

HOUSE BILL 200

Introduced by Bergman

1/15	Introduced
1/15	Referred to State Administration
1/15	First Reading
1/15	Fiscal Note Requested
1/20	Rereferred to Local Government
1/22	Fiscal Note Received
1/22	Fiscal Note Printed
1/28	Hearing
2/02	Tabled in Committee

1 House BILL NO. 200
2 INTRODUCED BY Ellen Bergman
3

4 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING THE INVESTMENT
5 OF PUBLIC MONEY IN FACE-AMOUNT CERTIFICATES; AND AMENDING
6 SECTIONS 7-6-202, 7-6-206, AND 20-9-213, MCA."

7
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

9 **Section 1.** Section 7-6-202, MCA, is amended to read:

10 "7-6-202. Investment of public money in direct
11 obligations of the United States -- face-amount
12 certificates. (1) A local governing body may invest public
13 money not necessary for immediate use by the county, city,
14 or town in direct obligations of the United States
15 government and securities issued by agencies of the United
16 States.

17 (2) The local governing body may invest in these
18 obligations either directly or in the form of securities of
19 or other interests in an open-end or closed-end management
20 type investment company or investment trust registered under
21 the Investment Company Act of 1940 (15 U.S.C. 80a-1 through
22 80a-64), as amended, if:

23 (a) the portfolio of the investment company or
24 investment trust is limited to United States government
25 obligations and repurchase agreements fully collateralized

1 by United States government obligations, except as provided
2 in subsection (3); and

3 (b) the investment company or investment trust takes
4 delivery of the collateral for any repurchase agreement,
5 either directly or through an authorized custodian.

6 (3) A local governing body may invest public money in
7 face-amount certificates as described in 15 U.S.C. 80a-28."

8 **Section 2.** Section 7-6-206, MCA, is amended to read:

9 "7-6-206. Time deposits -- repurchase agreement. (1)
10 Public money not necessary for immediate use by a county,
11 city, or town which that is not invested in direct
12 obligations of the United States government or face-amount
13 certificates as authorized in 7-6-202 may be placed in time
14 or savings deposits with any bank, savings and loan
15 association, or credit union in the state or placed in
16 repurchase agreements as authorized in 7-6-213. Money placed
17 in repurchase agreements is subject to subsection (2).

18 (2) The local governing body may solicit bids for time
19 or savings deposits from any bank, savings and loan
20 association, or credit union in the state. The local
21 governing body may deposit public money in such the
22 institutions unless a local financial institution agrees to
23 pay the same rate of interest bid by a financial institution
24 not located in the county, city, or town. The governing body
25 may solicit bids by notice sent by mail to the investment

institutions who have requested that their names be listed for bid notice with the department of administration."

Section 3. Section 20-9-213, MCA, is amended to read:

"20-9-213. Duties of trustees. The trustees of each district shall ~~have the sole power and authority to~~ transact all fiscal business and execute all contracts in the name of the district. No person other than the trustees acting as a governing board may expend money of the district. In conducting the fiscal business of the district, the trustees shall:

(1) cause the keeping of an accurate, detailed accounting of all receipts and expenditures of school money for each fund maintained by the district in accordance with generally accepted accounting principles and the rules prescribed by the superintendent of public instruction. The record of the accounting must be open to public inspection at any meeting of the trustees.

(2) authorize all expenditures of district money and cause warrants to be issued for the payment of lawful obligations;

(3) issue warrants on any budgeted fund in anticipation of budgeted revenues, except that the expenditures may not exceed the amount budgeted for the fund;

(4) invest any money of the district, whenever in the judgment of the trustees the investment would be

advantageous to the district, by directing the county treasurer to invest any money of the district in direct obligations of the United States government; in face-amount certificates as described in 15 U.S.C. 80a-28; in savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union insured by the FDIC, FSLIC, or NCUA located in the state; or in a repurchase agreement as authorized in 7-6-213. All interest collected on the deposits or investments must be credited to the fund from which the money was withdrawn, except that interest earned on account of the investment of money realized from the sale of bonds must be credited to the debt service fund or the building fund, at the discretion of the board of trustees. The placement of the investment by the county treasurer is not subject to ratable distribution laws and must be done in accordance with the directive from the board of trustees. A district may invest money under the state unified investment program established in Title 17, chapter 6.

(5) cause the district to record every transaction in the appropriate account before the accounts are closed at the end of the fiscal year in order to properly report the receipt, use, and disposition of all money and property for which the district is accountable;

(6) report annually to the county superintendent, not

1 later than August 1, the financial activities of each fund
2 maintained by the district during the last completed school
3 fiscal year, on the forms prescribed and furnished by the
4 superintendent of public instruction. Annual fiscal reports
5 for joint school districts must be submitted to the county
6 superintendent of each county in which part of the joint
7 district is situated.

8 (7) whenever requested, report any other fiscal
9 activities to the county superintendent, superintendent of
10 public instruction, or board of public education;

11 (8) cause the accounting records of the district to be
12 audited as required by 2-7-503; and

13 (9) perform, in the manner permitted by law, other
14 fiscal duties that are in the best interests of the
15 district."

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0200, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act allowing the investment of public money in face-amount certificates.

ASSUMPTIONS:

1. The proposed law permits local governments to invest surplus funds in "face-amount certificates". Under current law, such funds may be invested by local governments in direct obligations of the U. S. government, or other investments backed by the U.S. government.
2. Local governments choosing not to directly invest their surplus funds may remit them to the state treasure for investment under the direction of the Board of Investments. This legislation does not affect the Board's investment policy under which it invests local government funds nor is it likely to significantly increase or decrease the amount of funds the Board invests for local governments.
3. Therefore, enactment of this bill should have no impact on the proprietary account that funds the Board's operation.

FISCAL IMPACT:

None

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

This bill permits local governments to invest their surplus funds in a type of investment not allowed under current law. To the extent that those new investments generate a higher rate of return than investments under current law, local government revenues may increase. However, if these new investments are not backed by the full faith and credit of the U.S. government, local governments may incur a greater risk of loss of public funds.

David Lewis 1-20-93
DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

ELLEN BERGMAN, PRIMARY SPONSOR DATE

Fiscal Note for HB0200, as introduced

HB 200