

## 1 HOUSE BILL NO. 67

2 INTRODUCED BY R. JOHNSON

3 BY REQUEST OF THE DEPARTMENT OF COMMERCE  
45 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE RATE OF INTEREST PAID ON REGISTERED  
6 WARRANTS; AUTHORIZING THE BOARD OF INVESTMENTS TO ESTABLISH THE RATE OF INTEREST ON  
7 WARRANTS PURCHASED BY THE BOARD; AND AMENDING SECTIONS 17-6-212 AND 17-8-304, MCA."  
89 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
1011 **Section 1.** Section 17-6-212, MCA, is amended to read:12 "**17-6-212. State purchase of general fund warrants.** (1) The state ~~hereby~~ reserves ~~to itself~~ a  
13 preference right, prior to the right of any person, company, or corporation, to purchase state general fund  
14 warrants issued with funds under the control of the board of investments and subject to investment.  
1516 (2) When the board of investments has under its control any funds subject to investment ~~which~~  
17 that in its judgment it would be advantageous to ~~have invested~~ invest in state general fund warrants and  
18 that there are not sufficient funds in the state general fund to pay warrants issued against the fund at the time  
19 that they are issued and presented for payment, it shall authorize and direct the state treasurer to purchase  
20 state general fund warrants, designating the fund or funds to be ~~se~~ invested and fixing the amount or  
21 amounts to be invested. It shall also give notice to the state auditor of the investment to be made by the  
22 treasurer, designating the fund or funds to be invested and the amounts to be invested. State general fund  
23 warrants registered by the state treasurer pursuant to 17-8-304(1) and purchased by the board of  
24 investments must bear interest at a rate determined by the board. When determining the interest rate, the  
board shall consider:25 (a) the duration of the investment by estimating the time at which the warrants will be redeemed  
26 pursuant to 17-8-304(1); and27 (b) the interest rate of the investments liquidated to provide the funds to purchase the warrants.28 (3) The auditor shall attach to or stamp, write, or print upon each general fund warrant ~~thereafter~~  
29 issued after the receipt of notice, until warrants totaling the amounts ~~se~~ designated have been issued, a  
30 notice that the state will exercise its preference right to purchase the warrant.

1           (4) The state treasurer shall, ~~thereafter~~ when the marked warrant is presented, ~~to him~~ pay it out  
2 of the proper fund as designated by the board, and the warrant ~~so~~ purchased shall must be registered as  
3 other state warrants and must bear interest as provided by law.

4           (5) When the designated amounts have been invested, the state treasurer shall notify the board  
5 of investments, which shall ~~thereupon~~ issue orders upon the proper funds addressed to the state auditor  
6 for warrants to be issued in favor of the treasurer."

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8           **Section 2.** Section 17-8-304, MCA, is amended to read:

9           **"17-8-304. Payment, registry, and interest.** (1) The state treasurer shall, on the presentation of  
10 state warrants regularly issued, pay the ~~same~~ warrants out of any funds available for ~~such~~ the payments,  
11 and in the event that there are no funds available for ~~such~~ the payment, ~~he must~~ the treasurer shall register  
12 each warrant in a book or register to be kept for that purpose, entering the date of issue, date of  
13 registration, name in whose favor the warrant is drawn, and the number and amount ~~thereof~~ of the warrant  
14 and endorse on each warrant ~~so~~ registered, on its face, "presented for payment and not paid for want of  
15 funds and registered in this office this ... day of ...", inserting the date of registration, ~~and he.~~ The  
16 treasurer shall affix his signature as such treasurer thereto sign the book or register. ~~All warrants so~~  
17 ~~registered and endorsed on and after March 1, 1927, shall bear interest at the rate of 4% a year until called~~  
18 ~~for payment, after date of which call interest shall cease.~~ All warrants shall must be redeemed and paid in  
19 the order of their registration.

20           (2) ~~Nothing herein contained shall be construed to~~ This section does not apply to any warrants  
21 issued on account of any land grant fund or by virtue of any special act authorizing the issuance ~~thereof~~  
22 of warrants."

23

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0067, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

Existing state statute permits the State Treasurer to register warrants if there are insufficient funds in the account/s on which the warrants are drawn. Current statute allows the Montana Board of Investments to purchase registered warrants at a 4% interest rate, i.e., to lend funds to the treasurer in the amount of the warrants purchased.

The Montana Board of Examiners has recently asked the Montana Board of Investments to enter into an agreement to purchase registered warrants if there are insufficient funds in the state general fund at fiscal year-end to repay the purchasers of Tax and Revenue Anticipation Notes (TRANS). This bill removes the current statutory 4% restriction on the amount of interest that can be charged when registered warrants are purchased.


ASSUMPTIONS:


1. The state will continue to issue TRANS.
2. The Montana Board of Examiners will ask the Montana Board of Investments to enter into a warrant purchase agreement to ensure that there is adequate cash available at fiscal year end to repay the holders of the TRANS.
3. The Board of Investments will, if required, purchase warrants drawn on the state general fund at a market interest rate, rather than 4%.

FISCAL IMPACT:

If this bill is enacted, there will be no net impact to the state general fund for the following reasons.

1. To the extent that registered warrants are purchased by the Board of Investments at an interest rate greater than 4%, state general fund expenditures will increase.
2. However, the warrants would be purchased with funds from the Permanent Coal Tax Trust, the interest earnings from which are deposited in the state general fund.
3. Consequently, any increase in state general fund interest expenditures would be offset by interest earnings of a like amount.

 1-5-95  
\_\_\_\_\_  
DAVE LEWIS, BUDGET DIRECTOR      DATE  
Office of Budget and Program Planning

  
\_\_\_\_\_  
ROYAL JOHNSON, PRIMARY SPONSOR      DATE

Fiscal Note for HB0067, as introduced

HB 67

APPROVED BY COMMITTEE  
ON TAXATION

HOUSE BILL NO. 67

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

**Section 1.** Section 17-6-212, MCA, is amended to read:

"**17-6-212. State purchase of general fund warrants.** (1) The state ~~hereby~~ reserves to itself a preference right, prior to the right of any person, company, or corporation, to purchase state general fund warrants issued with funds under the control of the board of investments and subject to investment.

(2) When the board of investments has under its control any funds subject to investment ~~which~~ that in its judgment it would be advantageous to ~~have invested~~ invest in state general fund warrants and there are not sufficient funds in the state general fund to pay warrants issued against the fund at the time that they are issued and presented for payment, it shall authorize and direct the state treasurer to purchase state general fund warrants, designating the fund or funds to be ~~se~~ invested and fixing the amount or amounts to be invested. It shall also give notice to the state auditor of the investment to be made by the treasurer, designating the fund or funds to be invested and the amounts to be invested. State general fund warrants registered by the state treasurer pursuant to 17-8-304(1) and purchased by the board of investments must bear interest at a rate determined by the board. When determining the interest rate, the board shall consider:

(a) the duration of the investment by estimating the time at which the warrants will be redeemed pursuant to 17-8-304(1); and

(b) the interest rate of the investments liquidated to provide the funds to purchase the warrants.

(3) The auditor shall attach to or stamp, write, or print upon each general fund warrant ~~thereafter~~ issued after the receipt of notice, until warrants totaling the amounts ~~se~~ designated have been issued, a notice that the state will exercise its preference right to purchase the warrant.

1           (4) The state treasurer shall, ~~thereafter~~ when the marked warrant is presented, ~~to him~~ pay it out  
 2 of the proper fund as designated by the board, and the warrant ~~so~~ purchased ~~shall~~ must be registered as  
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4           (5) When the designated amounts have been invested, the state treasurer shall notify the board  
 5 of investments, which shall ~~thereupon~~ issue orders upon the proper funds addressed to the state auditor  
 6 for warrants to be issued in favor of the treasurer."

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8           **Section 2.** Section 17-8-304, MCA, is amended to read:

9           "**17-8-304. Payment, registry, and interest.** (1) The state treasurer shall, on the presentation of  
 10 state warrants regularly issued, pay the ~~same~~ warrants out of any funds available for ~~such~~ the payments,  
 11 and in the event that there are no funds available for ~~such~~ the payment, ~~he must~~ the treasurer shall register  
 12 each warrant in a book or register to be kept for that purpose, entering the date of issue, date of  
 13 registration, name in whose favor the warrant is drawn, and the number and amount ~~thereof~~ of the warrant  
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 16 treasurer shall ~~affix his signature as such treasurer thereto~~ sign the book or register. ~~All warrants so~~  
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20           (2) ~~Nothing herein contained shall be construed to~~ This section does not apply to any warrants  
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