

HOUSE BILL NO. 371

INTRODUCED BY KEMMIS, TOWE, FABREGA,
CRIPPEN, VINCENT, HARRINGTON

IN THE HOUSE

January 19, 1983	Introduced and referred to Select Committee on Economic Development.
February 10, 1983	On motion by chief sponsor Representatives Vincent and Harrington were added as authors to the bill.
February 21, 1983	Committee recommend bill do pass as amended. Report adopted.
February 22, 1983	Bill printed and placed on members' desks.
February 23, 1983	Second reading, do pass. Considered correctly engrossed. Third reading, passed. Transmitted to Senate.

IN THE SENATE

March 1, 1983	Introduced and referred to Committee on Business and Industry.
March 23, 1983	Committee recommend bill be concurred in. Report adopted.
March 24, 1983	Second reading, concurred in.
March 28, 1983	Third reading, concurred in. Ayes, 43; Noes, 4.

IN THE HOUSE

March 28, 1983

Returned to House.

March 29, 1983

Sent to enrolling.

Reported correctly enrolled.

1 *House* BILL NO. *371*
2 INTRODUCED BY *Senator Tim Feltz*
3 *Ciprin*

4 A BILL FOR AN ACT ENTITLED: "AN ACT PERMITTING THE BOARD OF
5 INVESTMENTS TO PRUDENTLY INVEST IN MONTANA BUSINESS
6 ACTIVITIES UP TO 10 PERCENT OF ANY FUND; AMENDING SECTION
7 17-6-211, MCA."

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

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

11 "17-6-211. Permissible investments. (1) The following
12 securities are permissible investments for all investment
13 funds referred to in 17-6-203, except as indicated:

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

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

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

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

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

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

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

22 (e) interest-bearing deposits in banks, building and
23 loan associations, and savings and loan associations located
24 in Montana, provided, however, that the board of investments
25 shall require pledged securities as specified in 17-6-102

1 (interest on said deposits shall not be less than the
2 prevailing rate of interest being paid on deposits of
3 private funds);

4 (f) unencumbered real property, first mortgages, and
5 participations in first mortgages on unencumbered real
6 property, provided that:

7 (i) no such mortgage or mortgage participation may be
8 purchased unless:

9 (A) the principal amount of the loan secured by the
10 mortgage or mortgage participation is 80% or less of the
11 appraised value of the property;

12 (B) the principal amount of the loan secured by the
13 mortgage or mortgage participation exceeds 80% of the
14 appraised value of the property but the amount of the loan
15 in excess of 80%, determined at the time the loan was made,
16 is guaranteed or insured by a mortgage insurance company
17 which the board of investments has determined to be a
18 qualified private insurer;

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

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

1 (ii) no investment shall be made at any time under
2 subsection (1)(f) which would cause the book value of such
3 investments in any investment fund to exceed 50% of the book
4 value of such fund; and

5 ~~(g) any other investment in any business activity in~~
6 ~~the state, including activities that continue existing jobs~~
7 ~~or create new jobs in Montana, provided that:~~

8 ~~(i) the investment is considered by the board to be~~
9 ~~prudent; and~~

10 ~~(iii) investments which do not meet the requirements of~~
11 ~~subsections (1)(a) through (1)(f) may not, in the aggregate,~~
12 ~~exceed 10% of the fund from which each such investment is~~
13 ~~made.~~

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

17 (3) Retirement funds and the fund provided for in
18 17-6-203, subsection (4) may be invested in preferred and
19 common stocks of any corporation organized and operating in
20 any state of the United States provided that:

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

23 (b) if the investment is preferred stock, the
24 corporation's aggregate earnings available for payment of
25 interest and preferred dividends, for a period of 5

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

4 (c) 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 50% of the book
7 value of such fund or would cause the stock of one
8 corporation to exceed 2% of the book value of such
9 retirement fund;

10 (d) subsection (c) does not apply to funds provided
11 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 and/or banks which maintain offices in the state and thereby
15 make contributions to the state economy. Further, due
16 consideration shall be given to investments which will
17 benefit the smaller communities in the state. The state's
18 investment business will be directed to out-of-state firms
19 only when there is a distinct economic advantage to the
20 state of Montana."

-End-

App. by comm. on education
and cultural resources

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FABREGA, CRIPPEN, VINCENT, HARRINGTON

A BILL FOR AN ACT ENTITLED: "AN ACT PERMITTING THE BOARD OF
INVESTMENTS TO PRUDENTLY INVEST IN MONTANA BUSINESS
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Section 1. Section 17-6-211, MCA, is amended to read:

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

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

(b) bonds, notes, debentures, equipment obligations,
or any other kind of absolute obligation of any corporation
organized and operating in any state of the United States or
in Canada, if the obligations purchased are payable in
United States dollars, or of any corporation in which the
United States government is a voting shareholder by act of
congress; provided that all investments under this
subsection (b) must be rated by one nationally recognized
rating agency among the top third of their quality

categories, not applicable to defaulted bonds;

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

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

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

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

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

(e) interest-bearing deposits in banks, building and
loan associations, and savings and loan associations, AND
CREDIT UNIONS located in Montana, provided, however, that

1 the board of investments shall require pledged securities as
2 specified in 17-6-102 (interest on said deposits shall not
3 be less than the prevailing rate of interest being paid on
4 deposits of private funds);

5 (f) unencumbered real property, first mortgages, and
6 participations in first mortgages on unencumbered real
7 property, provided that:

8 (i) no such mortgage or mortgage participation may be
9 purchased unless:

10 (A) the principal amount of the loan secured by the
11 mortgage or mortgage participation is 80% or less of the
12 appraised value of the property;

13 (B) the principal amount of the loan secured by the
14 mortgage or mortgage participation exceeds 80% of the
15 appraised value of the property but the amount of the loan
16 in excess of 80%, determined at the time the loan was made,
17 is guaranteed or insured by a mortgage insurance company
18 which the board of investments has determined to be a
19 qualified private insurer;

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

23 (D) the mortgagor has leased the mortgaged property to
24 a person, firm, or corporation whose rental payments under
25 the lease are guaranteed for the full term of the loan or

1 participation therein by an agency of the United States; and

2 (ii) no investment shall be made at any time under
3 subsection (1)(f) which would cause the book value of such
4 investments in any investment fund to exceed 50% of the book
5 value of such fund; and

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7 ~~the state, including activities that continue existing jobs~~
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12 ~~subsections (1)(f) through (1)(i) may not, in the aggregate,~~
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15 (2) Investments from the pooled investment fund shall
16 be restricted to fixed income securities described in
17 subsections (1)(a) to (1)(e) above.

18 (3) Retirement funds and the fund provided for in
19 17-6-203, subsection (4) may be invested in preferred and
20 common stocks of any corporation organized and operating in
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23 than \$10 million;

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25 corporation's aggregate earnings available for payment of

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

5 (c) no investment may be made at any time under
6 subsection (3) which would cause the book value of such
7 investments in any retirement fund to exceed 50% of the book
8 value of such fund or would cause the stock of one
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10 retirement fund;

11 (d) subsection (c) does not apply to funds provided
12 for in 17-6-203(4).

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

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