

House Bill 762

In The House

February 13, 1981	Introduced and referred to Committee on Taxation.
February 16, 1981	Fiscal note requested.
February 18, 1981	Rereferred to Committee on Business and Industry.
February 20, 1981	Fiscal note returned.
February 23, 1981	Committee recommend bill do pass.
February 24, 1981	Bill printed and placed on members' desks.
February 25, 1981	Second reading do pass. On motion rules suspended and bill placed on third reading this day. Third reading passed.

In The Senate

March 3, 1981	Introduced and referred to Committee on Taxation.
April 23, 1981	Died in Committee.

Agenda

HOUSE BILL NO. 762

INTRODUCED BY

Hemmis *U. Valtchev* *Asay* *Samuel*

McGrade

Richard E. Manning *Stuart Williams* *Cheryl R. Smith* *Julson*

A BILL FOR AN ACT ENTITLED: "AN ACT TO MAKE SHORT-TERM

INVESTMENTS OF COAL TAX TRUST FUNDS IN MONTANA BANKS AND LENDING INSTITUTIONS WHICH HAVE A RECORD OF ADVANCING THE STABILITY AND DIVERSITY OF THE MONTANA ECONOMY."

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

Section 1. Purpose. The availability of capital from banks and other lending institutions plays an important role in determining whether existing Montana businesses will expand and grow and whether new businesses will begin operation. The availability of capital therefore directly affects the stability and diversity of Montana's economy and the standard of living of Montana's citizens. The purpose of [this act] is to invest public funds in those Montana banks and lending institutions that have a history of strengthening Montana's economy by investing in Montana businesses and to encourage other Montana banks and lending institutions to begin making similar investments in Montana's businesses.

Section 2. Money to be deposited in Montana banks and lending institutions. One-fourth of the money collected each quarter that is to be deposited in the coal severance tax

trust fund under 15-35-108 may be used to purchase 1-year certificates of deposit from Montana banks and lending institutions, at an interest rate up to two points below the interest rate received on 1-year United States treasury bills as provided in [section 5].

Section 3. Department to invite bids. (1) Each calendar quarter, the department shall invite Montana banks and other Montana lending institutions to bid on the rate of return they will offer on 1-year deposits of coal severance tax money in their institutions. Each bid must also contain the amount the bank or lending institution will accept, and that amount may not exceed 10% of the institution's total assets. The rate of return in the bid may not be less than two points lower than the rate of return received on 1-year United States treasury bills as of the date of the bid invitation.

(2) In addition, the bid must contain information as required by the department relating to the institution's:

- (a) assets;
- (b) loans outstanding;
- (c) deposits;
- (d) loans outstanding made to Montana businesses;
- (e) general obligation bonds of the state or of any county, city, school district, or other political subdivision of the state;

1 (f) revenue bonds of any county, city, or other
2 political subdivision of the state;

3 (g) interest-bearing warrants of the state or of any
4 county, city, school district, or other political
5 subdivision of the state;

6 (h) obligations of housing authorities of the state;

7 (i) first mortgages and trust indentures on real
8 property located in Montana;

9 (j) bonds issued pursuant to Title 7, chapter 12,
10 parts 21 and 41;

11 (k) bonds issued pursuant to Title 90, chapter 6, part
12 1; and

13 (l) revenue bonds issued by any unit of the university
14 system of the state of Montana.

15 Section 4. Money to be divided into subfunds. (1) The
16 department shall divide the banks bidding on the state money
17 under [section 3] into not less than three categories, based
18 on total assets. The department shall divide other lending
19 institutions bidding on the state money under [section 3]
20 into one or more categories, based on total assets.

21 (2) The department shall divide the money available
22 for deposit under [section 2] into as many equal subfunds as
23 there are categories under subsection (1).

24 Section 5. Ranking institutions -- purchase of
25 certificates of deposit. (1) The department shall rank each

1 bidder within each category. The ranking shall be based on
2 the sum of:

3 (a) the rate bid under [section 3]; and

4 (b) the points awarded by the department under
5 [section 6].

6 (2) With the money in each subfund, the board of
7 investments shall purchase 1-year certificates of deposit
8 from institutions in the corresponding categories. The
9 board of investments shall purchase the certificates of
10 deposit from the highest ranking institution or institutions
11 within a particular category, then from the second highest
12 ranking institution, or institutions and so on until the
13 money in each subfund has been used.

14 (3) If the board of investments has purchased a
15 certificate of deposit from each institution in a category
16 for either the maximum amount or the amount bid and there is
17 still money in the category's subfund, the surplus money
18 shall be shifted to the subfunds that are overbid. Any
19 surplus money remaining after all categories have been
20 filled shall be invested at the discretion of the board of
21 investments.

22 Section 6. Department to establish qualifying criteria
23 -- points awarded to qualifying institutions. (1) The
24 department shall adopt rules establishing a qualifying
25 criterion based upon the ratio of the institution's loan

1 portfolio invested in Montana to its total assets. An
 2 institution that does not meet the minimum qualifying
 3 criterion may not participate in the program created by
 4 [this act].

5 (2) In addition to the criterion referred to in
 6 subsection (1), the department shall adopt rules
 7 establishing criteria for evaluation of a participating
 8 institution's lending portfolio. The rules shall establish a
 9 point system whereby a premium of up to two points may be
 10 added to the interest rate bid by the institution
 11 participating in the program. The point system shall be
 12 designed to promote the purposes of [this act].

13 Section 7. Legislative finding -- prudent man. The
 14 legislature finds that the funds invested by the board of
 15 investments in Montana banks and lending institutions under
 16 [this act] will contribute to the stability of Montana's
 17 economy. The state, as trustee for the people of Montana,
 18 must look to the needs of the people of Montana when it
 19 invests the funds it holds in trust. The legislature finds
 20 that the investments made under [this act] are the kinds of
 21 investments that men of prudence, discretion, and
 22 intelligence would exercise in the management of their own
 23 affairs and that they are the kinds of investments the
 24 legislature contemplated when it enacted 17-6-201.

25 Section 8. Department defined. For purposes of [this

1 act], "department" means the department of commerce created
 2 by ____ Bill No. ____ [LC 1350].

3 Section 9. Coordination instruction. If ____ Bill No.
 4 ____ [LC 1350] is not passed by the 47th legislature and
 5 approved by the governor, the definition of department in
 6 this act reads as follows:

7 "department" means the department of community affairs
 8 created by 2-15-1101*.

-End-

STATE OF MONTANA

REQUEST NO. 398-81

FISCAL NOTE

Form BD-15

In compliance with a written request received February 16, 19 81, there is hereby submitted a Fiscal Note for HOUSE BILL 762 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.

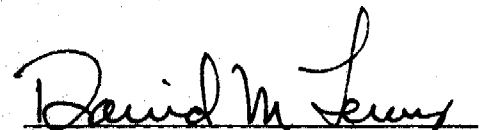
DESCRIPTION

An act to make short-term investments of coal tax trust funds in Montana banks and lending institutions which have a record of advancing the stability and diversity of the Montana economy.

FISCAL IMPACT

The fiscal impact of the proposed legislation cannot be estimated. Projected income from the coal tax trust fund amounts to \$10.7 million in FY 82 and \$17.4 million in FY 83. The certificates of deposits offered by Montana financial institutions should offer a lower rate of return than normal coal trust fund investments, thus decreasing the income.

PREPARED BY THE DEPARTMENT OF REVENUE



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2/21/81

1 STATEMENT OF INTENT

2 HOUSE BILL 762

3 HOUSE BUSINESS AND INDUSTRY COMMITTEE
4

5 It is the intent of the legislature in enacting this
6 legislation that the department shall establish the
7 qualifying criterion for a lending institution to
8 participate in the program established by this act. The
9 criterion will be based upon the ratio of the institution's
10 loans to Montana businesses to its total assets. The purpose
11 of the criterion is to insure that those institutions with
12 low ratios will not gain the advantages of this program.

13 In addition, the act requires the department to
14 establish criteria for evaluation of a participating
15 institution's lending portfolio. The purpose of this
16 evaluation is to encourage investment by the lending
17 institutions in such a way that the Montana economy is
18 stabilized and strengthened. It is the purpose of these
19 criteria to guarantee that the public funds being invested
20 will be directed to those institutions with the best record
21 of making such investments.

Approved by Committee
on Business and Industry

1 HOUSE BILL NO. 762

2 INTRODUCED BY KEMMIS, VAN VALKENBURG, BENNETT,
3 AZZARA, DOZIER, MCBRIDE, DUSSAULT, ASAY, WILLIAMS,
4 R. MANNING, OBERG, ROUSH, NILSON, QUILICI, SHONTZ

5
6 A BILL FOR AN ACT ENTITLED: "AN ACT TO MAKE SHORT-TERM
7 INVESTMENTS OF COAL TAX TRUST FUNDS IN MONTANA BANKS AND
8 LENDING INSTITUTIONS WHICH HAVE A RECORD OF ADVANCING THE
9 STABILITY AND DIVERSITY OF THE MONTANA ECONOMY."

10
11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

12 Section 1. Purpose. The availability of capital from
13 banks and other lending institutions plays an important role
14 in determining whether existing Montana businesses will
15 expand and grow and whether new businesses will begin
16 operation. The availability of capital therefore directly
17 affects the stability and diversity of Montana's economy and
18 the standard of living of Montana's citizens. The purpose of
19 [this act] is to invest public funds in those Montana banks
20 and lending institutions that have a history of
21 strengthening Montana's economy by investing in Montana
22 businesses and to encourage other Montana banks and lending
23 institutions to begin making similar investments in
24 Montana's businesses.

25 Section 2. Money to be deposited in Montana banks and

1 lending institutions. One-fourth of the money collected each
2 quarter that is to be deposited in the coal severance tax
3 trust fund under 15-35-108 may be used to purchase 1-year
4 certificates of deposit from Montana banks and lending
5 institutions, at an interest rate up to two points below the
6 interest rate received on 1-year United States treasury
7 bills as provided in [section 5].

8 Section 3. Department to invite bids. (1) Each
9 calendar quarter, the department shall invite Montana banks
10 and other Montana lending institutions to bid on the rate of
11 return they will offer on 1-year deposits of coal severance
12 tax money in their institutions. Each bid must also contain
13 the amount the bank or lending institution will accept, and
14 that amount may not exceed 10% of the institution's total
15 assets. The rate of return in the bid may not be less than
16 two points lower than the rate of return received on 1-year
17 United States treasury bills as of the date of the bid
18 invitation.

19 (2) In addition, the bid must contain information as
20 required by the department relating to the institution's:

- 21 (a) assets;
22 (b) loans outstanding;
23 (c) deposits;
24 (d) loans outstanding made to Montana businesses;
25 (e) general obligation bonds of the state or of any

1 county, city, school district, or other political
2 subdivision of the state;

3 (f) revenue bonds of any county, city, or other
4 political subdivision of the state;

5 (g) interest-bearing warrants of the state or of any
6 county, city, school district, or other political
7 subdivision of the state;

8 (h) obligations of housing authorities of the state;

9 (i) first mortgages and trust indentures on real
10 property located in Montana;

11 (j) bonds issued pursuant to Title 7, chapter 12,
12 parts 21 and 41;

13 (k) bonds issued pursuant to Title 90, chapter 6, part
14 1; and

15 (l) revenue bonds issued by any unit of the university
16 system of the state of Montana.

17 Section 4. Money to be divided into subfunds. (1) The
18 department shall divide the banks bidding on the state money
19 under [section 3] into not less than three categories, based
20 on total assets. The department shall divide other lending
21 institutions bidding on the state money under [section 3]
22 into one or more categories, based on total assets.

23 (2) The department shall divide the money available
24 for deposit under [section 2] into as many equal subfunds as
25 there are categories under subsection (1).

1 Section 5. Ranking institutions -- purchase of
2 certificates of deposit. (1) The department shall rank each
3 bidder within each category. The ranking shall be based on
4 the sum of:

5 (a) the rate bid under [section 3]; and

6 (b) the points awarded by the department under
7 [section 6].

8 (2) With the money in each subfund, the board of
9 investments shall purchase 1-year certificates of deposit
10 from institutions in the corresponding categories. The
11 board of investments shall purchase the certificates of
12 deposit from the highest ranking institution or institutions
13 within a particular category, then from the second highest
14 ranking institution, or institutions and so on until the
15 money in each subfund has been used.

16 (3) If the board of investments has purchased a
17 certificate of deposit from each institution in a category
18 for either the maximum amount or the amount bid and there is
19 still money in the category's subfund, the surplus money
20 shall be shifted to the subfunds that are overbid. Any
21 surplus money remaining after all categories have been
22 filled shall be invested at the discretion of the board of
23 investments.

24 Section 6. Department to establish qualifying criteria
25 -- points awarded to qualifying institutions. (1) The

1 department shall adopt rules establishing a qualifying
 2 criterion based upon the ratio of the institution's loan
 3 portfolio invested in Montana to its total assets. An
 4 institution that does not meet the minimum qualifying
 5 criterion may not participate in the program created by
 6 [this act].

7 (2) In addition to the criterion referred to in
 8 subsection (1), the department shall adopt rules
 9 establishing criteria for evaluation of a participating
 10 institution's lending portfolio. The rules shall establish a
 11 point system whereby a premium of up to two points may be
 12 added to the interest rate bid by the institution
 13 participating in the program. The point system shall be
 14 designed to promote the purposes of [this act].

15 Section 7. Legislative finding -- prudent man. The
 16 legislature finds that the funds invested by the board of
 17 investments in Montana banks and lending institutions under
 18 [this act] will contribute to the stability of Montana's
 19 economy. The state, as trustee for the people of Montana,
 20 must look to the needs of the people of Montana when it
 21 invests the funds it holds in trust. The legislature finds
 22 that the investments made under [this act] are the kinds of
 23 investments that men of prudence, discretion, and
 24 intelligence would exercise in the management of their own
 25 affairs and that they are the kinds of investments the

1 legislature contemplated when it enacted 17-6-201.

2 Section 8. Department defined. For purposes of [this
 3 act], "department" means the department of commerce created
 4 by ____ Bill No. ____ [LC 1350].

5 Section 9. Coordination instruction. If ____ Bill No.
 6 ____ [LC 1350] is not passed by the 47th legislature and
 7 approved by the governor, the definition of department in
 8 this act reads as follows:

9 "department" means the department of community affairs
 10 created by 2-15-1101".

-End-

1 STATEMENT OF INTENT

2 HOUSE BILL 762

3 HOUSE BUSINESS AND INDUSTRY COMMITTEE

4

5 It is the intent of the legislature in enacting this
6 legislation that the department shall establish the
7 qualifying criterion for a lending institution to
8 participate in the program established by this act. The
9 criterion will be based upon the ratio of the institution's
10 loans to Montana businesses to its total assets. The purpose
11 of the criterion is to insure that those institutions with
12 low ratios will not gain the advantages of this program.

13 In addition, the act requires the department to
14 establish criteria for evaluation of a participating
15 institution's lending portfolio. The purpose of this
16 evaluation is to encourage investment by the lending
17 institutions in such a way that the Montana economy is
18 stabilized and strengthened. It is the purpose of these
19 criteria to guarantee that the public funds being invested
20 will be directed to those institutions with the best record
21 of making such investments.

1 HOUSE BILL NO. 762

2 INTRODUCED BY KEMMIS, VAN VALKENBURG, BENNETT,
3 AZZARA, DOZIER, McBRIDE, DUSSAULT, ASAY, WILLIAMS,
4 R. MANNING, OBERG, ROUSH, NILSON, QUILICI, SHONTZ

5
6 A BILL FOR AN ACT ENTITLED: "AN ACT TO MAKE SHORT-TERM
7 INVESTMENTS OF COAL TAX TRUST FUNDS IN MONTANA BANKS AND
8 LENDING INSTITUTIONS WHICH HAVE A RECORD OF ADVANCING THE
9 STABILITY AND DIVERSITY OF THE MONTANA ECONOMY."

10
11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

12 Section 1. Purpose. The availability of capital from
13 banks and other lending institutions plays an important role
14 in determining whether existing Montana businesses will
15 expand and grow and whether new businesses will begin
16 operation. The availability of capital therefore directly
17 affects the stability and diversity of Montana's economy and
18 the standard of living of Montana's citizens. The purpose of
19 [this act] is to invest public funds in those Montana banks
20 and lending institutions that have a history of
21 strengthening Montana's economy by investing in Montana
22 businesses and to encourage other Montana banks and lending
23 institutions to begin making similar investments in
24 Montana's businesses.

25 Section 2. Money to be deposited in Montana banks and

1 lending institutions. One-fourth of the money collected each
2 quarter that is to be deposited in the coal severance tax
3 trust fund under 15-35-108 may be used to purchase 1-year
4 certificates of deposit from Montana banks and lending
5 institutions, at an interest rate up to two points below the
6 interest rate received on 1-year United States treasury
7 bills as provided in [section 5].

8 Section 3. Department to invite bids. (1) Each
9 calendar quarter, the department shall invite Montana banks
10 and other Montana lending institutions to bid on the rate of
11 return they will offer on 1-year deposits of coal severance
12 tax money in their institutions. Each bid must also contain
13 the amount the bank or lending institution will accept, and
14 that amount may not exceed 10% of the institution's total
15 assets. The rate of return in the bid may not be less than
16 two points lower than the rate of return received on 1-year
17 United States treasury bills as of the date of the bid
18 invitation.

19 (2) In addition, the bid must contain information as
20 required by the department relating to the institution's:

- 21 (a) assets;
22 (b) loans outstanding;
23 (c) deposits;
24 (d) loans outstanding made to Montana businesses;
25 (e) general obligation bonds of the state or of any

1 county, city, school district, or other political
2 subdivision of the state;

3 (f) revenue bonds of any county, city, or other
4 political subdivision of the state;

5 (g) interest-bearing warrants of the state or of any
6 county, city, school district, or other political
7 subdivision of the state;

8 (h) obligations of housing authorities of the state;

9 (i) first mortgages and trust indentures on real
10 property located in Montana;

11 (j) bonds issued pursuant to Title 7, chapter 12,
12 parts 21 and 41;

13 (k) bonds issued pursuant to Title 90, chapter 6, part
14 1; and

15 (l) revenue bonds issued by any unit of the university
16 system of the state of Montana.

17 Section 4. Money to be divided into subfunds. (1) The
18 department shall divide the banks bidding on the state money
19 under [section 3] into not less than three categories, based
20 on total assets. The department shall divide other lending
21 institutions bidding on the state money under [section 3]
22 into one or more categories, based on total assets.

23 (2) The department shall divide the money available
24 for deposit under [section 2] into as many equal subfunds as
25 there are categories under subsection (1).

1 Section 5. Ranking institutions -- purchase of
2 certificates of deposit. (1) The department shall rank each
3 bidder within each category. The ranking shall be based on
4 the sum of:

5 (a) the rate bid under [section 3]; and

6 (b) the points awarded by the department under
7 [section 6].

8 (2) With the money in each subfund, the board of
9 investments shall purchase 1-year certificates of deposit
10 from institutions in the corresponding categories. The
11 board of investments shall purchase the certificates of
12 deposit from the highest ranking institution or institutions
13 within a particular category, then from the second highest
14 ranking institution, or institutions and so on until the
15 money in each subfund has been used.

16 (3) If the board of investments has purchased a
17 certificate of deposit from each institution in a category
18 for either the maximum amount or the amount bid and there is
19 still money in the category's subfund, the surplus money
20 shall be shifted to the subfunds that are overbid. Any
21 surplus money remaining after all categories have been
22 filled shall be invested at the discretion of the board of
23 investments.

24 Section 6. Department to establish qualifying criteria
25 -- points awarded to qualifying institutions. (1) The

1 department shall adopt rules establishing a qualifying
 2 criterion based upon the ratio of the institution's loan
 3 portfolio invested in Montana to its total assets. An
 4 institution that does not meet the minimum qualifying
 5 criterion may not participate in the program created by
 6 [this act].

7 (2) In addition to the criterion referred to in
 8 subsection (1), the department shall adopt rules
 9 establishing criteria for evaluation of a participating
 10 institution's lending portfolio. The rules shall establish a
 11 point system whereby a premium of up to two points may be
 12 added to the interest rate bid by the institution
 13 participating in the program. The point system shall be
 14 designed to promote the purposes of [this act].

15 Section 7. Legislative finding -- prudent man. The
 16 legislature finds that the funds invested by the board of
 17 investments in Montana banks and lending institutions under
 18 [this act] will contribute to the stability of Montana's
 19 economy. The state, as trustee for the people of Montana,
 20 must look to the needs of the people of Montana when it
 21 invests the funds it holds in trust. The legislature finds
 22 that the investments made under [this act] are the kinds of
 23 investments that men of prudence, discretion, and
 24 intelligence would exercise in the management of their own
 25 affairs and that they are the kinds of investments the

1 legislature contemplated when it enacted 17-6-201.

2 Section 8. Department defined. For purposes of [this
 3 act], "department" means the department of commerce created
 4 by ____ Bill No. ____ [LC 1350].

5 Section 9. Coordination instruction. If ____ Bill No.
 6 ____ [LC 1350] is not passed by the 47th legislature and
 7 approved by the governor, the definition of department in
 8 this act reads as follows:

9 "department" means the department of community affairs
 10 created by 2-15-1101".

-End-