

SENATE BILL NO. 340

INTRODUCED BY B. BROWN, CHRISTIAENS, HARPER, KOLSTAD, REGAN,
MANUEL, PHILLIPS, LORY, EUDAILY, BACHINI, PECK,
VAN VALKENBURG, MANNING, BERGENE, COHEN

IN THE SENATE

February 7, 1985	Introduced and referred to Committee on Business and Industry.
February 22, 1985	Committee recommend bill do pass. Report adopted.
February 23, 1985	Bill printed and placed on members' desks.
February 25, 1985	Second reading, do pass.
February 26, 1985	Considered correctly engrossed.
February 27, 1985	Third reading, passed. Ayes, 39; Noes, 11. Transmitted to House.

IN THE HOUSE

March 7, 1985	Introduced and referred to Committee on Business and Labor.
March 26, 1985	Committee recommend bill be concurrred in. Report adopted.
March 30, 1985	Second reading, concurrred in.
April 1, 1985	Third reading, concurrred in. Returned to Senate.

IN THE SENATE

April 1, 1985

Received from House.

Sent to enrolling.

Reported correctly enrolled.

Senate BILL NO. 340

INTRODUCED BY *Bob Brown, Christina Hager, Keri Peak, Manuel, Jon Eudaly, Rickie*
A BILL FOR AN ACT ENTITLED: AN ACT AUTHORIZING CERTAIN *Berg*

INVESTMENTS AND DEPOSITS OF PUBLIC MONEY IN CREDIT UNIONS
AND SAVINGS AND LOAN ASSOCIATIONS; AMENDING SECTIONS
7-6-201, 7-6-203, 7-6-206, 7-6-208, 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, 85-9-604,
AND 85-9-629, MCA."

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

Section 1. Section 7-6-201, MCA, is amended to read:

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

(2) Said local governing body is hereby authorized to deposit such public money not necessary for immediate use by

such county, city, or town in a savings or time deposit with any bank, building and loan association, or savings and loan association, or credit union authorized above or in a repurchase agreement as authorized in 7-6-213.

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

(4) All such deposits shall be subject to withdrawal by the treasurer or town clerk in such amounts as may be necessary from time to time. No deposit of funds shall be made or permitted to remain in any bank, building and loan association, or savings and loan association, or credit union until the security for such deposits shall have been first approved by the local governing body and delivered to the treasurer or town clerk."

Section 2. Section 7-6-203, MCA, is amended to read:

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

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

1 same terms.

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

7 Section 3. Section 7-6-206, MCA, is amended to read:

8 "7-6-206. Time deposits -- repurchase agreement. (1)
9 Such public money not necessary for immediate use by such
10 county, city, or town which is not invested in direct
11 obligations of the United States government as authorized in
12 7-6-202 may be placed in time or savings deposits with any
13 bank or, savings and loan association, or credit union in
14 the county, city, or town or placed in repurchase agreements
15 as authorized in 7-6-213, and money placed in repurchase
16 agreements is subject to subsections (2) and (3).

17 (2) When more than one bank or, savings and loan
18 association, or credit union is available in any county for
19 the time or savings deposit of such county funds or in any
20 city or town for the time or savings deposit of such city or
21 town funds, such funds may be distributed ratably among all
22 of such banks and, savings and loan associations, and credit
23 unions qualifying therefor and substantially in proportion
24 to the total property taxes paid during the preceding year
25 in such county or the county in which such city or town is

1 located and the corporation license taxes paid by each bank
2 or, savings and loan association, or credit union willing to
3 receive such time or savings deposits under the terms of
4 this part.

5 (3) In lieu of a ratable distribution among banks and,
6 savings and loan associations, and credit unions within the
7 county, city, or town, the local governing body may solicit
8 bids without advertising from any bank or, savings and loan
9 association, or credit union in a county having at least two
10 such financial institutions. Such institutions may request
11 in writing that they be listed for solicitation on bids for
12 public money not necessary for immediate use by the unit of
13 local government. In counties having less than two such
14 institutions, the local governing body may solicit bids from
15 and deposit public money in such institutions in neighboring
16 counties unless the local financial institution agrees to
17 pay the same rate of interest bid by the neighboring
18 financial institutions. The governing body may solicit bids
19 by notice sent by mail to the investment institutions whose
20 names are listed as provided herein. The provisions of this
21 subsection shall be considered as meeting the requirements
22 of subsection (2)."

23 Section 4. Section 7-6-208, MCA, is amended to read:

24 "7-6-208. Substitution of deposit security. (1) Any
25 bank, building and loan association, or savings and loan

1 association, or credit union pledging securities as provided
 2 in 7-6-207, at any time it deems advisable or desirable, may
 3 substitute like securities for all or any part of the
 4 securities pledged. The collateral so substituted shall be
 5 approved by the governing body of the county, city, or town
 6 at its next official meeting.

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

20 Section 5. Section 7-6-211, MCA, is amended to read:

21 "7-6-211. Report by financial institution. Any bank,
 22 building and loan association, ~~or~~ savings and loan
 23 association, or credit union receiving such deposits shall,
 24 through its president and cashier or secretary, make a
 25 statement of account quarter-annually, under oath, showing:

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

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

5 (3) the amount of interest credited or paid therefor
 6 by such bank, building and loan association, ~~or~~ savings and
 7 loan association, or credit union; and

8 (4) that neither such bank, building and loan
 9 association, ~~or~~ savings and loan association, or credit
 10 union nor any officer thereof nor any person for it has paid
 11 or given any consideration or emolument whatsoever to the
 12 treasurer or town clerk or to any other person, other than
 13 the interest provided for herein, for or on account of the
 14 making of such deposits with any such bank, building and
 15 loan association, ~~or~~ savings and loan association, or credit
 16 union."

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

18 "7-6-4135. Investment of money in capital improvement
 19 program fund. The money held in the capital improvement
 20 program fund shall, whenever possible, be invested in
 21 savings or time deposits in a state or national bank,
 22 savings and loan association, or credit union insured by the
 23 federal deposit insurance corporation, federal savings and
 24 loan insurance corporation, or national credit union
 25 administration or in direct obligations of the United States

1 government and shall be credited back to the fund plus
2 interest earned."

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

4 "7-7-2104. Replacement of lost bond, warrant, or
5 coupon. (1) The board may issue a duplicate warrant, bond,
6 or coupon whenever any warrant, bond, or coupon drawn by it
7 upon the treasury of the county is lost or destroyed. The
8 duplicate warrant, bond, or coupon must be in the same form
9 as the original and will take the place in order of
10 registration and payment of and supersede the original bond,
11 warrant, or coupon. It must have the word "duplicate"
12 plainly printed across its face.

13 (2) No duplicate warrant, bond, or coupon may be
14 issued under this section unless the person entitled to
15 receive the duplicate deposits with the county treasurer a
16 bond in double the amount for which the duplicate warrant,
17 bond, or coupon is issued, conditioned to render the county
18 and its officers harmless from all loss, costs, or damages
19 by reason of issuing the duplicate.

20 (3) No bond of indemnity is required:

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

23 (b) when the owner or custodian is the state or any
24 agency or officer thereof;

25 (c) when the owner or custodian is a bank, savings and

1 loan association, credit union, admitted insurer, or trust
2 company whose financial condition is regulated by the state;

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

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

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

12 (5) If the owner or custodian applies under the
13 provisions of subsection (3)(c), (3)(d), or (3)(e), the
14 application shall include an agreement to indemnify and hold
15 the county or its officers and employees harmless from any
16 loss resulting from the issuance of a duplicate warrant,
17 bond, or coupon. Any loss incurred in connection with the
18 issuance of a duplicate warrant shall be charged against the
19 account from which the payment was derived."

20 Section 8. Section 7-12-2175, MCA, is amended to read:

21 "7-12-2175. Investment of interest and sinking fund
22 money. (1) The governing body of a county in which a special
23 improvement district is located may invest interest and
24 sinking fund money of the district in time deposits of a
25 bank, savings and loan association, or credit union insured

1 by the federal deposit insurance corporation, federal
 2 savings and loan insurance corporation, or national credit
 3 union administration or in direct obligations of the United
 4 States government payable within 180 days from the time of
 5 investment.

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

9 Section 9. Section 7-12-4207, MCA, is amended to read:

10 "7-12-4207. Investment of interest and sinking fund
 11 money. (1) The governing body of a city in which a special
 12 improvement district is located may invest interest and
 13 sinking fund money of the district in time deposits of a
 14 bank, savings and loan association, or credit union insured
 15 by the federal deposit insurance corporation, federal
 16 savings and loan insurance corporation, or national credit
 17 union administration or in direct obligations of the United
 18 States government payable within 180 days from the time of
 19 investment.

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

23 Section 10. Section 17-6-101, MCA, is amended to read:

24 "17-6-101. Deposit of funds in the hands of the state
 25 treasurer. (1) Under the direction of the board of

1 investments, the state treasurer shall deposit public moneys
 2 in his possession and under his control in solvent banks,
 3 building and loan associations, and savings and loan
 4 associations, and credit unions located in the state, except
 5 as otherwise provided by law, subject to national
 6 supervision or state examination.

7 (2) The state treasurer shall deposit funds in such
 8 banks, building and loan associations, and savings and loan
 9 associations, and credit unions and in such amounts as may
 10 be designated by the board of investments and withdraw such
 11 deposits when instructed to by the board of investments.

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

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

20 Section 11. Section 17-6-102, MCA, is amended to read:

21 "17-6-102. Insurance on deposits. (1) No such deposits
 22 in excess of the amount insured by the federal deposit
 23 insurance corporation or, federal savings and loan insurance
 24 corporation, or national credit union administration shall
 25 be made unless the bank, building and loan association, and

1 savings and loan association, or credit union first delivers
 2 to the state treasurer or deposits in trust with some
 3 solvent bank, as hereinafter provided, as security therefor,
 4 bonds or other obligations of the kinds listed in 17-6-103,
 5 having a market value equal to at least 50% of the amount of
 6 such deposits in excess of the amount so insured. The board
 7 of investments may require security of a greater value. When
 8 negotiable securities are placed in trust, the trustee's
 9 receipt may be accepted instead of the actual securities if
 10 the receipt is in favor of the state treasurer, his
 11 successors in office, and the state of Montana and the form
 12 of receipt and the trustee have been approved by the board
 13 of investments.

14 (2) Any bank, building and loan association, and
 15 savings and loan association, or credit union pledging
 16 securities as provided in this section may at any time
 17 substitute securities for any part of the securities
 18 pledged. The collateral so substituted shall conform to
 19 17-6-103 and have a market value at least sufficient for
 20 compliance with subsection (1) above. If the securities so
 21 substituted are held in trust, the trustee shall, on the
 22 same day the substitution is made, forward by registered or
 23 certified mail to the state treasurer and to the depository
 24 bank financial institution a receipt specifically describing
 25 and identifying both the securities substituted and those

1 released and returned to the depository bank financial
 2 institution."

3 Section 12. Section 17-6-104, MCA, is amended to read:
 4 "17-6-104. Interest on deposits -- conformity with
 5 federal law. (1) The board of investments may require the
 6 payment of quarter annual interest on daily balances of
 7 collected funds at a rate to be agreed upon between the
 8 depository banks, building and loan associations, and
 9 savings and loan associations, credit unions, and the board
 10 of investments, which rate shall be fixed semiannually
 11 during the months of July and January of each year.

12 (2) The interest requirements on deposits of public
 13 funds made under the laws of the state of Montana or
 14 otherwise by county or city treasurers or town clerks may
 15 not at any time be in violation of any act of the congress
 16 of the United States or of any rule or regulation of the
 17 federal reserve system, federal home loan bank system, or
 18 the federal deposit insurance corporation, federal savings
 19 and loan insurance corporation, national credit union
 20 administration, or any other fiscal agency of the United
 21 States of which the banks, building and loan associations,
 22 or savings and loan associations, or credit unions of this
 23 state may be members or debtors."

24 Section 13. Section 17-6-105, MCA, is amended to read:
 25 "17-6-105. State treasurer as treasurer of state

1 agencies -- deposits of money. (1) The state treasurer is
2 designated the treasurer of every state agency and
3 institution.

4 (2) All state agencies and institutions shall deposit
5 all money, credits, evidences of indebtedness, and
6 securities either:

7 (a) in banks, building and loan associations, or
8 savings and loan associations, or credit unions located in
9 the city or town in which the agencies and institutions are
10 situated, if there is a qualified bank, building and loan
11 association, or savings and loan association, or credit
12 union in the city or town 'as designated by the state
13 treasurer with the approval of the board of investments; or

14 (b) with the state treasurer.

15 (3) Such bank, building and loan association, or
16 savings and loan association, or credit union shall pledge
17 securities sufficient to cover 50% of the deposits at all
18 times.

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

23 (5) Nothing in this chapter shall impair or otherwise
24 affect any covenant entered into pursuant to law by any
25 agency or institution respecting the segregation, deposit,

1 and investment of any revenues or funds pledged for the
2 payment and security of bonds or other obligations
3 authorized to be issued by such agency, and all such funds
4 shall be deposited and invested in accordance with such
5 covenants notwithstanding any provision of this chapter.

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

14 (7) Notwithstanding any other provision of state law,
15 when it is determined to be in the best financial interest
16 of the state, the department may require any money received
17 or collected by any agency of the state to be immediately
18 deposited to the credit of the state treasurer."

19 Section 14. Section 17-6-211, MCA, is amended to read:

20 "17-6-211. Permissible investments. (1) The following
21 securities are permissible investments for all investment
22 funds referred to in 17-6-203, except as indicated:

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

25 (b) bonds, notes, debentures, equipment obligations,

1 or any other kind of absolute obligation of any corporation
 2 organized and operating in any state of the United States or
 3 in Canada, if the obligations purchased are payable in
 4 United States dollars, or of any corporation in which the
 5 United States government is a voting shareholder by act of
 6 congress; provided that all investments under this
 7 subsection (1)(b) must be rated by one nationally recognized
 8 rating agency among the top third of their quality
 9 categories, not applicable to defaulted bonds;

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

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

15 (ii) the issuing corporation or the parent company of a
 16 finance subsidiary issuing commercial paper, at the time of
 17 the last financial reporting period, had received net income
 18 averaging \$1 million or more annually for the preceding 5
 19 years; and

20 (iii) no investment may be made at any time under this
 21 subsection (1)(c) which would cause the book value of such
 22 investments in any investment fund to exceed 10% of the book
 23 value of such fund or would cause the commercial paper of
 24 any one corporation to exceed 2% of the book value of such
 25 fund;

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

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

11 (f) unencumbered real property, first mortgages, and
 12 participations in first mortgages on unencumbered real
 13 property as provided in this subsection (1)(f) and
 14 subsection (5), provided that:

15 (i) no such mortgage or mortgage participation may be
 16 purchased unless:

17 (A) the principal amount of the loan secured by the
 18 mortgage or mortgage participation is 80% or less of the
 19 appraised value of the property;

20 (B) the principal amount of the loan secured by the
 21 mortgage or mortgage participation exceeds 80% of the
 22 appraised value of the property but the amount of the loan
 23 in excess of 80%, determined at the time the loan was made,
 24 is guaranteed or insured by a mortgage insurance company
 25 which the board of investments has determined to be a

1 qualified private insurer;

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

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

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

13 (g) any other investment in any business activity in
14 the state, including activities that continue existing jobs
15 or create new jobs in Montana, provided that investments
16 which do not meet the requirements of subsections (1)(a)
17 through (1)(f) may not, in the aggregate, exceed 10% of the
18 fund from which each such investment is made.

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

22 (3) Retirement funds and the fund provided for in
23 17-6-203, subsection (4) may be invested in preferred and
24 common stocks of any corporation organized and operating in
25 any state of the United States, provided that:

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

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

9 (c) no investment may be made at any time under
10 subsection (3) which would cause the book value of such
11 investments in any retirement fund to exceed 50% of the book
12 value of such fund or would cause the stock of one
13 corporation to exceed 2% of the book value of such
14 retirement fund;

15 (d) subsection (3)(c) does not apply to funds provided
16 for in 17-6-203(4).

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

1 (5) The board may invest in mortgage loans financed by
 2 the board of housing if the mortgages are not in default and
 3 meet the requirements of subsection (1)(f). The board may
 4 enter into a commitment agreement with the board of housing
 5 at the time of an issue of bonds or notes by the board of
 6 housing providing for the purchase at a specified future
 7 date, not to exceed 15 years from the date of the issue, of
 8 all or any portion of the amount of mortgage loans purchased
 9 with the proceeds of the issue. The board of investments
 10 may charge reasonable fees for any commitment and may agree
 11 to purchase the mortgage loans on terms that in the judgment
 12 of the board of investments provide a fair market rate of
 13 return to the purchasers.

14 (6) The Montana economic development board created in
 15 2-15-1805 may invest the Montana in-state investment fund in
 16 any in-state investment authorized by its rules in addition
 17 to those investments authorized by this section."

18 Section 15. Section 19-11-402, MCA, is amended to
 19 read:

20 "19-11-402. Investment of fund by trustees. (1)
 21 Subject to the provisions of 19-11-403, when so directed by
 22 a majority vote of the members of the association, the board
 23 of trustees may invest the surplus money in the fund or any
 24 part thereof in:

25 (a) time or saving deposits in a solvent bank,

1 building and loan association, or savings and loan
 2 association, or credit union operating in the county where
 3 the city or town is located;

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

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

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

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

14 "20-9-213. Duties of trustees. The trustees of each
 15 district shall have the sole power and authority to transact
 16 all fiscal business and execute all contracts in the name of
 17 such district. No person other than the trustees acting as a
 18 governing board shall have the authority to expend moneys of
 19 the district. In conducting the fiscal business of the
 20 district, the trustees shall:

21 (1) cause the keeping of an accurate, detailed
 22 accounting of all receipts and expenditures of school moneys
 23 for each fund maintained by the district in accordance with
 24 rules prescribed by the superintendent of public
 25 instruction. The record of such accounting shall be open to

1 public inspection at any meeting of the trustees.

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

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

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

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

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

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

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

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

1 Section 17. Section 85-9-604, MCA, is amended to read:

2 "85-9-604. Collection and investment of assessments.

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

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

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

22 Section 18. Section 85-9-629, MCA, is amended to read:

23 "85-9-629. Disposition and investment of sale
24 proceeds. (1) Proceeds from the sales of bonds shall be
25 deposited with the county in which the largest portion of

1 the taxable valuation of real property of the district is
2 located.

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

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

-End-

APPROVED BY COMM. ON
BUSINESS & INDUSTRY

1 Senate BILL NO. 340
 2 INTRODUCED BY *Bob Brown, Christina Hayden, Kelsie*
 3 *Beck, Manuel, Rick, Joe, Daily, Jackson*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING CERTAIN *Bern*
 5 INVESTMENTS AND DEPOSITS OF PUBLIC MONEY IN CREDIT UNIONS
 6 AND SAVINGS AND LOAN ASSOCIATIONS; AMENDING SECTIONS *Col*
 7 7-6-201, 7-6-203, 7-6-206, 7-6-208, 7-6-211, 7-6-4135,
 8 7-7-2104, 7-12-2175, 7-12-4207, 17-6-101, 17-6-102,
 9 17-6-104, 17-6-105, 17-6-211, 19-11-402, 20-9-213, 85-9-604,
 10 AND 85-9-629, MCA."

11
 12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 13 Section 1. Section 7-6-201, MCA, is amended to read:
 14 "7-6-201. Deposit of public funds in financial
 15 institutions. (1) Except as provided in 7-6-202, 7-6-206(3),
 16 or 7-6-2701, it shall be the duty of all county and city
 17 treasurers and town clerks to deposit all public money in
 18 their possession and under their control in any solvent
 19 banks, building and loan associations, or savings and loan
 20 associations, or credit unions located in the county, city,
 21 or town of which such treasurer is an officer, subject to
 22 national supervision or state examination as the local
 23 governing body may designate, and no other.
 24 (2) Said local governing body is hereby authorized to
 25 deposit such public money not necessary for immediate use by

1 such county, city, or town in a savings or time deposit with
 2 any bank, building and loan association, or savings and loan
 3 association, or credit union authorized above or in a
 4 repurchase agreement as authorized in 7-6-213.

5 (3) The treasurer or town clerk shall take from such
 6 bank, building and loan association, or savings and loan
 7 association, or credit union such security as the local
 8 governing body may prescribe, approve, and deem fully
 9 sufficient and necessary to insure the safety and prompt
 10 payment of all such deposits, together with the interest on
 11 any time or savings deposits.

12 (4) All such deposits shall be subject to withdrawal
 13 by the treasurer or town clerk in such amounts as may be
 14 necessary from time to time. No deposit of funds shall be
 15 made or permitted to remain in any bank, building and loan
 16 association, or savings and loan association, or credit
 17 union until the security for such deposits shall have been
 18 first approved by the local governing body and delivered to
 19 the treasurer or town clerk."

20 Section 2. Section 7-6-203, MCA, is amended to read:
 21 "7-6-203. Interest rates on deposits of public money.
 22 (1) The bank, building and loan association, or savings and
 23 loan association, or credit union in which the money is
 24 deposited shall pay on the money no less than the rate of
 25 interest as is paid on money from private sources on the

1 same terms.

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

7 Section 3. Section 7-6-206, MCA, is amended to read:

8 "7-6-206. Time deposits -- repurchase agreement. (1)
9 Such public money not necessary for immediate use by such
10 county, city, or town which is not invested in direct
11 obligations of the United States government as authorized in
12 7-6-202 may be placed in time or savings deposits with any
13 bank or, savings and loan association, or credit union in
14 the county, city, or town or placed in repurchase agreements
15 as authorized in 7-6-213, and money placed in repurchase
16 agreements is subject to subsections (2) and (3).

17 (2) When more than one bank or, savings and loan
18 association, or credit union is available in any county for
19 the time or savings deposit of such county funds or in any
20 city or town for the time or savings deposit of such city or
21 town funds, such funds may be distributed ratably among all
22 of such banks and, savings and loan associations, and credit
23 unions qualifying therefor and substantially in proportion
24 to the total property taxes paid during the preceding year
25 in such county or the county in which such city or town is

1 located and the corporation license taxes paid by each bank
2 or, savings and loan association, or credit union willing to
3 receive such time or savings deposits under the terms of
4 this part.

5 (3) In lieu of a ratable distribution among banks and,
6 savings and loan associations, and credit unions within the
7 county, city, or town, the local governing body may solicit
8 bids without advertising from any bank or, savings and loan
9 association, or credit union in a county having at least two
10 such financial institutions. Such institutions may request
11 in writing that they be listed for solicitation on bids for
12 public money not necessary for immediate use by the unit of
13 local government. In counties having less than two such
14 institutions, the local governing body may solicit bids from
15 and deposit public money in such institutions in neighboring
16 counties unless the local financial institution agrees to
17 pay the same rate of interest bid by the neighboring
18 financial institutions. The governing body may solicit bids
19 by notice sent by mail to the investment institutions whose
20 names are listed as provided herein. The provisions of this
21 subsection shall be considered as meeting the requirements
22 of subsection (2)."

23 Section 4. Section 7-6-208, MCA, is amended to read:

24 "7-6-208. Substitution of deposit security. (1) Any
25 bank, building and loan association, or savings and loan

1 association, or credit union pledging securities as provided
 2 in 7-6-207, at any time it deems advisable or desirable, may
 3 substitute like securities for all or any part of the
 4 securities pledged. The collateral so substituted shall be
 5 approved by the governing body of the county, city, or town
 6 at its next official meeting.

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

20 Section 5. Section 7-6-211, MCA, is amended to read:

21 "7-6-211. Report by financial institution. Any bank,
 22 building and loan association, or savings and loan
 23 association, or credit union receiving such deposits shall,
 24 through its president and cashier or secretary, make a
 25 statement of account quarter-annually, under oath, showing:

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

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

5 (3) the amount of interest credited or paid therefor
 6 by such bank, building and loan association, or savings and
 7 loan association, or credit union; and

8 (4) that neither such bank, building and loan
 9 association, or savings and loan association, or credit
 10 union nor any officer thereof nor any person for it has paid
 11 or given any consideration or emolument whatsoever to the
 12 treasurer or town clerk or to any other person, other than
 13 the interest provided for herein, for or on account of the
 14 making of such deposits with any such bank, building and
 15 loan association, or savings and loan association, or credit
 16 union."

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

18 "7-6-4135. Investment of money in capital improvement
 19 program fund. The money held in the capital improvement
 20 program fund shall, whenever possible, be invested in
 21 savings or time deposits in a state or national bank,
 22 savings and loan association, or credit union insured by the
 23 federal deposit insurance corporation, federal savings and
 24 loan insurance corporation, or national credit union
 25 administration or in direct obligations of the United States

1 government and shall be credited back to the fund plus
2 interest earned."

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

4 "7-7-2104. Replacement of lost bond, warrant, or
5 coupon. (1) The board may issue a duplicate warrant, bond,
6 or coupon whenever any warrant, bond, or coupon drawn by it
7 upon the treasury of the county is lost or destroyed. The
8 duplicate warrant, bond, or coupon must be in the same form
9 as the original and will take the place in order of
10 registration and payment of and supersede the original bond,
11 warrant, or coupon. It must have the word "duplicate"
12 plainly printed across its face.

13 (2) No duplicate warrant, bond, or coupon may be
14 issued under this section unless the person entitled to
15 receive the duplicate deposits with the county treasurer a
16 bond in double the amount for which the duplicate warrant,
17 bond, or coupon is issued, conditioned to render the county
18 and its officers harmless from all loss, costs, or damages
19 by reason of issuing the duplicate.

20 (3) No bond of indemnity is required:

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

23 (b) when the owner or custodian is the state or any
24 agency or officer thereof;

25 (c) when the owner or custodian is a bank, savings and

1 loan association, credit union, admitted insurer, or trust
2 company whose financial condition is regulated by the state;

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

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

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

12 (5) If the owner or custodian applies under the
13 provisions of subsection (3)(c), (3)(d), or (3)(e), the
14 application shall include an agreement to indemnify and hold
15 the county or its officers and employees harmless from any
16 loss resulting from the issuance of a duplicate warrant,
17 bond, or coupon. Any loss incurred in connection with the
18 issuance of a duplicate warrant shall be charged against the
19 account from which the payment was derived."

20 Section 8. Section 7-12-2175, MCA, is amended to read:

21 "7-12-2175. Investment of interest and sinking fund
22 money. (1) The governing body of a county in which a special
23 improvement district is located may invest interest and
24 sinking fund money of the district in time deposits of a
25 bank, savings and loan association, or credit union insured

1 by the federal deposit insurance corporation, federal
 2 savings and loan insurance corporation, or national credit
 3 union administration or in direct obligations of the United
 4 States government payable within 180 days from the time of
 5 investment.

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

9 Section 9. Section 7-12-4207, MCA, is amended to read:

10 "7-12-4207. Investment of interest and sinking fund
 11 money. (1) The governing body of a city in which a special
 12 improvement district is located may invest interest and
 13 sinking fund money of the district in time deposits of a
 14 bank, savings and loan association, or credit union insured
 15 by the federal deposit insurance corporation, federal
 16 savings and loan insurance corporation, or national credit
 17 union administration or in direct obligations of the United
 18 States government payable within 180 days from the time of
 19 investment.

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

23 Section 10. Section 17-6-101, MCA, is amended to read:

24 "17-6-101. Deposit of funds in the hands of the state
 25 treasurer. (1) Under the direction of the board of

1 investments, the state treasurer shall deposit public moneys
 2 in his possession and under his control in solvent banks,
 3 building and loan associations, and savings and loan
 4 associations, and credit unions located in the state, except
 5 as otherwise provided by law, subject to national
 6 supervision or state examination.

7 (2) The state treasurer shall deposit funds in such
 8 banks, building and loan associations, and savings and loan
 9 associations, and credit unions and in such amounts as may
 10 be designated by the board of investments and withdraw such
 11 deposits when instructed to by the board of investments.

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

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

20 Section 11. Section 17-6-102, MCA, is amended to read:

21 "17-6-102. Insurance on deposits. (1) No such deposits
 22 in excess of the amount insured by the federal deposit
 23 insurance corporation ~~or~~, federal savings and loan insurance
 24 corporation, or national credit union administration shall
 25 be made unless the bank, building and loan association, and

1 savings and loan association, or credit union first delivers
 2 to the state treasurer or deposits in trust with some
 3 solvent bank, as hereinafter provided, as security therefor,
 4 bonds or other obligations of the kinds listed in 17-6-103,
 5 having a market value equal to at least 50% of the amount of
 6 such deposits in excess of the amount so insured. The board
 7 of investments may require security of a greater value. When
 8 negotiable securities are placed in trust, the trustee's
 9 receipt may be accepted instead of the actual securities if
 10 the receipt is in favor of the state treasurer, his
 11 successors in office, and the state of Montana and the form
 12 of receipt and the trustee have been approved by the board
 13 of investments.

14 (2) Any bank, building and loan association, and
 15 savings and loan association, or credit union pledging
 16 securities as provided in this section may at any time
 17 substitute securities for any part of the securities
 18 pledged. The collateral so substituted shall conform to
 19 17-6-103 and have a market value at least sufficient for
 20 compliance with subsection (1) above. If the securities so
 21 substituted are held in trust, the trustee shall, on the
 22 same day the substitution is made, forward by registered or
 23 certified mail to the state treasurer and to the depository
 24 bank financial institution a receipt specifically describing
 25 and identifying both the securities substituted and those

1 released and returned to the depository bank financial
 2 institution."

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

4 "17-6-104. Interest on deposits -- conformity with
 5 federal law. (1) The board of investments may require the
 6 payment of quarter annual interest on daily balances of
 7 collected funds at a rate to be agreed upon between the
 8 depository banks, building and loan associations, and
 9 savings and loan associations, credit unions, and the board
 10 of investments, which rate shall be fixed semiannually
 11 during the months of July and January of each year.

12 (2) The interest requirements on deposits of public
 13 funds made under the laws of the state of Montana or
 14 otherwise by county or city treasurers or town clerks may
 15 not at any time be in violation of any act of the congress
 16 of the United States or of any rule or regulation of the
 17 federal reserve system, federal home loan bank system, or
 18 the federal deposit insurance corporation, federal savings
 19 and loan insurance corporation, national credit union
 20 administration, or any other fiscal agency of the United
 21 States of which the banks, building and loan associations,
 22 or savings and loan associations, or credit unions of this
 23 state may be members or debtors."

24 Section 13. Section 17-6-105, MCA, is amended to read:

25 "17-6-105. State treasurer as treasurer of state

1 agencies -- deposits of money. (1) The state treasurer is
2 designated the treasurer of every state agency and
3 institution.

4 (2) All state agencies and institutions shall deposit
5 all money, credits, evidences of indebtedness, and
6 securities either:

7 (a) in banks, building and loan associations, or
8 savings and loan associations, or credit unions located in
9 the city or town in which the agencies and institutions are
10 situated, if there is a qualified bank, building and loan
11 association, or savings and loan association, or credit
12 union in the city or town as designated by the state
13 treasurer with the approval of the board of investments; or

14 (b) with the state treasurer.

15 (3) Such bank, building and loan association, or
16 savings and loan association, or credit union shall pledge
17 securities sufficient to cover 50% of the deposits at all
18 times.

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

23 (5) Nothing in this chapter shall impair or otherwise
24 affect any covenant entered into pursuant to law by any
25 agency or institution respecting the segregation, deposit,

1 and investment of any revenues or funds pledged for the
2 payment and security of bonds or other obligations
3 authorized to be issued by such agency, and all such funds
4 shall be deposited and invested in accordance with such
5 covenants notwithstanding any provision of this chapter.

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

14 (7) Notwithstanding any other provision of state law,
15 when it is determined to be in the best financial interest
16 of the state, the department may require any money received
17 or collected by any agency of the state to be immediately
18 deposited to the credit of the state treasurer."

19 Section 14. Section 17-6-211, MCA, is amended to read:
20 "17-6-211. Permissible investments. (1) The following
21 securities are permissible investments for all investment
22 funds referred to in 17-6-203, except as indicated:

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

25 (b) bonds, notes, debentures, equipment obligations,

1 or any other kind of absolute obligation of any corporation
 2 organized and operating in any state of the United States or
 3 in Canada, if the obligations purchased are payable in
 4 United States dollars, or of any corporation in which the
 5 United States government is a voting shareholder by act of
 6 congress; provided that all investments under this
 7 subsection (1)(b) must be rated by one nationally recognized
 8 rating agency among the top third of their quality
 9 categories, not applicable to defaulted bonds;

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

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

15 (ii) the issuing corporation or the parent company of a
 16 finance subsidiary issuing commercial paper, at the time of
 17 the last financial reporting period, had received net income
 18 averaging \$1 million or more annually for the preceding 5
 19 years; and

20 (iii) no investment may be made at any time under this
 21 subsection (1)(c) which would cause the book value of such
 22 investments in any investment fund to exceed 10% of the book
 23 value of such fund or would cause the commercial paper of
 24 any one corporation to exceed 2% of the book value of such
 25 fund;

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

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

11 (f) unencumbered real property, first mortgages, and
 12 participations in first mortgages on unencumbered real
 13 property as provided in this subsection (1)(f) and
 14 subsection (5), provided that:

15 (i) no such mortgage or mortgage participation may be
 16 purchased unless:

17 (A) the principal amount of the loan secured by the
 18 mortgage or mortgage participation is 80% or less of the
 19 appraised value of the property;

20 (B) the principal amount of the loan secured by the
 21 mortgage or mortgage participation exceeds 80% of the
 22 appraised value of the property but the amount of the loan
 23 in excess of 80%, determined at the time the loan was made,
 24 is guaranteed or insured by a mortgage insurance company
 25 which the board of investments has determined to be a

1 qualified private insurer;

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

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

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

13 (g) any other investment in any business activity in
14 the state, including activities that continue existing jobs
15 or create new jobs in Montana, provided that investments
16 which do not meet the requirements of subsections (1)(a)
17 through (1)(f) may not, in the aggregate, exceed 10% of the
18 fund from which each such investment is made.

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

22 (3) Retirement funds and the fund provided for in
23 17-6-203, subsection (4) may be invested in preferred and
24 common stocks of any corporation organized and operating in
25 any state of the United States, provided that:

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

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

9 (c) no investment may be made at any time under
10 subsection (3) which would cause the book value of such
11 investments in any retirement fund to exceed 50% of the book
12 value of such fund or would cause the stock of one
13 corporation to exceed 2% of the book value of such
14 retirement fund;

15 (d) subsection (3)(c) does not apply to funds provided
16 for in 17-6-203(4).

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

(5) The board may invest in mortgage loans financed by the board of housing if the mortgages are not in default and meet the requirements of subsection (1)(f). The board may enter into a commitment agreement with the board of housing at the time of an issue of bonds or notes by the board of housing providing for the purchase at a specified future date, not to exceed 15 years from the date of the issue, of all or any portion of the amount of mortgage loans purchased with the proceeds of the issue. The board of investments may charge reasonable fees for any commitment and may agree to purchase the mortgage loans on terms that in the judgment of the board of investments provide a fair market rate of return to the purchasers.

(6) The Montana economic development board created in 2-15-1805 may invest the Montana in-state investment fund in any in-state investment authorized by its rules in addition to those investments authorized by this section."

Section 15. Section 19-11-402, MCA, is amended to read:

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

(a) time or saving deposits in a solvent bank,

building and loan association, or savings and loan association, or credit union operating in the county where the city or town is located;

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

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

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

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

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

(1) cause the keeping of an accurate, detailed accounting of all receipts and expenditures of school moneys for each fund maintained by the district in accordance with rules prescribed by the superintendent of public instruction. The record of such accounting shall be open to

1 public inspection at any meeting of the trustees.

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

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

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

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

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

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

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

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

1 Section 17. Section 85-9-604, MCA, is amended to read:

2 "85-9-604. Collection and investment of assessments.

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

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

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

22 Section 18. Section 85-9-629, MCA, is amended to read:

23 "85-9-629. Disposition and investment of sale
24 proceeds. (1) Proceeds from the sales of bonds shall be
25 deposited with the county in which the largest portion of

1 the taxable valuation of real property of the district is
2 located.

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

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

-End-

Senate BILL NO. 340

INTRODUCED BY *Bob Brown, Christina Hayes, Krista*

Frank Mack, Van Kirk, Rick, Jon, Evelyn, Buckner

A BILL FOR AN ACT ENTITLED: AN ACT AUTHORIZING CERTAIN *Bergin*

INVESTMENTS AND DEPOSITS OF PUBLIC MONEY IN CREDIT UNIONS *Col*

AND SAVINGS AND LOAN ASSOCIATIONS; AMENDING SECTIONS

7-6-201, 7-6-203, 7-6-206, 7-6-208, 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, 85-9-604,

AND 85-9-629, MCA."

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

Section 1. Section 7-6-201, MCA, is amended to read:

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

(2) Said local governing body is hereby authorized to deposit such public money not necessary for immediate use by

THIRD READING

There are no changes in SB 340, and will not be re-run. Please refer to white or yellow copy for complete text.



SB340

1 SENATE BILL NO. 340

2 INTRODUCED BY B. BROWN, CHRISTIAENS, HARPER, KOLSTAD,
3 REGAN, MANUEL, PHILLIPS, LORY, EUDAILY, BACHINI,
4 PECK, VAN VALKENBERG, MANNING, BERGENE, COHEN
5

6 A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING CERTAIN
7 INVESTMENTS AND DEPOSITS OF PUBLIC MONEY IN CREDIT UNIONS
8 AND SAVINGS AND LOAN ASSOCIATIONS; AMENDING SECTIONS
9 7-6-201, 7-6-203, 7-6-206, 7-6-208, 7-6-211, 7-6-4135,
10 7-7-2104, 7-12-2175, 7-12-4207, 17-6-101, 17-6-102,
11 17-6-104, 17-6-105, 17-6-211, 19-11-402, 20-9-213, 85-9-604,
12 AND 85-9-629, MCA."
13

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

15 Section 1. Section 7-6-201, MCA, is amended to read:

16 "7-6-201. Deposit of public funds in financial
17 institutions. (1) Except as provided in 7-6-202, 7-6-206(3),
18 or 7-6-2701, it shall be the duty of all county and city
19 treasurers and town clerks to deposit all public money in
20 their possession and under their control in any solvent
21 banks, building and loan associations, or savings and loan
22 associations, or credit unions located in the county, city,
23 or town of which such treasurer is an officer, subject to
24 national supervision or state examination as the local
25 governing body may designate, and no other.

1 (2) Said local governing body is hereby authorized to
2 deposit such public money not necessary for immediate use by
3 such county, city, or town in a savings or time deposit with
4 any bank, building and loan association, or savings and loan
5 association, or credit union authorized above or in a
6 repurchase agreement as authorized in 7-6-213.

7 (3) The treasurer or town clerk shall take from such
8 bank, building and loan association, or savings and loan
9 association, or credit union such security as the local
10 governing body may prescribe, approve, and deem fully
11 sufficient and necessary to insure the safety and prompt
12 payment of all such deposits, together with the interest on
13 any time or savings deposits.

14 (4) All such deposits shall be subject to withdrawal
15 by the treasurer or town clerk in such amounts as may be
16 necessary from time to time. No deposit of funds shall be
17 made or permitted to remain in any bank, building and loan
18 association, or savings and loan association, or credit
19 union until the security for such deposits shall have been
20 first approved by the local governing body and delivered to
21 the treasurer or town clerk."

22 Section 2. Section 7-6-203, MCA, is amended to read:

23 "7-6-203. Interest rates on deposits of public money.

24 (1) The bank, building and loan association, or savings and
25 loan association, or credit union in which the money is

1 deposited shall pay on the money no less than the rate of
2 interest as is paid on money from private sources on the
3 same terms.

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

9 Section 3. Section 7-6-206, MCA, is amended to read:

10 "7-6-206. Time deposits -- repurchase agreement. (1)
11 Such public money not necessary for immediate use by such
12 county, city, or town which is not invested in direct
13 obligations of the United States government as authorized in
14 7-6-202 may be placed in time or savings deposits with any
15 bank or, savings and loan association, or credit union in
16 the county, city, or town or placed in repurchase agreements
17 as authorized in 7-6-213, and money placed in repurchase
18 agreements is subject to subsections (2) and (3).

19 (2) When more than one bank or, savings and loan
20 association, or credit union is available in any county for
21 the time or savings deposit of such county funds or in any
22 city or town for the time or savings deposit of such city or
23 town funds, such funds may be distributed ratably among all
24 of such banks and, savings and loan associations, and credit
25 unions qualifying therefor and substantially in proportion

1 to the total property taxes paid during the preceding year
2 in such county or the county in which such city or town is
3 located and the corporation license taxes paid by each bank
4 or, savings and loan association, or credit union willing to
5 receive such time or savings deposits under the terms of
6 this part.

7 (3) In lieu of a ratable distribution among banks and,
8 savings and loan associations, and credit unions within the
9 county, city, or town, the local governing body may solicit
10 bids without advertising from any bank or, savings and loan
11 association, or credit union in a county having at least two
12 such financial institutions. Such institutions may request
13 in writing that they be listed for solicitation on bids for
14 public money not necessary for immediate use by the unit of
15 local government. In counties having less than two such
16 institutions, the local governing body may solicit bids from
17 and deposit public money in such institutions in neighboring
18 counties unless the local financial institution agrees to
19 pay the same rate of interest bid by the neighboring
20 financial institutions. The governing body may solicit bids
21 by notice sent by mail to the investment institutions whose
22 names are listed as provided herein. The provisions of this
23 subsection shall be considered as meeting the requirements
24 of subsection (2)."

25 Section 4. Section 7-6-208, MCA, is amended to read:

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

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

22 Section 5. Section 7-6-211, MCA, is amended to read:

23 "7-6-211. Report by financial institution. Any bank,
 24 building and loan association, ~~or~~ savings and loan
 25 association, or credit union receiving such deposits shall,

1 through its president and cashier or secretary, make a
 2 statement of account quarter-annually, under oath, showing:

3 (1) all such money that has been deposited with such
 4 bank, building and loan association, ~~or~~ savings and loan
 5 association, or credit union during the quarter;

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

7 (3) the amount of interest credited or paid therefor
 8 by such bank, building and loan association, ~~or~~ savings and
 9 loan association, or credit union; and

10 (4) that neither such bank, building and loan
 11 association, ~~or~~ savings and loan association, or credit
 12 union nor any officer thereof nor any person for it has paid
 13 or given any consideration or emolument whatsoever to the
 14 treasurer or town clerk or to any other person, other than
 15 the interest provided for herein, for or on account of the
 16 making of such deposits with any such bank, building and
 17 loan association, ~~or~~ savings and loan association, or credit
 18 union."

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

20 "7-6-4135. Investment of money in capital improvement
 21 program fund. The money held in the capital improvement
 22 program fund shall, whenever possible, be invested in
 23 savings or time deposits in a state or national bank,
 24 savings and loan association, or credit union insured by the
 25 federal deposit insurance corporation, federal savings and

1 loan insurance corporation, or national credit union
 2 administration or in direct obligations of the United States
 3 government and shall be credited back to the fund plus
 4 interest earned."

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

6 "7-7-2104. Replacement of lost bond, warrant, or
 7 coupon. (1) The board may issue a duplicate warrant, bond,
 8 or coupon whenever any warrant, bond, or coupon drawn by it
 9 upon the treasury of the county is lost or destroyed. The
 10 duplicate warrant, bond, or coupon must be in the same form
 11 as the original and will take the place in order of
 12 registration and payment of and supersede the original bond,
 13 warrant, or coupon. It must have the word "duplicate"
 14 plainly printed across its face.

15 (2) No duplicate warrant, bond, or coupon may be
 16 issued under this section unless the person entitled to
 17 receive the duplicate deposits with the county treasurer a
 18 bond in double the amount for which the duplicate warrant,
 19 bond, or coupon is issued, conditioned to render the county
 20 and its officers harmless from all loss, costs, or damages
 21 by reason of issuing the duplicate.

22 (3) No bond of indemnity is required:

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

25 (b) when the owner or custodian is the state or any

1 agency or officer thereof;

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

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

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

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

14 (5) If the owner or custodian applies under the
 15 provisions of subsection (3)(c), (3)(d), or (3)(e), the
 16 application shall include an agreement to indemnify and hold
 17 the county or its officers and employees harmless from any
 18 loss resulting from the issuance of a duplicate warrant,
 19 bond, or coupon. Any loss incurred in connection with the
 20 issuance of a duplicate warrant shall be charged against the
 21 account from which the payment was derived."

22 Section 8. Section 7-12-2175, MCA, is amended to read:

23 "7-12-2175. Investment of interest and sinking fund
 24 money. (1) The governing body of a county in which a special
 25 improvement district is located may invest interest and

1 sinking fund money of the district in time deposits of a
 2 bank, savings and loan association, or credit union insured
 3 by the federal deposit insurance corporation, federal
 4 savings and loan insurance corporation, or national credit
 5 union administration or in direct obligations of the United
 6 States government payable within 180 days from the time of
 7 investment.

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

11 Section 9. Section 7-12-4207, MCA, is amended to read:

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

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

25 Section 10. Section 17-6-101, MCA, is amended to read:

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

9 (2) The state treasurer shall deposit funds in such
 10 banks, building and loan associations, and savings and loan
 11 associations, and credit unions and in such amounts as may
 12 be designated by the board of investments and withdraw such
 13 deposits when instructed to by the board of investments.

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

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

22 Section 11. Section 17-6-102, MCA, is amended to read:

23 "17-6-102. Insurance on deposits. (1) No such deposits
 24 in excess of the amount insured by the federal deposit
 25 insurance corporation ~~or~~, federal savings and loan insurance

1 corporation, or national credit union administration shall
 2 be made unless the bank, building and loan association, and
 3 savings and loan association, or credit union first delivers
 4 to the state treasurer or deposits in trust with some
 5 solvent bank, as hereinafter provided, as security therefor,
 6 bonds or other obligations of the kinds listed in 17-6-103,
 7 having a market value equal to at least 50% of the amount of
 8 such deposits in excess of the amount so insured. The board
 9 of investments may require security of a greater value. When
 10 negotiable securities are placed in trust, the trustee's
 11 receipt may be accepted instead of the actual securities if
 12 the receipt is in favor of the state treasurer, his
 13 successors in office, and the state of Montana and the form
 14 of receipt and the trustee have been approved by the board
 15 of investments.

16 (2) Any bank, building and loan association, and
 17 savings and loan association, or credit union pledging
 18 securities as provided in this section may at any time
 19 substitute securities for any part of the securities
 20 pledged. The collateral so substituted shall conform to
 21 17-6-103 and have a market value at least sufficient for
 22 compliance with subsection (1) above. If the securities so
 23 substituted are held in trust, the trustee shall, on the
 24 same day the substitution is made, forward by registered or
 25 certified mail to the state treasurer and to the depository

1 bank financial institution a receipt specifically describing
 2 and identifying both the securities substituted and those
 3 released and returned to the ~~depository bank~~ financial
 4 institution."

5 Section 12. Section 17-6-104, MCA, is amended to read:
 6 "17-6-104. Interest on deposits -- conformity with
 7 federal law. (1) The board of investments may require the
 8 payment of quarter annual interest on daily balances of
 9 collected funds at a rate to be agreed upon between the
 10 depository banks, building and loan associations, and
 11 savings and loan associations, credit unions, and the board
 12 of investments, which rate shall be fixed semiannually
 13 during the months of July and January of each year.

14 (2) The interest requirements on deposits of public
 15 funds made under the laws of the state of Montana or
 16 otherwise by county or city treasurers or town clerks may
 17 not at any time be in violation of any act of the congress
 18 of the United States or of any rule or regulation of the
 19 federal reserve system, federal home loan bank system, or
 20 the federal deposit insurance corporation, federal savings
 21 and loan insurance corporation, national credit union
 22 administration, or any other fiscal agency of the United
 23 States of which the banks, building and loan associations,
 24 or savings and loan associations, or credit unions of this
 25 state may be members or debtors."

1 Section 13. Section 17-6-105, MCA, is amended to read:

2 "17-6-105. State treasurer as treasurer of state
3 agencies -- deposits of money. (1) The state treasurer is
4 designated the treasurer of every state agency and
5 institution.

6 (2) All state agencies and institutions shall deposit
7 all money, credits, evidences of indebtedness, and
8 securities either:

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

16 (b) with the state treasurer.

17 (3) Such bank, building and loan association, or
18 savings and loan association, or credit union shall pledge
19 securities sufficient to cover 50% of the deposits at all
20 times.

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

25 (5) Nothing in this chapter shall impair or otherwise

1 affect any covenant entered into pursuant to law by any
2 agency or institution respecting the segregation, deposit,
3 and investment of any revenues or funds pledged for the
4 payment and security of bonds or other obligations
5 authorized to be issued by such agency, and all such funds
6 shall be deposited and invested in accordance with such
7 covenants notwithstanding any provision of this chapter.

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

16 (7) Notwithstanding any other provision of state law,
17 when it is determined to be in the best financial interest
18 of the state, the department may require any money received
19 or collected by any agency of the state to be immediately
20 deposited to the credit of the state treasurer."

21 Section 14. Section 17-6-211, MCA, is amended to read:

22 "17-6-211. Permissible investments. (1) The following
23 securities are permissible investments for all investment
24 funds referred to in 17-6-203, except as indicated:

25 (a) any securities authorized to be pledged to secure

1 deposits of public funds under 17-6-103;

2 (b) bonds, notes, debentures, equipment obligations,
3 or any other kind of absolute obligation of any corporation
4 organized and operating in any state of the United States or
5 in Canada, if the obligations purchased are payable in
6 United States dollars, or of any corporation in which the
7 United States government is a voting shareholder by act of
8 congress; provided that all investments under this
9 subsection (1)(b) must be rated by one nationally recognized
10 rating agency among the top third of their quality
11 categories, not applicable to defaulted bonds;

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

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

17 (ii) the issuing corporation or the parent company of a
18 finance subsidiary issuing commercial paper, at the time of
19 the last financial reporting period, had received net income
20 averaging \$1 million or more annually for the preceding 5
21 years; and

22 (iii) no investment may be made at any time under this
23 subsection (1)(c) which would cause the book value of such
24 investments in any investment fund to exceed 10% of the book
25 value of such fund or would cause the commercial paper of

1 any one corporation to exceed 2% of the book value of such
2 fund;

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

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

13 (f) unencumbered real property, first mortgages, and
14 participations in first mortgages on unencumbered real
15 property as provided in this subsection (1)(f) and
16 subsection (5), provided that:

17 (i) no such mortgage or mortgage participation may be
18 purchased unless:

19 (A) the principal amount of the loan secured by the
20 mortgage or mortgage participation is 80% or less of the
21 appraised value of the property;

22 (B) the principal amount of the loan secured by the
23 mortgage or mortgage participation exceeds 80% of the
24 appraised value of the property but the amount of the loan
25 in excess of 80%, determined at the time the loan was made,

1 is guaranteed or insured by a mortgage insurance company
 2 which the board of investments has determined to be a
 3 qualified private insurer;

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

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

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

15 (g) any other investment in any business activity in
 16 the state, including activities that continue existing jobs
 17 or create new jobs in Montana, provided that investments
 18 which do not meet the requirements of subsections (1)(a)
 19 through (1)(f) may not, in the aggregate, exceed 10% of the
 20 fund from which each such investment is made.

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 (c) no investment may be made at any time under
 12 subsection (3) which would cause the book value of such
 13 investments in any retirement fund to exceed 50% of the book
 14 value of such fund or would cause the stock of one
 15 corporation to exceed 2% of the book value of such
 16 retirement fund;

17 (d) subsection (3)(c) does not apply to funds provided
 18 for in 17-6-203(4).

19 (4) The board of investments shall endeavor to direct
 20 its portion of the state's investment business to those
 21 investment firms, credit unions, and/or banks which maintain
 22 offices in the state and thereby make contributions to the
 23 state economy. Further, due consideration shall be given to
 24 investments which will benefit the smaller communities in
 25 the state. The state's investment business will be directed

1 to out-of-state firms only when there is a distinct economic
2 advantage to the state of Montana.

3 (5) The board may invest in mortgage loans financed by
4 the board of housing if the mortgages are not in default and
5 meet the requirements of subsection (1)(f). The board may
6 enter into a commitment agreement with the board of housing
7 at the time of an issue of bonds or notes by the board of
8 housing providing for the purchase at a specified future
9 date, not to exceed 15 years from the date of the issue, of
10 all or any portion of the amount of mortgage loans purchased
11 with the proceeds of the issue. The board of investments
12 may charge reasonable fees for any commitment and may agree
13 to purchase the mortgage loans on terms that in the judgment
14 of the board of investments provide a fair market rate of
15 return to the purchasers.

16 (6) The Montana economic development board created in
17 2-15-1805 may invest the Montana in-state investment fund in
18 any in-state investment authorized by its rules in addition
19 to those investments authorized by this section."

20 Section 15. Section 19-11-402, MCA, is amended to
21 read:

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

1 part thereof in:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 (8) perform, in the manner permitted by law, such

1 other fiscal duties that are in the best interests of the
2 district."

3 Section 17. Section 85-9-604, MCA, is amended to read:

4 "85-9-604. Collection and investment of assessments.

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

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

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

24 Section 18. Section 85-9-629, MCA, is amended to read:

25 "85-9-629. Disposition and investment of sale

1 proceeds. (1) Proceeds from the sales of bonds shall be
2 deposited with the county in which the largest portion of
3 the taxable valuation of real property of the district is
4 located.

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

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

-End-