

SENATE BILL NO. 46

INTRODUCED BY NEUMAN

BY REQUEST OF THE JOINT INTERIM SUBCOMMITTEE
ON AGRICULTURAL PROBLEMS

IN THE SENATE

JANUARY 7, 1987 INTRODUCED AND REFERRED TO COMMITTEE
ON AGRICULTURE, LIVESTOCK & IRRIGATION.

JANUARY 24, 1987 COMMITTEE RECOMMEND BILL
DO PASS AS AMENDED. REPORT ADOPTED.

JANUARY 26, 1987 PRINTING REPORT.

JANUARY 28, 1987 SECOND READING, DO PASS.

JANUARY 29, 1987 ENGROSSING REPORT.

JANUARY 30, 1987 THIRD READING, PASSED.
AYES, 46; NOES, 4.

TRANSMITTED TO HOUSE.

IN THE HOUSE

FEBRUARY 4, 1987 INTRODUCED AND REFERRED TO COMMITTEE
ON AGRICULTURE, LIVESTOCK & IRRIGATION.

MARCH 6, 1987 COMMITTEE RECOMMEND BILL BE
CONCURRED IN AS AMENDED. REPORT
ADOPTED.

MARCH 9, 1987 SECOND READING, CONCURRED IN.

ON MOTION, RULES SUSPENDED AND BILL
PLACED ON THIRD READING THIS DAY.

THIRD READING, CONCURRED IN.
AYES, 97; NOES, 0.

RETURNED TO SENATE WITH AMENDMENTS.

IN THE SENATE

MARCH 11, 1987

RECEIVED FROM HOUSE.

SECOND READING, AMENDMENTS
CONCURRED IN.

MARCH 12, 1987

THIRD READING, AMENDMENTS
CONCURRED IN.

SENT TO ENROLLING.

1 (3) securities issued or fully guaranteed by the
2 following agencies of the United States or their successors,
3 whether or not guaranteed by the United States:

- 4 (a) commodity credit corporation;
 - 5 (b) federal intermediate credit banks;
 - 6 (c) federal land bank;
 - 7 (d) bank for cooperatives;
 - 8 (e) federal home loan banks;
 - 9 (f) federal national mortgage association;
 - 10 (g) government national mortgage association;
 - 11 (h) small business administration;
 - 12 (i) federal housing administration; and
 - 13 (j) federal home loan mortgage corporation;
- 14 (4) general obligation bonds of the state or of any
15 county, city, school district, or other political
16 subdivision of the state;
- 17 (5) revenue bonds of any county, city, or other
18 political subdivision of the state, when backed by the full
19 faith and credit of such subdivision or when the revenues
20 pledged to the payment of the bonds are derived from a water
21 or sewer system and the issuer has covenanted to establish
22 and maintain rates and charges for the system in an amount
23 sufficient to produce revenues equal to at least 125% of the
24 average annual principal and interest due on all bonds
25 payable for such revenues during the outstanding term of

1 such bonds;

2 (6) interest-bearing warrants of the state or of any
3 county, city, school district, or other political
4 subdivision of the state issued in evidence of claims in an
5 amount which, with all other claims on the same fund, do not
6 exceed the amount validly appropriated in the current budget
7 for expenditure from the fund in the year in which they are
8 issued;

9 (7) obligations of housing authorities of the state
10 secured by a pledge of annual contributions or by a loan
11 agreement made by the United States or any agency thereof
12 providing for contributions or a loan sufficient with other
13 funds pledged to pay the principal of and interest on the
14 obligations when due. Subject to rules prescribed by the
15 department of commerce, the bonds and other obligations made
16 eligible for investment in 32-1-424(3) and 7-15-4505 may be
17 used as security for all deposits of public funds or
18 obligations for which depository bonds or any kind of bonds
19 or other securities are required or may by law be deposited
20 as security.

21 (8) general obligation bonds of other states and of
22 municipalities, counties, and school districts of other
23 states;

24 (9) undertaking or guarantees issued by a surety
25 company authorized to do business in the state;

1 (10) first mortgages and trust indentures on real
2 property. The depository shall, on a quarterly basis,
3 certify to the state treasurer that sufficient first
4 mortgages and trust indentures on real property are
5 available and segregated to secure deposits of public funds.
6 The board of investments shall determine the amount of
7 security required.

8 (11) bonds issued pursuant to Title 7, chapter 12,
9 parts 21 and 41;

10 (12) bonds issued pursuant to Title 90, chapter 6, part
11 1;

12 (13) revenue bonds issued by any unit of the university
13 system of the state of Montana; and

14 (14) advance refunded bonds secured by direct
15 obligations of the United States treasury held in
16 irrevocable escrow; and

17 (15) linked deposit loan obligations incurred under
18 80-14-203."

19 Section 3. Section 9, Chapter 5, Special Laws of March
20 1986, is amended to read:

21 "Section 9. Effective date -- termination. ~~{1}~~ This
22 act is effective on passage and approval and terminates
23 March-15-1987 June 30, 1989.

24 ~~{2}--The authority of the board to make linked deposits~~
25 ~~under this act terminates August 31, 1986."~~

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB046, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to revise and continue the agricultural loan linked deposit program; amending Sections 17-6-103 and 80-14-102, MCA, and Section 9, Chapter 5.

ASSUMPTIONS:

1. All costs of program promotion/notification to financial institutions will be the responsibility of the Department of Agriculture.
2. The responsibility of program administration/application review will be the Board of Investments, Department of Administration.
3. Substantial increase in participation due to program enhancements requires an additional .5 FTE to administer the program.

FISCAL IMPACT:

<u>Expenditures:</u>	<u>Proposed Law FY88</u>	<u>Proposed Law FY89</u>
Linked Deposit Authorization	\$ 50,000,000.00	\$ 50,000,000.00
General Fund Buydown (1%)	.01	.01
General Fund Cost per Year	\$ 500,000.00	\$ 500,000.00
General Fund Operational Costs	\$ 12,768.00	\$ 12,768.00

Current program is for six months.

Revenues:

N/A

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

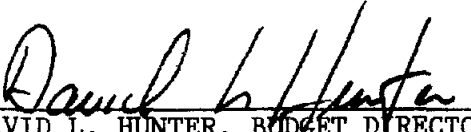
N/A

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

N/A

TECHNICAL OR MECHANICAL DEFECTS IN PROPOSED LEGISLATION OR CONFLICTS WITH EXISTING LEGISLATION:

N/A

 DATE 1/12/87
 DAVID L. HUNTER, BUDGET DIRECTOR
 Office of Budget and Program Planning

 DATE 1/13/87
 TED NEUMAN, PRIMARY SPONSOR

Fiscal Note for SB046, as introduced.

SB46

APPROVED BY COMMITTEE
ON AGRICULTURE LIVESTOCK
& IRRIGATION

1 SENATE BILL NO. 46

2 INTRODUCED BY NEUMAN

3 BY REQUEST OF THE JOINT INTERIM SUBCOMMITTEE

4 ON AGRICULTURAL PROBLEMS

5
6 A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE AND CONTINUE
7 THE AGRICULTURAL LOAN LINKED DEPOSIT PROGRAM; AMENDING
8 SECTIONS 17-6-103, AND 80-14-102, 80-14-202, AND 80-14-203,
9 MCA, AND SECTION 9, CHAPTER 5, SPECIAL LAWS OF MARCH 1986;
10 AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A TERMINATION
11 DATE."

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

14 Section 1. Section 80-14-102, MCA, is amended to read:

15 "80-14-102. (Temporary) Definitions. As used in this
16 chapter, the following definitions apply:

17 (1) "Board" means the board of investments established
18 under 2-15-1005.

19 (2) "Eligible agricultural operation" means any
20 person, corporation, partnership, or other entity which is
21 engaged in the production of agricultural, livestock,
22 poultry, dairy, or fruit or other horticultural products and
23 which:

24 (a) derives at least 70% of its gross income from such
25 production; and

1 (b) has total financial liabilities exceeding 30% of
2 its total assets.

3 (3) "Eligible lending institution" means a financial
4 institution that:

5 (a) is eligible to make commercial loans;

6 (b) is a public depository of state funds; and

7 (c) agrees to participate in the linked deposit
8 program established by this chapter.

9 (4) "Linked deposit" means an agreement between the
10 board and an eligible financial institution whereby a
11 certificate of deposit for a term not less than 30 days and
12 not exceeding 6 1/2 months is placed by the board with an
13 eligible lending institution at a rate 1% below the current
14 market rate for such a deposit, as determined by the board,
15 provided the institution agrees to lend the value of such
16 deposit, pursuant to the deposit agreement provided in
17 80-14-202, to eligible agricultural operations at an
18 interest rate not exceeding 2 3/4 percentage points greater
19 than the rate payable on the certificate of deposit."

20 SECTION 2. SECTION 80-14-202, MCA, IS AMENDED TO READ:

21 "80-14-202. (Temporary) Approval and acceptance of
22 deposit -- deposit agreement. (1) The board may accept or
23 reject the linked deposit loan package or any portion
24 thereof.

25 (2) Upon acceptance of the linked deposit loan package

SECOND READING

1 or any portion thereof, the board may place certificates of
 2 deposit for a term not less than 30 days and not to exceed 6
 3 12 months with the eligible lending institution at a rate 1%
 4 below the current market rate for such certificates, as
 5 determined by the board.

6 (3) The eligible lending institution must enter into a
 7 deposit agreement with the board, which shall specify the
 8 recipients, amount, rate of interest, and length of time of
 9 loans which the institution will make upon receiving a
 10 linked deposit. The agreement must also specify that
 11 interest on the linked deposit must be paid at the times
 12 determined by the board.

13 (4) The period of time for which a certificate of
 14 deposit is placed with an eligible lending institution may
 15 be neither longer nor shorter than the period of time for
 16 which the linked deposit is used to provide loans at reduced
 17 interest rates."

18 SECTION 3. SECTION 80-14-203, MCA, IS AMENDED TO READ:

19 "80-14-203. (Temporary) Linked deposit loans. (1) Upon
 20 placement of a linked deposit with an eligible lending
 21 institution, the institution must lend such funds to each
 22 approved eligible agricultural operation listed in the
 23 linked deposit loan package required by 80-14-201 and in
 24 accordance with the deposit agreement required by 80-14-202.
 25 Each loan must be at a fixed rate of interest not exceeding

1 2 3 percentage points greater than the rate payable on the
 2 linked deposit.

3 (2) All records and documents pertaining to each loan
 4 shall be segregated by the lending institution for ease of
 5 identification and examination.

6 (3) Each eligible agricultural operation receiving a
 7 loan under this chapter shall promptly certify receipt of
 8 the loan to the board in the form and manner prescribed by
 9 the board.

10 (4) Any report of noncompliance by an eligible lending
 11 institution chartered under the laws of this state must be
 12 referred to the financial division of the department of
 13 commerce for appropriate action. Any report of noncompliance
 14 by an eligible lending institution chartered under federal
 15 law must be referred to the office of United States
 16 comptroller of the currency or other appropriate federal
 17 regulatory agency for appropriate action."

18 Section 4. Section 17-6-103, MCA, is amended to read:

19 "17-6-103. Security for deposits of public funds. The
 20 following kinds of securities may be pledged or guarantees
 21 may be issued to secure deposits of public funds:

22 (1) direct obligations of the United States;

23 (2) securities as to which the payment of principal
 24 and interest is guaranteed by the United States;

25 (3) securities issued or fully guaranteed by the

1 following agencies of the United States or their successors,
2 whether or not guaranteed by the United States:

- 3 (a) commodity credit corporation;
- 4 (b) federal intermediate credit banks;
- 5 (c) federal land bank;
- 6 (d) bank for cooperatives;
- 7 (e) federal home loan banks;
- 8 (f) federal national mortgage association;
- 9 (g) government national mortgage association;
- 10 (h) small business administration;
- 11 (i) federal housing administration; and
- 12 (j) federal home loan mortgage corporation;
- 13 (4) general obligation bonds of the state or of any
14 county, city, school district, or other political
15 subdivision of the state;
- 16 (5) revenue bonds of any county, city, or other
17 political subdivision of the state, when backed by the full
18 faith and credit of such subdivision or when the revenues
19 pledged to the payment of the bonds are derived from a water
20 or sewer system and the issuer has covenanted to establish
21 and maintain rates and charges for the system in an amount
22 sufficient to produce revenues equal to at least 125% of the
23 average annual principal and interest due on all bonds
24 payable for such revenues during the outstanding term of
25 such bonds;

1 (6) interest-bearing warrants of the state or of any
2 county, city, school district, or other political
3 subdivision of the state issued in evidence of claims in an
4 amount which, with all other claims on the same fund, do not
5 exceed the amount validly appropriated in the current budget
6 for expenditure from the fund in the year in which they are
7 issued;

8 (7) obligations of housing authorities of the state
9 secured by a pledge of annual contributions or by a loan
10 agreement made by the United States or any agency thereof
11 providing for contributions or a loan sufficient with other
12 funds pledged to pay the principal of and interest on the
13 obligations when due. Subject to rules prescribed by the
14 department of commerce, the bonds and other obligations made
15 eligible for investment in 32-1-424(3) and 7-15-4505 may be
16 used as security for all deposits of public funds or
17 obligations for which depository bonds or any kind of bonds
18 or other securities are required or may by law be deposited
19 as security.

20 (8) general obligation bonds of other states and of
21 municipalities, counties, and school districts of other
22 states;

23 (9) undertaking or guarantees issued by a surety
24 company authorized to do business in the state;

25 (10) first mortgages and trust indentures on real

1 property. The depository shall, on a quarterly basis,
2 certify to the state treasurer that sufficient first
3 mortgages and trust indentures on real property are
4 available and segregated to secure deposits of public funds.
5 The board of investments shall determine the amount of
6 security required.

7 (11) bonds issued pursuant to Title 7, chapter 12,
8 parts 21 and 41;

9 (12) bonds issued pursuant to Title 90, chapter 6, part
10 1;

11 (13) revenue bonds issued by any unit of the university
12 system of the state of Montana; and

13 (14) advance refunded bonds secured by direct
14 obligations of the United States treasury held in
15 irrevocable escrow; and

16 (15) linked deposit loan obligations incurred under
17 80-14-203."

18 Section 5. Section 9, Chapter 5, Special Laws of March
19 1986, is amended to read:

20 "Section 9. Effective date -- termination. {1} This
21 act is effective on passage and approval and terminates
22 March-15, 1987 June 30, 1989.

23 ~~{2}--The authority of the board to make linked deposits~~
24 ~~under this act terminates August-31, 1986."~~

-End-

1 SENATE BILL NO. 46

2 INTRODUCED BY NEUMAN

3 BY REQUEST OF THE JOINT INTERIM SUBCOMMITTEE

4 ON AGRICULTURAL PROBLEMS

5
6 A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE AND CONTINUE
7 THE AGRICULTURAL LOAN LINKED DEPOSIT PROGRAM; AMENDING
8 SECTIONS 17-6-103, AND 80-14-102, 80-14-202, AND 80-14-203,
9 MCA, AND SECTION 9, CHAPTER 5, SPECIAL LAWS OF MARCH 1986;
10 AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A TERMINATION
11 DATE."

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

14 Section 1. Section 80-14-102, MCA, is amended to read:

15 "80-14-102. (Temporary) Definitions. As used in this
16 chapter, the following definitions apply:17 (1) "Board" means the board of investments established
18 under 2-15-1005.19 (2) "Eligible agricultural operation" means any
20 person, corporation, partnership, or other entity which is
21 engaged in the production of agricultural, livestock,
22 poultry, dairy, or fruit or other horticultural products and
23 which:24 (a) derives at least 70% of its gross income from such
25 production; and1 (b) has total financial liabilities exceeding 30% of
2 its total assets.3 (3) "Eligible lending institution" means a financial
4 institution that:

5 (a) is eligible to make commercial loans;

6 (b) is a public depository of state funds; and

7 (c) agrees to participate in the linked deposit
8 program established by this chapter.9 (4) "Linked deposit" means an agreement between the
10 board and an eligible financial institution whereby a
11 certificate of deposit for a term not less than 30 days and
12 not exceeding 6 12 months is placed by the board with an
13 eligible lending institution at a rate 1% below the current
14 market rate for such a deposit, as determined by the board,
15 provided the institution agrees to lend the value of such
16 deposit, pursuant to the deposit agreement provided in
17 80-14-202, to eligible agricultural operations at an
18 interest rate not exceeding 2 3 percentage points greater
19 than the rate payable on the certificate of deposit."20 SECTION 2. SECTION 80-14-202, MCA, IS AMENDED TO READ:21 "80-14-202. (Temporary) Approval and acceptance of
22 deposit -- deposit agreement. (1) The board may accept or
23 reject the linked deposit loan package or any portion
24 thereof.

25 (2) Upon acceptance of the linked deposit loan package

THIRD READING

1 or any portion thereof, the board may place certificates of
 2 deposit for a term not less than 30 days and not to exceed 6
 3 12 months with the eligible lending institution at a rate 1%
 4 below the current market rate for such certificates, as
 5 determined by the board.

6 (3) The eligible lending institution must enter into a
 7 deposit agreement with the board, which shall specify the
 8 recipients, amount, rate of interest, and length of time of
 9 loans which the institution will make upon receiving a
 10 linked deposit. The agreement must also specify that
 11 interest on the linked deposit must be paid at the times
 12 determined by the board.

13 (4) The period of time for which a certificate of
 14 deposit is placed with an eligible lending institution may
 15 be neither longer nor shorter than the period of time for
 16 which the linked deposit is used to provide loans at reduced
 17 interest rates."

18 SECTION 3. SECTION 80-14-203, MCA, IS AMENDED TO READ:

19 "80-14-203. (Temporary) Linked deposit loans. (1) Upon
 20 placement of a linked deposit with an eligible lending
 21 institution, the institution must lend such funds to each
 22 approved eligible agricultural operation listed in the
 23 linked deposit loan package required by 80-14-201 and in
 24 accordance with the deposit agreement required by 80-14-202.
 25 Each loan must be at a fixed rate of interest not exceeding

1 2 3 percentage points greater than the rate payable on the
 2 linked deposit.

3 (2) All records and documents pertaining to each loan
 4 shall be segregated by the lending institution for ease of
 5 identification and examination.

6 (3) Each eligible agricultural operation receiving a
 7 loan under this chapter shall promptly certify receipt of
 8 the loan to the board in the form and manner prescribed by
 9 the board.

10 (4) Any report of noncompliance by an eligible lending
 11 institution chartered under the laws of this state must be
 12 referred to the financial division of the department of
 13 commerce for appropriate action. Any report of noncompliance
 14 by an eligible lending institution chartered under federal
 15 law must be referred to the office of United States
 16 comptroller of the currency or other appropriate federal
 17 regulatory agency for appropriate action."

18 Section 4. Section 17-6-103, MCA, is amended to read:

19 "17-6-103. Security for deposits of public funds. The
 20 following kinds of securities may be pledged or guarantees
 21 may be issued to secure deposits of public funds:

- 22 (1) direct obligations of the United States;
 23 (2) securities as to which the payment of principal
 24 and interest is guaranteed by the United States;
 25 (3) securities issued or fully guaranteed by the

1 following agencies of the United States or their successors,
2 whether or not guaranteed by the United States:

- 3 (a) commodity credit corporation;
4 (b) federal intermediate credit banks;
5 (c) federal land bank;
6 (d) bank for cooperatives;
7 (e) federal home loan banks;
8 (f) federal national mortgage association;
9 (g) government national mortgage association;
10 (h) small business administration;
11 (i) federal housing administration; and
12 (j) federal home loan mortgage corporation;
13 (4) general obligation bonds of the state or of any
14 county, city, school district, or other political
15 subdivision of the state;
16 (5) revenue bonds of any county, city, or other
17 political subdivision of the state, when backed by the full
18 faith and credit of such subdivision or when the revenues
19 pledged to the payment of the bonds are derived from a water
20 or sewer system and the issuer has covenanted to establish
21 and maintain rates and charges for the system in an amount
22 sufficient to produce revenues equal to at least 125% of the
23 average annual principal and interest due on all bonds
24 payable for such revenues during the outstanding term of
25 such bonds;

1 (6) interest-bearing warrants of the state or of any
2 county, city, school district, or other political
3 subdivision of the state issued in evidence of claims in an
4 amount which, with all other claims on the same fund, do not
5 exceed the amount validly appropriated in the current budget
6 for expenditure from the fund in the year in which they are
7 issued;

8 (7) obligations of housing authorities of the state
9 secured by a pledge of annual contributions or by a loan
10 agreement made by the United States or any agency thereof
11 providing for contributions or a loan sufficient with other
12 funds pledged to pay the principal of and interest on the
13 obligations when due. Subject to rules prescribed by the
14 department of commerce, the bonds and other obligations made
15 eligible for investment in 32-1-424(3) and 7-15-4505 may be
16 used as security for all deposits of public funds or
17 obligations for which depository bonds or any kind of bonds
18 or other securities are required or may by law be deposited
19 as security.

20 (8) general obligation bonds of other states and of
21 municipalities, counties, and school districts of other
22 states;

23 (9) undertaking or guarantees issued by a surety
24 company authorized to do business in the state;

25 (10) first mortgages and trust indentures on real

1 property. The depository shall, on a quarterly basis,
2 certify to the state treasurer that sufficient first
3 mortgages and trust indentures on real property are
4 available and segregated to secure deposits of public funds.
5 The board of investments shall determine the amount of
6 security required.

7 (11) bonds issued pursuant to Title 7, chapter 12,
8 parts 21 and 41;

9 (12) bonds issued pursuant to Title 90, chapter 6, part
10 1;

11 (13) revenue bonds issued by any unit of the university
12 system of the state of Montana; and

13 (14) advance refunded bonds secured by direct
14 obligations of the United States treasury held in
15 irrevocable escrow; and

16 (15) linked deposit loan obligations incurred under
17 80-14-203."

18 Section 5. Section 9, Chapter 5, Special Laws of March
19 1986, is amended to read:

20 "Section 9. Effective date -- termination. ~~{1}~~ This
21 act is effective on passage and approval and terminates
22 March 15, 1987 June 30, 1989.

23 ~~{2}--The authority of the board to make linked deposits~~
24 ~~under this act terminates August 31, 1986."~~

-End-

1 SENATE BILL NO. 46

2 INTRODUCED BY NEUMAN

3 BY REQUEST OF THE JOINT INTERIM SUBCOMMITTEE

4 ON AGRICULTURAL PROBLEMS

5
6 A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE AND CONTINUE
7 THE AGRICULTURAL LOAN LINKED DEPOSIT PROGRAM; AMENDING
8 SECTIONS 17-6-103, ANB 80-14-102, 80-14-202, AND 80-14-203,
9 MCA, AND SECTION 9, CHAPTER 5, SPECIAL LAWS OF MARCH 1986;
10 AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A TERMINATION
11 DATE."

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

14 Section 1. Section 80-14-102, MCA, is amended to read:

15 "80-14-102. (Temporary) Definitions. As used in this
16 chapter, the following definitions apply:

17 (1) "Board" means the board of investments established
18 under 2-15-1005.

19 (2) "Eligible agricultural operation" means any
20 person, corporation, partnership, or other entity which is
21 engaged in the production of agricultural, livestock,
22 poultry, dairy, or fruit or other horticultural products and
23 which:

24 (a) derives at least 70% of its gross income from such
25 production; and

1 (b) has total financial liabilities exceeding 30% of
2 its total assets.

3 (3) "Eligible lending institution" means a financial
4 institution that:

5 (a) is eligible to make commercial loans;

6 (b) is a public depository of state funds; and

7 (c) agrees to participate in the linked deposit
8 program established by this chapter.

9 (4) "Linked deposit" means an agreement between the
10 board and an eligible financial institution whereby a
11 certificate of deposit for a term not less than 30 days and
12 not exceeding 6 12 months is placed by the board with an
13 eligible lending institution at a rate 1% below the current
14 market rate for such a deposit, as determined by the board,
15 provided the institution agrees to lend the value of such
16 deposit, pursuant to the deposit agreement provided in
17 80-14-202, to eligible agricultural operations at an
18 interest rate not exceeding 2 3 percentage points greater
19 than the rate payable on the certificate of deposit."

20 SECTION 2. SECTION 80-14-202, MCA, IS AMENDED TO READ:

21 "80-14-202. (Temporary) Approval and acceptance of
22 deposit -- deposit agreement. (1) The board may accept or
23 reject the linked deposit loan package or any portion
24 thereof.

25 (2) Upon acceptance of the linked deposit loan package



1 or any portion thereof, the board may place certificates of
 2 deposit for a term not less than 30 days and not to exceed 6
 3 12 months with the eligible lending institution at a rate 1%
 4 below the current market rate for such certificates, as
 5 determined by the board.

6 (3) The eligible lending institution must enter into a
 7 deposit agreement with the board, which shall specify the
 8 recipients, amount, rate of interest, and length of time of
 9 loans which the institution will make upon receiving a
 10 linked deposit. The agreement must also specify that
 11 interest on the linked deposit must be paid at the times
 12 determined by the board.

13 (4) The period of time for which a certificate of
 14 deposit is placed with an eligible lending institution may
 15 be neither longer nor shorter than the period of time for
 16 which the linked deposit is used to provide loans at reduced
 17 interest rates."

18 SECTION 3. SECTION 80-14-203, MCA, IS AMENDED TO READ:

19 "80-14-203. (Temporary) Linked deposit loans. (1) Upon
 20 placement of a linked deposit with an eligible lending
 21 institution, the institution must lend such funds to each
 22 approved eligible agricultural operation listed in the
 23 linked deposit loan package required by 80-14-201 and in
 24 accordance with the deposit agreement required by 80-14-202.
 25 Each loan must be at a fixed rate of interest not exceeding

1 2 3 percentage points greater than the rate payable on the
 2 linked deposit.

3 (2) All records and documents pertaining to each loan
 4 shall be segregated by the lending institution for ease of
 5 identification and examination.

6 (3) Each eligible agricultural operation receiving a
 7 loan under this chapter shall promptly certify receipt of
 8 the loan to the board in the form and manner prescribed by
 9 the board.

10 (4) Any report of noncompliance by an eligible lending
 11 institution chartered under the laws of this state must be
 12 referred to the financial division of the department of
 13 commerce for appropriate action. Any report of noncompliance
 14 by an eligible lending institution chartered under federal
 15 law must be referred to the office of United States
 16 comptroller of the currency or other appropriate federal
 17 regulatory agency for appropriate action."

18 Section 4. Section 17-6-103, MCA, is amended to read:

19 "17-6-103. Security for deposits of public funds. The
 20 following kinds of securities may be pledged or guarantees
 21 may be issued to secure deposits of public funds:

22 (1) direct obligations of the United States;

23 (2) securities as to which the payment of principal
 24 and interest is guaranteed by the United States;

25 (3) securities issued or fully guaranteed by the

1 following agencies of the United States or their successors,
2 whether or not guaranteed by the United States:

- 3 (a) commodity credit corporation;
- 4 (b) federal intermediate credit banks;
- 5 (c) federal land bank;
- 6 (d) bank for cooperatives;
- 7 (e) federal home loan banks;
- 8 (f) federal national mortgage association;
- 9 (g) government national mortgage association;
- 10 (h) small business administration;
- 11 (i) federal housing administration; and
- 12 (j) federal home loan mortgage corporation;
- 13 (4) general obligation bonds of the state or of any
14 county, city, school district, or other political
15 subdivision of the state;
- 16 (5) revenue bonds of any county, city, or other
17 political subdivision of the state, when backed by the full
18 faith and credit of such subdivision or when the revenues
19 pledged to the payment of the bonds are derived from a water
20 or sewer system and the issuer has covenanted to establish
21 and maintain rates and charges for the system in an amount
22 sufficient to produce revenues equal to at least 125% of the
23 average annual principal and interest due on all bonds
24 payable for such revenues during the outstanding term of
25 such bonds;

1 (6) interest-bearing warrants of the state or of any
2 county, city, school district, or other political
3 subdivision of the state issued in evidence of claims in an
4 amount which, with all other claims on the same fund, do not
5 exceed the amount validly appropriated in the current budget
6 for expenditure from the fund in the year in which they are
7 issued;

8 (7) obligations of housing authorities of the state
9 secured by a pledge of annual contributions or by a loan
10 agreement made by the United States or any agency thereof
11 providing for contributions or a loan sufficient with other
12 funds pledged to pay the principal of and interest on the
13 obligations when due. Subject to rules prescribed by the
14 department of commerce, the bonds and other obligations made
15 eligible for investment in 32-1-424(3) and 7-15-4505 may be
16 used as security for all deposits of public funds or
17 obligations for which depository bonds or any kind of bonds
18 or other securities are required or may by law be deposited
19 as security.

20 (8) general obligation bonds of other states and of
21 municipalities, counties, and school districts of other
22 states;

23 (9) undertaking or guarantees issued by a surety
24 company authorized to do business in the state;

25 (10) first mortgages and trust indentures on real

1 property. The depository shall, on a quarterly basis,
 2 certify to the state treasurer that sufficient first
 3 mortgages and trust indentures on real property are
 4 available and segregated to secure deposits of public funds.
 5 The board of investments shall determine the amount of
 6 security required.

7 (11) bonds issued pursuant to Title 7, chapter 12,
 8 parts 21 and 41;

9 (12) bonds issued pursuant to Title 90, chapter 6, part
 10 1;

11 (13) revenue bonds issued by any unit of the university
 12 system of the state of Montana; and

13 (14) advance refunded bonds secured by direct
 14 obligations of the United States treasury held in
 15 irrevocable escrow; and

16 (15) linked deposit loan obligations incurred under
 17 80-14-203."

18 Section 5. Section 9, Chapter 5, Special Laws of March
 19 1986, is amended to read:

20 "Section 9. Effective date -- termination. ~~{1}~~ This
 21 act is effective on passage and approval and terminates
 22 ~~March 15, 1987~~ June 30, 1989.

23 ~~{2}--The authority of the board to make linked deposits~~
 24 ~~under this act terminates August 31, 1986."~~

25 NEW SECTION. SECTION 6. EFFECTIVE DATE --

1 TERMINATION. THIS ACT IS EFFECTIVE ON PASSAGE AND APPROVAL
 2 AND TERMINATES JUNE 30, 1989.

-End-

Mr. Speaker: We, the committee on AGRICULTURE, LIVESTOCK & IRRIGATION

report SENATE BILL 46

- do pass
- do not pass
- be concurred in
- be not concurred in
- as amended
- statement of intent attached

Duane W. Compton
 REP. DUANE W. COMPTON Chairman

1. Page 7.

Following: line 24

Insert: "NEW SECTION. Effective date -- termination. This act
 is effective on passage and approval and terminates June 30,
 1989."

action 6.

TP *9/2/87*
 Third reading copy (Blue)
 color