

SENATE BILL NO. 349

INTRODUCED BY MAZUREK

BY REQUEST OF THE MONTANA ECONOMIC DEVELOPMENT BOARD

IN THE SENATE

February 8, 1985	Introduced and referred to Committee on Business and Industry.
February 21, 1985	Committee recommend bill do pass as amended. Report adopted.
February 22, 1985	Bill printed and placed on members' desks.
February 23, 1985	Second reading, do pass as amended.
February 25, 1985	Correctly engrossed. Third reading, passed. Ayes, 48; Noes, 0. Transmitted to House.

IN THE HOUSE

February 27, 1985	Introduced and referred to Committee on Business and Labor.
March 25, 1985	Committee recommend bill be concurred in as amended. Report adopted.
March 26, 1985	On motion, taken from second reading and rereferred to Committee on Business and Labor.

March 28, 1985	Committee recommend bill be concurred in as amended. Report adopted.
March 30, 1985	Second reading, pass consideration.
April 1, 1985	Second reading, concurred in. Third reading, concurred in. Returned to Senate with amendments.

IN THE SENATE

April 1, 1985	Received from House.
April 4, 1985	Second reading, amendments not concurred in. Ayes, 50; Noes, 0.
April 5, 1985	On motion, Free Conference Committee requested and appointed.
April 16, 1985	Free Conference Committee reported. Free Conference Committee report adopted by House.
April 17, 1985	Second reading, Free Conference Committee report adopted.
April 18, 1985	Third reading, Free Conference Committee report adopted. Sent to enrolling. Reported correctly enrolled.

Senate BILL NO. 349

INTRODUCED BY

Masquik

BY REQUEST OF THE MONTANA ECONOMIC DEVELOPMENT BOARD

A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING AND CONSOLIDATING THE BONDING AUTHORITY OF THE MONTANA ECONOMIC DEVELOPMENT BOARD; AUTHORIZING THE BOARD TO GUARANTEE CERTAIN BONDS AND LOANS; ESTABLISHING A LOAN LOSS RESERVE FUND; AMENDING SECTIONS 17-5-1506, 17-6-308, 17-6-311, AND 17-6-315, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

Section 1. Section 17-5-1506, MCA, is amended to read:

"17-5-1506. Bonds and notes for projects and major projects. (1) The board may by resolution issue negotiable notes and bonds in a principal amount as the board determines necessary to provide sufficient funds for achieving any of its purposes, including the payment of interest on notes and bonds of the board, establishment of reserves to secure the notes and bonds, including the reserve funds created under 17-5-1515, and all other expenditures of the board incident to and necessary or convenient to carry out this part.

(2) The board may by resolution, from time to time, issue notes to renew notes and bonds or to pay notes,

including interest, and whenever it considers refunding expedient, refund any bonds by the issuance of new bonds, whether or not the bonds to be refunded have matured, or issue bonds partly to refund bonds outstanding and partly for any of its other purposes.

(3) Except as otherwise expressly provided by resolution of the board, every issue of its bonds is an obligation of the board payable out of any revenue, assets, or money of the board, subject only to agreements with the holders of particular notes or bonds pledging particular revenues, assets, or money.

(4) The notes and bonds shall be authorized by resolutions of the board, bear a date, and mature at the times the resolutions provide. A note may not mature more than 5 years from the date of its issue. A bond may not mature more than 40 years from the date of its issue. The bonds may be issued as serial bonds payable in annual installments, as term bonds, or as a combination thereof. The notes and bonds shall bear interest at a stated rate or rates or at a rate or rate determination as stated, be in denominations, be in a form, either coupon or registered, carry registration privileges, be executed in a manner, be payable in a medium of payment, at places inside or outside the state, and be subject to terms of redemption as provided in resolutions. The notes and bonds of the board may be sold



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1 at public or private sale, at prices above or below par, as
 2 determined by the board, and in a manner such that interest
 3 on the bonds is either exempt from or subject to federal
 4 income tax.

5 (5) The bonds issued under this part are exempt from
 6 the Montana Securities Act, but copies of all prospectus and
 7 disclosure documents must be deposited with the state
 8 securities commissioner for public inspection.

9 (6) The total amount of bonds secured under 17-5-1515
 10 and 17-5-1519 outstanding at any one time ~~{for--projects~~
 11 ~~other--than--major--projects}~~, except bonds as to which the
 12 board's obligations have been satisfied and discharged by
 13 refunding or bonds for which reserves for payment or other
 14 means of payment have been provided, may not exceed \$25 \$75
 15 million.

16 ~~{7}--The--total--amount--of--bonds--outstanding--at--any--one~~
 17 ~~time--for--major--projects,--except--bonds--as--to--which--the~~
 18 ~~board's--obligations--have--been--satisfied--and--discharged--by~~
 19 ~~refunding--or--bonds--for--which--reserves--for--payment--or--other~~
 20 ~~means--of--payment--have--been--provided,--may--not--exceed--\$50~~
 21 ~~million."~~

22 Section 2. Section 17-6-308, MCA, is amended to read:
 23 "17-6-308. Authorized investments. (1) The Montana
 24 in-state investment fund must be invested in the securities
 25 authorized as permissible investments under 17-6-211 and in

1 any other type of in-state investment authorized by rules
 2 adopted by the board. For purposes of this section,
 3 "investment" includes the guarantee of loans or bonds in
 4 consideration for a fee, in lieu of the actual acquisition
 5 of such loans or bonds.

6 (2) Except as provided in subsection (4), the board
 7 may use the in-state investment fund to guarantee loans or
 8 bonds issued under the provisions of 17-5-1501 through
 9 17-5-1529, Title 17, chapter 5, part 16, or Title 90,
 10 chapter 7. Each guaranty must be given in consideration of a
 11 fee. The fees must be paid to the board. The guaranty must
 12 provide directly or by separate agreement that the board is
 13 fully subrogated to the rights of the obligee under the loan
 14 or bond. The board shall by rule establish the maximum ratio
 15 between guaranty funds available and loans or bonds to be
 16 guaranteed. The board may covenant in bond issues to
 17 maintain such ratio.

18 (3) The board may make loans from the in-state
 19 investment fund to the capital reserve account created
 20 pursuant to 17-5-1515 and the guaranty fund created pursuant
 21 to 17-5-1520 to establish balances or restore deficiencies
 22 therein. The board may agree in connection with the issuance
 23 of bonds or notes secured by such account or fund to make
 24 such loans. Loans must be on such terms and conditions as
 25 the board determines and must be repaid from revenues of the

1 board realized from the exercise of its powers under
2 17-5-1501 through 17-5-1529, subject to the prior pledge of
3 the revenues to the bonds and notes.

4 (4) Bonds or loans for projects financed under
5 17-5-1501 through 17-5-1529 whose cost or appraised value
6 exceeds \$1,000,000 and that are not part of a pooled bond
7 issue may not be guaranteed under the provisions of this
8 section."

9 Section 3. Section 17-6-311, MCA, is amended to read:

10 "17-6-311. Limitation on size of investments. (1) No
11 Except as provided in subsection (2), no investment may be
12 made that will result in any one business enterprise or
13 person receiving a benefit from or incurring a debt to the
14 Montana in-state investment fund the total current
15 accumulated amount of which exceeds 10% of the prior fiscal
16 year's coal severance tax revenue deposited in the Montana
17 in-state investment fund.

18 (2) Subsection (1) does not limit the board's
19 authority to guarantee loans or bonds or make loans to the
20 capital reserve account and guaranty fund as provided in
21 17-6-308(2) and (3)."

22 Section 4. Section 17-6-315, MCA, is amended to read:

23 "17-6-315. Service charges -- loan loss reserve fund.
24 (1) The board shall by rule establish reasonable service
25 fees that may be charged on loans made from the Montana

1 in-state investment fund.

2 (2) For both coal tax loans and industrial development
3 bond guaranties the board may deposit service charges, and
4 up to .25% of the interest on coal tax loans, to a loan loss
5 reserve fund. The board shall use the loan loss reserve fund
6 to protect the in-state investment fund from losses."

7 NEW SECTION. Section 5. Extension of authority. Any
8 existing authority of the Montana economic development board
9 to make rules on the subject of the provisions of this act
10 is extended to the provisions of this act.

11 NEW SECTION. Section 6. Effective date. This act is
12 effective on passage and approval.

-End-

APPROVED BY COMM. ON BUSINESS & INDUSTRY

1 SENATE BILL NO. 349
 2 INTRODUCED BY MAZUREK
 3 BY REQUEST OF THE MONTANA ECONOMIC DEVELOPMENT BOARD
 4
 5 A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING AND
 6 CONSOLIDATING THE BONDING AUTHORITY OF THE MONTANA ECONOMIC
 7 DEVELOPMENT BOARD; AUTHORIZING THE BOARD TO GUARANTEE
 8 CERTAIN BONDS AND LOANS; ESTABLISHING A LOAN LOSS RESERVE
 9 FUND; AMENDING SECTIONS 17-5-1506, 17-6-308, 17-6-311, AND
 10 17-6-315, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."
 11
 12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 13 Section 1. Section 17-5-1506, MCA, is amended to read:
 14 "17-5-1506. Bonds and notes for projects and major
 15 projects. (1) The board may by resolution issue negotiable
 16 notes and bonds in a principal amount as the board
 17 determines necessary to provide sufficient funds for
 18 achieving any of its purposes, including the payment of
 19 interest on notes and bonds of the board, establishment of
 20 reserves to secure the notes and bonds, including the
 21 reserve funds created under 17-5-1515, and all other
 22 expenditures of the board incident to and necessary or
 23 convenient to carry out this part.
 24 (2) The board may by resolution, from time to time,
 25 issue notes to renew notes and bonds or to pay notes,

1 including interest, and whenever it considers refunding
 2 expedient, refund any bonds by the issuance of new bonds,
 3 whether or not the bonds to be refunded have matured, or
 4 issue bonds partly to refund bonds outstanding and partly
 5 for any of its other purposes.
 6 (3) Except as otherwise expressly provided by
 7 resolution of the board, every issue of its bonds is an
 8 obligation of the board payable out of any revenue, assets,
 9 or money of the board, subject only to agreements with the
 10 holders of particular notes or bonds pledging particular
 11 revenues, assets, or money.
 12 (4) The notes and bonds shall be authorized by
 13 resolutions of the board, bear a date, and mature at the
 14 times the resolutions provide. A note may not mature more
 15 than 5 years from the date of its issue. A bond may not
 16 mature more than 40 years from the date of its issue. The
 17 bonds may be issued as serial bonds payable in annual
 18 installments, as term bonds, or as a combination thereof.
 19 The notes and bonds shall bear interest at a stated rate or
 20 rates or at a rate or rate determination as stated, be in
 21 denominations, be in a form, either coupon or registered,
 22 carry registration privileges, be executed in a manner, be
 23 payable in a medium of payment, at places inside or outside
 24 the state, and be subject to terms of redemption as provided
 25 in resolutions. The notes and bonds of the board may be sold

SECOND READING



1 at public or private sale, at prices above or below par, as
 2 determined by the board, and in a manner such that interest
 3 on the bonds is either exempt from or subject to federal
 4 income tax.

5 (5) The bonds issued under this part are exempt from
 6 the Montana Securities Act, but copies of all prospectus and
 7 disclosure documents must be deposited with the state
 8 securities commissioner for public inspection.

9 (6) The total amount of bonds secured under 17-5-1515
 10 and 17-5-1519 outstanding at any one time ~~{for--projects~~
 11 ~~other--than--major--projects}~~, except bonds as to which the
 12 board's obligations have been satisfied and discharged by
 13 refunding or bonds for which reserves for payment or other
 14 means of payment have been provided, may not exceed \$25 \$75
 15 million.

16 ~~{7}--The--total--amount--of--bonds--outstanding--at--any--one~~
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 18 ~~board's--obligations--have--been--satisfied--and--discharged--by~~
 19 ~~refunding--or--bonds--for--which--reserves--for--payment--or--other~~
 20 ~~means--of--payment--have--been--provided,--may--not--exceed--\$50~~
 21 ~~million."~~

22 Section 2. Section 17-6-308, MCA, is amended to read:
 23 "17-6-308. Authorized investments. (1) The Montana
 24 in-state investment fund must be invested in the securities
 25 authorized as permissible investments under 17-6-211 and in

1 any other type of in-state investment authorized by rules
 2 adopted by the board. For purposes of this section,
 3 "investment" includes the guarantee of loans or bonds in
 4 consideration for a fee, in lieu of the actual acquisition
 5 of such loans or bonds.

6 (2) Except as provided in subsection (4), the board
 7 may use the in-state investment fund to guarantee loans or
 8 bonds issued under the provisions of 17-5-1501 through
 9 17-5-1529, Title 17, chapter 5, part 16, or Title 90,
 10 chapter 7. Each guaranty must be given in consideration of a
 11 fee. The fees must be paid to the board. The guaranty must
 12 provide directly or by separate agreement that the board is
 13 fully subrogated to the rights of the obligee under the loan
 14 or bond. The board shall by rule establish the maximum ratio
 15 between guaranty funds available and loans or bonds to be
 16 guaranteed. The board may covenant in bond issues to
 17 maintain such ratio.

18 (3) The board may make loans from the in-state
 19 investment fund to the capital reserve account created
 20 pursuant to 17-5-1515 and the guaranty fund created pursuant
 21 to 17-5-1520 to establish balances or restore deficiencies
 22 therein. The board may agree in connection with the issuance
 23 of bonds or notes secured by such account or fund to make
 24 such loans. Loans must be on such terms and conditions as
 25 the board determines and must be repaid from revenues of the

1 board realized from the exercise of its powers under
 2 17-5-1501 through 17-5-1529, subject to the prior pledge of
 3 the revenues to the bonds and notes.

4 (4) Bonds or loans for projects financed under
 5 17-5-1501 through 17-5-1529 whose cost--or--appraised--value
 6 FOR WHICH THE FINANCING TO BE PROVIDED BY THE BOARD exceeds
 7 \$1,000,000 and that are not part of a pooled bond issue may
 8 not be guaranteed under the provisions of this section."

9 Section 3. Section 17-6-311, MCA, is amended to read:

10 "17-6-311. Limitation on size of investments. (1) No
 11 Except as provided in subsection (2), no investment may be
 12 made that will result in any one business enterprise or
 13 person receiving a benefit from or incurring a debt to the
 14 Montana in-state investment fund .the total current
 15 accumulated amount of which exceeds 10% of the prior fiscal
 16 year's coal severance tax revenue deposited in the Montana
 17 in-state investment fund.

18 (2) Subsection (1) does not limit the board's
 19 authority to guarantee loans or bonds or make loans to the
 20 capital reserve account and guaranty fund as provided in
 21 17-6-308(2) and (3)."

22 Section 4. Section 17-6-315, MCA, is amended to read:

23 "17-6-315. Service charges -- loan loss reserve fund.
 24 (1) The board shall by rule establish reasonable service
 25 fees that may be charged on loans made from the Montana

1 in-state investment fund.

2 (2) For both coal tax loans and industrial development
 3 bond guaranties the board may deposit service charges, and
 4 up to .25% of the interest on coal tax loans, to a loan loss
 5 reserve fund. The board shall use the loan loss reserve fund
 6 to protect the in-state investment fund from losses."

7 NEW SECTION. Section 5. Extension of authority. Any
 8 existing authority of the Montana economic development board
 9 to make rules on the subject of the provisions of this act
 10 is extended to the provisions of this act.

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 9 FUND; AMENDING SECTIONS 17-5-1506, 17-6-308, 17-6-311, AND
 10 17-6-315, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."
 11

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

13 Section 1. Section 17-5-1506, MCA, is amended to read:

14 "17-5-1506. Bonds and notes for projects and major
 15 projects. (1) The board may by resolution issue negotiable
 16 notes and bonds in a principal amount as the board
 17 determines necessary to provide sufficient funds for
 18 achieving any of its purposes, including the payment of
 19 interest on notes and bonds of the board, establishment of
 20 reserves to secure the notes and bonds, including the
 21 reserve funds created under 17-5-1515, and all other
 22 expenditures of the board incident to and necessary or
 23 convenient to carry out this part.

24 (2) The board may by resolution, from time to time,
 25 issue notes to renew notes and bonds or to pay notes,

1 including interest, and whenever it considers refunding
 2 expedient, refund any bonds by the issuance of new bonds,
 3 whether or not the bonds to be refunded have matured, or
 4 issue bonds partly to refund bonds outstanding and partly
 5 for any of its other purposes.

6 (3) Except as otherwise expressly provided by
 7 resolution of the board, every issue of its bonds is an
 8 obligation of the board payable out of any revenue, assets,
 9 or money of the board, subject only to agreements with the
 10 holders of particular notes or bonds pledging particular
 11 revenues, assets, or money.

12 (4) The notes and bonds shall be authorized by
 13 resolutions of the board, bear a date, and mature at the
 14 times the resolutions provide. A note may not mature more
 15 than 5 years from the date of its issue. A bond may not
 16 mature more than 40 years from the date of its issue. The
 17 bonds may be issued as serial bonds payable in annual
 18 installments, as term bonds, or as a combination thereof.
 19 The notes and bonds shall bear interest at a stated rate or
 20 rates or at a rate or rate determination as stated, be in
 21 denominations, be in a form, either coupon or registered,
 22 carry registration privileges, be executed in a manner, be
 23 payable in a medium of payment, at places inside or outside
 24 the state, and be subject to terms of redemption as provided
 25 in resolutions. The notes and bonds of the board may be sold



1 at public or private sale, at prices above or below par, as
 2 determined by the board, and in a manner such that interest
 3 on the bonds is either exempt from or subject to federal
 4 income tax.

5 (5) The bonds issued under this part are exempt from
 6 the Montana Securities Act, but copies of all prospectus and
 7 disclosure documents must be deposited with the state
 8 securities commissioner for public inspection.

9 (6) The total amount of bonds secured under 17-5-1515
 10 and 17-5-1519 outstanding at any one time ~~{for--projects~~
 11 ~~other--than--major--projects}~~, except bonds as to which the
 12 board's obligations have been satisfied and discharged by
 13 refunding or bonds for which reserves for payment or other
 14 means of payment have been provided, may not exceed \$25 \$75
 15 million.

16 ~~{7}--The--total--amount--of--bonds--outstanding--at--any--one~~
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 18 ~~board's--obligations--have--been--satisfied--and--discharged--by~~
 19 ~~refunding--or--bonds--for--which--reserves--for--payment--or--other~~
 20 ~~means--of--payment--have--been--provided,--may--not--exceed--\$50~~
 21 ~~million."~~

22 Section 2. Section 17-6-308, MCA, is amended to read:
 23 "17-6-308. Authorized investments. (1) The Montana
 24 in-state investment fund must be invested in the securities
 25 authorized as permissible investments under 17-6-211 and in

1 any other type of in-state investment authorized by rules
 2 adopted by the board. For purposes of this section,
 3 "investment" includes the guarantee of loans or bonds in
 4 consideration for a fee, in lieu of the actual acquisition
 5 of such loans or bonds.

6 ~~(2) Except as provided in subsection (4), the~~ THE
 7 board may use the in-state investment fund to guarantee
 8 loans or bonds issued under the provisions of 17-5-1501
 9 through 17-5-1529, Title 17, chapter 5, part 16, or Title
 10 90, chapter 7. Each guaranty must be given in consideration
 11 of a fee. The fees must be paid to the board. The guaranty
 12 must provide directly or by separate agreement that the
 13 board is fully subrogated to the rights of the obligee under
 14 the loan or bond. The board shall by rule establish the
 15 maximum ratio between guaranty funds available and loans or
 16 bonds to be guaranteed. The board may covenant in bond
 17 issues to maintain such ratio.

18 (3) The board may make loans from the in-state
 19 investment fund to the capital reserve account created
 20 pursuant to 17-5-1515 and the guaranty fund created pursuant
 21 to 17-5-1520 to establish balances or restore deficiencies
 22 therein. The board may agree in connection with the issuance
 23 of bonds or notes secured by such account or fund to make
 24 such loans. Loans must be on such terms and conditions as
 25 the board determines and must be repaid from revenues of the

1 board realized from the exercise of its powers under
 2 17-5-1501 through 17-5-1529, subject to the prior pledge of
 3 the revenues to the bonds and notes.

4 (4) -- Bonds --- or --- loans -- for -- projects -- financed -- under
 5 17-5-1501 through 17-5-1529 whose cost -- or -- appraised -- value
 6 FOR -- WHICH -- THE -- FINANCING -- TO -- BE -- PROVIDED -- BY -- THE -- BOARD exceeds
 7 \$1,000,000 and that are not part of a pooled bond issue -- may
 8 not be guaranteed under the provisions of this section."

9 Section 3. Section 17-6-311, MCA, is amended to read:
 10 "17-6-311. Limitation on size of investments. (1) No
 11 Except as provided in subsection (2), no investment may be
 12 made that will result in any one business enterprise or
 13 person receiving a benefit from or incurring a debt to the
 14 Montana in-state investment fund the total current
 15 accumulated amount of which exceeds 10% of the prior fiscal
 16 year's coal severance tax revenue deposited in the Montana
 17 in-state investment fund.

18 (2) Subsection (1) does not limit the board's
 19 authority to guarantee loans or bonds or make loans to the
 20 capital reserve account and guaranty fund as provided in
 21 17-6-308(2) and (3)."

22 Section 4. Section 17-6-315, MCA, is amended to read:
 23 "17-6-315. Service charges -- loan loss reserve fund.
 24 (1) The board shall by rule establish reasonable service
 25 fees that may be charged on loans made from the Montana

1 in-state investment fund.

2 (2) For both coal tax loans and industrial development
 3 bond guaranties the board may deposit service charges, and
 4 up to .25% of the interest on coal tax loans, to a loan loss
 5 reserve fund. The board shall use the loan loss reserve fund
 6 to protect the in-state investment fund from losses."

7 NEW SECTION. Section 5. Extension of authority. Any
 8 existing authority of the Montana economic development board
 9 to make rules on the subject of the provisions of this act
 10 is extended to the provisions of this act.

11 NEW SECTION. Section 6. Effective date. This act is
 12 effective on passage and approval.

-End-

STANDING COMMITTEE REPORT

HOUSE

March 25

19 85

MR. SPEAKER

We, your committee on BUSINESS AND LABOR

having had under consideration SENATE Bill No. 349

third reading copy (blue)
color

AUTHORIZE ECONOMIC DEVELOPMENT BOARD TO GUARANTEE BONDS OR LOANS

Respectfully report as follows: That SENATE Bill No. 349

BE AMENDED AS FOLLOWS:

1. Page 5, line 8
Following: "section."
Insert: "(4) Bonds or loans for projects financed under 17-5-1501 through 17-5-1529 whose cost or appraised value for which the financing to be provided by the board exceeds \$2,000,000 and that are not part of a pooled bond issue may not be guaranteed under the provisions of this section."
2. Page 4, line 6
Following: "(2)"
Insert: "Except as provided in subsection (4), the"
Strike: "THE"

~~XXXXXX~~
BE CONCURRED IN AS AMENDED

SL
3/25

Rep. Bob Pavlovich Chairman.

STANDING COMMITTEE REPORT

HOUSE

March 28 19 85

March 28 19 85

SB349
page 2 of 2

MR. SPEAKER

We, your committee on BUSINESS AND LABOR

having had under consideration SENATE Bill No. 349

third reading copy (blue color)

AUTHORIZE ECONOMIC DEVELOPMENT BOARD TO GUARANTEE BONDS OR LOANS

(a) invest in, purchase or make commitments to purchase, and take assignment from financial institutions of notes, mortgages, loan agreements, and other securities evidencing loans for the acquisition, construction, reconstruction, or improvement of projects located in the state, under terms and conditions determined by the board;

(b) acquire, by construction, purchase, devise, gift, lease, or any combination of methods, from financial institutions, projects located in the state and lease such projects to others for such rentals and upon such terms and conditions as determined by the board; or

(c) make loans to financial institutions, under terms and conditions determined by the board, requiring the proceeds to be used by the financial institution for the purpose of financing the acquisition, construction, reconstruction, or improvement of projects located in the state; or

(d) finance projects located in the state upon such terms and conditions as determined by the board.

(2) The board may not operate any project as a business or in any other manner except as the lessor thereof or as may be necessary for a temporary period through the enforcement of its rights under a lease, loan agreement, or other security agreement."

Renumber: subsequent sections

Respectfully report as follows: That SENATE Bill No. 349

BE AMENDED AS FOLLOWS:

- 1. Title, line 9
Following: "FUND;"
Insert: "ALLOWING TO SET TERMS TO FINANCE CERTAIN PROJECTS;"
Following: "SECTIONS"
Insert: "17-5-1505,"

2. Page 1, line 13
Following: line 12
Insert: "Section 1. Section 17-5-1505, MCA, is amended to read:
*17-5-1505. Financing programs of the board. (1) The board may:

- continued -

KAC

RQZAKX

Rep. Bob Pavlovich, Chairman

BE CONCURRED IN as amended

Rep. Bob Pavlovich, Chairman

1 SENATE BILL NO. 349

2 INTRODUCED BY MAZUREK

3 BY REQUEST OF THE MONTANA ECONOMIC DEVELOPMENT BOARD

4
5 A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING AND
6 CONSOLIDATING THE BONDING AUTHORITY OF THE MONTANA ECONOMIC
7 DEVELOPMENT BOARD; AUTHORIZING THE BOARD TO GUARANTEE
8 CERTAIN BONDS AND LOANS; ESTABLISHING A LOAN LOSS RESERVE
9 FUND; ALLOWING THE BOARD TO SET TERMS TO FINANCE CERTAIN
10 PROJECTS; AMENDING SECTIONS 17-5-1505, 17-5-1506, 17-6-308,
11 17-6-311, AND 17-6-315, MCA; AND PROVIDING AN IMMEDIATE
12 EFFECTIVE DATE."

13
14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

15 SECTION 1. SECTION 17-5-1505, MCA, IS AMENDED TO READ:

16 "17-5-1505. Financing programs of the board. (1) The
17 board may:

18 (a) invest in, purchase or make commitments to
19 purchase, and take assignment from financial institutions of
20 notes, mortgages, loan agreements, and other securities
21 evidencing loans for the acquisition, construction,
22 reconstruction, or improvement of projects located in the
23 state, under terms and conditions determined by the board;

24 (b) acquire, by construction, purchase, devise, gift,
25 lease, or any combination of methods, from financial

1 institutions, projects located in the state and lease such
2 projects to others for such rentals and upon such terms and
3 conditions as determined by the board; or

4 (c) make loans to financial institutions, under terms
5 and conditions determined by the board, requiring the
6 proceeds to be used by the financial institution for the
7 purpose of financing the acquisition, construction,
8 reconstruction, or improvement of projects located in the
9 state; or

10 (d) finance projects located in the state upon such
11 terms and conditions as determined by the board.

12 (2) The board may not operate any project as a
13 business or in any other manner except as the lessor thereof
14 or as may be necessary for a temporary period through the
15 enforcement of its rights under a lease, loan agreement, or
16 other security agreement."

17 Section 2. Section 17-5-1506, MCA, is amended to read:

18 "17-5-1506. Bonds and notes for projects and major
19 projects. (1) The board may by resolution issue negotiable
20 notes and bonds in a principal amount as the board
21 determines necessary to provide sufficient funds for
22 achieving any of its purposes, including the payment of
23 interest on notes and bonds of the board, establishment of
24 reserves to secure the notes and bonds, including the
25 reserve funds created under 17-5-1515, and all other

1 expenditures of the board incident to and necessary or
2 convenient to carry out this part.

3 (2) The board may by resolution, from time to time,
4 issue notes to renew notes and bonds or to pay notes,
5 including interest, and whenever it considers refunding
6 expedient, refund any bonds by the issuance of new bonds,
7 whether or not the bonds to be refunded have matured, or
8 issue bonds partly to refund bonds outstanding and partly
9 for any of its other purposes.

10 (3) Except as otherwise expressly provided by
11 resolution of the board, every issue of its bonds is an
12 obligation of the board payable out of any revenue, assets,
13 or money of the board, subject only to agreements with the
14 holders of particular notes or bonds pledging particular
15 revenues, assets, or money.

16 (4) The notes and bonds shall be authorized by
17 resolutions of the board, bear a date, and mature at the
18 times the resolutions provide. A note may not mature more
19 than 5 years from the date of its issue. A bond may not
20 mature more than 40 years from the date of its issue. The
21 bonds may be issued as serial bonds payable in annual
22 installments, as term bonds, or as a combination thereof.
23 The notes and bonds shall bear interest at a stated rate or
24 rates or at a rate or rate determination as stated, be in
25 denominations, be in a form, either coupon or registered,

1 carry registration privileges, be executed in a manner, be
2 payable in a medium of payment, at places inside or outside
3 the state, and be subject to terms of redemption as provided
4 in resolutions. The notes and bonds of the board may be sold
5 at public or private sale, at prices above or below par, as
6 determined by the board, and in a manner such that interest
7 on the bonds is either exempt from or subject to federal
8 income tax.

9 (5) The bonds issued under this part are exempt from
10 the Montana Securities Act, but copies of all prospectus and
11 disclosure documents must be deposited with the state
12 securities commissioner for public inspection.

13 (6) The total amount of bonds secured under 17-5-1515
14 and 17-5-1519 outstanding at any one time ~~{for--projects~~
15 ~~other--than--major--projects}~~, except bonds as to which the
16 board's obligations have been satisfied and discharged by
17 refunding or bonds for which reserves for payment or other
18 means of payment have been provided, may not exceed \$25 \$75
19 million.

20 ~~{7}--The--total--amount--of--bonds--outstanding--at--any--one~~
21 ~~time--for--major--projects,--except--bonds--as--to--which--the~~
22 ~~board's--obligations--have--been--satisfied--and--discharged--by~~
23 ~~refunding--or--bonds--for--which--reserves--for--payment--or--other~~
24 ~~means--of--payment--have--been--provided,--may--not--exceed--\$50~~
25 ~~million."~~

Section 3. Section 17-6-308, MCA, is amended to read:

"17-6-308. Authorized investments. (1) The Montana in-state investment fund must be invested in the securities authorized as permissible investments under 17-6-211 and in any other type of in-state investment authorized by rules adopted by the board. For purposes of this section, "investment" includes the guarantee of loans or bonds in consideration for a fee, in lieu of the actual acquisition of such loans or bonds.

~~(2) Except as provided in subsection (4),~~ THE EXCEPT AS PROVIDED IN SUBSECTION (4), THE board may use the in-state investment fund to guarantee loans or bonds issued under the provisions of 17-5-1501 through 17-5-1529, Title 17, chapter 5, part 16, or Title 90, chapter 7. Each guaranty must be given in consideration of a fee. The fees must be paid to the board. The guaranty must provide directly or by separate agreement that the board is fully subrogated to the rights of the obligee under the loan or bond. The board shall by rule establish the maximum ratio between guaranty funds available and loans or bonds to be guaranteed. The board may covenant in bond issues to maintain such ratio.

(3) The board may make loans from the in-state investment fund to the capital reserve account created pursuant to 17-5-1515 and the guaranty fund created pursuant

to 17-5-1520 to establish balances or restore deficiencies therein. The board may agree in connection with the issuance of bonds or notes secured by such account or fund to make such loans. Loans must be on such terms and conditions as the board determines and must be repaid from revenues of the board realized from the exercise of its powers under 17-5-1501 through 17-5-1529, subject to the prior pledge of the revenues to the bonds and notes.

~~(4) Bonds or loans for projects financed under 17-5-1501 through 17-5-1529 whose cost or appraised value for which the financing to be provided by the board exceeds \$1,000,000 and that are not part of a pooled bond issue may not be guaranteed under the provisions of this section.~~

(4) BONDS OR LOANS FOR PROJECTS FINANCED UNDER 17-5-1501 THROUGH 17-5-1529 WHOSE COST OR APPRAISED VALUE FOR WHICH THE FINANCING TO BE PROVIDED BY THE BOARD EXCEEDS \$2,000,000 AND THAT ARE NOT PART OF A POOLED BOND ISSUE MAY NOT BE GUARANTEED UNDER THE PROVISIONS OF THIS SECTION.

Section 4. Section 17-6-311, MCA, is amended to read:

"17-6-311. Limitation on size of investments. (1) No Except as provided in subsection (2), no investment may be made that will result in any one business enterprise or person receiving a benefit from or incurring a debt to the Montana in-state investment fund the total current accumulated amount of which exceeds 10% of the prior fiscal

1 year's coal severance tax revenue deposited in the Montana
2 in-state investment fund.

3 (2) Subsection (1) does not limit the board's
4 authority to guarantee loans or bonds or make loans to the
5 capital reserve account and guaranty fund as provided in
6 17-6-308(2) and (3)."

7 Section 5. Section 17-6-315, MCA, is amended to read:

8 "17-6-315. Service charges -- loan loss reserve fund.

9 (1) The board shall by rule establish reasonable service
10 fees that may be charged on loans made from the Montana
11 in-state investment fund.

12 (2) For both coal tax loans and industrial development
13 bond guaranties the board may deposit service charges, and
14 up to .25% of the interest on coal tax loans, to a loan loss
15 reserve fund. The board shall use the loan loss reserve fund
16 to protect the in-state investment fund from losses."

17 NEW SECTION. Section 6. Extension of authority. Any
18 existing authority of the Montana economic development board
19 to make rules on the subject of the provisions of this act
20 is extended to the provisions of this act.

21 NEW SECTION. Section 7. Effective date. This act is
22 effective on passage and approval.

-End-

CONFERENCE COMMITTEE REPORT

Report No. 1

April 15 1985

MR. SPEAKER

We, your FREE Conference Committee on

SENATE BILL NO.349, reference copy,

met and considered , on April 15, 1985, SENATE BILL NO.349 in its
entirety.

We recommend as follows:

That SENATE BILL NO.349, reference copy, be amended as follows:

1. Page 5, line 11.

Following: line 10

Strike: "EXCEPT AS PROVIDED IN SUBSECTION (4), THE"

Insert: "The"

2. Page 5, line 22.

Following: "ratio."

Insert: "Unless bonds issued to finance a project are secured by a common capital reserve account and a common guaranty fund, the maximum amount of the guarantee authorized by this section may not exceed \$3,000,000 with respect to the bonds or loans to finance the project."

3. Page 6, lines 14 through 18.

Strike: subsection (4) in its entirety

FCCSB349

And that this Conference Committee report be adopted.

FOR THE SENATE

FOR THE HOUSE

[Signature]
MAZUREK, Chm.

[Signature]
HARBIN

[Signature]
FULLER

[Signature]
KADAS

[Signature]
THAYER

[Signature]
KITSELMAN

ADOPT REJECT

[Signature]
SIMON

1 SENATE BILL NO. 349

2 INTRODUCED BY MAZUREK

3 BY REQUEST OF THE MONTANA ECONOMIC DEVELOPMENT BOARD

4
5 A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING AND
6 CONSOLIDATING THE BONDING AUTHORITY OF THE MONTANA ECONOMIC
7 DEVELOPMENT BOARD; AUTHORIZING THE BOARD TO GUARANTEE
8 CERTAIN BONDS AND LOANS; ESTABLISHING A LOAN LOSS RESERVE
9 FUND; ALLOWING THE BOARD TO SET TERMS TO FINANCE CERTAIN
10 PROJECTS; AMENDING SECTIONS 17-5-1505, 17-5-1506, 17-6-308,
11 17-6-311, AND 17-6-315, MCA; AND PROVIDING AN IMMEDIATE
12 EFFECTIVE DATE."

13
14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

15 SECTION 1. SECTION 17-5-1505, MCA, IS AMENDED TO READ:

16 "17-5-1505. Financing programs of the board. (1) The
17 board may:

18 (a) invest in, purchase or make commitments to
19 purchase, and take assignment from financial institutions of
20 notes, mortgages, loan agreements, and other securities
21 evidencing loans for the acquisition, construction,
22 reconstruction, or improvement of projects located in the
23 state, under terms and conditions determined by the board;

24 (b) acquire, by construction, purchase, devise, gift,
25 lease, or any combination of methods, from financial

1 institutions, projects located in the state and lease such
2 projects to others for such rentals and upon such terms and
3 conditions as determined by the board; or

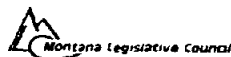
4 (c) make loans to financial institutions, under terms
5 and conditions determined by the board, requiring the
6 proceeds to be used by the financial institution for the
7 purpose of financing the acquisition, construction,
8 reconstruction, or improvement of projects located in the
9 state; or

10 (d) finance projects located in the state upon such
11 terms and conditions as determined by the board.

12 (2) The board may not operate any project as a
13 business or in any other manner except as the lessor thereof
14 or as may be necessary for a temporary period through the
15 enforcement of its rights under a lease, loan agreement, or
16 other security agreement."

17 Section 2. Section 17-5-1506, MCA, is amended to read:

18 "17-5-1506. Bonds and notes for projects and major
19 projects. (1) The board may by resolution issue negotiable
20 notes and bonds in a principal amount as the board
21 determines necessary to provide sufficient funds for
22 achieving any of its purposes, including the payment of
23 interest on notes and bonds of the board, establishment of
24 reserves to secure the notes and bonds, including the
25 reserve funds created under 17-5-1515, and all other



1 expenditures of the board incident to and necessary or
2 convenient to carry out this part.

3 (2) The board may by resolution, from time to time,
4 issue notes to renew notes and bonds or to pay notes,
5 including interest, and whenever it considers refunding
6 expedient, refund any bonds by the issuance of new bonds,
7 whether or not the bonds to be refunded have matured, or
8 issue bonds partly to refund bonds outstanding and partly
9 for any of its other purposes.

10 (3) Except as otherwise expressly provided by
11 resolution of the board, every issue of its bonds is an
12 obligation of the board payable out of any revenue, assets,
13 or money of the board, subject only to agreements with the
14 holders of particular notes or bonds pledging particular
15 revenues, assets, or money.

16 (4) The notes and bonds shall be authorized by
17 resolutions of the board, bear a date, and mature at the
18 times the resolutions provide. A note may not mature more
19 than 5 years from the date of its issue. A bond may not
20 mature more than 40 years from the date of its issue. The
21 bonds may be issued as serial bonds payable in annual
22 installments, as term bonds, or as a combination thereof.
23 The notes and bonds shall bear interest at a stated rate or
24 rates or at a rate or rate determination as stated, be in
25 denominations, be in a form, either coupon or registered,

1 carry registration privileges, be executed in a manner, be
2 payable in a medium of payment, at places inside or outside
3 the state, and be subject to terms of redemption as provided
4 in resolutions. The notes and bonds of the board may be sold
5 at public or private sale, at prices above or below par, as
6 determined by the board, and in a manner such that interest
7 on the bonds is either exempt from or subject to federal
8 income tax.

9 (5) The bonds issued under this part are exempt from
10 the Montana Securities Act, but copies of all prospectus and
11 disclosure documents must be deposited with the state
12 securities commissioner for public inspection.

13 (6) The total amount of bonds secured under 17-5-1515
14 and 17-5-1519 outstanding at any one time ~~{for--projects~~
15 ~~other--than--major--projects}~~, except bonds as to which the
16 board's obligations have been satisfied and discharged by
17 refunding or bonds for which reserves for payment or other
18 means of payment have been provided, may not exceed \$25 \$75
19 million.

20 ~~{7}--The--total--amount--of--bonds--outstanding--at--any--one~~
21 ~~time--for--major--projects;--except--bonds--as--to--which--the~~
22 ~~board's--obligations--have--been--satisfied--and--discharged--by~~
23 ~~refunding--or--bonds--for--which--reserves--for--payment--or--other~~
24 ~~means--of--payment--have--been--provided;--may--not--exceed--\$50~~
25 ~~million--"~~

1 Section 3. Section 17-6-308, MCA, is amended to read:

2 "17-6-308. Authorized investments. (1) The Montana
3 in-state investment fund must be invested in the securities
4 authorized as permissible investments under 17-6-211 and in
5 any other type of in-state investment authorized by rules
6 adopted by the board. For purposes of this section,
7 "investment" includes the guaranty of loans or bonds in
8 consideration for a fee, in lieu of the actual acquisition
9 of such loans or bonds.

10 (2) ~~Except as provided in subsection (4), the~~ THE
11 ~~EXCEPT AS PROVIDED IN SUBSECTION (4), THE~~ THE board may use
12 the in-state investment fund to guarantee loans or bonds
13 issued under the provisions of 17-5-1501 through 17-5-1529,
14 Title 17, chapter 5, part 16, or Title 90, chapter 7. Each
15 guaranty must be given in consideration of a fee. The fees
16 must be paid to the board. The guaranty must provide
17 directly or by separate agreement that the board is fully
18 subrogated to the rights of the obligee under the loan or
19 bond. The board shall by rule establish the maximum ratio
20 between guaranty funds available and loans or bonds to be
21 guaranteed. The board may covenant in bond issues to
22 maintain such ratio. UNLESS BONDS ISSUED TO FINANCE A
23 PROJECT ARE SECURED BY A COMMON CAPITAL RESERVE ACCOUNT AND
24 A COMMON GUARANTY FUND, THE MAXIMUM AMOUNT OF THE GUARANTY
25 AUTHORIZED BY THIS SECTION MAY NOT EXCEED \$3,000,000 WITH

1 RESPECT TO THE BONDS OR LOANS TO FINANCE THE PROJECT.

2 (3) The board may make loans from the in-state
3 investment fund to the capital reserve account created
4 pursuant to 17-5-1515 and the guaranty fund created pursuant
5 to 17-5-1520 to establish balances or restore deficiencies
6 therein. The board may agree in connection with the issuance
7 of bonds or notes secured by such account or fund to make
8 such loans. Loans must be on such terms and conditions as
9 the board determines and must be repaid from revenues of the
10 board realized from the exercise of its powers under
11 17-5-1501 through 17-5-1529, subject to the prior pledge of
12 the revenues to the bonds and notes.

13 ~~(4) Bonds or loans for projects financed under~~
14 ~~17-5-1501 through 17-5-1529 whose cost or appraised value~~
15 ~~FOR WHICH THE FINANCING TO BE PROVIDED BY THE BOARD exceeds~~
16 ~~\$1,000,000 and that are not part of a pooled bond issue may~~
17 ~~not be guaranteed under the provisions of this section.~~

18 ~~(4) BONDS OR LOANS FOR PROJECTS FINANCED UNDER~~
19 ~~17-5-1501 THROUGH 17-5-1529 WHOSE COST OR APPRAISED VALUE~~
20 ~~FOR WHICH THE FINANCING TO BE PROVIDED BY THE BOARD EXCEEDS~~
21 ~~\$2,000,000 AND THAT ARE NOT PART OF A POOLED BOND ISSUE MAY~~
22 ~~NOT BE GUARANTEED UNDER THE PROVISIONS OF THIS SECTION."~~

23 Section 4. Section 17-6-311, MCA, is amended to read:

24 "17-6-311. Limitation on size of investments. (1) No
25 Except as provided in subsection (2), no investment may be

1 made that will result in any one business enterprise or
 2 person receiving a benefit from or incurring a debt to the
 3 Montana in-state investment fund the total current
 4 accumulated amount of which exceeds 10% of the prior fiscal
 5 year's coal severance tax revenue deposited in the Montana
 6 in-state investment fund.

7 (2) Subsection (1) does not limit the board's
 8 authority to guarantee loans or bonds or make loans to the
 9 capital reserve account and guaranty fund as provided in
 10 17-6-308(2) and (3)."

11 Section 5. Section 17-6-315, MCA, is amended to read:

12 "17-6-315. Service charges -- loan loss reserve fund.

13 (1) The board shall by rule establish reasonable service
 14 fees that may be charged on loans made from the Montana
 15 in-state investment fund.

16 (2) For both coal tax loans and industrial development
 17 bond guaranties the board may deposit service charges, and
 18 up to 0.25% of the interest on coal tax loans, to a loan
 19 loss reserve fund. The board shall use the loan loss reserve
 20 fund to protect the in-state investment fund from losses."

21 NEW SECTION. Section 6. Extension of authority. Any
 22 existing authority of the Montana economic development board
 23 to make rules on the subject of the provisions of this act
 24 is extended to the provisions of this act.

25 NEW SECTION. Section 7. Effective date. This act is

1 effective on passage and approval.

-End-