

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
54th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON BUSINESS & LABOR

Call to Order: By **CHAIRMAN BRUCE T. SIMON**, on January 16, 1995,
at 8:00 AM.

ROLL CALL

Members Present:

Rep. Bruce T. Simon, Chairman (R)
Rep. Robert J. "Bob" Pavlovich, Vice Chairman (Minority) (D)
Rep. Vicki Cocchiarella (D)
Rep. Charles R. Devaney (R)
Rep. Jon Ellingson (D)
Rep. Alvin A. Ellis, Jr. (R)
Rep. David Ewer (D)
Rep. Rose Forbes (R)
Rep. Jack R. Herron (R)
Rep. Bob Keenan (R)
Rep. Don Larson (D)
Rep. Rod Marshall (R)
Rep. Jeanette S. McKee (R)
Rep. Karl Ohs (R)
Rep. Paul Sliter (R)
Rep. Carley Tuss (D)
Rep. Joe Barnett (R)

Members Excused: None.

Members Absent: Rep. Norm Mills

Staff Present: Stephen Maly, Legislative Council
Alberta Strachan, Committee Secretary

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

Committee Business Summary:

Hearing: HB 126, HB 118,
Executive Action: HB 126

HEARING ON HB 126

Opening Statement by Sponsor:

REP. HAL HARPER, HD 52, Lewis and Clark County said this bill was an act providing for disposal of articles not redeemed from retail launderers or dry cleaners within 180 days, requiring the retail launderer or dry cleaner to post a notice and to maintain

records, requiring any balance from the sale of an article to be deposited in the county general fund.

Proponents' Testimony:

Dick Garrett, Montana Textile Association said this bill will clean up a nuisance for the laundry people in Montana. This has long been a problem in their stores. This bill will do four basic things for the members. It will put a definite time period responsibility on the association and customers, allow for the recovery of charges, it will free up valuable space in many of the crowded plants and it will give the customers the incentive to retrieve their garments. **EXHIBIT 1**

John Becker, General Manager, Missoula Textile Services read a letter regarding this bill. **EXHIBIT 2**

Fred Simmons, General Manager, The National Laundry Company submitted a letter in support of this legislation. **EXHIBIT 3**

Jim Tutweiler, Montana Chamber of Commerce said they supported this bill. Laundry and dry cleaners are a significant part of the industry in Montana. This bill enables them to work more efficiently. The wording of the bill is fair to both customer and provider.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

REP. LARSON asked how the storage was regulated and are the dispositions the same as in a mini storage unit. **Mr. Garrett** said they were disposed of by auction. **REP. LARSON** asked if, after the oldest apparel was weeded out, was this given to charity. Under the terms of this bill this has been eluded. **Mr. Garrett** said the garments may be sold or given to charity. If it is sold for more than the charges the money must be returned to the county.

REP. BURNETT asked if anyone ever stated a request of a list of unclaimed property. **Mr. Garrett** said no. **REP. BURNETT** then stated he had reservations regarding depositing the excess money in the county fund when the business is doing all of the work, all of the bookkeeping, etc. Why does the county get this money? **REP. HARPER** said that would be the case in most areas. In some cases there could be a very valuable item left and the sale of that item may bring in many times what the dry cleaning charges were and this provides a handy legal mechanism for them to get rid of that extra money.

REP. OHS asked if this would involve much more paperwork than it is worth. Mr. Garrett said there will be very little paperwork at all.

REP. FORBES asked if the owner was contacted before the disposal. Mr. Simmons said they were written a letter stating the action which would be taken.

REP. ELLINGSON questioned the result of a problem if the value was worth more than the garment was worth. Mr. Simmons said the extra money is put into the county fund.

REP. ELLIS questioned the disposition of fur items. Mr. Garrett said they were treated the same way.

CHAIRMAN SIMON asked what would happen, if in the next few years shoe repair shops and alteration businesses would be doing this same type of legislation. Was there any thought given to including those people in this bill so that those folks would also have the authority to take care of this problems also. REP. HARPER said there was a lot of difference between the items in other repair shops and stores. In the interest of trying to keep legislation as focused and as narrow as possible, the legislature should wait until any of those industries or businesses come in and ask as this industry has done.

REP. LARSON asked how these organizations were licensed in the state. Mr. Garrett said they are licensed in the city.

Closing by Sponsor:

Sponsor closes.

HEARING ON HB 118

Opening Statement by Sponsor:

REP. CHARLES DEVANEY, HD 97, Sheridan County said this bill was an act removing the requirement that bank call reports be furnished.

Proponents' Testimony:

John Cadby, Montana Bankers Association said this law requiring public call reports was enacted in 1864. These reports didn't tell the reader anything. The bank examiner is the only person knowing the soundness of a bank. The press association and the newspapers don't like the idea of eliminating this requirement because there is a loss of revenue to them. It does save some money for the banks. Congress called it a consumer bill and this is another step in eliminating regulatory burdens on banks.

Tom Hoppood, Montana Independent Bankers Association stated there were other ways in which a person should and could obtain the information needed to make a determination. This is not a regulation that serves a huge governmental purpose.

Bob Stephens, Vice President, Dutton State Bank said he supported this bill.

Opponents' Testimony:

Charles Walk, Executive Director, Montana Newspaper Association said it was ironic the banking industry has picked a time when careful scrutiny of the nation's financial institutions would seem in order to do away with the most widespread method of that scrutiny. The banks are asking for relief from the rather insignificant cost of printing these call reports in Montana newspapers at a time when bank earnings nationwide are reported to be at an all time high. There is irony in a request from state banking officials for the legislature to pass a bill just because the Congress saw fit to pass similar ill advised legislation. He said he believed the sudden removal of one reliable source of public information on banking in the face of \$30 billion worth of public costs associated with the S&L scandals is, at best, a bad decision on the part of Congress and they hope the legislature will not follow with a similarly poor decision. **EXHIBIT 4**

Questions From Committee Members and Responses:

REP. PAVLOVICH asked how the commission felt about this legislation. **Don Hutchinson, Banking Commissioner, Banking Financial Division, Department of Commerce** said it was a burden for the commission and the time factor for preparing the report. He said he did not feel the information gives a person the adequate information needed.

REP. LARSON asked if credit unions also published this report. **Mr. Hutchinson** said no.

REP. ELLIS said the banks had been exempt from the child labor law. **Mr. Walk** said there is a certain dichotomy in everything particularly when approached from a business aspect or editorial standpoint. He said he would defend his position on the child labor law as strongly as he would defend his position on this bill.

REP. KEENAN asked what the legislative responsibility was in overseeing banks. **Mr. Hutchinson** said the Department regulated the state charter banks, some credit unions and some S&L's.

REP. KEENAN questioned what would be more expensive to mail the reports out in statements or publish them in newspapers. **Mr. Hoppood** said mailing these reports would be more expensive.

REP. SLITER asked if opening the examiners reports were accessible to the general public. **REP. DEVANEY** stated when the bank examiners come into a bank and go through the loan portfolio they will classify all loans in a category 1 through 4. If that information were public, and a loan was classified as sub-standard, a lot of people would know your financial business. **REP. SLITER** asked if those did reports not fall under the freedom of information act. **REP. DEVANEY** said no.

REP. MCKEE asked if the public interest was best served with the formation out of the newspapers. Would you run this as a news item. **Mr. Walk** said that was a real possibility.

REP. ELLINGSON asked if only state charter banks are subject to this requirement. **Mr. Hutchinson** said yes as of October 1st. **REP. ELLINGSON** said there had been testimony that the call report does not really give much information to the average consumer and does it give the department any useful information. **Mr. Hutchinson** said when they receive the report it is put into the computers and tracked. It does give information.

REP LARSON asked if interstate banks and interstate transits be required to publish call reports. **Mr. Hutchinson** said yes.

REP. EWER said if any member of the public who wants to receive a copy of a call report can either go into the bank or if they ask in a letter they may receive a copy of the call report. This would allow banks to publish call reports. **Mr. Hutchinson** yes. **REP. EWER** said that they would no longer need to use staff time to validate that the call reports were accurate while being published in the newspapers. All the other information that is required by the call report would need to be done. **Mr. Hutchinson** said yes.

CHAIRMAN SIMON said the function of the Department of Commerce is to examine all state banks to insure as much as possible that the public is protected and watch over banks that may be getting into trouble. There are a set of examiners who go over state bank records. Those examinations are paid for by the banks themselves to fund the department's office. That is the purpose of the department and how it is funded. **Mr. Hutchinson** said yes.

CHAIRMAN SIMON said he was interested in the opening statements which indicated that the requirement for the call reports evidently change each time so that when that form is compiled the instructions must be followed correctly. Would it be difficult to look trend-wise if the forms are not being filled out the same way every time. It would be difficult to track from one to the other what is happening trend-wise if the numbers are not representing the same thing. Would that be the case here? **REP. DEVANEY** said it was to a degree. Regarding the statistical analysis, as well as addressing particular issues that come to light, a particular type of investment may not be carried as an asset because of its classification. If a bank, for example, had

purchased some bonds they may require that particular dollar amount to be set into a separate account as well as any other investment that might have a questionable nature. Types of deposits may be changed from one place to another. It depends upon what seemed to be an issue at the time the call report is requested.

CHAIRMAN SIMON said a call report which is published in a newspaper is really a one page summary of what really is, for instance, a 20 page report that would be called the call report. **REP. DEVANEY** affirmed this to be correct. That is the statement of condition. Anyone in business or doing personal financial work is required to fill out a financial statement at their local bank. They set up their own charge accounts or their daily statements which is an everyday sheet which is then published. When they receive the call report, the front page of which is the statement of condition, your own financial record is adapted into that call report. Banks traditionally publish short form statements each quarter which list the total amount of loans, total amount of deposits, total assets, total liabilities.

CHAIRMAN SIMON indicated the law as it now states, banks are required to publish their call reports but it does not indicate the publishing of a summary of the information in the 20 pages. How did the banks derive from the requirement of publishing an entire report to the fact that publication of a one page summary is acceptable. **REP. DEVANEY** said he did not know the answer to that question. **Mr. Cadby** said he also did not know the answer.

REP LARSON asked for clarification of the report requirements. **Mr. Hutchinson** said this was not referring to the same document. **REP. LARSON** asked for clarification again. **Mr. Hutchinson** said if a bank were under the old interstate banking act, a national bank coming into existence to purchase a bank in Montana, the legislative body required that the new bank report to the department. **REP. LARSON** asked if the department could require out of state banks to publish call reports. **Mr. Hutchinson** said he could require out of state banks that were a state entity, eventually be regulated by the department, to publish call reports but he could not require a national bank to do so.

REP. ELLIS said the difference was not whether it is an out of state bank but the difference is where they acquired the charter. He then said a nationally chartered bank is not regulated by the department but the federal government regulates these banks and Montana regulates state chartered banks. **Mr. Hutchinson** said this was correct. **REP. ELLIS** requested a response to some idea of what percentage of the banking business which is done in Montana will be affected by this legislation. **Mr. Hutchinson** said the total assets in the state at the year end would be over \$7 billion. \$4.7 billion will be state chartered banks and \$3 billion is national charter.

Closing by Sponsor:

Sponsor closes.

EXECUTIVE ACTION ON HB 126

Motion: REP. TUSS MOVED DO PASS ON HB 126.

Discussion:

REP. BARNETT questioned the fact of operating under a city license. Why does the money not go to the city general fund rather than the county general fund.

REP. LARSON questioned the fact of no licensing requirements for dry cleaners. How will the notices be distributed.

REP. OHS said he recognized the intent of the bill and hoped this bill would not be overkilled for this intent.

REP. ELLINGSON said in the event the laundry people receive a particularly valuable piece of clothing, it would seem it would be in their best interests to notify the person prior to the time of disposing of it. This bill does not impose any requirement. It may be an instance where there was an estate involved and there would be no accountability for this item.

CHAIRMAN SIMON said that having been in the retail business the last thing a retailer would look for was an angry customer. They make every effort to contact that customer.

REP. ELLIS said they are, by this legislation, required to keep this garment for at least 180 days.

REP. MCKEE asked if dry cleaners and laundry facilities were licensed by the state.

CHAIRMAN SIMON said the licensure and regulation are two different things. The government regulates a lot of things but not necessarily license them.

REP. TUSS said she does not oppose this bill because of the 180 days and knowing how important good customer relations are to small businesses.

Vote: Motion that HB 126 DO PASS carried unanimously.

ADJOURNMENT

Adjournment: 10:30 AM.



BRUCE T. SIMON, Chairman



ALBERTA STRACHAN, Secretary

BTS/ajs

HOUSE OF REPRESENTATIVES

Business and Labor

ROLL CALL

DATE 1/16/95

NAME	PRESENT	ABSENT	EXCUSED
Rep. Bruce Simon, Chairman	X		
Rep. Norm Mills, Vice Chairman, Majority		X	
Rep. Bob Pavlovich, Vice Chairman, Minority	X		
Rep. Joe Barnett	X		
Rep. Vicki Cocchiarella	X		
Rep. Charles Devaney	X		
Rep. Jon Ellingson	X		
Rep. Alvin Ellis, Jr.	X		
Rep. David Ewer	X		
Rep. Rose Forbes	X		
Rep. Jack Herron	X		
Rep. Bob Keenan	X		
Rep. Don Larson	X		
Rep. Rod Marshall	X		
Rep. Jeanette McKee	X		
Rep. Karl Ohs	X		
Rep. Paul Sliter	X		
Rep. Carley Tuss	X		



HOUSE STANDING COMMITTEE REPORT

January 16, 1995

Page 1 of 1

Mr. Speaker: We, the committee on **Business and Labor** report that **House Bill 126** (first reading copy -- white) **do pass**.

Signed:

A handwritten signature in cursive script, appearing to read "Bruce Simon".

Bruce Simon, Chair

Committee Vote:
Yes 18, No 0.

131103SC.Hdh

CAPITAL LAUNDRY AND TEXTILE SERVICE

EXHIBIT 1
DATE 1-16-95
HB 126

720 Helena Avenue
Helena, Montana 59601
406/442-8570

JANUARY 16, 1995

RE: HOUSE BILL 126 (DRY CLEANERS BILL)

TO ALL MONTANA LEGISLATORS AND SENATORS

We are here today representing the Montana Textile Services Association and the Big Sky Cost Bureau. Both are trade groups consisting of Laundries, Dry Cleaners, and Coin Laundries throughout Montana. Our membership consists of all the major companies and a good many of the smaller shops as well.

What to do with old garments has long been a problem for Cleaners. Many states have addressed this problem and HB 126 is a copy of Oregon's Law. The Montana Revenue Department has reviewed this bill. It is to go under the Abandoned Property Act.

It will do four (4) basic things for our members.

1. Put a definite time of responsibility on both ourselves and our customers.
2. Allow recovery of our charges.
3. Free up valuable space in many crowded plants.
4. Give the customer an incentive to pick up their orders in a timely manor.

Under this bill excess monies will go to the Counties, however, in reality it is unlikely any excess will be generated. Revenue added this language so if a \$5000 fur coat was left the cleaner would not be a benefactor of a windfall profit.

We also asked for an immediate effective date because there is already a six (6) month waiting period in the Bill.

We respectfully request that you support House Bill 126. It will establish a reasonable time period for Dry Cleaners to be responsible for garments in their care.



RICHARD M. GARRETT
PRESIDENT
BIG SKY COST BUREAU

Missoula Textile Services

111 EAST SPRUCE STREET • MISSOULA, MT 59802-4599
PHONE (406) 543-5171 • FAX (406) 543-5173

HB 126 (DRY CLEANERS' BILL)

TO ALL MONTANA LEGISLATORS AND SENATORS

We respectfully request that you support HB 126, known as the "Dry Cleaners' Bill". Currently, there is much uncertainty that surrounds retail laundries' and dry cleaners' options and responsibility regarding unclaimed clothing. HB 126 will remove this uncertainty and establish definite lines of responsibility for all retail laundries, dry cleaners, and their customers. There may now be as many ways of handling this problem as there are dry cleaners in Montana. And unclaimed articles are a problem for every dry cleaner.

Twice each year, we remove all completed orders from our storage lines which are more than 6 months (180 days) old. We then store these on a "dead" line as long as possible (at least 1 year). When the "dead" line is full and we have no more available space, we remove the oldest orders. The charges from these orders are then written off as un-collectable. The articles of clothing are donated to a charitable organization such as Salvation Army or the Poverello Center.

This month, the charges we have deemed to be un-collectable amounted to \$3075.12. These were orders which we processed, stored for more than one year, and then donated to charity. Naturally, we have incurred all the normal business costs associated with processing these garments and received nothing in return.

But the loss of revenue is only one-half of the problem. The other half arises when a customer expects that we will store his or her garments indefinitely. Recently, a customer came to our office expecting to pick-up her wedding dress which she had dropped off for cleaning. She claimed she had brought the dress to us "six to eight years ago". If the customer had returned to claim her dress within two years of the date she brought it in, we could have put the clean, pressed, and boxed dress in her hands. However, she did not seek to claim the dress for "six to eight years". After that length of time, it was impossible for us to know if she had, in fact, brought the dress to us. The customer felt we should re-imburse her for the cost of the dress since we could not produce it clean and ready for her. The customer actually went to a "psychic" in hopes this person could help us "find" her dress. The customer believed we should be responsible for the dress forever. This is just not physically possible. Every dry cleaner has limited space to store unclaimed garments. Our responsibility for storage must have some reasonable time limit. HB 126 would provide this finite time of responsibility for retail laundries and dry cleaners.

Again, we respectfully request that you support HB 126. It will allow dry cleaners and retail laundries to recover the cost of processing unclaimed garments. It will further, and perhaps more importantly, establish a reasonable time limit that dry cleaners and retail laundries must be responsible for storing unclaimed garments. Thank you for your consideration.

EXHIBIT 3
DATE 1-16-95
HB 126

THE NATIONAL LAUNDRY CO.

DRY CLEANERS

1000 FIRST AVENUE NORTH
GREAT FALLS, MT 59401

TEL: (406) 453-1684
FAX: (406) 453-1627

1/13/95

Re: **HB 126 (DRY CLEANERS BILL)**

TO ALL MONTANA LEGISLATORS AND SENATORS

We request your support for HB 126, known as the "DRY CLEANERS' BILL". HB 126 will establish definite guidelines for the disposition of unclaimed items. Presently, I have a leather skirt from July of 1993. Our company offers leather cleaning as a courtesy to our customers, however we do not actually clean the leather. Those items are sent to a professional leather cleaner for processing. We pay for the UPS charges to and from the leather cleaner along with the cost of the cleaning. Our customer is then re-billed for the service. When this type of item is not claimed our company has to stand the cost of the shipping, cleaning, billing, calling the customer, and storage. We currently place those items in our "not claimed" area until it is full, then the oldest orders are written off as bad debts and the garments donated to the Salvation Army or St. Vincent. To help combat the problem we have asked for a deposit from all our customers, this has not been well received.

Not only will HB 126 allow us to recover our cost for unclaimed items, but and perhaps even more important, will establish that definite time frame of responsibility for storage of unclaimed goods. Thank you for your consideration.

Fred Simmons
General Manager



EXHIBIT 4
DATE 1-16-95
HB 118

Testimony on HB 118
House Business and Labor Committee
Jan. 16, 1995

Mr. Chairman, members of the committee, for the record, my name is Charles W. Walk. I am executive director of the Montana Newspaper Association, which represents 75 Montana newspapers, including all 11 dailies and 64 weeklies in the state.

I am here today in opposition to HB 118, a bill which will do away with the publishing requirements in newspapers of bank call reports.

We see some irony in this effort to do away with the public notice requirements in 32-1-231 MCA.

First, we find it ironic that the banking industry has picked a time when careful scrutiny of the nation's financial institutions would seem in order to do away with the most widespread method of that scrutiny.

Within the last few years the U.S. has gone through some of the most difficult times regarding its financial institutions and it truly seems strange we now are faced with banks passing the burden of accountability on to local citizens to try and figure out what these banks are up to, without providing public information.

Second, we find it ironic that the banks are asking for "relief" from the rather insignificant cost of printing these call reports in Montana's newspapers at a time when bank earnings nationwide are reported to be at an all-time high. Two or three years ago the poverty plea could have been more believable when hundreds of bank failures and cries of impending crises

in the banking business were more based in fact. In the first nine months of 1994, only 11 banks failed nationwide and the Federal Deposit Insurance Corp., says banks were on target to break the record of \$43.4 billion in profits for the year.

Third, we see some irony in a request from state banking officials for the Montana Legislature to pass a bill just because the Congress saw fit to pass similar ill-advised legislation. We would hope that Montana Legislators would not be caught up in a frenzy to copy Congress' mistake in the call report publication repeal. We also would remind Montana legislators that this issue is not through at the federal level. Congress will be asked to revisit the issue in the present session. And there also is a move afoot which would require banks to regularly publish a quarterly statement of financial condition which includes a statement of their local development activities under the Community Reinvestment Act (CRA).

In a sense, for local importance, the CRA reports are just as important as the call reports. The CRA was passed in 1977, you may recall, requiring banks to maintain their local development roles and to disclose those activities. Congress stopped short of requiring that these local reports be published where the public could easily read them, but now seems an appropriate time to push for that requirement while asking for the reinstatement of the call report publication on federally-controlled banks and a continuation of that same publication requirement at state-controlled banks.

It is said by the banking community that all newspapers care about is our advertising revenue. Truthfully, we do care about those revenues...as any business would.

But the far more important issue is the public interest. Isn't the minor burden of publication outweighed by the benefits of

EXHIBIT 4
DATE 1-16-95
HB 118

requiring that publicly-regulated and insured institutions inform their ultimate insurers of insolvency?

It is often said that the call reports are unintelligible. That's no excuse to stop publishing them. Even though some readers may not understand the fine points of banking reports, wouldn't the natural answer be to invite banks to make them more meaningful, especially in light of the public trust? And we dispute the premise that the published reports aren't read. I'm sure members of this committee read them. I'm sure other Montanans also read them...and understand them.

We obviously believe the sudden removal of one reliable source of public information on banking in the face of \$30 billion worth of public costs associated with the S & L scandals is, at best, a bad decision on the part of Congress and we hope the Montana Legislature will not follow with a similarly poor decision.

We urge a "do not pass" vote on HB 118 from this committee. Thank you for your time.

HOUSE OF REPRESENTATIVES
VISITORS REGISTER

SUB-COMMITTEE

DATE 1-16-95

BILL NO. _____ SPONSOR(S) _____

PLEASE PRINT

PLEASE PRINT

PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	Support	Oppose
JOHN CADDY	MT BANKERS ASSN.	HB118	
Charles Webb	MT Newspaper Assn		HB118
Tom Hopgood	MT Indep. Bankers Assn.	HB118	
DICK GARREN	MT Textile Assn.	HB126	
JOHN BECKER	MT. Textile Assn.	HB126	
FRED SIMMONS	NATIONAL LAUNDRY CO.	HB126	
Jim Tutwiler	MTS CHAMBER	HB126	
Judy Davis	Highlander Center		
Bob Stephens	Dutton St Bank	HB 118	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

HR:1993

wp:visssbcom.man

CS-14