

1 House BILL NO. 786
2 INTRODUCED BY Walton-----
3

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO CREATE A STATE-OWNED
5 BANK; ESTABLISHING A BOARD; PROVIDING FOR THE DEPOSIT OF
6 STATE FUNDS; AND PROVIDING FOR THE MAKING OF LCANS."
7

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

9 Section 1. Purpose. It is the purpose of this act that
10 the state of Montana shall engage in the business of banking
11 and for that purpose shall maintain a system of banking
12 owned, controlled, and operated by the state. It is the
13 further purpose of this act to advance the long-term
14 economic welfare and stability of the state and its
15 communities in a manner which protects the environmental
16 life support system from degradation and prevents
17 unreasonable depletion and degradation of natural resources.

18 Section 2. Board established -- composition.

19 (1) There is a Montana economic development funding
20 institution board, hereafter designated "board", composed of
21 seven members.

22 (2) The board is allocated to the department of labor
23 and industry for administrative purposes only as prescribed
24 in 82A-108.

25 (3) The members of the board are appointed by the

1 governor.

2 Section 3. Chairman -- meetings -- compensation.

3 (1) The board shall elect a chairman from among its
4 members.

5 (2) The board shall meet monthly and may meet at other
6 times upon call of the chairman or a majority of the
7 members.

8 (3) Members of the board are entitled to compensation
9 as provided in 82A-112(7).

10 Section 4. General powers. The board shall operate,
11 manage, and control the Montana economic development funding
12 institution, hereafter referred to as MEDFI, locate and
13 maintain its places of business, and make and enforce
14 orders, rules, and bylaws for the transaction of its
15 business. The business of MEDFI, in addition to other
16 matters specified in this act, may include anything that any
17 bank lawfully may do, except as it is restricted by the
18 provisions of this act. This provision does not in any way
19 limit or qualify either the powers of the board granted by
20 or the functions of the bank defined in this act.

21 Section 5. Power to acquire property. To accomplish
22 the purpose of this act, the board may acquire by purchase,
23 lease, or by exercise of the power of eminent domain all
24 requisite property and property rights and may construct,
25 remodel, and repair buildings. It shall invest in

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1 furniture, fixtures, lands, and buildings for office
 2 purposes only in accordance with legislative appropriation
 3 for such purposes.

4 Section 6. Power to employ agents -- bonds required.
 5 The board shall obtain such assistance as in its judgment
 6 may be necessary for the establishment, maintenance, and
 7 operation of MEDFI. To that end, it shall appoint a
 8 president and may appoint subordinate officers and employees
 9 as it considers expedient. It may designate the president
 10 its general agent in respect to the functions of the bank,
 11 but the president is subject to the supervision, limitation,
 12 and control of the board. It shall employ contractors,
 13 architects, builders, attorneys, cashiers, tellers, clerks,
 14 accountants, and other experts, agents, and servants as in
 15 the judgment of the board the interests of the state may
 16 require and shall define the duties, designate the titles,
 17 and fix the compensation and the bonds of all such persons
 18 so engaged. Subject to the control and regulation of the
 19 board, the president of the bank shall appoint and employ
 20 such deputies, cashiers, tellers, and other subordinates and
 21 such contractors, architects, builders, attorneys, clerks,
 22 accountants, and other experts, agents, and servants as he
 23 considers to be required by the interests of the bank. All
 24 officers and employees of MEDFI engaged in financial
 25 functions, before entering into their duties, shall furnish

1 respectively good and sufficient bonds to the state in an
 2 amount and upon such conditions as the board may require and
 3 approve. The bond of the president may not be less than
 4 \$50,000 and shall be filed with the secretary of state.

5 Section 7. Power to remove agents. The board may
 6 remove and discharge any and all persons appointed in the
 7 exercise of the powers granted by this act, whether
 8 appointed by the board or by the president of the bank, and
 9 any such removal may be made whenever in the judgment of the
 10 board the public interest requires it. All appointments and
 11 removals contemplated by this act shall be made as the board
 12 considers necessary to promote the efficiency of the public
 13 service.

14 Section 8. State funds to be deposited. (1) All funds
 15 dedicated after [the effective date of this act] to the
 16 trust fund created by Article IX, section 5 of the Montana
 17 constitution shall be deposited in the MEDFI.

18 (2) In any fiscal year in which the amounts so
 19 deposited are less than \$30 million, the board of
 20 investments shall direct the state treasurer to deposit in
 21 the MEDFI long-term funds an amount equal to the difference
 22 between \$30 million and the amount deposited pursuant to
 23 subsection (1) of this section.

24 Section 9. Deposits -- general provisions. The MEDFI
 25 may receive deposits from any source, including the United

1 States government, and any foreign or domestic individual,
 2 corporation, association, municipality, bank, or government.
 3 Funds may be deposited to the credit of the MEDFI in any
 4 bank or agency approved by the board.

5 Section 10. Deposits guaranteed -- not taxable. All
 6 deposits in the MEDFI are guaranteed by the state. Such
 7 deposits are exempt from all state, county, and municipal
 8 taxes.

9 Section 11. Reserve depository -- clearing house.
 10 Funds deposited by state banks in the MEDFI shall be termed
 11 "available funds". For banks that make the MEDFI a reserve
 12 depository, it may perform the functions and render the
 13 services of a clearing house, including all facilities for
 14 providing domestic and foreign exchange, and may rediscount
 15 paper on such terms as the board shall provide.

16 Section 12. Board to fix interest rates and service
 17 charges. Except as otherwise limited by law, the board shall
 18 from time to time fix the rates of interest allowed and
 19 received in transactions of the MEDFI. Such rates shall be
 20 as nearly uniform and constant as practicable and may not be
 21 fixed or changed to work any discrimination against or in
 22 favor of any person or corporation. When interest is
 23 allowed on deposits, the interest rate may not exceed 5% a
 24 year. The board shall also fix reasonable charges for
 25 services rendered by the bank.

1 Section 13. MEDFI to make loans. The MEDFI may:

2 (1) make loans to and purchase securities issued by
 3 agencies and subdivisions of this state. The loans shall be
 4 repaid with interest to the bank.

5 (2) make loans to corporations, partnerships, and
 6 individual proprietorships doing business in the state;

7 (3) make loans to farmers who are residents of this
 8 state if the loans are secured by recorded mortgages giving
 9 the bank a first mortgage on real estate in Montana not to
 10 exceed one-half the value of the security;

11 (4) make loans to homeowners, contractors, or housing
 12 development firms for the construction, renovation, or
 13 repair of residential housing;

14 (5) make loans to state or national banks and may
 15 participate with state or national banks, savings and loan
 16 associations, and credit unions in loans being made by them,
 17 on such terms and under such rules as the board may adopt;

18 (6) buy and sell federal funds or excess reserves,
 19 bankers' acceptances, participation loans, and all
 20 securities issued by the United States government or its
 21 agencies;

22 (7) make loans that are guaranteed by the United
 23 States or its agencies.

24 Section 14. Criteria established for loans. In making
 25 loans, the MEDFI shall be guided by the purposes of this

1 act. Property shall be given to applicants according to
2 their satisfaction of the following criteria:

3 (1) demonstrated capacity to repay the loan,
4 determined by sound banking judgment;

5 (2) capacity of the borrower to advance the economic
6 welfare of the state without degrading the environmental
7 life support system or depleting natural resources;

8 (3) whenever some depletion of resources is inherent
9 in the nature of the enterprise, capacity of the borrower to
10 make highly efficient use of the resources;

11 (4) labor intensiveness of the activity for which the
12 loan is sought, as contrasted to capital or energy
13 intensiveness;

14 (5) capacity of the borrower to employ indigenous
15 labor as contrasted to labor imported from outside the
16 state;

17 (6) capacity of the borrower to use native Montana
18 materials;

19 (7) capacity of the borrower to advance the economic
20 and social stability of a community and the welfare of its
21 inhabitants.

22 Section 15. Severability. If a part of this act is
23 invalid, all valid parts that are severable from the invalid
24 part remain in effect. If a part of this act is invalid in
25 one or more of its applications, the part remains in effect

1 in all valid applications that are severable from the
2 invalid applications.

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