

SENATE BILL NO. 110

INTRODUCED BY THAYER, HARPER, SIMON, VAN VALKENBURG,
RASMUSSEN, MAZUREK, C. SMITH, CRIPPEN, VINCENT

IN THE SENATE

JANUARY 15, 1987 INTRODUCED AND REFERRED TO COMMITTEE
ON BUSINESS & INDUSTRY.

JANUARY 22, 1987 COMMITTEE RECOMMEND BILL
DO PASS. REPORT ADOPTED.

JANUARY 23, 1987 PRINTING REPORT.

JANUARY 26, 1987 SECOND READING, DO PASS.

JANUARY 27, 1987 ENGROSSING REPORT.

JANUARY 28, 1987 THIRD READING, PASSED.
AYES, 48; NOES, 1.

TRANSMITTED TO HOUSE.

IN THE HOUSE

FEBRUARY 4, 1987 INTRODUCED AND REFERRED TO COMMITTEE
ON BUSINESS & LABOR.

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

MARCH 9, 1987 SECOND READING, CONCURRED IN.

MARCH 10, 1987 THIRD READING, CONCURRED IN.
AYES, 96; NOES, 1.

RETURNED TO SENATE.

IN THE SENATE

MARCH 11, 1987 RECEIVED FROM HOUSE.
SENT TO ENROLLING.

1 ~~SENATE~~ BILL NO. 110 *Rasmussen*
 2 INTRODUCED BY *James Van Uckerling*
 3 *Greg Vincent*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND THE MONTANA
 5 IN-STATE INVESTMENT ACT OF 1983 TO PROVIDE FOR INVESTMENT IN
 6 MONTANA CAPITAL COMPANIES; AND AMENDING SECTIONS 17-6-302,
 7 17-6-310 THROUGH 17-6-313, 90-8-102, AND 90-8-303, MCA."

8
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

10 Section 1. Section 17-6-302, MCA, is amended to read:
11 "17-6-302. Definitions. As used in this part, unless
12 the context requires otherwise, the following definitions
13 apply:

- 14 (1) "Board" means the Montana economic development
- 15 board established in 2-15-1805.
- 16 (2) "Capital company" means a Montana capital company
- 17 created pursuant to Title 90, chapter 8.

18 (3) "Clean and healthful environment" means an
19 environment that is relatively free from pollution which
20 threatens human health, including as a minimum, compliance
21 with federal and state environmental and health standards.

22 (4) "Employee-owned enterprise" means any
23 enterprise at least 51% of whose stock, partnership
24 interests, or other ownership interests is owned and
25 controlled by residents of Montana each of whose principal

1 occupation is as an employee, officer, or partner of the
2 enterprise.

3 (5) "Financial institution" includes but is not
4 limited to a state- or federally chartered bank or a savings
5 and loan association, credit union, or development
6 corporation created pursuant to Title 32, chapter 4.

7 (6) "Loan participation" means loans or portions
8 thereof bought from a financial institution and does not
9 include the purchase of debentures issued by a capital
10 company.

11 (7) "Locally owned enterprise" means any enterprise
12 51% of whose stock, partnership interests, or other
13 ownership interests are owned and controlled by residents of
14 Montana.

15 (8) "Long-term benefit to the Montana economy"
16 means an activity that strengthens the Montana economy and
17 that has the potential to maintain and create jobs, increase
18 per capita income, or increase Montana tax revenues in the
19 future to the people of Montana, either directly or
20 indirectly.

21 (9) "Montana economy" means any business activity
22 in the state of Montana, including those which continue
23 existing jobs or create new jobs in Montana.

24 (10) "Montana in-state investment fund" means the
25 fund established by 17-6-305.



1 ~~(10)~~(11) "Service fees" means the fees normally charged
2 by a financial institution for servicing a loan, including
3 amounts charged for collecting payments and remitting
4 amounts to the fund."

5 Section 2. Section 17-6-310, MCA, is amended to read:
6 "17-6-310. No direct loans. (1) The state may not use
7 this revenue to make direct loans.

8 (2) No money from the Montana in-state investment fund
9 may be used to make direct loans to individual borrowers.
10 Loans The purchase of debentures issued by a capital company
11 and loans or portions thereof originated by a financial
12 institution that are sold to the trust are not direct
13 loans."

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

15 "17-6-311. Limitation on size of investments. (1)
16 Except as provided in subsection subsections (2) and (3), no
17 investment may be made that will result in any one business
18 enterprise or person receiving a benefit from or incurring a
19 debt to the Montana in-state investment fund the total
20 current accumulated amount of which exceeds 10% of the prior
21 fiscal year's coal severance tax revenue deposited in the
22 Montana in-state investment fund.

23 (2) Subsection (1) does not limit the board's
24 authority to guarantee loans or bonds or make loans to the
25 capital reserve account and guaranty fund as provided in

1 17-6-308(2) and (3).

2 (3) Subsection (1) does not apply to the purchase of
3 debentures issued by a capital company; however, the total
4 amount of such debentures purchased by the board may not
5 exceed 10% of the Montana in-state investment fund at the
6 time of purchase."

7 Section 4. Section 17-6-312, MCA, is amended to read:

8 "17-6-312. State participation in loans. (1) State
9 participation in any loan to a business enterprise, except
10 for a loan guaranteed by a federal agency, must be limited
11 to 80% of the outstanding loan. The state shall participate
12 in the security for a loan in the same proportion as the
13 loan participation amount.

14 (2) The purchase of debentures issued by a capital
15 company is not a loan participation and is not subject to
16 subsection (1)."

17 Section 5. Section 17-6-313, MCA, is amended to read:

18 "17-6-313. Prior commitment of funds. The board may
19 authorize the commitment of funds to financial institutions
20 and capital companies pursuant to rules adopted by the
21 board, but the determination as to credit with respect to
22 individual investments must be made by the financial
23 institution and the board or the capital company and the
24 board."

25 Section 6. Section 90-8-102, MCA, is amended to read:

1 "90-8-102. Declaration of policy. (1) The legislature
2 finds and declares that:

3 (a) economic insecurity due to unemployment is a
4 serious menace to the health, safety, and general welfare of
5 not only the affected people but of the people of the entire
6 state;

7 (b) involuntary unemployment, with its resulting
8 burden of indigency, falls with crushing force upon
9 unemployed workers and ultimately on the state itself in the
10 form of public assistance and unemployment compensation
11 payments; and

12 (c) unemployment causes a migration of Montana workers
13 and families seeking jobs and establishing homes elsewhere,
14 which deprives the state of its most valuable resource, its
15 people, and reduces the tax base of local governments,
16 impairing their ability to provide basic services.

17 (2) (a) The legislature further finds that the best
18 method of combating unemployment and protecting Montana
19 against the loss of its people is by promoting, stimulating,
20 developing, rehabilitating, and revitalizing the business
21 prosperity and economic welfare of the state and its
22 citizens.

23 (b) To accomplish this goal, the legislature seeks to
24 encourage the formation of venture and equity capital in
25 Montana for use in diversifying, strengthening, and

1 stabilizing the Montana economy by increasing Montana
2 employment and business opportunities while protecting the
3 people's constitutional right to a clean and healthful
4 environment.

5 (3) The legislature further finds that:

6 (a) private investment of venture and equity capital
7 in the Montana economy will be encouraged and promoted by
8 making tax credits available to taxpayers investing in
9 Montana capital companies;

10 (b) demands on state revenues restrict the financial
11 ability of the state to make unlimited tax credits available
12 for investment purposes and require that the state place
13 reasonable limits on the total amount of tax credits to be
14 made available for investment incentive;

15 (c) establishment of a rational tax credit program
16 which gives priority to investments in capital companies in
17 the order in which they are qualified will encourage prompt
18 private investment in Montana businesses.

19 (4) The legislature further finds that use of money
20 from the Montana in-state investment fund established by
21 17-6-305 to purchase debentures issued by a capital company
22 will promote the business prosperity and economic welfare of
23 the state and its citizens."

24 Section 7. Section 90-8-303, MCA, is amended to read:
25 "90-8-303. Conflict of interest. (1) (a) The members

1 of the board, the commissioner of financial institutions, or
2 a bank examiner may not have a monetary interest in or be a
3 borrower from any Montana capital company, either directly
4 or indirectly.

5 (b) These restrictions do not prohibit the board,
6 acting as a whole, from purchasing debentures issued by a
7 Montana capital company.

8 (2) A member of the investment committee of a Montana
9 capital company who has an interest in a venture that comes
10 before the committee for a vote shall disclose such interest
11 and abstain from voting on investment in the venture."

12 NEW SECTION. Section 8. Extension of authority. Any
13 existing authority of the Montana economic development board
14 to make rules on the subject of the provisions of this act
15 is extended to the provisions of this act.

-End-

APPROVED BY COMM. ON
BUSINESS & INDUSTRY

1 ~~State~~ BILL NO. 110 *Rasmussen*
2 INTRODUCED BY *T. P. Kelly* *J. M. Van Uppenberg*
3 *W. J. ...* *C. ...* *Vincent*
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND THE MONTANA
5 IN-STATE INVESTMENT ACT OF 1983 TO PROVIDE FOR INVESTMENT IN
6 MONTANA CAPITAL COMPANIES; AND AMENDING SECTIONS 17-6-302,
7 17-6-310 THROUGH 17-6-313, 90-8-102, AND 90-8-303, MCA."
8

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

10 Section 1. Section 17-6-302, MCA, is amended to read:
11 "17-6-302. Definitions. As used in this part, unless
12 the context requires otherwise, the following definitions
13 apply:

14 (1) "Board" means the Montana economic development
15 board established in 2-15-1805.

16 (2) "Capital company" means a Montana capital company
17 created pursuant to Title 90, chapter 8.

18 ~~(2)~~(3) "Clean and healthful environment" means an
19 environment that is relatively free from pollution which
20 threatens human health, including as a minimum, compliance
21 with federal and state environmental and health standards.

22 ~~(3)~~(4) "Employee-owned enterprise" means any
23 enterprise at least 51% of whose stock, partnership
24 interests, or other ownership interests is owned and
25 controlled by residents of Montana each of whose principal

1 occupation is as an employee, officer, or partner of the
2 enterprise.

3 ~~(4)~~(5) "Financial institution" includes but is not
4 limited to a state- or federally chartered bank or a savings
5 and loan association, credit union, or development
6 corporation created pursuant to Title 32, chapter 4.

7 ~~(5)~~(6) "Loan participation" means loans or portions
8 thereof bought from a financial institution and does not
9 include the purchase of debentures issued by a capital
10 company.

11 ~~(6)~~(7) "Locally owned enterprise" means any enterprise
12 51% of whose stock, partnership interests, or other
13 ownership interests are owned and controlled by residents of
14 Montana.

15 ~~(7)~~(8) "Long-term benefit to the Montana economy"
16 means an activity that strengthens the Montana economy and
17 that has the potential to maintain and create jobs, increase
18 per capita income, or increase Montana tax revenues in the
19 future to the people of Montana, either directly or
20 indirectly.

21 ~~(8)~~(9) "Montana economy" means any business activity
22 in the state of Montana, including those which continue
23 existing jobs or create new jobs in Montana.

24 ~~(9)~~(10) "Montana in-state investment fund" means the
25 fund established by 17-6-305.

1 ~~{10}~~(1) "Service fees" means the fees normally charged
2 by a financial institution for servicing a loan, including
3 amounts charged for collecting payments and remitting
4 amounts to the fund."

5 Section 2. Section 17-6-310, MCA, is amended to read:
6 "17-6-310. No direct loans. (1) The state may not use
7 this revenue to make direct loans.

8 (2) No money from the Montana in-state investment fund
9 may be used to make direct loans to individual borrowers.
10 ~~loans~~ The purchase of debentures issued by a capital company
11 and loans or portions thereof originated by a financial
12 institution that are sold to the trust are not direct
13 loans."

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

23 (2) Subsection (1) does not limit the board's
24 authority to guarantee loans or bonds or make loans to the
25 capital reserve account and guaranty fund as provided in

1 17-6-308(2) and (3).

2 (3) Subsection (1) does not apply to the purchase of
3 debentures issued by a capital company; however, the total
4 amount of such debentures purchased by the board may not
5 exceed 10% of the Montana in-state investment fund at the
6 time of purchase."

7 Section 4. Section 17-6-312, MCA, is amended to read:
8 "17-6-312. State participation in loans. (1) State
9 participation in any loan to a business enterprise, except
10 for a loan guaranteed by a federal agency, must be limited
11 to 80% of the outstanding loan. The state shall participate
12 in the security for a loan in the same proportion as the
13 loan participation amount.

14 (2) The purchase of debentures issued by a capital
15 company is not a loan participation and is not subject to
16 subsection (1)."

17 Section 5. Section 17-6-313, MCA, is amended to read:
18 "17-6-313. Prior commitment of funds. The board may
19 authorize the commitment of funds to financial institutions
20 and capital companies pursuant to rules adopted by the
21 board, but the determination as to credit with respect to
22 individual investments must be made by the financial
23 institution and the board or the capital company and the
24 board."

25 Section 6. Section 90-8-102, MCA, is amended to read:

1 "90-8-102. Declaration of policy. (1) The legislature
2 finds and declares that:

3 (a) economic insecurity due to unemployment is a
4 serious menace to the health, safety, and general welfare of
5 not only the affected people but of the people of the entire
6 state;

7 (b) involuntary unemployment, with its resulting
8 burden of indigency, falls with crushing force upon
9 unemployed workers and ultimately on the state itself in the
10 form of public assistance and unemployment compensation
11 payments; and

12 (c) unemployment causes a migration of Montana workers
13 and families seeking jobs and establishing homes elsewhere,
14 which deprives the state of its most valuable resource, its
15 people, and reduces the tax base of local governments,
16 impairing their ability to provide basic services.

17 (2) (a) The legislature further finds that the best
18 method of combating unemployment and protecting Montana
19 against the loss of its people is by promoting, stimulating,
20 developing, rehabilitating, and revitalizing the business
21 prosperity and economic welfare of the state and its
22 citizens.

23 (b) To accomplish this goal, the legislature seeks to
24 encourage the formation of venture and equity capital in
25 Montana for use in diversifying, strengthening, and

1 stabilizing the Montana economy by increasing Montana
2 employment and business opportunities while protecting the
3 people's constitutional right to a clean and healthful
4 environment.

5 (3) The legislature further finds that:

6 (a) private investment of venture and equity capital
7 in the Montana economy will be encouraged and promoted by
8 making tax credits available to taxpayers investing in
9 Montana capital companies;

10 (b) demands on state revenues restrict the financial
11 ability of the state to make unlimited tax credits available
12 for investment purposes and require that the state place
13 reasonable limits on the total amount of tax credits to be
14 made available for investment incentive;

15 (c) establishment of a rational tax credit program
16 which gives priority to investments in capital companies in
17 the order in which they are qualified will encourage prompt
18 private investment in Montana businesses.

19 (4) The legislature further finds that use of money
20 from the Montana in-state investment fund established by
21 17-6-305 to purchase debentures issued by a capital company
22 will promote the business prosperity and economic welfare of
23 the state and its citizens."

24 Section 7. Section 90-8-303, MCA, is amended to read:

25 "90-8-303. Conflict of interest. (1) (a) The members

1 of the board, the commissioner of financial institutions, or
2 a bank examiner may not have a monetary interest in or be a
3 borrower from any Montana capital company, either directly
4 or indirectly.

5 (b) These restrictions do not prohibit the board,
6 acting as a whole, from purchasing debentures issued by a
7 Montana capital company.

8 (2) A member of the investment committee of a Montana
9 capital company who has an interest in a venture that comes
10 before the committee for a vote shall disclose such interest
11 and abstain from voting on investment in the venture."

12 NEW SECTION. Section 8. Extension of authority. Any
13 existing authority of the Montana economic development board
14 to make rules on the subject of the provisions of this act
15 is extended to the provisions of this act.

-End-

1 ~~(10)~~(11) "Service fees" means the fees normally charged
2 by a financial institution for servicing a loan, including
3 amounts charged for collecting payments and remitting
4 amounts to the fund."

5 Section 2. Section 17-6-310, MCA, is amended to read:

6 "17-6-310. No direct loans. (1) The state may not use
7 this revenue to make direct loans.

8 (2) No money from the Montana in-state investment fund
9 may be used to make direct loans to individual borrowers.
10 loans The purchase of debentures issued by a capital company
11 and loans or portions thereof originated by a financial
12 institution that are sold to the trust are not direct
13 loans."

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

15 "17-6-311. Limitation on size of investments. (1)
16 Except as provided in subsection subsections (2) and (3), no
17 investment may be made that will result in any one business
18 enterprise or person receiving a benefit from or incurring a
19 debt to the Montana in-state investment fund the total
20 current accumulated amount of which exceeds 10% of the prior
21 fiscal year's coal severance tax revenue deposited in the
22 Montana in-state investment fund.

23 (2) Subsection (1) does not limit the board's
24 authority to guarantee loans or bonds or make loans to the
25 capital reserve account and guaranty fund as provided in

1 17-6-308(2) and (3).

2 (3) Subsection (1) does not apply to the purchase of
3 debentures issued by a capital company; however, the total
4 amount of such debentures purchased by the board may not
5 exceed 10% of the Montana in-state investment fund at the
6 time of purchase."

7 Section 4. Section 17-6-312, MCA, is amended to read:

8 "17-6-312. State participation in loans. (1) State
9 participation in any loan to a business enterprise, except
10 for a loan guaranteed by a federal agency, must be limited
11 to 80% of the outstanding loan. The state shall participate
12 in the security for a loan in the same proportion as the
13 loan participation amount.

14 (2) The purchase of debentures issued by a capital
15 company is not a loan participation and is not subject to
16 subsection (1)."

17 Section 5. Section 17-6-313, MCA, is amended to read:

18 "17-6-313. Prior commitment of funds. The board may
19 authorize the commitment of funds to financial institutions
20 and capital companies pursuant to rules adopted by the
21 board, but the determination as to credit with respect to
22 individual investments must be made by the financial
23 institution and the board or the capital company and the
24 board."

25 Section 6. Section 90-8-102, MCA, is amended to read:

1 "90-8-102. Declaration of policy. (1) The legislature
2 finds and declares that:

3 (a) economic insecurity due to unemployment is a
4 serious menace to the health, safety, and general welfare of
5 not only the affected people but of the people of the entire
6 state;

7 (b) involuntary unemployment, with its resulting
8 burden of indigency, falls with crushing force upon
9 unemployed workers and ultimately on the state itself in the
10 form of public assistance and unemployment compensation
11 payments; and

12 (c) unemployment causes a migration of Montana workers
13 and families seeking jobs and establishing homes elsewhere,
14 which deprives the state of its most valuable resource, its
15 people, and reduces the tax base of local governments,
16 impairing their ability to provide basic services.

17 (2) (a) The legislature further finds that the best
18 method of combating unemployment and protecting Montana
19 against the loss of its people is by promoting, stimulating,
20 developing, rehabilitating, and revitalizing the business
21 prosperity and economic welfare of the state and its
22 citizens.

23 (b) To accomplish this goal, the legislature seeks to
24 encourage the formation of venture and equity capital in
25 Montana for use in diversifying, strengthening, and

1 stabilizing the Montana economy by increasing Montana
2 employment and business opportunities while protecting the
3 people's constitutional right to a clean and healthful
4 environment.

5 (3) The legislature further finds that:

6 (a) private investment of venture and equity capital
7 in the Montana economy will be encouraged and promoted by
8 making tax credits available to taxpayers investing in
9 Montana capital companies;

10 (b) demands on state revenues restrict the financial
11 ability of the state to make unlimited tax credits available
12 for investment purposes and require that the state place
13 reasonable limits on the total amount of tax credits to be
14 made available for investment incentive;

15 (c) establishment of a rational tax credit program
16 which gives priority to investments in capital companies in
17 the order in which they are qualified will encourage prompt
18 private investment in Montana businesses.

19 (4) The legislature further finds that use of money
20 from the Montana in-state investment fund established by
21 17-6-305 to purchase debentures issued by a capital company
22 will promote the business prosperity and economic welfare of
23 the state and its citizens."

24 Section 7. Section 90-8-303, MCA, is amended to read:
25 "90-8-303. Conflict of interest. (1) (a) The members

1 of the board, the commissioner of financial institutions, or
2 a bank examiner may not have a monetary interest in or be a
3 borrower from any Montana capital company, either directly
4 or indirectly.

5 (b) These restrictions do not prohibit the board,
6 acting as a whole, from purchasing debentures issued by a
7 Montana capital company.

8 (2) A member of the investment committee of a Montana
9 capital company who has an interest in a venture that comes
10 before the committee for a vote shall disclose such interest
11 and abstain from voting on investment in the venture."

12 NEW SECTION. Section 8. Extension of authority. Any
13 existing authority of the Montana economic development board
14 to make rules on the subject of the provisions of this act
15 is extended to the provisions of this act.

-End-

SENATE BILL NO. 110

INTRODUCED BY THAYER, HARPER, SIMON, VAN VALKENBURG,
RASMUSSEN, MAZUREK, C. SMITH, CRIPPEN, VINCENT

A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND THE MONTANA
IN-STATE INVESTMENT ACT OF 1983 TO PROVIDE FOR INVESTMENT IN
MONTANA CAPITAL COMPANIES; AND AMENDING SECTIONS 17-6-302,
17-6-310 THROUGH 17-6-313, 90-8-102, AND 90-8-303, MCA."

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

Section 1. Section 17-6-302, MCA, is amended to read:

"17-6-302. Definitions. As used in this part, unless
the context requires otherwise, the following definitions
apply:

(1) "Board" means the Montana economic development
board established in 2-15-1805.

(2) "Capital company" means a Montana capital company
created pursuant to Title 90, chapter 8.

(3) "Clean and healthful environment" means an
environment that is relatively free from pollution which
threatens human health, including as a minimum, compliance
with federal and state environmental and health standards.

(4) "Employee-owned enterprise" means any
enterprise at least 51% of whose stock, partnership
interests, or other ownership interests is owned and

controlled by residents of Montana each of whose principal
occupation is as an employee, officer, or partner of the
enterprise.

(5) "Financial institution" includes but is not
limited to a state- or federally chartered bank or a savings
and loan association, credit union, or development
corporation created pursuant to Title 32, chapter 4.

(6) "Loan participation" means loans or portions
thereof bought from a financial institution and does not
include the purchase of debentures issued by a capital
company.

(7) "Locally owned enterprise" means any enterprise
51% of whose stock, partnership interests, or other
ownership interests are owned and controlled by residents of
Montana.

(8) "Long-term benefit to the Montana economy"
means an activity that strengthens the Montana economy and
that has the potential to maintain and create jobs, increase
per capita income, or increase Montana tax revenues in the
future to the people of Montana, either directly or
indirectly.

(9) "Montana economy" means any business activity
in the state of Montana, including those which continue
existing jobs or create new jobs in Montana.

(10) "Montana in-state investment fund" means the

1 fund established by 17-6-305.

2 ~~(10)~~(11) "Service fees" means the fees normally charged
3 by a financial institution for servicing a loan, including
4 amounts charged for collecting payments and remitting
5 amounts to the fund."

6 Section 2. Section 17-6-310, MCA, is amended to read:

7 "17-6-310. No direct loans. (1) The state may not use
8 this revenue to make direct loans.

9 (2) No money from the Montana in-state investment fund
10 may be used to make direct loans to individual borrowers.
11 ~~beans~~ The purchase of debentures issued by a capital company
12 and loans or portions thereof originated by a financial
13 institution that are sold to the trust are not direct
14 loans."

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

16 "17-6-311. Limitation on size of investments. (1)
17 Except as provided in ~~subsection~~ subsections (2) and (3), no
18 investment may be made that will result in any one business
19 enterprise or person receiving a benefit from or incurring a
20 debt to the Montana in-state investment fund the total
21 current accumulated amount of which exceeds 10% of the prior
22 fiscal year's coal severance tax revenue deposited in the
23 Montana in-state investment fund.

24 (2) Subsection (1) does not limit the board's
25 authority to guarantee loans or bonds or make loans to the

1 capital reserve account and guaranty fund as provided in
2 17-6-308(2) and (3).

3 (3) Subsection (1) does not apply to the purchase of
4 debentures issued by a capital company; however, the total
5 amount of such debentures purchased by the board may not
6 exceed 10% of the Montana in-state investment fund at the
7 time of purchase."

8 Section 4. Section 17-6-312, MCA, is amended to read:

9 "17-6-312. State participation in loans. (1) State
10 participation in any loan to a business enterprise, except
11 for a loan guaranteed by a federal agency, must be limited
12 to 80% of the outstanding loan. The state shall participate
13 in the security for a loan in the same proportion as the
14 loan participation amount.

15 (2) The purchase of debentures issued by a capital
16 company is not a loan participation and is not subject to
17 subsection (1)."

18 Section 5. Section 17-6-313, MCA, is amended to read:

19 "17-6-313. Prior commitment of funds. The board may
20 authorize the commitment of funds to financial institutions
21 and capital companies pursuant to rules adopted by the
22 board, but the determination as to credit with respect to
23 individual investments must be made by the financial
24 institution and the board or the capital company and the
25 board."

1 Section 6. Section 90-8-102, MCA, is amended to read:
 2 "90-8-102. Declaration of policy. (1) The legislature
 3 finds and declares that:

4 (a) economic insecurity due to unemployment is a
 5 serious menace to the health, safety, and general welfare of
 6 not only the affected people but of the people of the entire
 7 state;

8 (b) involuntary unemployment, with its resulting
 9 burden of indigency, falls with crushing force upon
 10 unemployed workers and ultimately on the state itself in the
 11 form of public assistance and unemployment compensation
 12 payments; and

13 (c) unemployment causes a migration of Montana workers
 14 and families seeking jobs and establishing homes elsewhere,
 15 which deprives the state of its most valuable resource, its
 16 people, and reduces the tax base of local governments,
 17 impairing their ability to provide basic services.

18 (2) (a) The legislature further finds that the best
 19 method of combating unemployment and protecting Montana
 20 against the loss of its people is by promoting, stimulating,
 21 developing, rehabilitating, and revitalizing the business
 22 prosperity and economic welfare of the state and its
 23 citizens.

24 (b) To accomplish this goal, the legislature seeks to
 25 encourage the formation of venture and equity capital in

1 Montana for use in diversifying, strengthening, and
 2 stabilizing the Montana economy by increasing Montana
 3 employment and business opportunities while protecting the
 4 people's constitutional right to a clean and healthful
 5 environment.

6 (3) The legislature further finds that:

7 (a) private investment of venture and equity capital
 8 in the Montana economy will be encouraged and promoted by
 9 making tax credits available to taxpayers investing in
 10 Montana capital companies;

11 (b) demands on state revenues restrict the financial
 12 ability of the state to make unlimited tax credits available
 13 for investment purposes and require that the state place
 14 reasonable limits on the total amount of tax credits to be
 15 made available for investment incentive;

16 (c) establishment of a rational tax credit program
 17 which gives priority to investments in capital companies in
 18 the order in which they are qualified will encourage prompt
 19 private investment in Montana businesses.

20 (4) The legislature further finds that use of money
 21 from the Montana in-state investment fund established by
 22 17-6-305 to purchase debentures issued by a capital company
 23 will promote the business prosperity and economic welfare of
 24 the state and its citizens."

25 Section 7. Section 90-8-303, MCA, is amended to read:

1 "90-8-303. Conflict of interest. (1) (a) The members
2 of the board, the commissioner of financial institutions, or
3 a bank examiner may not have a monetary interest in or be a
4 borrower from any Montana capital company, either directly
5 or indirectly.

6 (b) These restrictions do not prohibit the board,
7 acting as a whole, from purchasing debentures issued by a
8 Montana capital company.

9 (2) A member of the investment committee of a Montana
10 capital company who has an interest in a venture that comes
11 before the committee for a vote shall disclose such interest
12 and abstain from voting on investment in the venture."

13 NEW SECTION. Section 8. Extension of authority. Any
14 existing authority of the Montana economic development board
15 to make rules on the subject of the provisions of this act
16 is extended to the provisions of this act.

-End-