

Senate Bill 179

In The Senate

January 19, 1981	Introduced and referred to Committee on Business and Industry.
January 30, 1981	Committee recommend bill do pass as amended.
January 31, 1981	Bill printed and placed on members' desks.
February 2, 1981	Second reading indefinitely postponed.

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House BILL NO. *179*
Van Valkenburg Hutchinson Doz

INTRODUCED BY

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING LAWS RELATING TO FINANCIAL INSTITUTIONS TO ALLOW CREDIT UNIONS PRIVILEGES ENJOYED BY OTHER FINANCIAL INSTITUTIONS; AUTHORIZING CREDIT UNIONS TO ACT AS FISCAL AGENTS FOR FEDERAL, STATE, AND LOCAL GOVERNMENTS AND EXPANDING THE AUTHORIZATION UNDER CERTAIN CIRCUMSTANCES FOR SAVINGS AND LOAN ASSOCIATIONS TO ACT AS SUCH FISCAL AGENTS; AUTHORIZING CREDIT UNIONS TO RECEIVE DEPOSITS OF PUBLIC FUNDS; AND AMENDING SECTIONS 7-6-201, 7-6-203, 7-6-206, 7-6-209, 7-6-211, 7-6-4135, 7-7-2104, 7-12-2175, 7-12-4207, 17-6-101, 17-6-102, 17-6-104, 17-6-105, 17-6-211, 19-11-402, 20-9-213, 32-3-401, 85-9-604, AND 85-9-629, MCA."

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

Section 1. Section 32-3-401, MCA, is amended to read:

"32-3-401. General powers. A credit union may:

- (1) make contracts as provided for in this chapter;
- (2) sue and be sued;
- (3) adopt and use a common seal and alter same;
- (4) acquire, lease, hold, and dispose of property,

either in whole or in part, necessary or incidental to its operations;

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- (5) at the discretion of the board of directors, require the payment of an entrance fee or annual membership fee, or both, of any person admitted to membership;
- (6) receive savings from its members in the form of shares or special-purpose thrift accounts;
- (7) lend its funds to its members as hereinafter provided;
- (8) borrow from any source up to 50% of total assets, after deduction of the notes payable account;
- (9) discount and sell any eligible obligations, subject to rules prescribed by the director;
- (10) sell all or substantially all of its assets or purchase all or substantially all of the assets of another credit union, subject to the approval of the director;
- (11) invest surplus funds as provided in this chapter;
- (12) make deposits in legally chartered banks, savings banks, building and loan associations, savings and loan associations, trust companies, and central type credit union organizations;
- (13) assess charges to members in accordance with the bylaws for failure to meet promptly their obligations to the credit union;
- (14) hold membership in other credit unions organized under this chapter or other laws and in other associations and organizations composed of credit unions;

1 (15) declare dividends and pay interest refunds to
2 borrowers as provided in this chapter;

3 (16) collect, receive, and disburse moneys in
4 connection with the sale of negotiable checks, money orders,
5 and other money type instruments and for such other purposes
6 as may provide benefit or convenience to its members and
7 charge a reasonable fee for such services, but not including
8 checking account services;

9 (17) perform such tasks and missions as are requested
10 by the federal government or this state or any agency or
11 political subdivision thereof, when approved by the board of
12 directors and not inconsistent with this chapter;

13 (18) contribute to, support, or participate in any
14 nonprofit service facility whose services will benefit the
15 credit union or its membership, subject to such regulations
16 as are prescribed by the director;

17 (19) make donations or contributions to any civic,
18 charitable, or community organizations as authorized by the
19 board of directors, subject to regulations as are prescribed
20 by the director; or

21 (20) purchase or make available insurance for its
22 directors, officers, agents, employees, and members; and

23 ~~(21) act as fiscal agent for and receive deposits from~~
24 ~~the federal government, this state, or any agency or~~
25 ~~political subdivision thereof."~~

1 Section 2. Section 7-6-201, MCA, is amended to read:
2 "7-6-201. Deposit of public funds in financial
3 institutions. (1) Except as provided in 7-6-202, 7-6-206(3),
4 7-6-2701, it shall be the duty of all county and city
5 treasurers and town clerks to deposit all public money in
6 their possession and under their control in any solvent
7 banks, building and loan associations, or savings and loan
8 associations, or credit unions located in the county, city,
9 or town of which such treasurer is an officer, subject to
10 national supervision or state examination as the local
11 governing body may designate, and no other.

12 (2) Said local governing body is hereby authorized to
13 deposit such public money not necessary for immediate use by
14 such county, city, or town in a savings or time deposit with
15 any bank, building and loan association, or savings and loan
16 association, or credit union authorized above.

17 (3) The treasurer or town clerk shall take from such
18 bank, building and loan association, ~~or~~ savings and loan
19 association, or credit union such security as the local
20 governing body may prescribe, approve, and deem fully
21 sufficient and necessary to insure the safety and prompt
22 payment of all such deposits, together with the interest on
23 any time or savings deposits.

24 (4) All such deposits shall be subject to withdrawal
25 by the treasurer or town clerk in such amounts as may be

1 necessary from time to time. No deposit of funds shall be
 2 made or permitted to remain in any bank, building and loan
 3 association, or savings and loan association, or credit
 4 union until the security for such deposits shall have been
 5 first approved by the local governing body and delivered to
 6 the treasurer or town clerk."

7 Section 3. Section 7-6-203, MCA, is amended to read:

8 "7-6-203. Interest rates on deposits of public money.

9 (1) The bank, building and loan association, or savings and
 10 loan association, or credit union in which the money is
 11 deposited shall pay on the money no less than the rate of
 12 interest as is paid on money from private sources on the
 13 same terms.

14 (2) Refusal of any bank, building and loan
 15 association, or savings and loan association, or credit
 16 union to pay said interest rate shall constitute a waiver of
 17 that institution's right to participate in the deposit of
 18 public funds as set forth in this part."

19 Section 4. Section 7-6-206, MCA, is amended to read:

20 "7-6-206. Time deposits. (1) Such public money not
 21 necessary for immediate use by such county, city, or town
 22 which is not invested in direct obligations of the United
 23 States government as authorized in 7-6-202 may be placed in
 24 time or savings deposits with any bank, or savings and loan
 25 association, or credit union in the county, city, or town.

1 (2) When more than one bank, or savings and loan
 2 association, or credit union is available in any county for
 3 the deposit of such county funds or in any city or town for
 4 the deposit of such city or town funds, such funds may be
 5 distributed ratably among all of such banks, and savings and
 6 loan associations, and credit unions qualifying therefor and
 7 substantially in proportion to the total property taxes paid
 8 during the preceding year in such county or the county in
 9 which such city or town is located and the corporation
 10 license taxes paid by each bank, or savings and loan
 11 association, or credit union willing to receive such time or
 12 savings deposits under the terms of this part.

13 (3) In lieu of a ratable distribution among banks, and
 14 savings and loan associations, and credit unions within the
 15 county, city, or town, the local governing body may solicit
 16 bids without advertising from any bank, or savings and loan
 17 association, or credit union in a county having at least two
 18 such financial institutions. Such institutions may request
 19 in writing that they be listed for solicitation on bids for
 20 public money not necessary for immediate use by the unit of
 21 local government. In counties having less than two such
 22 institutions, the local governing body may solicit bids from
 23 and deposit public money in such institutions in neighboring
 24 counties unless the local financial institution agrees to
 25 pay the same rate of interest bid by the neighboring

1 financial institutions. The governing body may solicit bids
 2 by notice sent by mail to the investment institutions whose
 3 names are listed as provided herein. The provisions of this
 4 subsection shall be considered as meeting the requirements
 5 of subsection (2)."

6 Section 5. Section 7-6-208, MCA, is amended to read:

7 "7-6-208. Substitution of deposit security. (1) Any
 8 bank, building and loan association, or savings and loan
 9 association, or credit union pledging securities as provided
 10 in 7-6-207, at any time it deems advisable or desirable, may
 11 substitute like securities for all or any part of the
 12 securities pledged. The collateral so substituted shall be
 13 approved by the governing body of the county, city, or town
 14 at its next official meeting.

15 (2) Such securities so substituted shall at the time
 16 of substitution be at least equal in principal amount to the
 17 securities for which substitution is made. In the event that
 18 the securities so substituted are held in trust, the trustee
 19 shall, on the same day the substitution is made, forward a
 20 receipt by registered or certified mail to the county, city,
 21 or town and to the depository bank, building and loan
 22 association, or savings and loan association, or credit
 23 union. The receipt shall specifically describe and identify
 24 both the securities so substituted and those released and
 25 returned to the depository bank, building and loan

1 association, or savings and loan association, or credit
 2 union."

3 Section 6. Section 7-6-211, MCA, is amended to read:

4 "7-6-211. Report by financial institution. Any bank,
 5 building and loan association, or savings and loan
 6 association, or credit union receiving such deposits shall,
 7 through its president and cashier or secretary, make a
 8 statement of account quarter-annually, under oath, showing:

9 (1) all such money that has been deposited with such
 10 bank, building and loan association, or savings and loan
 11 association, or credit union during the quarter;

12 (2) the amount of daily balance in dollars;

13 (3) the amount of interest credited or paid therefor
 14 by such bank, building and loan association, or savings and
 15 loan association, or credit union; and

16 (4) that neither such bank, building and loan
 17 association, or savings and loan association, or credit
 18 union nor any officer thereof nor any person for it has paid
 19 or given any consideration or emolument whatsoever to the
 20 treasurer or town clerk or to any other person, other than
 21 the interest provided for herein, for or on account of the
 22 making of such deposits with any such bank, building and
 23 loan association, or savings and loan association or credit
 24 union."

25 Section 7. Section 7-6-4135, MCA, is amended to read:

1 *7-6-4135. Investment of money in capital improvement
2 program fund. The money held in the capital improvement
3 program fund shall, whenever possible, be invested in
4 savings or time deposits in a state or national bank,
5 ~~savings and loan association, or credit union~~ insured by the
6 federal deposit insurance corporation, ~~federal savings and~~
7 ~~loan insurance corporation, or national credit union~~
8 ~~administration~~ or in direct obligations of the United States
9 government and shall be credited back to the fund plus
10 interest earned."

11 Section 8. Section 7-7-2104, MCA, is amended to read:

12 *7-7-2104. Replacement of lost bond, warrant, or
13 coupon. (1) The board may issue a duplicate warrant, bond,
14 or coupon whenever any warrant, bond, or coupon drawn by it
15 upon the treasury of the county is lost or destroyed. The
16 duplicate warrant, bond, or coupon must be in the same form
17 as the original and will take the place in order of
18 registration and payment of and supersede the original bond,
19 warrant, or coupon. It must have the word "duplicate"
20 plainly printed across its face.

21 (2) No duplicate warrant, bond, or coupon may be
22 issued under this section unless the person entitled to
23 receive the duplicate deposits with the county treasurer a
24 bond in double the amount for which the duplicate warrant,
25 bond, or coupon is issued, conditioned to render the county

1 and its officers harmless from all loss, costs, or damages
2 by reason of issuing the duplicate.

3 (3) No bond of indemnity is required:

4 (a) when a payee is the state of Montana or any
5 agency, instrumentality, or officer of the state;

6 (b) when the owner or custodian is the state or any
7 agency or officer thereof;

8 (c) when the owner or custodian is a bank, savings and
9 loan association, ~~credit union~~, admitted insurer, or trust
10 company whose financial condition is regulated by the state;

11 (d) when it can be established that a crime has been
12 committed and that as a result of such crime a county
13 warrant, bond, or coupon has been stolen or destroyed; or

14 (e) when it can be established that a county warrant,
15 bond, or coupon has been mailed to an incorrect payee.

16 (4) If the owner or custodian applies under the
17 provisions of subsection (3)(d) or (3)(e), a stop-payment
18 order shall be placed on the original warrant, bond, or
19 coupon by the county treasurer.

20 (5) If the owner or custodian applies under the
21 provisions of subsection (3)(c), (3)(d), or (3)(e), the
22 application shall include an agreement to indemnify and hold
23 the county or its officers and employees harmless from any
24 loss resulting from the issuance of a duplicate warrant,
25 bond, or coupon. Any loss incurred in connection with the

1 issuance of a duplicate warrant shall be charged against the
2 account from which the payment was derived."

3 Section 9. Section 7-12-2175, MCA, is amended to read:

4 "7-12-2175. Investment of interest and sinking fund
5 money. (1) The governing body of a county in which a special
6 improvement district is located may invest interest and
7 sinking fund money of the district in time deposits of a
8 bank, savings and loan associations, or credit union insured
9 by the federal deposit insurance corporation or in direct
10 obligations of the United States government payable within
11 180 days from the time of investment.

12 (2) All interest collected on such deposits or
13 investments shall be credited to the fund from which the
14 money was withdrawn."

15 Section 10. Section 7-12-4207, MCA, is amended to
16 read:

17 "7-12-4207. Investment of interest and sinking fund
18 money. (1) The governing body of a city in which a special
19 improvement district is located may invest interest and
20 sinking fund money of the district in time deposits of a
21 bank, savings and loan association, or credit union insured
22 by the federal deposit insurance corporation, federal
23 savings and loan insurance corporation, or national credit
24 union administration or in direct obligations of the United
25 States government payable within 180 days from the time of

1 investment.

2 (2) All interest collected on such deposits or
3 investments shall be credited to the fund from which the
4 money was withdrawn."

5 Section 11. Section 17-6-101, MCA, is amended to read:

6 "17-6-101. Deposit of funds in the hands of the state
7 treasurer. (1) Under the direction of the board of
8 investments, the state treasurer shall deposit public moneys
9 in his possession and under his control in solvent banks,
10 building and loan associations, and savings and loan
11 associations, and credit unions located in the state, except
12 as otherwise provided by law, subject to national
13 supervision or state examination.

14 (2) The state treasurer shall deposit funds in such
15 banks, building and loan associations, and savings and loan
16 associations, and credit unions and in such amounts as may
17 be designated by the board of investments and withdraw such
18 deposits when instructed to by the board of investments.

19 (3) When moneys have been deposited under the board of
20 investments and in accordance with the law, the treasurer is
21 not liable for loss on account of any such deposit occurring
22 occurring from any cause other than his own neglect or
23 fraud.

24 (4) The state treasurer shall withdraw all deposits or
25 any part thereof from time to time to pay and discharge the

1 legal obligations of the state duly presented to him in
2 accordance with the law."

3 Section 12. Section 17-6-102, MCA, is amended to read:

4 "17-6-102. Insurance on deposits. (1) No such deposits
5 in excess of the amount insured by the federal deposit
6 insurance corporation, ~~or federal savings and loan insurance~~
7 ~~corporation, or national credit union administration~~ shall
8 be made unless the bank, building and loan association, ~~and~~
9 savings and loan association, ~~or credit union~~ first delivers
10 to the state treasurer or deposits in trust with some
11 solvent bank, as hereinafter provided, as security therefor,
12 bonds or other obligations of the kinds listed in 17-6-103,
13 having a market value equal to at least 50% of the amount of
14 such deposits in excess of the amount so insured. The board
15 of investments may require security of a greater value. When
16 negotiable securities are placed in trust, the trustee's
17 receipt may be accepted instead of the actual securities if
18 the receipt is in favor of the state treasurer, his
19 successors in office, and the state of Montana and the form
20 of receipt and the trustee have been approved by the board
21 of investments.

22 (2) Any bank, building and loan association, ~~and~~
23 savings and loan association, ~~or credit union~~ pledging
24 securities as provided in this section may at any time
25 substitute securities for any part of the securities

1 pledged. The collateral so substituted shall conform to
2 17-6-103 and have a market value at least sufficient for
3 compliance with subsection (1) above. If the securities so
4 substituted are held in trust, the trustee shall, on the
5 same day the substitution is made, forward by registered or
6 certified mail to the state treasurer and to the depository
7 bank a receipt specifically describing and identifying both
8 the securities substituted and those released and returned
9 to the depository bank."

10 Section 13. Section 17-6-104, MCA, is amended to read:

11 "17-6-104. Interest on deposits -- conformity with
12 federal law. (1) The board of investments may require the
13 payment of quarter annual interest on daily balances of
14 collected funds at a rate to be agreed upon between the
15 depository banks, building and loan associations, ~~and~~
16 savings and loan associations, ~~and credit unions~~ and the
17 board of investments, which rate shall be fixed semiannually
18 during the months of July and January of each year.

19 (2) The interest requirements on deposits of public
20 funds made under the laws of the state of Montana or
21 otherwise by county or city treasurers or town clerks may
22 not at any time be in violation of any act of the congress
23 of the United States or of any rule or regulation of the
24 federal reserve system, federal home loan bank system, ~~or~~
25 the federal deposit insurance corporation, federal savings

1 and loan insurance corporation, or national credit union
 2 administration or any other fiscal agency of the United
 3 States of which the banks, building and loan associations,
 4 or savings and loan associations, or credit unions of this
 5 state may be members or debtors."

6 Section 14. Section 17-6-105, MCA, is amended to read:

7 "17-6-105. State treasurer as treasurer of state
 8 agencies -- deposits of money. (1) The state treasurer is
 9 designated the treasurer of every state agency and
 10 institution.

11 (2) All state agencies and institutions shall deposit
 12 all money, credits, evidences of indebtedness, and
 13 securities either:

14 (a) in banks, building and loan associations, or
 15 savings and loan associations, or credit unions located in
 16 the city or town in which the agencies and institutions are
 17 situated, if there is a qualified bank, building and loan
 18 association, or savings and loan association, or credit
 19 union in the city or town as designated by the state
 20 treasurer with the approval of the board of investments; or

21 (b) with the state treasurer.

22 (3) Such bank, building and loan association, or
 23 savings and loan association, or credit union shall pledge
 24 securities sufficient to cover 50% of the deposits at all
 25 times.

1 (4) The deposits shall be made in the name of the
 2 state treasurer, shall be subject to withdrawal at his
 3 option, and shall draw interest as other state money, in
 4 accordance with the provisions of this part.

5 (5) Nothing in this chapter shall impair or otherwise
 6 affect any covenant entered into pursuant to law by any
 7 agency or institution respecting the segregation, deposit,
 8 and investment of any revenues or funds pledged for the
 9 payment and security of bonds or other obligations
 10 authorized to be issued by such agency, and all such funds
 11 shall be deposited and invested in accordance with such
 12 covenants notwithstanding any provision of this chapter.

13 (6) All money, credits, evidences of indebtedness, and
 14 securities received by a state agency or institution shall
 15 be deposited either with the state treasurer or in a
 16 depository approved by the state treasurer each day when the
 17 accumulated amount of coin and currency requiring deposit
 18 exceeds \$100 or total collections exceed \$500. All money,
 19 credits, evidences of indebtedness, and securities collected
 20 shall be deposited at least weekly.

21 (7) Notwithstanding any other provision of state law,
 22 when it is determined to be in the best financial interest
 23 of the state, the department may require any money received
 24 or collected by any agency of the state to be immediately
 25 deposited to the credit of the state treasurer."

1 Section 15. Section 17-6-211, MCA, is amended to read:

2 "17-6-211. Permissible investments. (1) The following
3 securities are permissible investments for all investment
4 funds referred to in 17-6-203, except as indicated:

5 (a) any securities authorized to be pledged to secure
6 deposits of public funds under 17-6-103;

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 or
10 in Canada, if the obligations purchased are payable in
11 United States dollars, or of any corporation in which the
12 United States government is a voting shareholder by act of
13 congress; provided that all investments under this
14 subsection (b) must be rated by one nationally recognized
15 rating agency among the top third of their quality
16 categories, not applicable to defaulted bonds;

17 (c) commercial paper of prime quality, as defined by
18 one 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 270 days or less;

22 (ii) the issuing corporation or the parent company of a
23 finance subsidiary issuing commercial paper, at the time of
24 the last financial reporting period, had a ratio of current
25 assets to current liabilities, including among current

1 liabilities long-term debt maturing within 1 year, of at
2 least 1 1/2 to 1 and had received net income averaging \$1
3 million or more annually for the preceding 5 years; and

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

10 (d) bankers' acceptances guaranteed by any bank having
11 its principal office in any state of the United States and
12 having deposits in excess of \$500 million;

13 (e) interest-bearing deposits in banks, building and
14 loan associations, and savings and loan associations, and
15 credit unions located in Montana, provided, however, that
16 the board of investments shall require pledged securities as
17 specified in 17-6-102 (interest on said deposits shall not
18 be less than the prevailing rate of interest being paid on
19 deposits of private funds);

20 (f) unencumbered real property, first mortgages, and
21 participations in first mortgages on unencumbered real
22 property, provided that:

23 (i) no such mortgage or mortgage participation may be
24 purchased unless:

25 (A) the principal amount of the loan secured by the

1 mortgage or mortgage participation is 80% or less of the
2 appraised value of the property;

3 (B) the principal amount of the loan secured by the
4 mortgage or mortgage participation exceeds 80% of the
5 appraised value of the property but the amount of the loan
6 in excess of 80%, determined at the time the loan was made,
7 is guaranteed or insured by a mortgage insurance company
8 which the board of investments has determined to be a
9 qualified private insurer;

10 (C) 25% or more of the loan or participation therein
11 secured is guaranteed or insured in the event of default by
12 the United States of America or an agency thereof; or

13 (D) the mortgagor has leased the mortgaged property to
14 a person, firm, or corporation whose rental payments under
15 the lease are guaranteed for the full term of the loan or
16 participation therein by an agency of the United States; and

17 (ii) no investment shall be made at any time under
18 subsection (1)(f) which would cause the book value of such
19 investments in any investment fund to exceed 50% of the book
20 value of such fund.

21 (2) Investments from the pooled investment fund shall
22 be restricted to fixed income securities described in
23 subsections (1)(a) to (1)(e) above.

24 (3) Retirement funds and the fund provided for in
25 17-6-203, subsection (4) may be invested in preferred and

1 common stocks of any corporation organized and operating in
2 any state of the United States provided that:

3 (a) the corporation has assets of a value not less
4 than \$10 million;

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

12 (c) if the investment is common stock:

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

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

19 (iii) not more than 2% of the assets of any retirement
20 fund may be invested in common stocks or in fixed income
21 securities convertible into common stock not conforming to
22 the dividend and earnings standards stated in subsections
23 (3)(c)(i) and (3)(c)(ii) above, so long as the corporation
24 maintains the asset value required in subsection (3)(a) and
25 evidences appropriate growth potential and probable earnings

1 gain; and

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

8 (e) subsections (c)(iii) and (d) herein do not apply
9 to funds provided for in 17-6-203(4).

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

19 Section 16. Section 19-11-402, MCA, is amended to
20 read:

21 "19-11-402. Investment of fund by trustees. (1)
22 Subject to the provisions of 19-11-403, when so directed by
23 a majority vote of the members of the association, the board
24 of trustees may invest the surplus money in the fund or any
25 part thereof in:

1 (a) time or saving deposits in a solvent bank,
2 building and loan association, or savings and loan
3 association, or credit union operating in the county where
4 the city or town is located;

5 (b) bonds or other securities of the United States
6 government; or

7 (c) general obligation bonds or warrants of any state,
8 county, or city.

9 (2) At the time of purchase the investments must be
10 stamped in boldface type substantially as follows: "property
11 of the fire department relief association and
12 negotiable only upon the order of the board of trustees of
13 such association".

14 Section 17. Section 20-9-213, MCA, is amended to read:

15 "20-9-213. Duties of trustees. The trustees of each
16 district shall have the sole power and authority to transact
17 all fiscal business and execute all contracts in the name of
18 such district. No person other than the trustees acting as a
19 governing board shall have the authority to expend moneys of
20 the district. In conducting the fiscal business of the
21 district, the trustees shall:

22 (1) cause the keeping of an accurate, detailed
23 accounting of all receipts and expenditures of school moneys
24 for each fund maintained by the district in accordance with
25 rules prescribed by the superintendent of public

1 instruction. The record of such accounting shall be open to
2 public inspection at any meeting of the trustees.

3 (2) authorize all expenditures of district moneys and
4 cause warrants to be issued for the payment of lawful
5 obligations;

6 (3) have the authority to issue warrants on any
7 budgeted fund in anticipation of budgeted revenues, except
8 that such expenditures shall not exceed the amount budgeted
9 for such fund;

10 (4) invest any moneys of the district, whenever in the
11 judgment of the trustees such investment would be
12 advantageous to the district, by directing the county
13 treasurer to invest any money of the district in savings or
14 time deposits in a state or national bank, building or loan
15 association, or savings and loan associations, or credit
16 union insured by the FDIC, or the FSLIC, or the NCUA located
17 in the county in which the district is located; provided,
18 however, that if no such bank, building and loan
19 association, or savings and loan associations, or credit
20 union is located in the county where the district is
21 situated, such investment may be made in said banks or
22 associations located in adjacent counties or in direct
23 obligations of the United States government, payable within
24 180 days from the time of investment. All interest
25 collected on such deposits or investments shall be credited

1 to the fund from which the money was withdrawn, except that
2 interest earned on account of the investment of money
3 realized from the sale of bonds shall be credited to the
4 debt service fund or the building fund, at the discretion of
5 the board of trustees. The placement of the investment by
6 the county treasurer shall not be subject to ratable
7 distribution laws and shall be done in accordance with the
8 directive from the board of trustees. A district may invest
9 moneys under the state unified investment program
10 established in Title 17, chapter 6.

11 (5) report annually to the county superintendent, not
12 later than August 1, the financial activities of each fund
13 maintained by the district during the last completed school
14 fiscal year on the forms prescribed and furnished by the
15 superintendent of public instruction. Annual fiscal reports
16 for joint school districts shall be submitted to the county
17 superintendent of each county in which part of the joint
18 district is situated.

19 (6) whenever requested, report any other fiscal
20 activities to the county superintendent, superintendent of
21 public instruction, or board of public education;

22 (7) cause the accounting records of the district to be
23 audited annually as required by law; and

24 (8) perform, in the manner permitted by law, such
25 other fiscal duties that are in the best interests of the

1 district."

2 Section 18. Section 85-9-604, MCA, is amended to read:

3 "85-9-604. Collection and investment of assessments.

4 (1) The treasurer of each county in which the district is
5 located shall collect special assessments at the same time
6 and in the same way as county taxes.

7 (2) If the district is located in more than one
8 county, all assessments collected shall be deposited with
9 the treasurer of the county in which the assessments were
10 collected.

11 (3) The directors shall direct the county treasurer to
12 invest any surplus district funds in saving or time deposits
13 in a state or national bank, savings and loan association
14 or credit union insured by the federal deposit insurance
15 corporation, federal savings and loan insurance corporation
16 or national credit union administration or in direct
17 obligations of the United States government payable within
18 180 days from the time of investment. All interest collected
19 on the deposits or investments shall be credited to the fund
20 from which the money was withdrawn. However, 5% of the
21 interest shall be deposited in the general fund of the
22 county."

23 Section 19. Section 85-9-629, MCA, is amended to read:

24 "85-9-629. Disposition and investment of sale
25 proceeds. (1) Proceeds from the sales of bonds shall be

1 deposited with the county in which the largest portion of
2 the taxable valuation of real property of the district is
3 located.

4 (2) The county treasurer shall place the proceeds of
5 the bond sale to the credit of the district. The proceeds
6 shall be paid by the county treasurer on written order of
7 the directors. Proceeds shall only be spent for the purposes
8 for which the bonds were issued.

9 (3) The directors shall instruct the county treasurer
10 to deposit any part of the proceeds which is not immediately
11 needed for the purpose for which the bonds were issued in a
12 saving or time deposit in a state or national bank, savings
13 and loan association, or credit union insured by the federal
14 deposit insurance corporation, federal savings and loan
15 insurance corporation, or national credit union
16 administration or to invest in direct obligations of the
17 United States government. The obligations shall be payable
18 within not to exceed 180 days from the time of deposit or
19 investment."

-End-

Approved by Committee
on Business and Industry

1 SENATE BILL NO. 179
2 INTRODUCED BY VAN VALKENBURG, HUENNEKENS, DOZIER
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING LAWS
5 RELATING TO FINANCIAL INSTITUTIONS TO ALLOW CREDIT UNIONS
6 PRIVILEGES ENJOYED BY OTHER FINANCIAL INSTITUTIONS;
7 AUTHORIZING CREDIT UNIONS TO ACT AS FISCAL AGENTS FOR
8 FEDERAL, STATE, AND LOCAL GOVERNMENTS AND EXPANDING THE
9 AUTHORIZATION UNDER CERTAIN CIRCUMSTANCES FOR SAVINGS AND
10 LOAN ASSOCIATIONS TO ACT AS SUCH FISCAL AGENTS; AUTHORIZING
11 CREDIT UNIONS TO RECEIVE DEPOSITS OF PUBLIC FUNDS; AND
12 AMENDING SECTIONS 7-6-201, 7-6-203, 7-6-206, 7-6-208,
13 7-6-211, 7-6-4135, 7-7-2104, 7-12-2175, 7-12-4207, 17-6-101,
14 17-6-102, 17-6-104, 17-6-105, 17-6-211, 19-11-402, 20-9-213,
15 32-3-401, 85-9-604, AND 85-9-629, MCA."
16
17 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
18 Section 1. Section 32-3-401, MCA, is amended to read:
19 "32-3-401. General powers. A credit union may:
20 (1) make contracts as provided for in this chapter;
21 (2) sue and be sued;
22 (3) adopt and use a common seal and alter same;
23 (4) acquire, lease, hold, and dispose of property,
24 either in whole or in part, necessary or incidental to its
25 operations;

1 (5) at the discretion of the board of directors,
2 require the payment of an entrance fee or annual membership
3 fee, or both, of any person admitted to membership;
4 (6) receive savings from its members in the form of
5 shares or special-purpose thrift accounts;
6 (7) lend its funds to its members as hereinafter
7 provided;
8 (8) borrow from any source up to 50% of total assets,
9 after deduction of the notes payable account;
10 (9) discount and sell any eligible obligations,
11 subject to rules prescribed by the director;
12 (10) sell all or substantially all of its assets or
13 purchase all or substantially all of the assets of another
14 credit union, subject to the approval of the director;
15 (11) invest surplus funds as provided in this chapter;
16 (12) make deposits in legally chartered banks, savings
17 banks, building and loan associations, savings and loan
18 associations, trust companies, and central type credit union
19 organizations;
20 (13) assess charges to members in accordance with the
21 bylaws for failure to meet promptly their obligations to the
22 credit union;
23 (14) hold membership in other credit unions organized
24 under this chapter or other laws and in other associations
25 and organizations composed of credit unions;

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1 (15) declare dividends and pay interest refunds to
2 borrowers as provided in this chapter;

3 (16) collect, receive, and disburse moneys in
4 connection with the sale of negotiable checks, money orders,
5 and other money type instruments and for such other purposes
6 as may provide benefit or convenience to its members and
7 charge a reasonable fee for such services, but not including
8 checking account services;

9 (17) perform such tasks and missions as are requested
10 by the federal government or this state or any agency or
11 political subdivision thereof, when approved by the board of
12 directors and not inconsistent with this chapter;

13 (18) contribute to, support, or participate in any
14 nonprofit service facility whose services will benefit the
15 credit union or its membership, subject to such regulations
16 as are prescribed by the director;

17 (19) make donations or contributions to any civic,
18 charitable, or community organizations as authorized by the
19 board of directors, subject to regulations as are prescribed
20 by the director;

21 (20) purchase or make available insurance for its
22 directors, officers, agents, employees, and members; and

23 (21) act as fiscal agent for and receive deposits from
24 the federal government, this state, or any agency or
25 political subdivision thereof."

1 Section 2. Section 7-6-201, MCA, is amended to read:
2 *7-6-201. Deposit of public funds in financial
3 institutions. (1) Except as provided in 7-6-202, 7-6-206(3),
4 7-6-2701, it shall be the duty of all county and city
5 treasurers and town clerks to deposit all public money in
6 their possession and under their control in any solvent
7 banks, building and loan associations, or savings and loan
8 associations, or credit unions located in the county, city,
9 or town of which such treasurer is an officer, subject to
10 national supervision or state examination as the local
11 governing body may designate, and no other.

12 (2) Said local governing body is hereby authorized to
13 deposit such public money not necessary for immediate use by
14 such county, city, or town in a savings or time deposit with
15 any bank, building and loan association, or savings and loan
16 association, or credit union authorized above.

17 (3) The treasurer or town clerk shall take from such
18 bank, building and loan association, or savings and loan
19 association, or credit union such security as the local
20 governing body may prescribe, approve, and deem fully
21 sufficient and necessary to insure the safety and prompt
22 payment of all such deposits, together with the interest on
23 any time or savings deposits.

24 (4) All such deposits shall be subject to withdrawal
25 by the treasurer or town clerk in such amounts as may be

1 necessary from time to time. No deposit of funds shall be
 2 made or permitted to remain in any bank, building and loan
 3 association, or savings and loan association, or credit
 4 union until the security for such deposits shall have been
 5 first approved by the local governing body and delivered to
 6 the treasurer or town clerk."

7 Section 3. Section 7-6-203, MCA, is amended to read:

8 "7-6-203. Interest rates on deposits of public money.
 9 (1) The bank, building and loan association, or savings and
 10 loan association, or credit union in which the money is
 11 deposited shall pay on the money no less than the rate of
 12 interest as is paid on money from private sources on the
 13 same terms.

14 (2) Refusal of any bank, building and loan
 15 association, or savings and loan association, or credit
 16 union to pay said interest rate shall constitute a waiver of
 17 that institution's right to participate in the deposit of
 18 public funds as set forth in this part."

19 Section 4. Section 7-6-206, MCA, is amended to read:

20 "7-6-206. Time deposits. (1) Such public money not
 21 necessary for immediate use by such county, city, or town
 22 which is not invested in direct obligations of the United
 23 States government as authorized in 7-6-202 may be placed in
 24 time or savings deposits with any bank, or savings and loan
 25 association, or credit union in the county, city, or town.

1 (2) When more than one bank, or savings and loan
 2 association, or credit union is available in any county for
 3 the deposit of such county funds or in any city or town for
 4 the deposit of such city or town funds, such funds may be
 5 distributed ratably among all of such banks, and savings and
 6 loan associations, and credit unions qualifying therefor and
 7 substantially in proportion to the total property taxes paid
 8 during the preceding year in such county or the county in
 9 which such city or town is located and the corporation
 10 license taxes paid by each bank, or savings and loan
 11 association, or credit union willing to receive such time or
 12 savings deposits under the terms of this part.

13 (3) In lieu of a ratable distribution among banks, and
 14 savings and loan associations, and credit unions within the
 15 county, city, or town, the local governing body may solicit
 16 bids without advertising from any bank, or savings and loan
 17 association, or credit union in a county having at least two
 18 such financial institutions. Such institutions may request
 19 in writing that they be listed for solicitation on bids for
 20 public money not necessary for immediate use by the unit of
 21 local government. In counties having less than two such
 22 institutions, the local governing body may solicit bids from
 23 and deposit public money in such institutions in neighboring
 24 counties unless the local financial institution agrees to
 25 pay the same rate of interest bid by the neighboring

1 financial institutions. The governing body may solicit bids
2 by notice sent by mail to the investment institutions whose
3 names are listed as provided herein. The provisions of this
4 subsection shall be considered as meeting the requirements
5 of subsection (2)."

6 Section 5. Section 7-6-208, MCA, is amended to read:
7 "7-6-208. Substitution of deposit security. (1) Any
8 bank, building and loan association, or savings and loan
9 association, or credit union pledging securities as provided
10 in 7-6-207, at any time it deems advisable or desirable, may
11 substitute like securities for all or any part of the
12 securities pledged. The collateral so substituted shall be
13 approved by the governing body of the county, city, or town
14 at its next official meeting.

15 (2) Such securities so substituted shall at the time
16 of substitution be at least equal in principal amount to the
17 securities for which substitution is made. In the event that
18 the securities so substituted are held in trust, the trustee
19 shall, on the same day the substitution is made, forward a
20 receipt by registered or certified mail to the county, city,
21 or town and to the depository bank, building and loan
22 association, or savings and loan association, or credit
23 union. The receipt shall specifically describe and identify
24 both the securities so substituted and those released and
25 returned to the depository bank, building and loan

1 association, or savings and loan association, or credit
2 union."

3 Section 6. Section 7-6-211, MCA, is amended to read:

4 "7-6-211. Report by financial institution. Any bank,
5 building and loan association, or savings and loan
6 association, or credit union receiving such deposits shall,
7 through its president and cashier or secretary, make a
8 statement of account quarter-annually, under oath, showing:

9 (1) all such money that has been deposited with such
10 bank, building and loan association, or savings and loan
11 association, or credit union during the quarter;

12 (2) the amount of daily balance in dollars;

13 (3) the amount of interest credited or paid therefor
14 by such bank, building and loan association, or savings and
15 loan association, or credit union; and

16 (4) that neither such bank, building and loan
17 association, or savings and loan association, or credit
18 union nor any officer thereof nor any person for it has paid
19 or given any consideration or emolument whatsoever to the
20 treasurer or town clerk or to any other person, other than
21 the interest provided for herein, for or on account of the
22 making of such deposits with any such bank, building and
23 loan association, or savings and loan association or credit
24 union."

25 Section 7. Section 7-6-4135, MCA, is amended to read:

1 "7-6-4135. Investment of money in capital improvement
 2 program fund. The money held in the capital improvement
 3 program fund shall, whenever possible, be invested in
 4 savings or time deposits in a state or national bank,
 5 savings and loan association, or credit union insured by the
 6 federal deposit insurance corporation, federal savings and
 7 loan insurance corporation, or national credit union
 8 administration or in direct obligations of the United States
 9 government and shall be credited back to the fund plus
 10 interest earned."

11 Section 8. Section 7-7-2104, MCA, is amended to read:

12 "7-7-2104. Replacement of lost bond, warrant, or
 13 coupon. (1) The board may issue a duplicate warrant, bond,
 14 or coupon whenever any warrant, bond, or coupon drawn by it
 15 upon the treasury of the county is lost or destroyed. The
 16 duplicate warrant, bond, or coupon must be in the same form
 17 as the original and will take the place in order of
 18 registration and payment of and supersede the original bond,
 19 warrant, or coupon. It must have the word "duplicate"
 20 plainly printed across its face.

21 (2) No duplicate warrant, bond, or coupon may be
 22 issued under this section unless the person entitled to
 23 receive the duplicate deposits with the county treasurer a
 24 bond in double the amount for which the duplicate warrant,
 25 bond, or coupon is issued, conditioned to render the county

1 and its officers harmless from all loss, costs, or damages
 2 by reason of issuing the duplicate.

3 (3) No bond of indemnity is required:

4 (a) when a payee is the state of Montana or any
 5 agency, instrumentality, or officer of the state;

6 (b) when the owner or custodian is the state or any
 7 agency or officer thereof;

8 (c) when the owner or custodian is a bank, savings and
 9 loan association, credit union, admitted insurer, or trust
 10 company whose financial condition is regulated by the state;

11 (d) when it can be established that a crime has been
 12 committed and that as a result of such crime a county
 13 warrant, bond, or coupon has been stolen or destroyed; or

14 (e) when it can be established that a county warrant,
 15 bond, or coupon has been mailed to an incorrect payee.

16 (4) If the owner or custodian applies under the
 17 provisions of subsection (3)(d) or (3)(e), a stop-payment
 18 order shall be placed on the original warrant, bond, or
 19 coupon by the county treasurer.

20 (5) If the owner or custodian applies under the
 21 provisions of subsection (3)(c), (3)(d), or (3)(e), the
 22 application shall include an agreement to indemnify and hold
 23 the county or its officers and employees harmless from any
 24 loss resulting from the issuance of a duplicate warrant,
 25 bond, or coupon. Any loss incurred in connection with the

1 issuance of a duplicate warrant shall be charged against the
2 account from which the payment was derived."

3 Section 9. Section 7-12-2175, MCA, is amended to read:

4 "7-12-2175. Investment of interest and sinking fund
5 money. (1) The governing body of a county in which a special
6 improvement district is located may invest interest and
7 sinking fund money of the district in time deposits of a
8 bank, savings and loan association, or credit union insured
9 by the federal deposit insurance corporation, FEDERAL
10 SAVINGS AND LOAN INSURANCE CORPORATION, OR NATIONAL CREDIT
11 UNION ADMINISTRATION or in direct obligations of the United
12 States government payable within 180 days from the time of
13 investment.

14 (2) All interest collected on such deposits or
15 investments shall be credited to the fund from which the
16 money was withdrawn."

17 Section 10. Section 7-12-4207, MCA, is amended to
18 read:

19 "7-12-4207. Investment of interest and sinking fund
20 money. (1) The governing body of a city in which a special
21 improvement district is located may invest interest and
22 sinking fund money of the district in time deposits of a
23 bank, savings and loan association, or credit union insured
24 by the federal deposit insurance corporation, federal
25 savings and loan insurance corporation, or national credit

1 union administration or in direct obligations of the United
2 States government payable within 180 days from the time of
3 investment.

4 (2) All interest collected on such deposits or
5 investments shall be credited to the fund from which the
6 money was withdrawn."

7 Section 11. Section 17-6-101, MCA, is amended to read:

8 "17-6-101. Deposit of funds in the hands of the state
9 treasurer. (1) Under the direction of the board of
10 investments, the state treasurer shall deposit public moneys
11 in his possession and under his control in solvent banks,
12 building and loan associations, and savings and loan
13 associations, and credit unions located in the state, except
14 as otherwise provided by law, subject to national
15 supervision or state examination.

16 (2) The state treasurer shall deposit funds in such
17 banks, building and loan associations, and savings and loan
18 associations, and credit unions and in such amounts as may
19 be designated by the board of investments and withdraw such
20 deposits when instructed to by the board of investments.

21 (3) When moneys have been deposited under the board of
22 investments and in accordance with the law, the treasurer is
23 not liable for loss on account of any such deposit ~~occurring~~
24 occurring from any cause other than his own neglect or
25 fraud.

1 (4) The state treasurer shall withdraw all deposits or
2 any part thereof from time to time to pay and discharge the
3 legal obligations of the state duly presented to him in
4 accordance with the law."

5 Section 12. Section 17-6-102, MCA, is amended to read:

6 "17-6-102. Insurance on deposits. (1) No such deposits
7 in excess of the amount insured by the federal deposit
8 insurance corporation, or federal savings and loan insurance
9 corporation, or national credit union administration shall
10 be made unless the bank, building and loan association, and
11 savings and loan association, or credit union first delivers
12 to the state treasurer or deposits in trust with some
13 solvent bank, as hereinafter provided, as security therefor,
14 bonds or other obligations of the kinds listed in 17-6-103,
15 having a market value equal to at least 50% of the amount of
16 such deposits in excess of the amount so insured. The board
17 of investments may require security of a greater value. When
18 negotiable securities are placed in trust, the trustee's
19 receipt may be accepted instead of the actual securities if
20 the receipt is in favor of the state treasurer, his
21 successors in office, and the state of Montana and the form
22 of receipt and the trustee have been approved by the board
23 of investments.

24 (2) Any bank, building and loan association, and
25 savings and loan association, or credit union pledging

1 securities as provided in this section may at any time
2 substitute securities for any part of the securities
3 pledged. The collateral so substituted shall conform to
4 17-6-103 and have a market value at least sufficient for
5 compliance with subsection (1) above. If the securities so
6 substituted are held in trust, the trustee shall, on the
7 same day the substitution is made, forward by registered or
8 certified mail to the state treasurer and to the depository
9 bank a receipt specifically describing and identifying both
10 the securities substituted and those released and returned
11 to the depository bank."

12 Section 13. Section 17-6-104, MCA, is amended to read:

13 "17-6-104. Interest on deposits -- conformity with
14 federal law. (1) The board of investments may require the
15 payment of quarter annual interest on daily balances of
16 collected funds at a rate to be agreed upon between the
17 depository banks, building and loan associations, and
18 savings and loan associations, and credit unions and the
19 board of investments, which rate shall be fixed semiannually
20 during the months of July and January of each year.

21 (2) The interest requirements on deposits of public
22 funds made under the laws of the state of Montana or
23 otherwise by county or city treasurers or town clerks may
24 not at any time be in violation of any act of the congress
25 of the United States or of any rule or regulation of the

1 federal reserve system, federal home loan bank system, or
 2 the federal deposit insurance corporation, federal savings
 3 and loan insurance corporation, or national credit union
 4 administration or any other fiscal agency of the United
 5 States of which the banks, building and loan associations,
 6 or savings and loan associations, or credit unions of this
 7 state may be members or debtors."

8 Section 14. Section 17-6-105, MCA, is amended to read:

9 "17-6-105. State treasurer as treasurer of state
 10 agencies -- deposits of money. (1) The state treasurer is
 11 designated the treasurer of every state agency and
 12 institution.

13 (2) All state agencies and institutions shall deposit
 14 all money, credits, evidences of indebtedness, and
 15 securities either:

16 (a) in banks, building and loan associations, or
 17 savings and loan associations, or credit unions located in
 18 the city or town in which the agencies and institutions are
 19 situated, if there is a qualified bank, building and loan
 20 association, ~~or savings and loan association,~~ or credit
 21 union in the city or town as designated by the state
 22 treasurer with the approval of the board of investments; or

23 (b) with the state treasurer.

24 (3) Such bank, building and loan association, or
 25 savings and loan association, or credit union shall pledge

1 securities sufficient to cover 50% of the deposits at all
 2 times.

3 (4) The deposits shall be made in the name of the
 4 state treasurer, shall be subject to withdrawal at his
 5 option, and shall draw interest as other state money, in
 6 accordance with the provisions of this part.

7 (5) Nothing in this chapter shall impair or otherwise
 8 affect any covenant entered into pursuant to law by any
 9 agency or institution respecting the segregation, deposit,
 10 and investment of any revenues or funds pledged for the
 11 payment and security of bonds or other obligations
 12 authorized to be issued by such agency, and all such funds
 13 shall be deposited and invested in accordance with such
 14 covenants notwithstanding any provision of this chapter.

15 (6) All money, credits, evidences of indebtedness, and
 16 securities received by a state agency or institution shall
 17 be deposited either with the state treasurer or in a
 18 depository approved by the state treasurer each day when the
 19 accumulated amount of coin and currency requiring deposit
 20 exceeds \$100 or total collections exceed \$500. All money,
 21 credits, evidences of indebtedness, and securities collected
 22 shall be deposited at least weekly.

23 (7) Notwithstanding any other provision of state law,
 24 when it is determined to be in the best financial interest
 25 of the state, the department may require any money received

1 or collected by any agency of the state to be immediately
2 deposited to the credit of the state treasurer."

3 Section 15. Section 17-6-211, MCA, is amended to read:

4 "17-6-211. Permissible investments. (1) The following
5 securities are permissible investments for all investment
6 funds referred to in 17-6-203, except as indicated:

7 (a) any securities authorized to be pledged to secure
8 deposits of public funds under 17-6-103;

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 or
12 in Canada, if the obligations purchased are payable in
13 United States dollars, or of any corporation in which the
14 United States government is a voting shareholder by act of
15 congress; provided that all investments under this
16 subsection (b) must be rated by one nationally recognized
17 rating agency among the top third of their quality
18 categories, not applicable to defaulted bonds;

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

23 (i) such securities mature in 270 days or less;

24 (ii) the issuing corporation or the parent company of a
25 finance subsidiary issuing commercial paper, at the time of

1 the last financial reporting period, had a ratio of current
2 assets to current liabilities, including among current
3 liabilities long-term debt maturing within 1 year, of at
4 least 1 1/2 to 1 and had received net income averaging \$1
5 million or more annually for the preceding 5 years; and

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

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

15 (e) interest-bearing deposits in banks, building and
16 loan associations, and savings and loan associations, and
17 credit unions located in Montana, provided, however, that
18 the board of investments shall require pledged securities as
19 specified in 17-6-102 (interest on said deposits shall not
20 be less than the prevailing rate of interest being paid on
21 deposits of private funds);

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

25 (i) no such mortgage or mortgage participation may be

1 purchased unless:

2 (A) the principal amount of the loan secured by the
3 mortgage or mortgage participation is 80% or less of the
4 appraised value of the property;

5 (B) the principal amount of the loan secured by the
6 mortgage or mortgage participation exceeds 80% of the
7 appraised value of the property but the amount of the loan
8 in excess of 80%, determined at the time the loan was made,
9 is guaranteed or insured by a mortgage insurance company
10 which the board of investments has determined to be a
11 qualified private insurer;

12 (C) 25% or more of the loan or participation therein
13 secured is guaranteed or insured in the event of default by
14 the United States of America or an agency thereof; or

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

19 (ii) no investment shall be made at any time under
20 subsection (1)(f) which would cause the book value of such
21 investments in any investment fund to exceed 50% of the book
22 value of such fund.

23 (2) Investments from the pooled investment fund shall
24 be restricted to fixed income securities described in
25 subsections (1)(a) to (1)(e) above.

1 (3) Retirement funds and the fund provided for in
2 17-6-203, subsection (4) may be invested in preferred and
3 common stocks of any corporation organized and operating in
4 any state of the United States provided that:

5 (a) the corporation has assets of a value not less
6 than \$10 million;

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 5
10 consecutive years immediately before the date of investment,
11 have been at least 1 1/2 times the aggregate of interest and
12 preferred dividends required to be paid during this period;
13 and

14 (c) if the investment is common stock:

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

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 2% of the assets of any retirement
22 fund may be invested in common stocks or in fixed income
23 securities convertible into common stock not conforming to
24 the dividend and earnings standards stated in subsections
25 (3)(c)(i) and (3)(c)(ii) above, so long as the corporation

1 maintains the asset value required in subsection (3)(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 20% of the book
 7 value of such fund or would cause the stock of one
 8 corporation to exceed 1% of the book value of such
 9 retirement fund;

10 (e) subsections (c)(iii) and (d) herein do not apply
 11 to funds provided for in 17-6-203(4).

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

21 Section 16. Section 19-11-402, MCA, is amended to
 22 read:

23 "19-11-402. Investment of fund by trustees. (1)
 24 Subject to the provisions of 19-11-403, when so directed by
 25 a majority vote of the members of the association, the board

1 of trustees may invest the surplus money in the fund or any
 2 part thereof in:

3 (a) time or saving deposits in a solvent bank,
 4 building and loan association, or savings and loan
 5 association, or credit union operating in the county where
 6 the city or town is located;

7 (b) bonds or other securities of the United States
 8 government; or

9 (c) general obligation bonds or warrants of any state,
 10 county, or city.

11 (2) At the time of purchase the investments must be
 12 stamped in boldface type substantially as follows: "property
 13 of the fire department relief association and
 14 negotiable only upon the order of the board of trustees of
 15 such association".

16 Section 17. Section 20-9-213, MCA, is amended to read:

17 "20-9-213. Duties of trustees. The trustees of each
 18 district shall have the sole power and authority to transact
 19 all fiscal business and execute all contracts in the name of
 20 such district. No person other than the trustees acting as a
 21 governing board shall have the authority to expend moneys of
 22 the district. In conducting the fiscal business of the
 23 district, the trustees shall:

24 (1) cause the keeping of an accurate, detailed
 25 accounting of all receipts and expenditures of school moneys

1 for each fund maintained by the district in accordance with
2 rules prescribed by the superintendent of public
3 instruction. The record of such accounting shall be open to
4 public inspection at any meeting of the trustees.

5 (2) authorize all expenditures of district moneys and
6 cause warrants to be issued for the payment of lawful
7 obligations;

8 (3) have the authority to issue warrants on any
9 budgeted fund in anticipation of budgeted revenues, except
10 that such expenditures shall not exceed the amount budgeted
11 for such fund;

12 (4) invest any moneys of the district, whenever in the
13 judgment of the trustees such investment would be
14 advantageous to the district, by directing the county
15 treasurer to invest any money of the district in savings or
16 time deposits in a state or national bank, building or AND
17 loan association, or savings and loan association, or credit
18 union insured by the FDIC, or the FSLIC, or the NCUA located
19 in the county in which the district is located; provided,
20 however, that ~~if~~ no such bank, building and loan
21 association, or savings and loan association, or credit
22 union is located in the county where the district is
23 situated, such investment may be made in said banks or
24 associations located in adjacent counties or in direct
25 obligations of the United States government, payable within

1 180 days from the time of investment. All interest
2 collected on such deposits or investments shall be credited
3 to the fund from which the money was withdrawn, except that
4 interest earned on account of the investment of money
5 realized from the sale of bonds shall be credited to the
6 debt service fund or the building fund, at the discretion of
7 the board of trustees. The placement of the investment by
8 the county treasurer shall not be subject to ratable
9 distribution laws and shall be done in accordance with the
10 directive from the board of trustees. A district may invest
11 moneys under the state unified investment program
12 established in Title 17, chapter 6.

13 (5) report annually to the county superintendent, not
14 later than August 1, the financial activities of each fund
15 maintained by the district during the last completed school
16 fiscal year on the forms prescribed and furnished by the
17 superintendent of public instruction. Annual fiscal reports
18 for joint school districts shall be submitted to the county
19 superintendent of each county in which part of the joint
20 district is situated.

21 (6) whenever requested, report any other fiscal
22 activities to the county superintendent, superintendent of
23 public instruction, or board of public education;

24 (7) cause the accounting records of the district to be
25 audited annually as required by law; and

1 (8) perform, in the manner permitted by law, such
2 other fiscal duties that are in the best interests of the
3 district."

4 Section 18. Section 85-9-604, MCA, is amended to read:

5 "85-9-604. Collection and investment of assessments.

6 (1) The treasurer of each county in which the district is
7 located shall collect special assessments at the same time
8 and in the same way as county taxes.

9 (2) If the district is located in more than one
10 county, all assessments collected shall be deposited with
11 the treasurer of the county in which the assessments were
12 collected.

13 (3) The directors shall direct the county treasurer to
14 invest any surplus district funds in saving or time deposits
15 in a state or national bank, savings and loan association,
16 or credit union insured by the federal deposit insurance
17 corporation, federal savings and loan insurance corporation,
18 or national credit union administration or in direct
19 obligations of the United States government payable within
20 180 days from the time of investment. All interest collected
21 on the deposits or investments shall be credited to the fund
22 from which the money was withdrawn. However, 5% of the
23 interest shall be deposited in the general fund of the
24 county."

25 Section 19. Section 85-9-629, MCA, is amended to read:

1 "85-9-629. Disposition and investment of sale
2 proceeds. (1) Proceeds from the sales of bonds shall be
3 deposited with the county in which the largest portion of
4 the taxable valuation of real property of the district is
5 located.

6 (2) The county treasurer shall place the proceeds of
7 the bond sale to the credit of the district. The proceeds
8 shall be paid by the county treasurer on written order of
9 the directors. Proceeds shall only be spent for the purposes
10 for which the bonds were issued.

11 (3) The directors shall instruct the county treasurer
12 to deposit any part of the proceeds which is not immediately
13 needed for the purpose for which the bonds were issued in a
14 saving or time deposit in a state or national bank, savings
15 and loan association, or credit union insured by the federal
16 deposit insurance corporation, federal savings and loan
17 insurance corporation, or national credit union
18 administration or to invest in direct obligations of the
19 United States government. The obligations shall be payable
20 within not to exceed 180 days from the time of deposit or
21 investment."

-End-