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.

LC 0477/01

1	SENATE BILL NO. 46	1	its total assets.
2	INTRODUCED BY NEUMAN	2	(3) "Eligible lending institution" means a financial
3	BY REQUEST OF THE JOINT INTERIM SUBCOMMITTEE	3	institution that:
4	ON AGRICULTURAL PROBLEMS	4	(a) is eligible to make commercial loans;
5		5	(b) is a public depository of state funds; and
6	A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE AND CONTINUE	6	(c) agrees to participate in the linked deposit
7	THE AGRICULTURAL LOAN LINKED DEPOSIT PROGRAM; AMENDING	7	program established by this chapter.
8	SECTIONS 17-6-103 AND 80-14-102, MCA, AND SECTION 9, CHAPTER	8	(4) "Linked deposit" means an agreement between the
9	5, SPECIAL LAWS OF MARCH 1986; AND PROVIDING AN IMMEDIATE	9	board and an eligible financial institution whereby a
10	EFFECTIVE DATE AND A TERMINATION DATE."	10	certificate of deposit for a term not less than 30 days and
11		11	not exceeding 6 12 months is placed by the board with an
12	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:	12	eligible lending institution at a rate 1% below the current
13	Section 1. Section 80-14-102, MCA, is amended to read:	13	market rate for such a deposit, as determined by the board,
14	"80-14-102. (Temporary) Definitions. As used in this	14	provided the institution agrees to lend the value of such
15	chapter, the following definitions apply:	15	deposit, pursuant to the deposit agreement provided in
16	(1) "Board" means the board of investments established	16	80-14-202, to eligible agricultural operations at an
17	under 2-15-1005.	17	interest rate not exceeding 2 <u>3</u> percentage points greater
18	(2) "Eligible agricultural operation" means any	18	than the rate payable on the certificate of deposit."
19	person, corporation, partnership, or other entity which is	19	Section 2. Section 17-6-103, MCA, is amended to read:
20	engaged in the production of agricultural, livestock,	20	"17-6-103. Security for deposits of public funds. The
21	poultry, dairy, or fruit or other horticultural products and	21	following kinds of securities may be pledged or guarantees
22	which:	22	may be issued to secure deposits of public funds:
23	(a) derives at least 70% of its gross income from such	23	 direct obligations of the United States;
24	production; and	24	(2) securities as to which the payment of principal
25	(b) has total financial liabilities exceeding 30% of	25	and interest is guaranteed by the United States;
			-2- INTRODUCED BILL SB-46

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(3) securities issued or fully guaranteed by the
 following agencies of the United States or their successors,
 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 faith and credit of such subdivision or when the revenues 19 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;

(7) obligations of housing authorities of the state 9 10 secured by a pledge of annual contributions or by a loan 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 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 surety25 company authorized to do business in the state;

~3~

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 university13 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 $escrow_{\mp}$; and

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

19 Section 3. Section 9, Chapter 5, Special Laws of March20 1986, is amended to read:

21 "Section 9. Effective date -- termination. (+) This
22 act is effective on passage and approval and terminates
23 March-+57-+987 June 30, 1989.

(2)--The-authority-of-the-board-to-make-linked-deposits
 under-this-act-terminates-August-317-1986+"

-End--5-

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:

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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:

Expenditures:		posed Law FY88	Proposed Law FY89		
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 DAVID L. HUNTER, BUDS DTRECTOR

Office of Budget and Program Planning

DATE

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TED 'NEUMAN, PRIMARY SPONSOR

Fiscal Note for SB046, as introduced.

50th Legislature

SB 0046/02

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(b) has total financial liabilities exceeding 30% of

APPROVED	BY CO	MMITTEE
ON AGRICU	JLTURE	LIVESTOCK
& IRRIGAT	TION	

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 such25 production; and

Montana Legislative Council

2 its total assets. (3) "Eligible lending institution" means a financial 3 institution that: 4 5 (a) is eligible to make commercial loans; (b) is a public depository of state funds; and 5 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 certificate of deposit for a term not less than 30 days and 11 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 interest rate not exceeding 2 3 percentage points greater 18

20 <u>SECTION 2. SECTION 80-14-202, MCA, IS AMENDED TO READ:</u> 21 "B0-14-202. (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.

than the rate payable on the certificate of deposit."

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

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or any portion thereof, the board may place certificates of deposit for a term not less than 30 days and not to exceed 6 <u>12</u> months with the eligible lending institution at a rate 1% below the current market rate for such certificates, as 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 placement of a linked deposit with an eligible lending 20 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 2 <u>3</u> percentage points greater than the rate payable on the
 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.

(4) Any report of noncompliance by an eligible lending 10 institution chartered under the laws of this state must be 11 referred to the financial division of the department of 12 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 comptroller of the currency or other appropriate federal 16 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 principal24 and interest is guaranteed by the United States;

25 (3) securities issued or fully guaranteed by the

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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	<pre>(h) small business administration;</pre>	
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;

(7) obligations of housing authorities of the state 8 9 secured by a pledge of annual contributions or by a loan agreement made by the United States or any agency thereof 10 11 providing for contributions or a loan sufficient with other 12 funds pledged to pay the principal of and interest on the obligations when due. Subject to rules prescribed by the 13 14 department of commerce, the bonds and other obligations made eligible for investment in 32-1-424(3) and 7-15-4505 may be 15 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 surety24 company authorized to do business in the state;

25 (10) first mortgages and trust indentures on real

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property. The depository shall, on a quarterly basis,
 1
 2
     certify to the state treasurer that sufficient first
     mortgages and trust indentures on real property are
 3
     available and segregated to secure deposits of public funds.
 4
     The board of investments shall determine the amount of
 5
 6
     security required.
7
          (11) bonds issued pursuant to Title 7, chapter 12,
     parts 21 and 41;
 8
9
          (12) bonds issued pursuant to Title 90, chapter 6, part
     1;
10
11
          (13) revenue bonds issued by any unit of the university
     system of the state of Montana; and
12
13
          (14) advance refunded bonds secured by direct
     obligations of the United States treasury held in
14
15
     irrevocable escrowy; and
          (15) linked deposit loan obligations incurred under
16
17
     80-14-203."
          Section 5. Section 9, Chapter 5, Special Laws of March
18
     1986, is amended to read:
19
20
          "Section 9. Effective date -- termination. (1) This
21
     act is effective on passage and approval and terminates
22
     March-157-1987 June 30, 1989.
23
          (2)--The-authority-of-the-board-to-make-linked-deposits
24
     under-this-act-terminates-August-317-19867"
                               -End-
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50th Legislature

SB 0046/02

1	SENATE BILL NO. 46	1	(b) has t
2	INTRODUCED BY NEUMAN	2	its total assets
3	BY REQUEST OF THE JOINT INTERIM SUBCOMMITTEE	3	(3) "Eligi
4	ON AGRICULTURAL PROBLEMS	4	institution that
5	· ·	5	(a) is eli
6	A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE AND CONTINUE	6	(b) is a g
7	THE AGRICULTURAL LOAN LINKED DEPOSIT PROGRAM; AMENDING	7	(c) agrees
8	SECTIONS 17-6-103, AND 80-14-102, 80-14-202, AND 80-14-203,	8	program establis
9	MCA, AND SECTION 9, CHAPTER 5, SPECIAL LAWS OF MARCH 1986;	9	(4) "Linke
10	AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A TERMINATION	10	board and an
11	DATE."	11	certificate of (
12		12	not exceeding
13	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:	13	eligible lending
14	Section 1. Section 80-14-102, MCA, is amended to read:	14	market rate for
15	*80-14-102. (Temporary) Definitions. As used in this	15	provided the in:
16	chapter, the following definitions apply:	16	deposit, pursu
17	(1) "Board" means the board of investments established	17	80-14-202, to
18	under 2-15-1005.	18	interest rate
19	(2) "Eligible agricultural operation" means any	19	than the rate p
20	person, corporation, partnership, or other entity which is	20	SECTION 2.
21	engaged in the production of agricultural, livestock,	21	"80-14-202
22	poultry, dairy, or fruit or other horticultural products and	22	deposit de
23	which:	23	reject the lin
24	(a) derives at least 70% of its gross income from such	24	thereof.
25	production; and	25	(2) Upon

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

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

(a) is eligible to make commercial loans;

(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 <u>not less than 30 days and</u> 12 not exceeding 6 <u>12</u> 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 <u>3</u> percentage points greater 19 than the rate payable on the certificate of deposit."

20 <u>SECTION 2. SECTION 80-14-202, MCA, IS AMENDED TO READ:</u> 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.

(2) Upon acceptance of the linked deposit loan package **THIRD READING**

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14.1

or any portion thereof, the board may place certificates of
 deposit for a term not less than 30 days and not to exceed 6
 <u>12</u> months with the eligible lending institution at a rate 1%
 below the current market rate for such certificates, as
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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

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SB 46

25

2 3 percentage points greater than the rate payable on the
 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.

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

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
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22 (1) direct obligations of the United States;

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24 and interest is guaranteed by the United States;

(3) securities issued or fully guaranteed by the

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- 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;
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(4) general obligation bonds of the state or of any
14 county, city, school district, or other political
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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:

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25 (10) first mortgages and trust indentures on real

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 certify to the state treasurer that sufficient first
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 The board of investments shall determine the amount of
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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;

(13) revenue bonds issued by any unit of the university
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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
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-157-1987 June 30, 1989.

23 (2)--The-authority-of-the-board-to-make-linked-deposits
 24 under-this-act-terminates-August-317-1986-"

-End-

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SB 0046/03

1 (b) has total financial liabilities exceeding 30% of 1 SENATE BILL NO. 46 2 its total assets. 2 INTRODUCED BY NEUMAN (3) "Eligible lending institution" means a financial 3 3 BY REQUEST OF THE JOINT INTERIM SUBCOMMITTEE institution that: 4 ON AGRICULTURAL PROBLEMS 4 5 (a) is eligible to make commercial loans; 5 (b) is a public depository of state funds; and 6 6 A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE AND CONTINUE 7 (c) agrees to participate in the linked deposit THE AGRICULTURAL LOAN LINKED DEPOSIT PROGRAM; AMENDING 7 program established by this chapter. 8 SECTIONS 17-6-103, AND 80-14-102, 80-14-202, AND 80-14-203, 8 (4) "Linked deposit" means an agreement between the 9 MCA, AND SECTION 9, CHAPTER 5, SPECIAL LAWS OF MARCH 1986; 9 board and an eligible financial institution whereby a 10 10 AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A TERMINATION certificate of deposit for a term not less than 30 days and 11 DATE." 11 not exceeding 6 12 months is placed by the board with an 12 12 eligible lending institution at a rate 1% below the current 13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: 13 market rate for such a deposit, as determined by the board, 14 14 Section 1. Section 80-14-102, MCA, is amended to read: 15 provided the institution agrees to lend the value of such "80-14-102. (Temporary) Definitions. As used in this 15 deposit, pursuant to the deposit agreement provided in 16 16 chapter, the following definitions apply: 80-14-202, to eligible agricultural operations at an 17 17 (1) "Board" means the board of investments established interest rate not exceeding 2 3 percentage points greater 18 18 under 2-15-1005. 19 than the rate payable on the certificate of deposit." (2) "Eligible agricultural operation" 19 means any SECTION 2. SECTION 80-14-202, MCA, IS AMENDED TO READ: 20 20 person, corporation, partnership, or other entity which is 21 "80-14-202. (Temporary) Approval and acceptance of engaged in the production of agricultural, livestock, 21 deposit -- deposit agreement. (1) The board may accept or 22 poultry, dairy, or fruit or other horticultural products and 22 23 reject the linked deposit loan package or any portion 23 which: 24 thereof. 24 (a) derives at least 70% of its gross income from such (2) Upon acceptance of the linked deposit loan package 25 25 production; and



REFERENCE BILL

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or any portion thereof, the board may place certificates of
 deposit for a term not less than 30 days and not to exceed 6
 <u>12</u> months with the eligible lending institution at a rate 1%
 below the current market rate for such certificates, as
 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."

SECTION 3. SECTION 80-14-203, MCA, IS AMENDED TO READ: 18 19 "80-14-203. (Temporary) Linked deposit loans. (1) Upon placement of a linked deposit with an eligible lending 20 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 accordance with the deposit agreement required by 80-14-202. 24 Each loan must be at a fixed rate of interest not exceeding 25

2 3 percentage points greater than the rate payable on the
 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 leading institution chartered under the laws of this state must be 11 12 referred to the financial division of the department of commerce for appropriate action. Any report of noncompliance 13 14 by an eligible lending institution chartered under federal law must be referred to the office of United States 15 16 comptroller of the currency or other appropriate federal regulatory agency for appropriate action." 17

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

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following agencies of the United States or their successors. 1 whether or not guaranteed by the United States: 2 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; R federal national mortgage association: (£) 9 (q) government national mortgage association; 10 small business administration: (h) 11 (i) federal housing administration; and 12 federal home loan mortgage corporation; (i)13 (4) general obligation bonds of the state or of any school district, or other political 14 county, city. subdivision of the state; 15 (5) revenue bonds of any county, city, or other 16 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 secured by a pledge of annual contributions or by a loan 9 agreement made by the United States or any agency thereof 10 providing for contributions or a loan sufficient with other 11 12 funds pledged to pay the principal of and interest on the obligations when due. Subject to rules prescribed by the 13 department of commerce, the bonds and other obligations made 14 15 eligible for investment in 32-1-424(3) and 7-15-4505 may be used as security for all deposits of public funds or 16 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.

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

23 (9) undertaking or guarantees issued by a surety24 company authorized to do business in the state;

25 (10) first mortgages and trust indentures on real

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property. The depository shall, on a quarterly basis,
 certify to the state treasurer that sufficient first
 mortgages and trust indentures on real property are
 available and segregated to secure deposits of public funds.
 The board of investments shall determine the amount of
 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; end

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 B0-14-203."

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-157-1987 June 30, 1989.

23 (2)--The-authority-of-the-board-to-make-linked-deposits
 24 under-this-act-terminates-August-317-1986+"

25 <u>NEW SECTION. SECTION 6. EFFECTIVE</u> DATE --

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TERMINATION. THIS ACT IS EFFECTIVE ON PASSAGE AND APPROVAL

2 AND TERMINATES JUNE 30, 1989.

1

-End-

HOUSE

February 13 19 87

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

report _____ SENATE BILL 46

☐ do pass ☐ do not pass

tion6.

▲ be concurred in
 □ be not concurred in

as amended statement of intent attached

an (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."

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