

1 House BILL NO. 747
 2 INTRODUCED BY Fager

3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT DIRECTING THE STATE
 5 BOARD OF INVESTMENTS TO INVEST AT LEAST ONE-QUARTER OF
 6 CERTAIN FUNDS IN QUALIFIED MONTANA MORTGAGES; AMENDING
 7 SECTION 79-310, R.C.M. 1947."

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

10 Section 1. Section 79-310, R.C.M. 1947, is amended to
 11 read as follows:

12 "79-310. Permissible investments. (1) The following
 13 securities are permissible investments for all investment
 14 funds referred to in 79-309, except as indicated:

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

17 (b) bonds, notes, debentures, equipment obligations,
 18 or any other kind of absolute obligation of any corporation
 19 organized and operating in any state of the United States,
 20 or in Canada if the obligations purchased are payable in
 21 United States dollars; provided that all investments under
 22 subsection (b) must be rated by one (1) nationally
 23 recognized rating agency among the top third of their
 24 quality categories, not applicable to defaulted bonds;

25 (c) commercial paper of prime quality, as defined by

1 one (1) nationally recognized rating agency, issued by any
 2 corporation organized and operating in any state of the
 3 United States, provided that:

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

6 (ii) the issuing corporation, or the parent company of
 7 a finance subsidiary issuing commercial paper, at the time
 8 of the last financial reporting period, had a ratio of
 9 current assets to current liabilities, including among
 10 current liabilities long-term debt maturing within one (1)
 11 year, of at least one and one-half (1 1/2) to one (1); and
 12 had received net income averaging one million dollars
 13 (\$1,000,000) or more annually for the preceding five (5)
 14 years; and

15 (iii) no investment may be made at any time under
 16 subsection (c) which would cause the book value of such
 17 investments in any investment fund to exceed ten percent
 18 (10%) of the book value of such fund, or would cause the
 19 commercial paper of any one corporation to exceed two
 20 percent (2%) of the book value of such fund;

21 (d) bankers' acceptances guaranteed by any bank having
 22 its principal office in any state of the United States and
 23 having deposits in excess of five hundred million dollars
 24 (\$500,000,000);

25 (e) interest-bearing deposits in banks, building and

1 loan associations, and savings and loan associations located
 2 in the state of Montana, provided, however, that the board
 3 of investments shall require pledged securities as specified
 4 in section 79-301; interest on said deposits shall not be
 5 less than the prevailing rate of interest being paid on
 6 deposits of private funds;

7 (f) unencumbered real property and first mortgages on
 8 unencumbered real property, provided that:

9 (i) no such mortgage shall be purchased unless:

10 (A) the principal amount of the loan secured by the
 11 mortgage is ~~seventy five percent (75%)~~ 80% or less of the
 12 appraised value of the property; or

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

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

20 (ii) no investment shall be made at any time under
 21 subsection (f) which would cause the book value of such
 22 investments in any investment fund to exceed fifty percent
 23 (50%) of the book value of such fund.

24 (2) Investments from the pooled investment fund, shall
 25 be restricted to fixed income securities described in

1 subsections (a) to (e) above.

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

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

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

14 (c) if the investment is common stock,

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

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

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

1 maintains the asset value required in subsection (a) and
2 evidences appropriate growth potential and probable earnings
3 gain; and

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

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

19 ~~(b) Unless precluded by the constitution, the board~~
20 ~~shall invest at least 25% of each fund other than the pooled~~
21 ~~investment fund in first mortgages on unencumbered real~~
22 ~~property, as provided under subsection (1)(f), within the~~
23 ~~state of Montana."~~

-End-

STATE OF MONTANA

REQUEST NO. 609-77

FISCAL NOTE

Form BD-15

In compliance with a written request received March 4, 19 77, there is hereby submitted a Fiscal Note for House Bill 747 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 directing the State Board of Investments to make every effort to invest at least one-quarter of certain funds in qualified Montana mortgages.

FISCAL IMPACT:

None.

Richard L. Fran
BUDGET DIRECTOR
Office of Budget and Program Planning
Date: 3-10-77

Approved by Committee
on Business and Industry

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5 (270) days or less; and

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7 a finance subsidiary issuing commercial paper, at the time
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9 current assets to current liabilities, including among
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SECOND READING

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