

HOUSE BILL NO. 783  
INTRODUCED BY O'KEEFE, HARP

IN THE HOUSE

MARCH 16, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.
MARCH 17, 1989	FIRST READING.
MARCH 23, 1989	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
MARCH 27, 1989	PRINTING REPORT.
MARCH 29, 1989	SECOND READING, DO PASS.
MARCH 30, 1989	ENGROSSING REPORT.
	THIRD READING, PASSED. AYES, 91; NOES, 8.
	TRANSMITTED TO SENATE.

IN THE SENATE

MARCH 31, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON BUSINESS & INDUSTRY.
	FIRST READING.
APRIL 8, 1989	COMMITTEE RECOMMEND BILL BE CONCURRED IN AS AMENDED. REPORT ADOPTED.
	STATEMENT OF INTENT ADOPTED.
APRIL 10, 1989	SECOND READING, CONCURRED IN.
APRIL 12, 1989	THIRD READING, CONCURRED IN. AYES, 47; NOES, 2.
	RETURNED TO HOUSE WITH AMENDMENTS AND STATEMENT OF INTENT.

IN THE HOUSE

APRIL 13, 1989

RECEIVED FROM SENATE.

SECOND READING, AMENDMENTS  
CONCURRED IN.

APRIL 14, 1989

THIRD READING, AMENDMENTS  
CONCURRED IN.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 HOUSE BILL NO. 783  
2 INTRODUCED BY Rufe HARP  
3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING THE  
5 DEPARTMENT OF REVENUE TO NEGOTIATE WITH BANKS TO ALLOW THE  
6 STATE TO BE THE SPONSORING ENTITY FOR A BANK CREDIT CARD;  
7 PROVIDING THAT THE FEE NEGOTIATED BY THE DEPARTMENT IN  
8 EXCHANGE FOR BEING A SPONSORING ENTITY BE DEPOSITED IN THE  
9 GENERAL FUND AND THE SCHOOL EQUALIZATION FUND; AND PROVIDING  
10 AN IMMEDIATE EFFECTIVE DATE."

11  
12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13 NEW SECTION. Section 1. State-sponsored credit card  
14 -- distribution of proceeds. (1) The department of revenue  
15 is authorized to participate in a bank credit card program  
16 for the benefit of the state. Within 180 days of [the  
17 effective date of this act], the department shall contact  
18 banks that perform all of the functions listed in 32-1-105  
19 to determine if:

20 (a) the bank or its holding company or affiliate  
21 currently administers a credit card program;

22 (b) the credit card program provides a fee or  
23 commission on retail sales to the sponsoring entity for the  
24 issuance and use of the credit card; and

25 (c) the credit card program would accept the state as

1 a sponsoring entity.

2 (2) If the department determines that the state may be  
3 a sponsoring entity for a bank credit card, the department  
4 shall negotiate the most favorable rate for the state's fee  
5 by a credit card issuer. The state may not offer a more  
6 favorable rate to any credit card issuer. The rate must be  
7 expressed as a percentage of the gross sales from the use of  
8 the credit card. The proceeds of the fee must be deposited  
9 one-half in the general fund and one-half in the state  
10 special revenue fund for state equalization aid to public  
11 schools.

12 (3) As used in this section, the following definitions  
13 apply:

14 (a) "Bank" means a commercial bank as defined in  
15 32-1-105.

16 (b) "Bank credit card" means a credit card that  
17 entitles the holder to make open-account purchases up to an  
18 approved amount and is issued through the agency of a bank.

19 (c) "Sponsoring entity" means an entity that solicits  
20 the use of a particular bank credit card bearing the  
21 entity's name in exchange for a fee from the credit card  
22 issuer.

23 NEW SECTION. Section 2. Extension of authority. Any  
24 existing authority to make rules on the subject of the  
25 provisions of [this act] is extended to the provisions of

LC 0220/01

- 1 [this act].
- 2 NEW SECTION. **Section 3.** Effective date. [This act] is
- 3 effective on passage and approval.

-End-

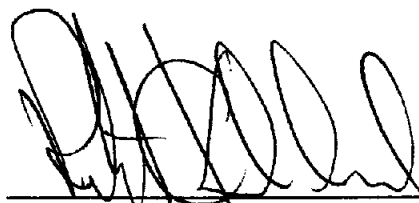
In compliance with a written request, there is hereby submitted a Fiscal Note for HB783, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act authorizing the Department of Revenue to negotiate with banks to allow the state to be the sponsoring entity for a bank credit card; providing that the fee negotiated by the department in exchange for being a sponsoring entity be deposited in the general fund and the school equalization fund; and providing an immediate effective date.

FISCAL IMPACT:

Assuming that the state is allowed to become a sponsoring entity for a bank credit card, it is projected that total cumulative net revenue to the state through the year 1993 could total \$8.4 million. These funds would be split 50% to the state general fund and 50% to state equalization aid to public schools.

 DATE 3/20/89  
BOB KUCHENBROD, DEPUTY DIRECTOR  
Office of Budget and Program Planning

DATE 3/21/89  
MARK O'KEEFE PRIMARY SPONSOR

Fiscal Note for HB783, as introduced

**HB 783**

APPROVED BY COMMITTEE  
ON TAXATION

## HOUSE BILL NO. 783

INTRODUCED BY O'KEEFE, HARP

A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING THE DEPARTMENT OF REVENUE TO NEGOTIATE WITH BANKS FINANCIAL INSTITUTIONS TO ALLOW THE STATE TO BE THE SPONSORING ENTITY FOR A BANK FINANCIAL INSTITUTION CREDIT CARD; PROVIDING THAT THE FEE NEGOTIATED BY THE DEPARTMENT IN EXCHANGE FOR BEING A SPONSORING ENTITY BE DEPOSITED IN THE GENERAL FUND AND THE SCHOOL EQUALIZATION FUND; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

NEW SECTION. Section 1. State-sponsored credit card

-- distribution of proceeds. (1) The department of revenue is authorized to participate in a bank FINANCIAL INSTITUTION credit card program for the benefit of the state. Within 180 days of [the effective date of this act], the department shall contact ~~banks-that-perform-all-of-the-functions-listed in-32-1-105~~ EACH FINANCIAL INSTITUTION to determine if:

(a) the bank FINANCIAL INSTITUTION or its holding company or affiliate currently administers a credit card program;

(b) the credit card program provides a fee or commission on retail sales to the sponsoring entity for the

issuance and use of the credit card; and

(c) the credit card program would accept the state as a sponsoring entity.

(2) If the department determines that the state may be a sponsoring entity for a bank FINANCIAL INSTITUTION credit card, the department shall negotiate the most favorable rate for the state's fee by a credit card issuer. The state may not offer a more favorable rate to any credit card issuer. The rate must be expressed as a percentage of the gross sales from the use of the credit card. The proceeds of the fee must be deposited one-half in the general fund and one-half in the state special revenue fund for state equalization aid to public schools.

(3) As used in this section, the following definitions apply:

~~(a) "Bank" means a commercial bank as defined in 32-1-105.~~

(A) "FINANCIAL INSTITUTION" MEANS A BANK CHARTERED UNDER TITLE 32, CHAPTER 1; A BANK CHARTERED UNDER THE NATIONAL BANK ACTS IN TITLE 12 OF THE UNITED STATES CODE; A BUILDING AND LOAN ASSOCIATION CHARTERED UNDER TITLE 32, CHAPTER 2; A SAVINGS AND LOAN ASSOCIATION CHARTERED UNDER THE HOME OWNERS' LOAN ACT IN TITLE 12 OF THE UNITED STATES CODE; A CREDIT UNION CHARTERED UNDER TITLE 32, CHAPTER 3; OR A CREDIT UNION CHARTERED UNDER THE FEDERAL CREDIT UNION ACT

1 IN TITLE 12 OF THE UNITED STATES CODE.

2 (b) "Bank FINANCIAL INSTITUTION credit card" means a  
3 credit card that entitles the holder to make open-account  
4 purchases up to an approved amount and is issued through the  
5 agency of a bank FINANCIAL INSTITUTION.

6 (c) "Sponsoring entity" means an entity that solicits  
7 the use of a particular bank FINANCIAL INSTITUTION credit  
8 card bearing the entity's name in exchange for a fee from  
9 the credit card issuer.

10 NEW SECTION. Section 2. Extension of authority. Any  
11 existing authority to make rules on the subject of the  
12 provisions of [this act] is extended to the provisions of  
13 [this act].

14 NEW SECTION. Section 3. Effective date. [This act] is  
15 effective on passage and approval.

-End-

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

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credit card program for the benefit of the state. Within 180  
days of [the effective date of this act], the department  
shall contact ~~banks-that-perform-all-of-the-functions-listed~~  
~~in-32-1-105~~ EACH FINANCIAL INSTITUTION to determine if:

(a) the bank FINANCIAL INSTITUTION or its holding company or affiliate currently administers a credit card program;

(b) the credit card program provides a fee or commission on retail sales to the sponsoring entity for the

issuance and use of the credit card; and

(c) the credit card program would accept the state as a sponsoring entity.

(2) If the department determines that the state may be a sponsoring entity for a bank FINANCIAL INSTITUTION credit card, the department shall negotiate the most favorable rate for the state's fee by a credit card issuer. The state may not offer a more favorable rate to any credit card issuer. The rate must be expressed as a percentage of the gross sales from the use of the credit card. The proceeds of the fee must be deposited one-half in the general fund and one-half in the state special revenue fund for state equalization aid to public schools.

(3) As used in this section, the following definitions apply:

~~{a}--"Bank"--means--a--commercial--bank--as--defined--in 32-1-105-~~

(A) "FINANCIAL INSTITUTION" MEANS A BANK CHARTERED UNDER TITLE 32, CHAPTER 1; A BANK CHARTERED UNDER THE NATIONAL BANK ACTS IN TITLE 12 OF THE UNITED STATES CODE; A BUILDING AND LOAN ASSOCIATION CHARTERED UNDER TITLE 32, CHAPTER 2; A SAVINGS AND LOAN ASSOCIATION CHARTERED UNDER THE HOME OWNERS' LOAN ACT IN TITLE 12 OF THE UNITED STATES CODE; A CREDIT UNION CHARTERED UNDER TITLE 32, CHAPTER 3; OR A CREDIT UNION CHARTERED UNDER THE FEDERAL CREDIT UNION ACT



1 IN TITLE 12 OF THE UNITED STATES CODE.

2 (b) "Bank FINANCIAL INSTITUTION credit card" means a  
3 credit card that entitles the holder to make open-account  
4 purchases up to an approved amount and is issued through the  
5 agency of a bank FINANCIAL INSTITUTION.

6 (c) "Sponsoring entity" means an entity that solicits  
7 the use of a particular bank FINANCIAL INSTITUTION credit  
8 card bearing the entity's name in exchange for a fee from  
9 the credit card issuer.

10 NEW SECTION. Section 2. Extension of authority. Any  
11 existing authority to make rules on the subject of the  
12 provisions of [this act] is extended to the provisions of  
13 [this act].

14 NEW SECTION. Section 3. Effective date. [This act] is  
15 effective on passage and approval.

-End-

**SENATE STANDING COMMITTEE REPORT**

April 8, 1989

**MR. PRESIDENT:**

We, your committee on Business and Industry, having had under consideration HB 783 (third reading copy -- blue), respectfully report that HB 783 be amended and as so amended be concurred in:

Sponsor: O'Keefe (Harp)

1. Title, line 10.

Following: "FUND;"

Insert: "GRANTING RULEMAKING AUTHORITY;"

2. Page 1.

Following: line 11

Insert: "STATEMENT OF INTENT

It is the intent of the legislature that the department of revenue adopt rules necessary to implement the Montana state-sponsored credit card program. The rules may include provisions governing the procedures for contacting financial institutions to determine if they would accept the state as a sponsoring entity for a credit card program and for negotiating the rate for the state's fee.

In participating in a credit card program, the state may contract with a number of financial institutions to establish the state as a sponsoring entity. The state may not contract to assume any liability for lost or stolen credit cards."

3. Page 2.

Following: line 13

Insert: "(3) The department may adopt rules necessary to implement the credit card program."

Renumber: subsequent subsection

**AND AS AMENDED BE CONCURRED IN**

Signed,

  
Gene Thayer, Chairman

Statement of Intent adopted.

**SENATE  
HB 783**

## HOUSE BILL NO. 783

INTRODUCED BY O'KEEFE, HARP

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## STATEMENT OF INTENT

It is the intent of the legislature that the department of revenue adopt rules necessary to implement the Montana state-sponsored credit card program. The rules may include provisions governing the procedures for contacting financial institutions to determine if they would accept the state as a sponsoring entity for a credit card program and for negotiating the rate for the state's fee.

In participating in a credit card program, the state may contract with a number of financial institutions to establish the state as a sponsoring entity. The state may not contract to assume any liability for lost or stolen credit cards.

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

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(b) the credit card program provides a fee or commission on retail sales to the sponsoring entity for the issuance and use of the credit card; and

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(2) If the department determines that the state may be a sponsoring entity for a bank FINANCIAL INSTITUTION credit card, the department shall negotiate the most favorable rate for the state's fee by a credit card issuer. The state may not offer a more favorable rate to any credit card issuer. The rate must be expressed as a percentage of the gross sales from the use of the credit card. The proceeds of the fee must be deposited one-half in the general fund and

1 one-half in the state special revenue fund for state  
2 equalization aid to public schools.

3 (3) THE DEPARTMENT MAY ADOPT RULES NECESSARY TO  
4 IMPLEMENT THE CREDIT CARD PROGRAM.

5 (3)(4) As used in this section, the following  
6 definitions apply:

7 ~~(a) -- "Bank" -- means -- a -- commercial -- bank -- as -- defined in~~  
8 ~~32-1-105.~~

9 (A) "FINANCIAL INSTITUTION" MEANS A BANK CHARTERED  
10 UNDER TITLE 32, CHAPTER 1; A BANK CHARTERED UNDER THE  
11 NATIONAL BANK ACTS IN TITLE 12 OF THE UNITED STATES CODE; A  
12 BUILDING AND LOAN ASSOCIATION CHARTERED UNDER TITLE 32,  
13 CHAPTER 2; A SAVINGS AND LOAN ASSOCIATION CHARTERED UNDER  
14 THE HOME OWNERS' LOAN ACT IN TITLE 12 OF THE UNITED STATES  
15 CODE; A CREDIT UNION CHARTERED UNDER TITLE 32, CHAPTER 3; OR  
16 A CREDIT UNION CHARTERED UNDER THE FEDERAL CREDIT UNION ACT  
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19 credit card that entitles the holder to make open-account  
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