

HOUSE BILL NO. 479

INTRODUCED BY HAYNE, GAGE, R. JOHNSON

IN THE HOUSE

JANUARY 30, 1991 INTRODUCED AND REFERRED TO COMMITTEE
ON BUSINESS & ECONOMIC DEVELOPMENT.

JANUARY 31, 1991 FIRST READING.

FEBRUARY 7, 1991 ON MOTION, REREFERRED TO COMMITTEE
ON BUSINESS & ECONOMIC DEVELOPMENT.

FEBRUARY 12, 1991 COMMITTEE RECOMMEND BILL
DO PASS AS AMENDED. REPORT ADOPTED.

FEBRUARY 13, 1991 PRINTING REPORT.

FEBRUARY 15, 1991 SECOND READING, DO PASS.

FEBRUARY 16, 1991 ENGROSSING REPORT.

FEBRUARY 18, 1991 THIRD READING, PASSED.
AYES, 91; NOES, 6.

TRANSMITTED TO SENATE.

IN THE SENATE

FEBRUARY 19, 1991 INTRODUCED AND REFERRED TO COMMITTEE
ON BUSINESS & INDUSTRY.

FIRST READING.

MARCH 8, 1991 COMMITTEE RECOMMEND BILL BE
CONCURRED IN. REPORT ADOPTED.

MARCH 13, 1991 SECOND READING, CONCURRED IN AS
AMENDED.

MARCH 14, 1991 THIRD READING, CONCURRED IN.
AYES, 48; NOES, 0.

RETURNED TO HOUSE WITH AMENDMENTS.

IN THE HOUSE

MARCH 16, 1991 RECEIVED FROM SENATE.

SECOND READING, AMENDMENTS

MARCH 18, 1991

CONCURRED IN.

THIRD READING, AMENDMENTS
CONCURRED IN.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 *House* BILL NO. *479*
 2 INTRODUCED BY *Wayne R. Bolton*
 3

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE THE BOARD OF
 5 INVESTMENTS TO ALLOW CERTAIN NONPROFIT CORPORATIONS TO
 6 QUALIFY FOR IN-STATE INVESTMENTS OF STATE FUNDS; AND
 7 AMENDING SECTION 17-6-308, MCA."

8
 9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

10 **Section 1.** Section 17-6-308, MCA, is amended to read:

11 "17-6-308. Authorized investments. (1) Except as
 12 provided in subsection (4), the Montana in-state investment
 13 fund must be invested as authorized by rules adopted by the
 14 board. For purposes of this section, "investment" includes
 15 the guaranty of loans or bonds in consideration for a fee,
 16 in lieu of the actual acquisition of such loans or bonds.

17 (2) The board may use the in-state investment fund to
 18 guarantee loans or bonds issued under the provisions of
 19 17-5-1501 through 17-5-1529, Title 17, chapter 5, part 16,
 20 or Title 90, chapter 7. Each guaranty must be given in
 21 consideration of a fee. The fees must be paid to the board.
 22 The guaranty must provide directly or by separate agreement
 23 that the board is fully subrogated to the rights of the
 24 obligee under the loan or bond. The board shall by rule
 25 establish the maximum ratio between guaranty funds available

1 and loans or bonds to be guaranteed. The board may covenant
 2 in bond issues to maintain such ratio. Unless bonds issued
 3 to finance a project are secured by a common capital reserve
 4 account and a common guaranty fund, the maximum amount of
 5 the guaranty authorized by this section may not exceed
 6 \$3,000,000 with respect to the bonds or loans to finance the
 7 project.

8 (3) The board may make loans from the in-state
 9 investment fund to the capital reserve account created
 10 pursuant to 17-5-1515 and the guaranty fund created pursuant
 11 to 17-5-1520 to establish balances or restore deficiencies
 12 therein. The board may agree in connection with the issuance
 13 of bonds or notes secured by such account or fund to make
 14 such loans. Loans must be on such terms and conditions as
 15 the board determines and must be repaid from revenues of the
 16 board realized from the exercise of its powers under
 17 17-5-1501 through 17-5-1529, subject to the prior pledge of
 18 the revenues to the bonds and notes.

19 (4) The board shall allow the Montana board of science
 20 and technology development provided for in 2-15-1818 to
 21 administer \$7.5 million of the in-state investment fund for
 22 seed capital project loans pursuant only to the provisions
 23 of Title 90, chapter 3. This authority does not extend
 24 beyond June 30, 1994. Until such time as the Montana board
 25 of science and technology development makes a loan pursuant

1 to those provisions, the funds under its administration must
2 be invested by the board of investments pursuant to the
3 provisions of 17-6-201.

4 (5) The board shall adopt rules to allow a nonprofit
5 corporation to apply for economic assistance if the
6 nonprofit corporation meets the following criteria:

7 (a) the investment would result in the nonprofit
8 corporation receiving funds for the expansion of its
9 existing operations;

10 (b) the projected expansion would create at least 15
11 new jobs in the nonprofit corporation;

12 (c) the nonprofit corporation has a ratio of no more
13 than 50% of debt to assets; and

14 (d) the nonprofit corporation has assets with a value,
15 minus any existing encumbrances, equal to at least three
16 times the amount of the investment."

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0479, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to require the Board of Investments to allow certain nonprofit corporations to qualify for in-state investments of state funds; and amending section 17-6-308, MCA.

ASSUMPTIONS:


1. The interest rate on loans to nonprofit corporations will, on average, equal other commercial loans.
2. The loan rate is approximately equal to the short term investment pool (STIP).
3. The proposed loan funds are derived from the STIP balance in the permanent coal trust fund.
4. The proposed legislation is contingent upon the passage of SB26 which will increase lending authority from the permanent coal trust fund.
5. The Board of Investments does not need additional staff or spending authority to process an increase in loans caused by the proposed legislation.

FISCAL IMPACT:

None

TECHNICAL NOTES:

It should be specified whether governmental entities are eligible for loans.



ROD SUNDSTED, BUDGET DIRECTOR DATE
Office of Budget and Program Planning



HARRIET HAYNE, PRIMARY SPONSOR DATE

Fiscal Note for HB0479, as introduced.

HB 479

APPROVED BY COMM. ON BUSINESS AND ECONOMIC DEVELOPMENT

HOUSE BILL NO. 479

INTRODUCED BY HAYNE, GAGE, R. JOHNSON

A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE THE BOARD OF INVESTMENTS TO ALLOW CERTAIN NONPROFIT CORPORATIONS TO QUALIFY FOR IN-STATE INVESTMENTS OF STATE FUNDS; AND AMENDING SECTION 17-6-308, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 17-6-308, MCA, is amended to read:

"17-6-308. Authorized investments. (1) Except as provided in subsection (4), the Montana in-state investment fund must be invested as authorized by rules adopted by the board. For purposes of this section, "investment" includes the guaranty of loans or bonds in consideration for a fee, in lieu of the actual acquisition of such loans or bonds.

(2) The board may use the in-state investment fund to guarantee loans or bonds issued under the provisions of 17-5-1501 through 17-5-1529, Title 17, chapter 5, part 16, or Title 90, chapter 7. Each guaranty must be given in consideration of a fee. The fees must be paid to the board. The guaranty must provide directly or by separate agreement that the board is fully subrogated to the rights of the obligee under the loan or bond. The board shall by rule establish the maximum ratio between guaranty funds available

and loans or bonds to be guaranteed. The board may covenant in bond issues to maintain such ratio. Unless bonds issued to finance a project are secured by a common capital reserve account and a common guaranty fund, the maximum amount of the guaranty authorized by this section may not exceed \$3,000,000 with respect to the bonds or loans to finance the project.

(3) The board may make loans from the in-state investment fund to the capital reserve account created pursuant to 17-5-1515 and the guaranty fund created pursuant to 17-5-1520 to establish balances or restore deficiencies therein. The board may agree in connection with the issuance of bonds or notes secured by such account or fund to make such loans. Loans must be on such terms and conditions as the board determines and must be repaid from revenues of the board realized from the exercise of its powers under 17-5-1501 through 17-5-1529, subject to the prior pledge of the revenues to the bonds and notes.

(4) The board shall allow the Montana board of science and technology development provided for in 2-15-1818 to administer \$7.5 million of the in-state investment fund for seed capital project loans pursuant only to the provisions of Title 90, chapter 3. This authority does not extend beyond June 30, 1994. Until such time as the Montana board of science and technology development makes a loan pursuant

SECOND READING



1 to those provisions, the funds under its administration must
2 be invested by the board of investments pursuant to the
3 provisions of 17-6-201.

4 (5) The board shall adopt rules to allow a nonprofit
5 corporation to apply for economic assistance if--the
6 nonprofit-corporation-meets-the-following-criteria:

7 (a)--the--investement--would--result--in--the---nonprofit
8 corporation---receiving--funds--for--the--expansion--of--its
9 existing-operations;

10 (b)--the-projected-expansion-would-create--at--least--15
11 new-jobs-in-the-nonprofit-corporation;

12 (c)--the--nonprofit--corporation--has-a-ratio-of-no-more
13 than-50%--of-debt-to-assets,--and

14 (d)--the-nonprofit-corporation-has-assets-with-a--value,
15 minus--any--existing--encumbrances,--equal-to-at-least-three
16 times-the-amount-of-the-investment. THE RULES MUST RECOGNIZE
17 THAT DIFFERENT CRITERIA MAY BE NEEDED FOR NONPROFIT
18 CORPORATIONS THAN FOR FOR-PROFIT CORPORATIONS."

-End-

1 HOUSE BILL NO. 479

2 INTRODUCED BY HAYNE, GAGE, R. JOHNSON

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE THE BOARD OF
5 INVESTMENTS TO ALLOW CERTAIN NONPROFIT CORPORATIONS TO
6 QUALIFY FOR IN-STATE INVESTMENTS OF STATE FUNDS; AND
7 AMENDING SECTION 17-6-308, MCA."

8
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:10 **Section 1.** Section 17-6-308, MCA, is amended to read:

11 **"17-6-308. Authorized investments.** (1) Except as
12 provided in subsection (4), the Montana in-state investment
13 fund must be invested as authorized by rules adopted by the
14 board. For purposes of this section, "investment" includes
15 the guaranty of loans or bonds in consideration for a fee,
16 in lieu of the actual acquisition of such loans or bonds.

17 (2) The board may use the in-state investment fund to
18 guarantee loans or bonds issued under the provisions of
19 17-5-1501 through 17-5-1529, Title 17, chapter 5, part 16,
20 or Title 90, chapter 7. Each guaranty must be given in
21 consideration of a fee. The fees must be paid to the board.
22 The guaranty must provide directly or by separate agreement
23 that the board is fully subrogated to the rights of the
24 obligee under the loan or bond. The board shall by rule
25 establish the maximum ratio between guaranty funds available

1 and loans or bonds to be guaranteed. The board may covenant
2 in bond issues to maintain such ratio. Unless bonds issued
3 to finance a project are secured by a common capital reserve
4 account and a common guaranty fund, the maximum amount of
5 the guaranty authorized by this section may not exceed
6 \$3,000,000 with respect to the bonds or loans to finance the
7 project.

8 (3) The board may make loans from the in-state
9 investment fund to the capital reserve account created
10 pursuant to 17-5-1515 and the guaranty fund created pursuant
11 to 17-5-1520 to establish balances or restore deficiencies
12 therein. The board may agree in connection with the issuance
13 of bonds or notes secured by such account or fund to make
14 such loans. Loans must be on such terms and conditions as
15 the board determines and must be repaid from revenues of the
16 board realized from the exercise of its powers under
17 17-5-1501 through 17-5-1529, subject to the prior pledge of
18 the revenues to the bonds and notes.

19 (4) The board shall allow the Montana board of science
20 and technology development provided for in 2-15-1818 to
21 administer \$7.5 million of the in-state investment fund for
22 seed capital project loans pursuant only to the provisions
23 of Title 90, chapter 3. This authority does not extend
24 beyond June 30, 1994. Until such time as the Montana board
25 of science and technology development makes a loan pursuant

THIRD READING

1 to those provisions, the funds under its administration must
2 be invested by the board of investments pursuant to the
3 provisions of 17-6-201.

4 (5) The board shall adopt rules to allow a nonprofit
5 corporation to apply for economic assistance ~~if the~~
6 ~~nonprofit corporation meets the following criteria:~~

7 ~~(a) the investment would result in the nonprofit~~
8 ~~corporation receiving funds for the expansion of its~~
9 ~~existing operations;~~

10 ~~(b) the projected expansion would create at least 15~~
11 ~~new jobs in the nonprofit corporation;~~

12 ~~(c) the nonprofit corporation has a ratio of no more~~
13 ~~than 50% of debt to assets; and~~

14 ~~(d) the nonprofit corporation has assets with a value,~~
15 ~~minus any existing encumbrances, equal to at least three~~
16 ~~times the amount of the investment. THE RULES MUST RECOGNIZE~~
17 ~~THAT DIFFERENT CRITERIA MAY BE NEEDED FOR NONPROFIT~~
18 ~~CORPORATIONS THAN FOR FOR-PROFIT CORPORATIONS."~~

-End-

SENATE COMMITTEE OF THE WHOLE AMENDMENT

March 13, 1991 11:44 am

Mr. Chairman: I move to amend House Bill No. 479 (third reading copy -- blue) as follows:

1. Title, line 6.
Strike: "AND"

2. Title, line 7.
Following: "MCA"
Insert: "; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE"

3. Page 3, following line 18.
Insert: "NEW SECTION. Section 2. Effective date. [This act] is effective on passage and approval"

ADOPT

REJECT

Signed: _____


Senator Gage

AM 3-13-91
Amd. Coord.

SP 3-13 1:00
Sec. of Senate

SENATE
HB 479

1 HOUSE BILL NO. 479

2 INTRODUCED BY HAYNE, GAGE, R. JOHNSON

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE THE BOARD OF
5 INVESTMENTS TO ALLOW CERTAIN NONPROFIT CORPORATIONS TO
6 QUALIFY FOR IN-STATE INVESTMENTS OF STATE FUNDS; AND
7 AMENDING SECTION 17-6-308, MCA; AND PROVIDING AN IMMEDIATE
8 EFFECTIVE DATE."

9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:11 **Section 1.** Section 17-6-308, MCA, is amended to read:

12 **"17-6-308. Authorized investments.** (1) Except as
13 provided in subsection (4), the Montana in-state investment
14 fund must be invested as authorized by rules adopted by the
15 board. For purposes of this section, "investment" includes
16 the guaranty of loans or bonds in consideration for a fee,
17 in lieu of the actual acquisition of such loans or bonds.

18 (2) The board may use the in-state investment fund to
19 guarantee loans or bonds issued under the provisions of
20 17-5-1501 through 17-5-1529, Title 17, chapter 5, part 16,
21 or Title 90, chapter 7. Each guaranty must be given in
22 consideration of a fee. The fees must be paid to the board.
23 The guaranty must provide directly or by separate agreement
24 that the board is fully subrogated to the rights of the
25 obligee under the loan or bond. The board shall by rule

1 establish the maximum ratio between guaranty funds available
2 and loans or bonds to be guaranteed. The board may covenant
3 in bond issues to maintain such ratio. Unless bonds issued
4 to finance a project are secured by a common capital reserve
5 account and a common guaranty fund, the maximum amount of
6 the guaranty authorized by this section may not exceed
7 \$3,000,000 with respect to the bonds or loans to finance the
8 project.

9 (3) The board may make loans from the in-state
10 investment fund to the capital reserve account created
11 pursuant to 17-5-1515 and the guaranty fund created pursuant
12 to 17-5-1520 to establish balances or restore deficiencies
13 therein. The board may agree in connection with the issuance
14 of bonds or notes secured by such account or fund to make
15 such loans. Loans must be on such terms and conditions as
16 the board determines and must be repaid from revenues of the
17 board realized from the exercise of its powers under
18 17-5-1501 through 17-5-1529, subject to the prior pledge of
19 the revenues to the bonds and notes.

20 (4) The board shall allow the Montana board of science
21 and technology development provided for in 2-15-1818 to
22 administer \$7.5 million of the in-state investment fund for
23 seed capital project loans pursuant only to the provisions
24 of Title 90, chapter 3. This authority does not extend
25 beyond June 30, 1994. Until such time as the Montana board

1 of science and technology development makes a loan pursuant
2 to those provisions, the funds under its administration must
3 be invested by the board of investments pursuant to the
4 provisions of 17-6-201.

5 (5) The board shall adopt rules to allow a nonprofit
6 corporation to apply for economic assistance if--the
7 nonprofit-corporation-meets-the-following-criteria:

8 (a)--the--investment--would--result--in--the--nonprofit
9 corporation--receiving--funds--for--the--expansion--of--its
10 existing-operations;

11 (b)--the--projected--expansion--would--create--at--least--15
12 new-jobs-in-the-nonprofit-corporation;

13 (c)--the-nonprofit-corporation-has-a-ratio-of-no-more
14 than-50%--of--debt--to--assets;--and

15 (d)--the--nonprofit-corporation-has-assets-with-a-value;
16 minus-any-existing-encumbrances;--equal--to--at--least--three
17 times-the-amount-of-the-investment. THE RULES MUST RECOGNIZE
18 THAT DIFFERENT CRITERIA MAY BE NEEDED FOR NONPROFIT
19 CORPORATIONS THAN FOR FOR-PROFIT CORPORATIONS."

20 NEW SECTION. SECTION 2. EFFECTIVE DATE. [THIS ACT] IS
21 EFFECTIVE ON PASSAGE AND APPROVAL.

-End-