

1 ^H BILL NO. ⁴⁸² *Waldron*
 2 INTRODUCED BY *Waldron*
 3 *Meyer* *Olennell* *Antoni* *Smith* *Seft* *Parsons*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR THE COAL
 5 TAX TRUST FUND WITHIN THE UNIFIED INVESTMENT PROGRAM;
 6 DIRECTING THE INVESTMENT OF THE FUND IN MONTANA RESIDENTIAL
 7 MORTGAGES; AMENDING SECTIONS 79-309 AND 79-310, R.C.M.
 8 1947."

9
 10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 11 Section 1. Section 79-309, R.C.M. 1947, is amended to
 12 read as follows:
 13 "79-309. Investment funds. For each treasury fund
 14 account into which state funds are segregated by the
 15 department of administration pursuant to section 79-413,
 16 individual transactions and totals of all investments shall
 17 be separately recorded to the extent directed by the
 18 department. However, the securities purchased and cash on
 19 hand for all treasury fund accounts not otherwise
 20 specifically designated by law or by the provisions of a
 21 gift, donation, grant, legacy, bequest or devise from which
 22 the fund account originates to be invested shall be pooled
 23 in an account to be designated "Treasury Cash Account" and
 24 placed in one of the investment funds designated below. The
 25 share of the income for this account shall be credited to

1 the general fund. If within the list hereinafter of separate
 2 investment funds, more than one investment fund is included
 3 which may be held jointly with others under the same
 4 separate listing, all investments purchased for that
 5 separate investment fund shall be held jointly for all the
 6 accounts participating therein, which shall share all
 7 capital gains and losses and income pro rata. Separate
 8 investment funds shall be maintained as follows:
 9 (1) the trust and legacy fund, including all public
 10 school funds and funds of the Montana university system and
 11 other state institutions of learning referred to in sections
 12 2 and 10, article X, of the 1972 Montana constitution, and
 13 all money referred to in section 79-410 (8);
 14 (2) a separate investment fund, which may not be held
 15 jointly with other funds, for money pertaining to each
 16 retirement or insurance system now or hereafter maintained
 17 by the state, including those now maintained under the
 18 following statutes:
 19 (a) the highway patrolmen's retirement system
 20 described in title 31, chapter 2;
 21 (b) the public employees' retirement system described
 22 in title 68;
 23 (c) the game wardens' retirement system described in
 24 title 68, chapter 14;
 25 (d) the teachers' retirement system described in title

1 75, chapter 62; and

2 (e) the industrial accident insurance program
3 described in title 92, chapter 11;

4 (3) a pooled investment fund, including all other
5 accounts within the treasury fund structure established by
6 section 79-410;

7 (4) a fund consisting of gifts, donations, grants,
8 legacies, bequests, devises and other contributions made or
9 given for a specific purpose or under conditions expressed
10 in the gift, donation, grant, legacy, bequest, devise or
11 contribution on the part of the state of Montana to be
12 observed. If such gift, donation, grant, legacy, bequest,
13 devise, or contribution permits investment, and is not
14 otherwise restricted by its terms, it may be treated jointly
15 with other such gifts, donations, grants, legacies,
16 bequests, devises, or contributions; and

17 ~~(5) a fund consisting of the coal severance tax~~
18 ~~collections allocated thereto under section 5, Article IX,~~
19 ~~of the Montana constitution; and~~

20 ~~(5)(6) such additional investment funds as may be~~
21 ~~expressly required by law, or may be determined by the board~~
22 ~~of investments to be necessary to fulfill fiduciary~~
23 ~~responsibilities of the state with respect to funds from a~~
24 ~~particular source."~~

25 Section 2. Section 79-310, R.C.M. 1947, is amended to

1 read as follows:

2 "79-310. Permissible investments. (1) The following
3 securities are permissible investments for all investment
4 funds referred to in 79-309, except as indicated:

5 (a) any securities authorized to be pledged to secure
6 deposits of public funds under 79-307 of this act;

7 (b) bonds, notes, debentures, equipment obligations,
8 or any other kind of absolute obligation of any corporation
9 organized and operating in any state of the United States,
10 or in Canada if the obligations purchased are payable in
11 United States dollars; provided that all investments under
12 subsection (b) must be rated by one (1) nationally
13 recognized rating agency among the top third of their
14 quality categories, not applicable to defaulted bonds;

15 (c) commercial paper of prime quality, as defined by
16 one (1) nationally recognized rating agency, issued by any
17 corporation organized and operating in any state of the
18 United States, provided that:

19 (i) such securities mature in two hundred seventy
20 (270) days or less; and

21 (ii) the issuing corporation, or the parent company of
22 a finance subsidiary issuing commercial paper, at the time
23 of the last financial reporting period, had a ratio of
24 current assets to current liabilities, including among
25 current liabilities long-term debt maturing within one (1)

1 year, of at least one and one-half (1 1/2) to one (1); and
 2 had received net income averaging one million dollars
 3 (\$1,000,000) or more annually for the preceding five (5)
 4 years; and

5 (iii) no investment may be made at any time under
 6 subsection (c) which would cause the book value of such
 7 investments in any investment fund to exceed ten percent
 8 (10%) of the book value of such fund, or would cause the
 9 commercial paper of any one corporation to exceed two
 10 percent (2%) of the book value of such fund;

11 (d) bankers' acceptances guaranteed by any bank having
 12 its principal office in any state of the United States and
 13 having deposits in excess of five hundred million dollars
 14 (\$500,000,000);

15 (e) interest-bearing deposits in banks, building and
 16 loan associations, and savings and loan associations located
 17 in the state of Montana, provided, however, that the board
 18 of investments shall require pledged securities as specified
 19 in section 79-301; interest on said deposits shall not be
 20 less than the prevailing rate of interest being paid on
 21 deposits of private funds;

22 (f) unencumbered real property and first mortgages on
 23 unencumbered real property, provided that:

24 (i) for all funds except the coal tax trust fund, no
 25 such mortgage shall may be purchased unless:

1 (A) the principal amount of the loan secured by the
 2 mortgage is seventy-five percent (75%) or less of the
 3 appraised value of the property; or

4 (B) thirty percent (30%) or more of the loan secured
 5 is guaranteed or insured in the event of default by the
 6 United States of America or an agency thereof; or

7 (C) the mortgagor has leased the mortgaged property to
 8 a person, firm, or corporation whose rental payments under
 9 the lease are guaranteed for the full term of the loan by an
 10 agency of the United States; and

11 (ii) for all funds except the coal tax trust fund, no
 12 investment shall may be made at any time under subsection
 13 (f) which would cause the book value of such investments in
 14 any investment fund to exceed ~~fifty percent (50%)~~ of the
 15 book value of such fund;

16 (iii) for the coal tax trust fund, no such mortgage may
 17 be purchased unless:

18 (A) the real property is single-family owner-occupied
 19 residential or multifamily with substantial occupancy by
 20 households of less than Montana median income, as defined by
 21 rules of the Montana board of housing;

22 (B) the mortgage is administered through a Montana
 23 financial institution with the advice of the board of
 24 housing;

25 (C) the state's interest is guaranteed or insured in

1 the event of default during the full term of the mortgage by
 2 an agency of the United States of America or by a nationally
 3 recognized mortgage insurance company;

4 (D) the simple interest paid by the mortgagor does not
 5 exceed 5% a year on original principal of \$30,000 or less;
 6 6% a year on original principal of more than \$30,000 and
 7 less than \$40,000; and 7% a year on original principal of
 8 more than \$40,000 and less than \$50,000; this fund may not
 9 purchase mortgage interests exceeding \$50,000 in any single
 10 property;

11 (E) the interest received by the state is not less
 12 than 1% below the interest paid by the mortgagor; and

13 (F) the principal amount of the loan secured by the
 14 mortgage is less than 90% of the appraised value of the
 15 property;

16 (iv) no person or his dependents may take more than one
 17 mortgage at the same time under this subsection. The
 18 attorney general shall enforce this provision and shall
 19 handle any foreclosure proceedings required by the board of
 20 investments.

21 (2) Investments from the pooled investment fund, shall
 22 be restricted to fixed income securities described in
 23 subsections (a) to (e) above.

24 (3) Retirement funds, only, may be invested in
 25 preferred and common stocks of any corporation organized and

1 operating in any state of the United States, provided that:

2 (a) the corporation has assets of a value not less
 3 than ten million dollars (\$10,000,000); and

4 (b) if the investment is preferred stock, the
 5 corporation's aggregate earnings available for payment of
 6 interest and preferred dividends, for a period of five (5)
 7 consecutive years immediately before the date of investment,
 8 have been at least one and one-half (1 1/2) times the
 9 aggregate of interest and preferred dividends required to be
 10 paid during this period; and

11 (c) if the investment is common stock,
 12 (i) the stock has paid cash dividends in each of at
 13 least five (5) years immediately before it is purchased; and

14 (ii) the aggregate earnings of the corporation during
 15 this period which were available for payment of dividends on
 16 common stock were at least equal to the aggregate of the
 17 cash dividends paid thereon; and

18 (iii) not more than two percent (2%) of the assets of
 19 any retirement fund may be invested in common stocks or in
 20 fixed income securities convertible into common stock not
 21 conforming to the dividend and earnings standards stated in
 22 paragraphs (i) and (ii) above, so long as the corporation
 23 maintains the asset value required in subsection (a) and
 24 evidences appropriate growth potential and probable earnings
 25 gain; and

1 (d) no investment may be made at any time under
2 subsection (3) which would cause the book value of such
3 investments in any retirement fund to exceed twenty percent
4 (20%) of the book value of such fund, or would cause the
5 stock of one corporation to exceed one percent (1%) of the
6 book value of such retirement fund.

7 (4) The state board of investments shall endeavor to
8 direct the state's investment business to those investment
9 firms, and/or banks, which maintain offices in the state and
10 thereby make contributions to the state economy. Further,
11 due consideration shall be given to investments which will
12 benefit the smaller communities in the state of Montana. The
13 state's investment business will be directed to out-of-state
14 firms only when there is a distinct economic advantage to
15 the state of Montana."

-End-

STATE OF MONTANA

REQUEST NO. 558-77

FISCAL NOTE

Form BD-15

In compliance with a written request received February 17, 19 77, there is hereby submitted a Fiscal Note for House Bill 482 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

An act providing for the coal tax trust fund within the unified investment program ; directing the investment of the fund in Montana residential mortgages.

ASSUMPTIONS:

1. Investment income assumption — Investment amount available is \$7,000,000 in FY 78 and an additional \$12,000,000 in FY 79. Fund yield will be 5% under proposal and 8% under existing statutes.
2. Expenditure assumption — One (1) additional FTE plus operating expenses will be required for underwriting loans.

FISCAL IMPACT:

	<u>FY 78</u>	<u>FY 79</u>
Estimated revenue at 8% yield — current law	\$.560M	\$1.520M
Estimated revenue at 5% yield — proposed law	<u>.350M</u>	<u>.950M</u>
Reduction in revenue under proposed law	<u>\$.210M</u>	<u>\$.570M</u>
Additional expenditures due to proposed legislation	<u>\$26,400</u>	<u>\$30,000</u>

LONG-RANGE IMPACT:

As the principal available increases, the fund would be locked in at these rates and the income would be restricted accordingly.

TECHNICAL NOTE:

Safety of Portfolio — Ninety percent loans comprise a much more liberal equity requirement than is presently being followed by the Board of Investments. This counters the Prudent Man Rule that the Board of Investments operates under for the investment of other state funds.

Richard A. Drury for

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-23-77

Approved by Committee
on Business and Industry

1 ^H BILL NO. 482 *Waldron*
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 3 *Meyer* *Abderhalden* *Spitzer* *Parsons*
 4 *O'Connell* *Antoni* *Smith*
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 22 in title 68;

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 24 title 68, chapter 14;

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HB 482

1 75, chapter 62; and
 2 (e) the industrial accident insurance program
 3 described in title 92, chapter 11;
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 10 in the gift, donation, grant, legacy, bequest, devise or
 11 contribution on the part of the state of Montana to be
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 20 (270) days or less; and
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 23 of the last financial reporting period, had a ratio of
 24 current assets to current liabilities, including among
 25 current liabilities long-term debt maturing within one (1)

1 year, of at least one and one-half (1 1/2) to one (1); and
 2 had received net income averaging one million dollars
 3 (\$1,000,000) or more annually for the preceding five (5)
 4 years; and

5 (iii) no investment may be made at any time under
 6 subsection (c) which would cause the book value of such
 7 investments in any investment fund to exceed ten percent
 8 (10%) of the book value of such fund, or would cause the
 9 commercial paper of any one corporation to exceed two
 10 percent (2%) of the book value of such fund;

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 12 its principal office in any state of the United States and
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 16 loan associations, and savings and loan associations located
 17 in the state of Montana, provided, however, that the board
 18 of investments shall require pledged securities as specified
 19 in section 79-301; interest on said deposits shall not be
 20 less than the prevailing rate of interest being paid on
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 23 unencumbered real property, provided that:

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 2 mortgage is seventy-five percent (75%) or less of the
 3 appraised value of the property; or

4 (B) thirty percent (30%) or more of the loan secured
 5 is guaranteed or insured in the event of default by the
 6 United States of America or an agency thereof; or

7 (C) the mortgagor has leased the mortgaged property to
 8 a person, firm, or corporation whose rental payments under
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16 (iii) for the coal tax trust fund, no such mortgage may
 17 be purchased unless:

18 (A) the real property is single-family owner-occupied
 19 residential or multifamily with substantial occupancy by
 20 households of less than Montana median income, as defined by
 21 rules of the Montana board of housing;

22 (B) the mortgage is administered through a Montana
 23 financial institution with the advice of the board of
 24 housing;

25 (C) the state's interest is guaranteed or insured in

1 the event of default during the full term of the mortgage by
 2 an agency of the United States of America or by a nationally
 3 recognized mortgage insurance company;

4 (D) the simple interest paid by the mortgagor does not
 5 exceed 5% a year on original principal of \$30,000 or less;
 6 6% a year on original principal of more than \$30,000 and
 7 less than \$40,000; and 7% a year on original principal of
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13 (F) the principal amount of the loan secured by the
 14 mortgage is less than 90% of the appraised value of the
 15 property;

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 17 mortgage at the same time under this subsection. The
 18 attorney general shall enforce this provision and shall
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21 (2) Investments from the pooled investment fund, shall
 22 be restricted to fixed income securities described in
 23 subsections (a) to (e) above.

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 25 preferred and common stocks of any corporation organized and

1 operating in any state of the United States, provided that:

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 3 than ten million dollars (\$10,000,000); and

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 5 corporation's aggregate earnings available for payment of
 6 interest and preferred dividends, for a period of five (5)
 7 consecutive years immediately before the date of investment,
 8 have been at least one and one-half (1 1/2) times the
 9 aggregate of interest and preferred dividends required to be
 10 paid during this period; and

11 (c) if the investment is common stock,

12 (i) the stock has paid cash dividends in each of at
 13 least five (5) years immediately before it is purchased; and

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 15 this period which were available for payment of dividends on
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 17 cash dividends paid thereon; and

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-End-

Approved by Committee
on Taxation

1 HOUSE BILL NO. 482
2 INTRODUCED BY FABREGA, WALDRON, KEYSER,
3 MEYER, FEDA, UNDERDAL, SEIFERT, BURNETT,
4 GERKE, D'CONNELL, PISTORIA, SOUTH, MARKS, GOULD
5
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SECOND READING
Second Printing

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 22 less than the prevailing rate of interest being paid on
 23 deposits of private funds;

24 (f) unencumbered real property and first mortgages on
 25 unencumbered real property, provided that:

1 ~~(i) for all funds except the coal tax trust fund, no~~
 2 ~~such mortgage shall may be purchased unless:~~

3 (A) the principal amount of the loan secured by the
 4 mortgage is seventy-five percent (75%) or less of the
 5 appraised value of the property; or

6 (B) thirty percent (30%) or more of the loan secured
 7 is guaranteed or insured in the event of default by the
 8 United States of America or an agency thereof; or

9 (C) the mortgagor has leased the mortgaged property to
 10 a person, firm, or corporation whose rental payments under
 11 the lease are guaranteed for the full term of the loan by an
 12 agency of the United States; and

13 ~~(ii) for all funds except the coal tax trust fund, no~~
 14 ~~investment shall may be made at any time under subsection~~
 15 ~~(f) which would cause the book value of such investments in~~
 16 ~~any investment fund to exceed fifty--percent--(50%) of the~~
 17 ~~book value of such fund;~~

18 ~~(iii) for the coal tax trust funds, no such mortgage may~~
 19 ~~be purchased unless:~~

20 ~~(A) the real property is single-family owner-occupied~~
 21 ~~residential or multifamily with substantial occupancy by~~
 22 ~~households of less than Montana median income, as defined by~~
 23 ~~rules of the Montana board of housing;~~

24 ~~(B) the mortgage is administered through a Montana~~
 25 ~~financial institution with the advice of the board of~~

1 housing:

2 (C) the state's interest is guaranteed or insured in
 3 the event of default during the full term of the mortgage by
 4 an agency of the United States of America or by a nationally
 5 recognized mortgage insurance company;

6 (D) the simple interest paid by the mortgagor does not
 7 exceed 5% a year on original principal of \$30,000 or less
 8 6% 7% a year on original principal of more than \$30,000 and
 9 less than \$40,000; and 7% 8% a year on original principal of
 10 more than \$40,000 and less than \$50,000; this fund may not
 11 purchase mortgage interests exceeding \$50,000 in any single
 12 property;

13 (E) the interest received by the state is not less
 14 than 1% below the interest paid by the mortgagor; and

15 (F) the principal amount of the loan secured by the
 16 mortgage is less than 90% of the appraised value of the
 17 property;

18 (iv) no person or his dependents may take more than one
 19 mortgage at the same time under this subsection. The
 20 attorney general shall enforce this provision and shall
 21 handle any foreclosure proceedings required by the board of
 22 investments.

23 (2) Investments from the pooled investment fund, shall
 24 be restricted to fixed income securities described in
 25 subsections (a) to (e) above.

1 (3) Retirement funds, only, may be invested in
 2 preferred and common stocks of any corporation organized and
 3 operating in any state of the United States, provided that:

4 (a) the corporation has assets of a value not less
 5 than ten million dollars (\$10,000,000); and

6 (b) if the investment is preferred stock, the
 7 corporation's aggregate earnings available for payment of
 8 interest and preferred dividends, for a period of five (5)
 9 consecutive years immediately before the date of investment,
 10 have been at least one and one-half (1 1/2) times the
 11 aggregate of interest and preferred dividends required to be
 12 paid during this period; and

13 (c) if the investment is common stock,

14 (i) the stock has paid cash dividends in each of at
 15 least five (5) years immediately before it is purchased; and

16 (ii) the aggregate earnings of the corporation during
 17 this period which were available for payment of dividends on
 18 common stock were at least equal to the aggregate of the
 19 cash dividends paid thereon; and

20 (iii) not more than two percent (2%) of the assets of
 21 any retirement fund may be invested in common stocks or in
 22 fixed income securities convertible into common stock not
 23 conforming to the dividend and earnings standards stated in
 24 paragraphs (i) and (ii) above, so long as the corporation
 25 maintains the asset value required in subsection (a) and

1 evidences appropriate growth potential and probable earnings
2 gain; and

3 (d) no investment may be made at any time under
4 subsection (3) which would cause the book value of such
5 investments in any retirement fund to exceed twenty percent
6 (20%) of the book value of such fund, or would cause the
7 stock of one corporation to exceed one percent (1%) of the
8 book value of such retirement fund.

9 (4) The state board of investments shall endeavor to
10 direct the state's investment business to those investment
11 firms, and/or banks, which maintain offices in the state and
12 thereby make contributions to the state economy. Further,
13 due consideration shall be given to investments which will
14 benefit the smaller communities in the state of Montana. The
15 state's investment business will be directed to out-of-state
16 firms only when there is a distinct economic advantage to
17 the state of Montana."

-End-

1 HOUSE BILL NO. 482

2 INTRODUCED BY FABREGA, WALDRON, KEYSER,

3 MEYER, FEDA, UNDERDAL, SEIFERT, BURNETT,

4 GERKE, O'CONNELL, PISTORIA, SOUTH, MARKS, GOULD

5
6 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR THE COAL
7 TAX TRUST FUND WITHIN THE UNIFIED INVESTMENT PROGRAM;
8 DIRECTING THE INVESTMENT OF THE FUND IN MONTANA RESIDENTIAL
9 MORTGAGES; AMENDING SECTIONS 79-309 AND 79-310, R.C.M.
10 1947."

11
12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:13 Section 1. Section 79-309, R.C.M. 1947, is amended to
14 read as follows:

15 "79-309. Investment funds. For each treasury fund
16 account into which state funds are segregated by the
17 department of administration pursuant to section 79-413,
18 individual transactions and totals of all investments shall
19 be separately recorded to the extent directed by the
20 department. However, the securities purchased and cash on
21 hand for all treasury fund accounts not otherwise
22 specifically designated by law or by the provisions of a
23 gift, donation, grant, legacy, bequest or devise from which
24 the fund account originates to be invested shall be pooled
25 in an account to be designated "Treasury Cash Account" and

1 placed in one of the investment funds designated below. The
2 share of the income for this account shall be credited to
3 the general fund. If within the list hereinafter of separate
4 investment funds, more than one investment fund is included
5 which may be held jointly with others under the same
6 separate listing, all investments purchased for that
7 separate investment fund shall be held jointly for all the
8 accounts participating therein, which shall share all
9 capital gains and losses and income pro rata. Separate
10 investment funds shall be maintained as follows:

11 (1) the trust and legacy fund, including all public
12 school funds and funds of the Montana university system and
13 other state institutions of learning referred to in sections
14 2 and 10, article X, of the 1972 Montana constitution, and
15 all money referred to in section 79-410 (8);

16 (2) a separate investment fund, which may not be held
17 jointly with other funds, for money pertaining to each
18 retirement or insurance system now or hereafter maintained
19 by the state, including those now maintained under the
20 following statutes:

21 (a) the highway patrolmen's retirement system
22 described in title 31, chapter 2;

23 (b) the public employees' retirement system described
24 in title 68;

25 (c) the game wardens' retirement system described in

1 title 68, chapter 14;

2 (d) the teachers' retirement system described in title
3 75, chapter 62; and

4 (e) the industrial accident insurance program
5 described in title 92, chapter 11;

6 (3) a pooled investment fund, including all other
7 accounts within the treasury fund structure established by
8 section 79-410;

9 (4) a fund consisting of gifts, donations, grants,
10 legacies, bequests, devises and other contributions made or
11 given for a specific purpose or under conditions expressed
12 in the gift, donation, grant, legacy, bequest, devise or
13 contribution on the part of the state of Montana to be
14 observed. If such gift, donation, grant, legacy, bequest,
15 devise, or contribution permits investment, and is not
16 otherwise restricted by its terms, it may be treated jointly
17 with other such gifts, donations, grants, legacies,
18 bequests, devises, or contributions; and

19 ~~(5) a fund consisting of the coal severance tax~~
20 ~~collections allocated thereto under section 5, Article IX,~~
21 ~~of the Montana constitution; and~~

22 ~~(5)(6)~~ such additional investment funds as may be
23 expressly required by law, or may be determined by the board
24 of investments to be necessary to fulfill fiduciary
25 responsibilities of the state with respect to funds from a

1 particular source."

2 Section 2. Section 79-310, R.C.M. 1947, is amended to
3 read as follows:

4 "79-310. Permissible investments. (1) The following
5 securities are permissible investments for all investment
6 funds referred to in 79-309, except as indicated:

7 (a) any securities authorized to be pledged to secure
8 deposits of public funds under 79-307 of this act;

9 (b) bonds, notes, debentures, equipment obligations,
10 or any other kind of absolute obligation of any corporation
11 organized and operating in any state of the United States,
12 or in Canada if the obligations purchased are payable in
13 United States dollars; provided that all investments under
14 subsection (b) must be rated by one (1) nationally
15 recognized rating agency among the top third of their
16 quality categories, not applicable to defaulted bonds;

17 (c) commercial paper of prime quality, as defined by
18 one (1) nationally recognized rating agency, issued by any
19 corporation organized and operating in any state of the
20 United States, provided that:

21 (i) such securities mature in two hundred seventy
22 (270) days or less; and

23 (ii) the issuing corporation, or the parent company of
24 a finance subsidiary issuing commercial paper, at the time
25 of the last financial reporting period, had a ratio of

1 current assets to current liabilities, including among
 2 current liabilities long-term debt maturing within one (1)
 3 year, of at least one and one-half (1 1/2) to one (1); and
 4 had received net income averaging one million dollars
 5 (\$1,000,000) or more annually for the preceding five (5)
 6 years; and

7 (iii) no investment may be made at any time under
 8 subsection (c) which would cause the book value of such
 9 investments in any investment fund to exceed ten percent
 10 (10%) of the book value of such fund, or would cause the
 11 commercial paper of any one corporation to exceed two
 12 percent (2%) of the book value of such fund;

13 (d) bankers' acceptances guaranteed by any bank having
 14 its principal office in any state of the United States and
 15 having deposits in excess of five hundred million dollars
 16 (\$500,000,000);

17 (e) interest-bearing deposits in banks, building and
 18 loan associations, and savings and loan associations located
 19 in the state of Montana, provided, however, that the board
 20 of investments shall require pledged securities as specified
 21 in section 79-301; interest on said deposits shall not be
 22 less than the prevailing rate of interest being paid on
 23 deposits of private funds;

24 (f) unencumbered real property and first mortgages on
 25 unencumbered real property, provided that:

1 ~~(i) for all funds except the coal tax trust fund, no~~
 2 such mortgage ~~shall~~ may be purchased unless:

3 (A) the principal amount of the loan secured by the
 4 mortgage is seventy-five percent (75%) or less of the
 5 appraised value of the property; or

6 (B) thirty percent (30%) or more of the loan secured
 7 is guaranteed or insured in the event of default by the
 8 United States of America or an agency thereof; or

9 (C) the mortgagor has leased the mortgaged property to
 10 a person, firm, or corporation whose rental payments under
 11 the lease are guaranteed for the full term of the loan by an
 12 agency of the United States; and

13 ~~(ii) for all funds except the coal tax trust fund, no~~
 14 investment ~~shall~~ may be made at any time under subsection
 15 (f) which would cause the book value of such investments in
 16 any investment fund to exceed ~~fifty--percent--(50%)~~ of the
 17 book value of such fund;

18 ~~(iii) for the coal tax trust fund, no such mortgage may~~
 19 ~~be purchased unless:~~

20 ~~(A) the real property is single-family owner-occupied~~
 21 ~~residential or multifamily with substantial occupancy by~~
 22 ~~households of less than Montana median income, as defined by~~
 23 ~~rules of the Montana board of housing;~~

24 ~~(B) the mortgage is administered through a Montana~~
 25 ~~financial institution with the advice of the board of~~

1 housing;

2 ~~(C) the state's interest is guaranteed or insured in~~
3 ~~the event of default during the full term of the mortgage by~~
4 ~~an agency of the United States of America or by a nationally~~
5 ~~recognized mortgage insurance company;~~

6 ~~(D) the simple interest paid by the mortgagor does not~~
7 ~~exceed 5% a year on original principal of \$20,000 or less~~
8 ~~6% 7% a year on original principal of more than \$20,000 and~~
9 ~~less than \$40,000; and 7% 8% a year on original principal of~~
10 ~~more than \$40,000 and less than \$50,000; this fund may not~~
11 ~~purchase mortgage interests exceeding \$50,000 in any single~~
12 ~~property;~~

13 ~~(E) the interest received by the state is not less~~
14 ~~than 1% below the interest paid by the mortgagor; and~~

15 ~~(F) the principal amount of the loan secured by the~~
16 ~~mortgage is less than 90% of the appraised value of the~~
17 ~~property;~~

18 ~~(iv) no person or his dependents may take more than one~~
19 ~~mortgage at the same time under this subsection. The~~
20 ~~attorney general shall enforce this provision and shall~~
21 ~~handle any foreclosure proceedings required by the board of~~
22 ~~investments.~~

23 (2) Investments from the pooled investment fund, shall
24 be restricted to fixed income securities described in
25 subsections (a) to (e) above.

1 (3) Retirement funds, only, may be invested in
2 preferred and common stocks of any corporation organized and
3 operating in any state of the United States, provided that:

4 (a) the corporation has assets of a value not less
5 than ten million dollars (\$10,000,000); and

6 (b) if the investment is preferred stock, the
7 corporation's aggregate earnings available for payment of
8 interest and preferred dividends, for a period of five (5)
9 consecutive years immediately before the date of investment,
10 have been at least one and one-half (1 1/2) times the
11 aggregate of interest and preferred dividends required to be
12 paid during this period; and

13 (c) if the investment is common stock,

14 (i) the stock has paid cash dividends in each of at
15 least five (5) years immediately before it is purchased; and

16 (ii) the aggregate earnings of the corporation during
17 this period which were available for payment of dividends on
18 common stock were at least equal to the aggregate of the
19 cash dividends paid thereon; and

20 (iii) not more than two percent (2%) of the assets of
21 any retirement fund may be invested in common stocks or in
22 fixed income securities convertible into common stock not
23 conforming to the dividend and earnings standards stated in
24 paragraphs (i) and (ii) above, so long as the corporation
25 maintains the asset value required in subsection (a) and

1 evidences appropriate growth potential and probable earnings
2 gain; and

3 (d) no investment may be made at any time under
4 subsection (3) which would cause the book value of such
5 investments in any retirement fund to exceed twenty percent
6 (20%) of the book value of such fund, or would cause the
7 stock of one corporation to exceed one percent (1%) of the
8 book value of such retirement fund.

9 (4) The state board of investments shall endeavor to
10 direct the state's investment business to those investment
11 firms, and/or banks, which maintain offices in the state and
12 thereby make contributions to the state economy. Further,
13 due consideration shall be given to investments which will
14 benefit the smaller communities in the state of Montana. The
15 state's investment business will be directed to out-of-state
16 firms only when there is a distinct economic advantage to
17 the state of Montana."

-End-