
- *roof replacement* at Washington, Meadow Hill, Franklin, Roosevelt, Cold Springs, Hawthorne, Porter and Lewis and Clark
- *heating system repair* at Roosevelt, Washington, Jefferson, Lowell, Lewis and Clark, Prescott, Franklin, Hawthorne, Porter
- *playground safety improvement* at Porter, Dickinson, Franklin, Hawthorne, Lowell, Lewis and Clark, Mount Jumbo, Prescott, Roosevelt, Russell and Paxson
- communication conduits at Hawthorne, Roosevelt, Mount Jumbo, Lewis and Clark, Dickinson, Washington, Rattlesnake, Meadow Hill, Porter, Russell, Prescott, Lowell, Franklin
- *disability access* at Lewis and Clark, Prescott, Roosevelt, Lowell, Administration Building
- *electrical upgrades* at Franklin and Administration Building.

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These projects require immediate attention. The school district believes -- as the owner of a home does -- that maintenance is an investment that saves money in the long run.

HOW MUCH? The Building Reserve Funds would be levied for five years for \$, each year for the elementary and middle schools. Cost to the taxpayer on a \$100,000 home would be \$ a year for the elementary and middle school fund.

WHICH BALLOTS WILL I USE? If you live within the boundaries of the Elementary District # 1, you will vote on both the elementary and high schools building reserve funds.

Elementary and Middle Schools

BALLOT

Election: Tuesday, April 4, 1995

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Building Reserve Funds for School Safety and Maintenance

Missoula County High School District #1

WHY? Wear and aging have taken a toll on our school buildings. Missoula County Public Schools is committed to keeping its buildings safe and well maintained. Over the years, Missoula voters have supported that commitment and voted on short-term funds to pay for safety and major maintenance. Our school buildings continue to need major work although the elementary school funds have expired and the high school fund will expire June 30. If approved, the high school building fund would renew and expand the one expiring.

WHEN? On April 4, two Building Reserve Funds will be on the ballot. Although the two school districts unified this school year, state law requires that their budgets remain separate. Therefore, there will be two ballots: one for the high schools and one for the elementary and middle schools.

WHAT? The safety and maintenance work that needs to be done includes: High Schools

- fire and safety systems at Hellgate
- roof replacement and repair at Big Sky, Hellgate and Seeley Swan
- tile and carpet replacement at Big Sky and Sentinel
- heating systems repair at Big Sky, Hellgate and Sentinel
- bleacher replacement at Hellgate and Sentinel
- disability access at Big Sky, Seeley Swan, Sentinel and Willard
- window replacement at Sentinel
- door replacement at Hellgate and Sentinel
- security system installation at Big Sky
- *lighting replacement* at Hellgate and Willard (Adult Education)
- track resurfacing at Sentinel and expanded parking at Willard
- locker replacement at Seeley Swan and Sentinel
- asbestos and other environmental management at Hellgate, Big Sky and Seeley-Swan

These projects require immediate attention. The school district believes -- as the owner of a home does -- that maintenance is an investment that saves money in the long run.

HOW MUCH? The Building Reserve Funds would be levied for five years for \$, each year for the high schools. Cost to the taxpayer on a \$100,000 home would be \$ a year for the high school fund.

WHICH BALLOTS WILL I USE? If you live outside the boundaries of Elementary School District #1, you will vote (and be taxed) on only the high school building reserve fund.



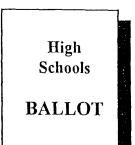


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TESTIMONY SUBMITTED TO THE SENATE JUDICIARY COMMITTEE

ON SB136 Submitted by Wes Higgins, Kalispell Member: Montanans for Better Government United We Stand Montana Date: January 25, 1995

AS YOU KNOW, THE PUBLIC TRUST OF ELECTED OFFICIALS AND PUBLIC EMPLOYEES HAS REACHED AN ALL TIME LOW. OUR GOVERNMENT, THAT IS SUPPOSED TO SERVE THE PEOPLE IS BECOMING ONE THAT INSTEAD, (IF I MAY USE THE RANCHERS' TERMINOLOGY) SEEMS TO WANT TO SERVICE THE PEOPLE.

THE FREQUENCY OF THE VIOLATIONS AND ABUSES OF THE PUBLIC TRUST SEEMS TO HAVE ESCALATED IN THE PAST FEW YEARS, FROM SCHOOLS AND LOCAL GOVERNMENT RIGHT ON UP TO THE STATE HOUSE, AND HAS RESULTED IN A "THEM VERSUS US" MENTALITY.

AS THE AUTHOR AND CHAIRMAN OF CI-66, I SAW EXAMPLES EVERY DAY, IN THE HEAT OF THE CAMPAIGN, OF ELECTED OFFICIALS AND PUBLIC EMPLOYEES USING TAX MONEY, GOVERNMENT RESOURCES, AND EMPLOYEE TIME TO INFLUENCE THE ELECTION.

ADMITTEDLY, THE PERCENTAGE OF ELECTED OFFICIALS AND PUBLIC EMPLOYEES THAT VIOLATE THE PUBLIC TRUST IS SMALL, BUT THOSE FEW INCRIMINATE THE REST BY ASSOCIATION. THE RULES OF CONDUCT AND ETHICS REQUIREMENTS EMBODIED IN SENATE BILL 136 WILL SERVE TO IMPOSE DISCIPLINE ON THOSE WHO NEED IT AND PROTECT THE CREDIBILITY AND INTEGRITY OF THE PUBLIC SECTOR AS A WHOLE.

PAUL HARVEY STATES "THAT SELF-GOVERNMENT WITHOUT SELF-DISCIPLINE WILL NOT WORK". THE NEED HAS ARRIVED FOR THE LEGISLATURE TO ACT AND IMPOSE SELF-DISCIPLINE UPON YOUR BODY AND THE ENTIRE PUBLIC SECTOR BY PASSING SENATE BILL 136. PASSAGE OF THIS BILL CAN BE A MAJOR FIRST STEP IN RESTORING THE PUBLIC TRUST, AND OUR GOVERNMENT, THAT IS SUPPOSED TO SERVE THE PEOPLE, INSTEAD OF THE BUREAUCRACY!

I URGE YOUR SUPPORT OF THIS VERY IMPORTANT BILL.

THANK YOU,

WES C. HIGGINS

Don Waldron Montana Rural Ed Assor

SB136

SEMARE JUDICIARY CREMENTED EXHIBIT NO 5 DATE 12595 982 MO 58136

PROPOSED AMENDMENT TO SB136

Page 4, Line 18

Page 4, Line 19

DELETE, after word election ", or" INSERT "."

DELETE "(h)", INSERT "(3) A PUBLIC OFFICER, A LEGISLATOR OR A STATE EMPLOYEE MAY NOT

Renumber Remaining Subsections

With Amendment, it would read:

* * * * * * *

could potentially affect the outcome of an election.

(3) A PUBLIC OFFICER, A LEGISLATOR OR A STATE EMPLOYEE MAY NOT use public resources to pay, supplement, or subsidize in any way a lobbyist, the media, or any other method of influence intended to persuade or affect a political decision.

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Amendments to Senate Bill No. 136 First Reading Copy

Requested by Senator Baer For the Committee on Judiciary

Prepared by Greg Petesch January 24, 1995

1. Title, lines 9 and 10. Following: "SUPPLIES," on line 9 Insert: "PERSONNEL," Following: "FUNDS" on line 9 Strike: remainder of line 9 through "ISSUE" on line 10 Insert: "FOR ANY POLITICAL OR CAMPAIGN ACTIVITY PERSUADING OR AFFECTING A POLITICAL DECISION UNLESS THE USE IS AUTHORIZED BY LAW OR PROPERLY INCIDENTAL TO ANOTHER ACTIVITY REQUIRED OR AUTHORIZED BY LAW" 2. Page 2, line 9. Strike: "the public employee is compensated as a legislator" Insert: "that the legislature is in regular or special session" 3. Page 2, line 13. Strike: "mandatory" 4. Page 2, line 20. Following: "within" Strike: "the" Insert: "12" 5. Page 3, line 3. Strike: "mandatory" 6. Page 3, line 6. Following: "." Insert: "The prevailing party may recover attorney fees and court costs from the nonprevailing party." 7. Page 3, line 9. Strike: "or collaterally" 8. Page 3, line 11. Strike: "disclose and" Following: "or" Insert: "disclose the interest and" 9. Page 3, line 12. Following: "action" Insert: ", as provided in the joint rules of the legislature" 10. Page 3, line 20.

Following: "affecting" Insert: "or legislative duties" Strike: "does" Insert: "do" 11. Page 3, lines 21 and 22. Strike: "entire" on line 21 Following: "person" on line 21 Strike: remainder of line 21 through "with" on line 22 Insert: "related to" 12. Page 3, line 23. Strike: "in any way" 13. Page 3, line 27. Following: line 26 Insert: "(5) A legislator concerned with the possibility of a conflict should briefly present the facts to the committee of that house that is assigned the determination of ethical issues. The committee shall determine whether the legislator should participate in action involving the issue." 14. Page 4, line 3. Following: "facilities," Insert: "supplies, funds," 15. Page 4, lines 17 and 18. Following: "<u>supplies,</u>" on line 17 Insert: "personnel," Following: "funds" on line 17 Strike: remainder of line 17 through "election" on line 18 Insert: "for any political or campaign activity persuading or affecting a political decision unless the use is: (i) authorized by law; or (ii) properly incidental to another activity required or authorized by law, such as the function of the governor, legislators, or their staffs in the normal course of their duties" 16. Page 4, lines 26 and 27. Strike: subsection (5) in its entirety

Renumber: subsequent subsection

MONTANANS FOR BETTER GOVERNMENT

FACT BULLETIN #6*

減1 前1 January, 1995

SB131

CARIBIT NO.

Public Sector Conflicts of Interest: Montana's Real Ethical Problem

Q. What are the critical ethics issues in Montana government today?

A. Although previous ethical controversies have involved business influence in government, that is less of an issue in Montana today than "public sector conflicts of interest" — abusing the public trust to serve *personal interests in government*.

Q. Please explain.

A. Here are Montana's most serious ethics problems:

(1) Lawmakers employed by or retired from state or local government, and thereby receiving regular checks, but voting on appropriations and policy questions affecting themselves and their agencies,

- (2) Lobbyists paid from public funds, and
- (3) Improper government interference with the election process.

Q. How extensive is the first problem (legislative conflict of interest)?

A. Very extensive. In recent years, the largest special interest in the legislature has not been agriculture or ranching as commonly believed, but *government itself*. About 1/3 of all 1993-95 lawmakers came from households supported with pay or pension checks from the state or subdivisions of the state. At least nine members lived in households where both the member and spouse received state checks.

Q. So what?

A. Lawmakers receiving government checks flock to the committees that oversee their own agencies. As committee members and on the floor, they can control funding and policy for those agencies, both to extract benefits for themselves and to block reforms that are in the public interest. Ethically, these legislators should disqualify themselves from voting, but they almost never do.

Q. Doesn't almost every lawmaker have some sort of conflict of interest?

A. Yes — in a citizen legislature almost everyone has some conflicts. For this reason, lawmakers need clear guidance on how recognize conflicts and how to respond to them.

Q. Where is that guidance supposed to come from?

A. The Montana Constitution (Art. XIII, §4) directs the legislature to "provide a code of ethics prohibiting conflict between public duty and private interest for members of the legislature...." But the legislature has *disregarded* this mandate. Its code is much weaker for lawmakers than for other officials. It does not prohibit — nor even require disclosure of — most conflicts. Instead, it provides only that a lawmaker faced with a conflict "should consider" disclosing, abstaining, or eliminating the interest [Mont. Code Ann. §2-2-Il2(2)].

Q. What can Montanans do about legislative conflict of interest?

A. Montanans should insist on a code of ethics including, at a minimum, mandatory disclosure, disqualification from certain committees, and no-voting rules. Some argue against receiving agency checks while in session (although this would not cure the long-term conflict), limiting a conflicted member's role in

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^{*}This is one of a series of Fact Bulletins prepared for Montanans for Better Government (Independent Political Committee) by Prof. Rob Natelson. If you are interested in joining or would like more information, contact Montanans for Better Government, 1113 Lincolnwood, Missoula, MT 59802; 406-721-2266; FAX 406-728-2803.

debate, or banning public employees from the legislature. The last rule prevails in the federal government and at least eight states.

Q. On the second problem: How much government lobbying do taxpayers pay for?

A. Over 40% of registered lobbyists — those who "lobby for hire" — are financed, directly or indirectly, by tax dollars. For instance, the Montana University System pays a full-time lobbyist to increase the flow of tax dollars it receives. The same is true of many local governments, state agencies, and associations supported by dues from government agencies.

Q. How do we deal with this issue?

A. We need a level playing field. Individual citizens who lobby do so at their own expense. Private interests and citizens' groups who hire lobbyists do so from their personal funds or from voluntary contributions. It is reasonable to insist that pro-government people seeking higher taxes or more power also should rely on voluntary contributions to support their lobbying efforts. Of course, government employees providing *purely informational* testimony as part of their jobs should be paid out of the public treasury. They are not "lobbying" as the term is defined in Montana law [Mont. Code Ann. §5-7-102].

Q. Now the third problem: How are public servants improperly interfering with elections?

A. Public employees and policy makers regularly dip into public resources to finance campaigns to influence the initiative and referendum process. Thus, in 1993, the Office of Public Instruction used taxpayer money and public employee time to campaign against a citizen petition drive. In 1993-94, the Board of Regents permitted diversion of public funds into a lawsuit designed to cancel an election. In 1994, the Regents diverted property and employee time to its campaign against CI-66 and CI-67. And year after year, local school officials use tax money and employee time to influence mill levy elections.

Q. How do the malefactors justify their conduct?

A. Not very persuasively. Their usual argument is that they are "just providing information." Almost invariably, however, this "information" is biased toward their particular point of view and may be incomplete, misleading, or incorrect. The tip-off is that they *never* give their opponents a genuine opportunity to help prepare this "information."

Q. Isn't this really a form of electoral corruption?

A. Yes. And there are other examples. In 1994, for instance, teachers and students were intimidated during mill levy elections. And school officials spent substantial sums without complying with the disclosure or registration requirements of state law.

Q. Isn't this corruption illegal already?

A. Much of it is. But the law forbidding public employees from campaigning on the job is vague and weak enough to discourage prosecution. The law needs to be clarified and strengthened, and some activities should be felonies rather than misdemeanors.

Q. Are there some "ethics proposals" we should be cautious of?

A. Yes. Politicians frequently use a device called "preemption" — promoting weak proposals to forestall serious reform. Several recent proposals come down hard on private sector interests, but avoid tackling the more serious question of public sector conflicts of interest. So before you sign onto any proposal, make sure it deals with the problems set forth above.

DATE <u>1-25-95</u> SENATE COMMITTEE ON <u>Judiciary</u> BILLS BEING HEARD TODAY: SB 136 - LB 192

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