

HOUSE BILL NO. 514

1/26 Introduced  
1/26 Referred to State Administration  
1/28 Fiscal Note Requested  
2/04 Fiscal Note Received  
2/12 Hearing  
Died in Committee

1 HOUSE BILL NO. 514  
2 INTRODUCED BY Mark

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR THE  
5 PURCHASE OF COUNTY REGISTERED WARRANTS BY THE STATE FROM  
6 FUNDS CONTROLLED BY THE BOARD OF INVESTMENTS THAT WERE  
7 INVESTED BY COUNTIES OR, LACKING AVAILABLE COUNTY FUNDS,  
8 FROM FUNDS AVAILABLE FOR SHORT-TERM INVESTMENT; PROVIDING  
9 THAT SUCH WARRANTS BEAR INTEREST AT 6 PERCENT A YEAR."

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

12 Section 1. State investment in county registered  
13 warrants. (1) The state shall invest in registered warrants  
14 of a county if the county has certified that such investment  
15 is required under the provisions of [section 3]. The  
16 warrants registered for state investment may be:

17 (a) registered county warrants issued directly to  
18 payees; or

19 (b) warrants issued by a county to the state for  
20 investment.

21 (2) The state shall invest in registered county  
22 warrants from funds under the control of the board of  
23 investments subject to investment. Subject to rules adopted  
24 by the board of investments relating to reserves for payment  
25 or redemption or otherwise necessary for proper fiscal

1 management, the funds so invested in registered county  
2 warrants must be funds invested by counties under the  
3 provisions of 17-6-204, and if funds are not available for  
4 such investment from such fund, the investment must be made  
5 from any other funds under the control of the board of  
6 investments subject to investment that are available for  
7 short-term investment.

8 Section 2. Rate of interest payable on state-purchased  
9 county registered warrants. (1) All warrants registered for  
10 state investment shall bear interest at the rate of 6% a  
11 year from the date of registration until:

12 (a) redemption of such warrants by the county for each  
13 warrant held by the state; or

14 (b) the date of the call for payment of registered  
15 warrants as provided in 7-6-2605 for each warrant held by a  
16 person or entity other than the state.

17 (2) Upon presentation of a registered county payee  
18 warrant subject to state investment, the state treasurer  
19 shall pay the face amount of such warrant plus interest  
20 accrued since the date of registration of the warrant. Upon  
21 redemption the county shall pay the state the face amount of  
22 such warrant plus interest accrued since the date of  
23 registration.

24 Section 3. County procedure for issuing registered  
25 warrants for state investment. (1) If a county fund is

1 insufficient or will within 30 days become insufficient to  
 2 pay any warrant and warrants issued under the fund are to be  
 3 registered under the provisions of 7-6-2603, the board of  
 4 county commissioners may by resolution certify such fund  
 5 insufficiency. A copy of the certification and notice that a  
 6 particular fund requires registration of warrants and that  
 7 the county intends to register warrants subject to state  
 8 investment must be sent to the board of investments.

9 (2) After such certification and notice, the board of  
 10 county commissioners may instruct:

11 (a) the county treasurer to register all further  
 12 warrants presented for payment in the insufficient fund with  
 13 the notation "Not paid for want of county funds and subject  
 14 to investment by the State of Montana. This warrant may be  
 15 presented to the Treasurer of the State of Montana for  
 16 payment. This warrant is payable with interest at 6% per  
 17 annum from the date of registration."; or

18 (b) the county clerk and recorder to issue, for their  
 19 signature, a warrant payable directly to the state treasurer  
 20 in an amount considered sufficient to pay payee warrants  
 21 upon presentation to the county treasurer until such time as  
 22 further county money becomes available for the fund.

23 Section 4. State procedure for purchase of registered  
 24 county warrants -- county redemption. (1) Upon  
 25 certification and notification as provided in [section 3],

1 the board of investments shall notify the state treasurer  
 2 that the county is registering warrants for state purchase  
 3 and shall designate the fund or funds to be invested and the  
 4 amounts thereof.

5 (2) Upon presentation to the state treasurer of county  
 6 warrants registered for purchase by the state for  
 7 investment, the state treasurer shall purchase such warrants  
 8 from the fund or funds designated by the board of  
 9 investments.

10 (3) (a) A county must, by not later than January 15  
 11 and June 15 of each year, redeem all registered warrants  
 12 that have been purchased by the state for investment in the  
 13 previous 6-month period.

14 (b) In addition to the redemption requirements of this  
 15 subsection (3), all registered warrants issued to payees  
 16 that are subject to state purchase for investment are  
 17 subject to the provisions of 7-6-2605 and 7-6-2606. Any such  
 18 warrants held by payees are payable as all other registered  
 19 warrants, but interest is payable at 6% a year.

-End-

STATE OF MONTANA

REQUEST NO. FNN 264-85

FISCAL NOTE

Form BD-15

In compliance with a written request received January 29, 19 85, there is hereby submitted a Fiscal Note for House Bill 514 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 514 provides for the purchase of County Registered Warrants by the State of Montana from funds managed by the Board of Investments in the Short-Term Investment Pool, providing that such warrants bear interest at 6% a year.

ASSUMPTIONS:

Participants in the Short-Term Investment Pool earned an average yield of 10.60% in FY'84 and 11.27% in FY'83.

FISCAL IMPACT:

<u>Revenue:</u>	<u>FY 86</u>	<u>FY 87</u>	<u>Total Biennium</u>
	Downward (not quantifiable)	Downward (not quantifiable)	Downward (not quantifiable)
The average yield in the Short-Term Investment Pool was 10.60% in FY'84. If \$1,000 had instead been invested in the purchase of County Registered Warrants yielding 6% in FY'84, the decrease in revenue to the Short-Term Investment Pool would be \$46 per \$1,000 invested.			
	$\$1,000 \times 10.60\% = \$106.00$		
	$(\$1,000 \times 6.00\%) = \underline{60.00}$		
	Decrease	$\$ \underline{46.00}$	

The daily average invested balance of the Short-Term Investment Pool during FY'84 was \$242,000,000.

*David L Hunter*

BUDGET DIRECTOR  
Office of Budget and Program Planning

Date: Feb 2, 1985

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LOCAL IMPACT:

Interest Expense:

Counties having to register warrants would save interest expense amounting to the difference between the prevailing interest rate charged by local financial institutions for holding registered warrants and 6%. Estimate that currently there are \$2 million in outstanding registered warrants statewide. If the average rate charged by financial institutions for holding registered public warrants is 10%, and if all entities availed themselves of the provisions of the bill, interest savings of \$80,000 per year would be realized. Because the bill requires that other county investment funds be used first in the purchase process, county interest earnings would be affected prior to other state investments.

Revenue:

The Short-Term Investment Pool is one of the four legal investment vehicles for counties, cities, school districts, etc. Any monies of these local governments invested in the Pool would bear the impact of the decrease in revenue from their dollars invested in Registered County Warrants yielding 6%.

LONG-RANGE IMPACT:

The make up of the participants in the Short-Term Investment Pool are local governments and state agencies. Within the state agencies you have pension, bequest, bond proceeds and operational monies. The purchase of Registered County Warrants yielding 6% would have a substantial downward impact of the investment revenue of these state monies if their state funds are used to purchase Registered County Warrants.