

HOUSE BILL NO. 93

INTRODUCED BY EWER
BY REQUEST OF THE DEPARTMENT OF ADMINISTRATION

IN THE HOUSE

DECEMBER 31, 1992	INTRODUCED AND REFERRED TO COMMITTEE ON STATE ADMINISTRATION.
JANUARY 4, 1993	FIRST READING.
JANUARY 13, 1993	COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.
JANUARY 14, 1993	PRINTING REPORT.
JANUARY 16, 1993	SECOND READING, DO PASS.
JANUARY 18, 1993	ENGROSSING REPORT.
	THIRD READING, PASSED. AYES, 99; NOES, 0.
	TRANSMITTED TO SENATE.

IN THE SENATE

JANUARY 20, 1993	INTRODUCED AND REFERRED TO COMMITTEE ON FINANCE & CLAIMS.
	FIRST READING.
MARCH 1, 1993	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
MARCH 2, 1993	SECOND READING, CONCURRED IN.
MARCH 3, 1993	THIRD READING, CONCURRED IN. AYES, 48; NOES, 0.
	RETURNED TO HOUSE.

IN THE HOUSE

MARCH 4, 1993	RECEIVED FROM SENATE.
	SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 HOUSE BILL NO. 93

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4
5 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR THE
6 STATUTORY APPROPRIATION OF CERTAIN TREASURY FUNDS TO PAY FOR
7 GENERAL DEPOSITORY BANKING SERVICES AND TO ALLOW THE STATE
8 TREASURER TO REPAY FEDERAL FUNDS AND INTEREST TO THE UNITED
9 STATES TREASURER; AMENDING SECTIONS 17-3-106, 17-6-101, AND
10 17-7-502, MCA; AND PROVIDING AN EFFECTIVE DATE."
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12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13 **Section 1.** Section 17-3-106, MCA, is amended to read:

14 "17-3-106. Fiscal officer for receipt of federal
15 grants. (1) The state treasurer is hereby designated as the
16 fiscal officer of the state to receive from the United
17 States government or any of its agencies ~~any-and~~ all funds
18 ~~which that~~ may be made available as a grant ~~or-grants~~ to the
19 state of Montana under any act of congress, or otherwise,
20 for any purpose or use ~~whatsoever~~. The state treasurer is
21 ~~hereby--authorized,--empowered,--and--directed~~ shall, upon
22 receipt of ~~any-such-fund-or~~ the funds, to deposit the same
23 funds in the proper fund in the state treasury.

24 (2) The state treasurer may return to the federal
25 government any federal funds and the interest earned on the

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2 federal law or the terms of the federal grant that made the
3 funds available. The funds are statutorily appropriated, as
4 provided in 17-7-502, to the state treasurer for the purpose
5 of returning the funds under the provisions of this
6 subsection."

7 **Section 2.** Section 17-6-101, MCA, is amended to read:

8 "17-6-101. Deposit of funds in the hands of the state
9 treasurer. (1) Under the direction of the board of
10 investments, the state treasurer shall deposit public ~~moneys~~
11 money in ~~his~~ the treasurer's possession and under ~~his~~ the
12 treasurer's control in solvent banks, building and loan
13 associations, savings and loan associations, and credit
14 unions located in the state, except as otherwise provided by
15 law, subject to national supervision or state examination.

16 (2) The state treasurer shall deposit funds in ~~such~~
17 banks, building and loan associations, savings and loan
18 associations, and credit unions and in ~~such~~ amounts as may
19 be designated by the board of investments and ~~shall~~ withdraw
20 ~~such~~ deposits when instructed to by the board of
21 investments.

22 (3) When ~~moneys-have~~ money has been deposited under the
23 board of investments and in accordance with the law, the
24 state treasurer is not liable for loss on account of any
25 such deposit occurring from any cause other than ~~his~~ the

1 treasurer's own neglect or fraud.

2 (4) The state treasurer shall withdraw all deposits or
3 any part thereof of deposits from time to time to pay and
4 discharge the legal obligations of the state duly presented
5 to him the treasurer in accordance with the law.

6 (5) The state treasurer may contract with a financial
7 institution to provide general depository banking services.
8 The cost of contracting for banking services is statutorily
9 appropriated, as provided in 17-7-502, from the general
10 fund."

11 **Section 3.** Section 17-7-502, MCA, is amended to read:

12 "17-7-502. Statutory appropriations -- definition --
13 **requisites for validity.** (1) A statutory appropriation is an
14 appropriation made by permanent law that authorizes spending
15 by a state agency without the need for a biennial
16 legislative appropriation or budget amendment.

17 (2) Except as provided in subsection (4), to be
18 effective, a statutory appropriation must comply with both
19 of the following provisions:

20 (a) The law containing the statutory authority must be
21 listed in subsection (3).

22 (b) The law or portion of the law making a statutory
23 appropriation must specifically state that a statutory
24 appropriation is made as provided in this section.

25 (3) The following laws are the only laws containing

1 statutory appropriations: 2-9-202; 2-17-105; 2-18-812;
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17 (4) There is a statutory appropriation to pay the
18 principal, interest, premiums, and costs of issuing, paying,
19 and securing all bonds, notes, or other obligations, as due,
20 that have been authorized and issued pursuant to the laws of
21 Montana. Agencies that have entered into agreements
22 authorized by the laws of Montana to pay the state
23 treasurer, for deposit in accordance with 17-2-101 through
24 17-2-107, as determined by the state treasurer, an amount
25 sufficient to pay the principal and interest as due on the

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2 the payments. (In subsection (3): pursuant to sec. 7, Ch.
3 567, L. 1991, the inclusion of 19-6-709 terminates upon
4 death of last recipient eligible for supplemental benefit;
5 and pursuant to sec. 18, Ch. 748, L. 1991, the inclusion of
6 22-3-811 terminates June 30, 1993.)"

7 NEW SECTION. **Section 4.** Effective date. [This act] is
8 effective July 1, 1993.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0093, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

A bill providing for a statutory appropriation of certain treasury funds to pay for general depository banking services and to allow the state treasurer to repay federal funds and interest to the federal government.

ASSUMPTIONS:


General depository banking service costs:

1. An average \$27,000,000 balance is currently left in the bank's clearing account to cover the compensating balance required to pay bank service costs, estimated at \$660,000 per year.
2. \$25,000,000 is available in the bank's clearing account for investment by the Board of Investments.
3. The Board of Investments' interest rates average 0.5% higher than the fed funds effective rate currently offered by First Bank which holds the state's deposits. The fed funds effective rate is currently about 3%.
4. The bank charges for depository services include amounts to collateralize the state's funds plus FDIC costs. Reducing the balance in the clearing account would reduce \$50,000 in collateral costs and \$57,500 in FDIC charges.
5. All service charges and interest in the clearing account accrue to the general fund.

Repayment of amounts due to the federal government:

1. The state will apply the estimated clearance or average clearance method as required under the federal Cash Management Improvement Act.
2. The state will manage cash draws of federal funds in order to create amounts payable to the federal government equal to any costs incurred to develop and administer a check clearing system. Implementation costs are currently estimated at \$30,000 per year.
3. The state will earn interest on early draws of federal funds at a rate equal to or slightly greater than the rate of interest payable to the federal government. Therefore, any amounts due to the federal government will be offset by interest earned by the state. Federal rules allow the state to use any amounts payable to the federal government for state expenses up to \$50,000.
4. Any costs incurred or interest received will be funded from or be accounted for in the general fund.

FISCAL IMPACT: (continued)


DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning


DAVID EWER, PRIMARY SPONSOR DATE

Fiscal Note for HB0093, as introduced

HB 93

FISCAL IMPACT:

	<u>FY '94</u>			<u>FY '95</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
Banking service costs:						
Expenditures (01)	0	552,500	552,500	0	552,500	552,500
Revenues (01)	<u>150,000</u>	<u>935,000</u>	<u>785,000</u>	<u>150,000</u>	<u>935,000</u>	<u>785,000</u>
Net General Fund Impact	150,000	382,500	232,500	150,000	382,500	232,500

Expenditures are amounts paid from statutory appropriation for depository banking services. Current revenues reflect interest earned on clearing account balance less depository banking service charges. Proposed revenues reflect interest earned on clearing account balance plus funds invested by the Board of Investments.

Amounts due federal government:
No significant net impact.

APPROVED BY COMMITTEE
ON STATE ADMINISTRATION

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6 17-6-101; 17-6-409; 17-7-304; 19-5-404; 19-6-709; 19-8-504;
7 19-9-702; 19-9-1007; 19-10-205; 19-10-305; 19-10-506;
8 19-11-512; 19-11-513; 19-11-606; 19-12-301; 19-13-604;
9 19-15-101; 20-4-109; 20-6-406; 20-8-111; 20-9-361;
10 20-26-1503; 22-3-811; 23-5-136; 23-5-306; 23-5-409;
11 23-5-610; 23-5-612; 23-5-631; 23-7-301; 23-7-402; 27-12-206;
12 37-43-204; 37-51-501; 39-71-2504; 44-12-206; 44-13-102;
13 53-6-150; 53-24-206; 61-5-121; 67-3-205; 75-1-1101;
14 75-5-507; 75-5-1108; 75-11-313; 76-12-123; 77-1-808;
15 80-2-103; 80-11-310; 82-11-136; 82-11-161; 85-1-220;
16 90-3-301; 90-4-215; 90-6-331; 90-7-220; and 90-9-306.

17 (4) There is a statutory appropriation to pay the
18 principal, interest, premiums, and costs of issuing, paying,
19 and securing all bonds, notes, or other obligations, as due,
20 that have been authorized and issued pursuant to the laws of
21 Montana. Agencies that have entered into agreements
22 authorized by the laws of Montana to pay the state
23 treasurer, for deposit in accordance with 17-2-101 through
24 17-2-107, as determined by the state treasurer, an amount
25 sufficient to pay the principal and interest as due on the

1 bonds or notes have statutory appropriation authority for
2 the payments. (In subsection (3): pursuant to sec. 7, Ch.
3 567, L. 1991, the inclusion of 19-6-709 terminates upon
4 death of last recipient eligible for supplemental benefit;
5 and pursuant to sec. 18, Ch. 748, L. 1991, the inclusion of
6 22-3-811 terminates June 30, 1993.)"

7 NEW SECTION. **Section 4.** Effective date. [This act] is
8 effective July 1, 1993.

-End-