



1           **NEW SECTION.** **Section 1. Short title.** [Sections 1 through 8] may be cited as the "Job  
2 Investment Act".

3  
4           **NEW SECTION.** **Section 2. Legislative findings -- purpose.** (1) The legislature finds and declares  
5 that:

6           (a) it is the policy of the state to foster and encourage economic development within the state in  
7 order to promote the general welfare of the people;

8           (b) access to capital for the creation, expansion, and retention of qualified businesses, particularly  
9 for working capital, is a serious problem that inhibits the growth of businesses, jobs, and tax revenue; and

10           (c) the public sector and the private sector are constrained from satisfying the financial needs of  
11 state businesses because of federal and state financial regulatory rules and practices.

12           (2) The purpose of [sections 1 through 8] is to create a job investment program that encourages  
13 and assists in the creation, development, and financing of businesses whose primary obstacle to expansion  
14 or retention of employment is access to the appropriate type and amount of financing. This financial need  
15 is particularly acute in areas of the state that are economically depressed, and emphasis should be given  
16 to projects that will be located in these areas if the projects meet the requirements of [sections 1 through  
17 8] and rules adopted pursuant to [section 4] and meet acceptable levels of financial risk as determined by  
18 the loan review committee.

19  
20           **NEW SECTION.** **Section 3. Definitions.** As used in [sections 1 through 8], unless the context  
21 requires otherwise, the following definitions apply:

22           (1) "Department" means the department of commerce provided for in 2-15-1801.

23           (2) "Loan review committee" means the committee that is established by the department to  
24 consider economic development loan applications for funding by the federal community development block  
25 grant program and that is responsible for reviewing and approving or denying job investment loans subject  
26 to [sections 1 through 8] and rules implementing [sections 1 through 8].

27           (3) "Qualified business" means a business enterprise that either is or will be located in the state  
28 and that produces goods or provides services that will, as a result of receiving a job investment loan, create  
29 jobs for Montana workers.

30

1           **NEW SECTION. Section 4. Rulemaking authority.** The department shall adopt rules to implement  
2 the provisions of [sections 1 through 8], including rules:

3           (1) determining the amount of interest and the method of computation and payment of interest  
4 charged to recipients of job investment loans and specifying amortization schedules and other terms and  
5 conditions for job investment loans as necessary. The rate of interest charged on a loan may not be less  
6 than the prevailing market rate.

7           (2) establishing criteria for determining nonperformance and declaring default for a job investment  
8 loan;

9           (3) specifying security and collateral requirements that must be met as a condition of receiving a  
10 job investment loan;

11           (4) encouraging financial institutions to participate to the greatest extent possible in the financing  
12 of job investment projects;

13           (5) requiring at least 50% of project funding to come from equity or debt sources other than a job  
14 investment loan; and

15           (6) providing for an application process and a loan review process.

16  
17           **NEW SECTION. Section 5. Job investment administrative account.** There is a job investment  
18 administrative account in the state special revenue fund. The department shall deposit all loan origination  
19 fees, all service charges, and up to 2% of interest payments on job investment loans into the account.  
20 Money in the account must be used to pay the costs of administering [sections 1 through 8], including  
21 personnel costs, operating costs, and administrative costs.

22  
23           **NEW SECTION. Section 6. Loan review committee -- conflict of interest -- servicing of loans.** (1)  
24 The department shall establish a loan review committee to administer [sections 1 through 8]. The  
25 committee shall accept and review loan applications pursuant to rules adopted by the department. The  
26 committee shall approve or disapprove loans. A loan may not exceed \$500,000.

27           (2) A member of the department or the loan review committee who has a financial interest in a  
28 business that submits a job investment loan application shall disclose the interest and abstain from any  
29 involvement in the application, due diligence, and approval processes.

30           (3) The department may contract for the servicing of loans.

1           **NEW SECTION. Section 7. Legislative oversight.** The department shall report to the revenue  
2 oversight committee annually on the performance of the job investment program. The report to the  
3 committee must include:

- 4           (1) a summary of all loans made during the year;  
5           (2) an analysis of job creation goals and performance;  
6           (3) a summary of loan terms and conditions;  
7           (4) a summary of funds leveraged with job investment loans; and  
8           (5) an analysis of the job investment portfolio performance including calculations for returns on  
9 investments.

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11           **NEW SECTION. Section 8. Grants, gifts, and donations.** The department may accept grants, gifts,  
12 and donations for purposes of [sections 1 through 8]. The department may expend the funds pursuant to  
13 laws and conditions governing the funds.

14  
15           **Section 9.** Section 17-6-308, MCA, is amended to read:

16           **"17-6-308. Authorized investments.** (1) Except as provided in subsections (2) ~~and (3)~~ through  
17 (4) and subject to the provisions of 17-6-201, the Montana permanent coal tax trust fund must be invested  
18 as authorized by rules adopted by the board.

19           (2) The board may make loans from the permanent coal tax trust fund to the capital reserve  
20 account created pursuant to 17-5-1515 to establish balances or restore deficiencies in the account. The  
21 board may agree in connection with the issuance of bonds or notes secured by the account or fund to make  
22 the loans. Loans must be on terms and conditions ~~as determined by the board determines~~ and must be  
23 repaid from ~~revenues of the board~~ revenue realized from the exercise of ~~its~~ the board's powers under  
24 17-5-1501 through 17-5-1518 and 17-5-1521 through 17-5-1529, subject to the prior pledge of the  
25 ~~revenues~~ revenue to the bonds and notes.

26           (3) The board shall allow the Montana board of science and technology development, provided for  
27 in 2-15-1818, to administer \$15.5 million of the permanent coal tax trust fund for seed capital project loans  
28 and \$8.1 million of the permanent coal tax trust fund for research and development project loans pursuant  
29 only to the provisions of Title 90, chapter 3. This authority does not extend beyond June 30, 1997, for  
30 seed capital project loans and beyond June 30, 1995, for research and development project loans. Until

1 the Montana board of science and technology development makes a loan pursuant to the provisions of Title  
2 90, chapter 3, the funds under its administration must be invested by the board ~~of investments~~ pursuant  
3 to the provisions of 17-6-201.

4 (4) The board shall allow the department of commerce to administer \$8 million of the permanent  
5 coal tax trust fund for job investment loans pursuant to [sections 1 through 8]. As loans are repaid, the  
6 department of commerce may reinvest the principal in new loans. Until a loan is made, the board shall  
7 invest the funds pursuant to 17-6-201.

8 ~~{4}(5)~~ The board shall adopt rules to allow a nonprofit corporation to apply for economic assistance.  
9 The rules must recognize that different criteria may be needed for nonprofit corporations than for for-profit  
10 corporations."  
11

12 NEW SECTION. Section 10. Codification instruction. [Sections 1 through 8] are intended to be  
13 codified as an integral part of Title 17, chapter 6, and the provisions of Title 17, chapter 6, apply to  
14 [sections 1 through 8].  
15

16 NEW SECTION. Section 11. Effective date. [This act] is effective July 1, 1995.  
17

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0038, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act establishing the Job Investment Act by authorizing the Department of Commerce to administer \$8 million of the permanent coal tax trust fund for loans to businesses to create or retain jobs.

ASSUMPTIONS:

1. Job Investment Act funds are loaned from the Coal Tax Trust account in amounts averaging \$300,000 per month, beginning September 1995.
2. Job Investment Act funds are lent at an average rate of 10%, and amortized over a 10 year period.
4. Assume loan repayments (principal and interest) begin 2 months after funds are disbursed.
5. Assume current Coal Tax Trust opportunity cost earnings at 8% return on investment continue over next biennium.
6. Per SB0038 2% of loan interest payments will be deposited in Job Investment Act state special revenue account (SSR) to be used for costs to administer the program.
7. Principal and 98% of loan interest payments will be deposited into Coal Tax Trust account upon receipt.
8. FY96 operating costs of \$18,000 are for contracted services related to servicing of that years loans. FY97 operating costs of \$80,000 are for contracted services for loan servicing and administration.

FISCAL IMPACT:

Expenditures:

	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
Department of Commerce:		
FTE	0	0
Personal Services	0	0
Operating Expenses	18,000	80,000
Equipment	0	0
Total	18,000	80,000

Funding:

Job Investment SSR (02)	18,000	80,000
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Revenues:

	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
Department of Commerce:		
Job Invest Interest (02)	1,800	8,000
Coal Tax Job Invest Interest	87,200	393,000
Coal Tax Opportunity Cost	(110,000)	(396,000)
Total	(21,000)	5,000

Net Impact:

	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
Job Investment SSR (02)	(16,200)	(72,000)
School Equalization (02)	3,420	450
General fund (01)	(19,380)	(2,550)
Total	(39,000)	(75,000)

*David Lewis* 1-7-95

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

*Steve R. Benedict*

STEVE BENEDICT, PRIMARY SPONSOR DATE

Fiscal Note for SB0038, as introduced

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The business expansion and job creating aspects of this proposal, while difficult to quantify, are beneficial to any locality in which businesses are expanded and jobs are created. In addition, persons previously unemployed would now be contributing to the income tax and property tax bases.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

It is estimated that over \$1,700,000 in Job Investment Act proceeds would be available for loans in FY98.

TECHNICAL NOTES:

It was intended that the revenue generated for the new SSR account (Section 5) would be sufficient to offset the administrative costs of the Job Investment Act. Some source of revenue, such as amending Section 5, would have to be implemented to cover the \$88,000 negative biennium amount since no other funds are available. Increases in the SSR account causes an equal decrease to the general fund.

DEDICATION OF REVENUE:

- a) Are there persons or entities that benefit from this dedicated revenue that do not pay? (Please explain)

No. The Job Investment Action establishes a SSR which would be funded by a portion of interest payment proceeds from loan repayments. The proposed legislation would make loans to assist in the expansion of Montana businesses. The portion of interest payment proceeds dedicated to the SSR which this proposed legislation creates is funded entirely by those businesses receiving loan proceeds. The bill dedicates a portion of the interest revenues received to fund the administration of the program.

- b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?

By placing a portion of the proceeds of the proposed legislation into a SSR, the public, Montana businesses, and the legislature is assured that the program is enacted and working as intended.

- c) Is the source of revenue relevant to current use of the funds and adequate to fund the program/activity that is intended?  Yes  No (if no, explain)

- d) Does the need for this SSR provision still exist?  Yes  No (Explain)

The proposed bill creates a SSR which is necessary to effectively and efficiently administer the Job Investment Act.

- e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please explain)

No. The dedicated revenue portion of this bill does not diminish the legislature's ability to scrutinize budgets, control expenditures, or establish priorities.

- f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please explain)

Yes, provided the Legislature continues to mandate economic development and job creation efforts within Montana.

- g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)

The dedicated revenue provision, which is required in this proposed legislation, would provide accounting efficiencies within the Department of Commerce. It would allow for the quick and accurate analysis of how effective and efficient the Job Investment Act is operating. Establishment of a SSR would allow one to quickly determine if the Job Investment Act is accomplishing it's mission as intended.

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0038, third reading

DESCRIPTION OF PROPOSED LEGISLATION:

An act establishing the Job Investment Act by authorizing the Department of Commerce to administer \$8 million of the permanent coal tax trust fund for loans to businesses to create or retain jobs.

ASSUMPTIONS:

1. It is assumed that Job Investment Act funds will be loaned from the Coal Tax Trust account in amounts averaging \$300,000 per month, beginning September 1995.
2. Job Investment Act funds will be lent at an average rate of 10%, and amortized over a 10 year period.
4. Assume loan repayments (principal and interest) begin 2 months after funds are disbursed.
5. Assume that current Coal Tax Trust opportunity cost earnings, at 8% return on investment, continue over the next biennium.
6. Twenty percent of loan interest payments will be deposited in Job Investment Act state special revenue account (SSR) to be used for costs to administer the program.
7. Principal and 80% of loan interest payments will be deposited into Coal Tax Trust account upon receipt.
8. FY96 operating costs of \$18,000 are for contracted services related to servicing of that year's loans. FY97 operating costs of \$80,000 are for contracted services for loan servicing and administration.

FISCAL IMPACT:

Expenditures:

	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
Department of Commerce:		
FTE	0	0
Personal Services	0	0
Operating Expenses	18,000	80,000
Equipment	0	0
Total	<u>18,000</u>	<u>80,000</u>

Funding:

Job Investment SSR (02)	18,000	80,000
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Revenues:

	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
Department of Commerce:		
Job Invest Interest (02)	18,000	80,000
Coal Tax Job Invest Interest	71,000	321,000
Coal Tax Opportunity Cost	<u>(110,000)</u>	<u>(396,000)</u>
Total	<u>(21,000)</u>	<u>5,000</u>

Net Impact:

	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
Job Investment SSR (02)	0	0
School Equalization (02)	(5,850)	(11,250)
General fund (01)	<u>(33,150)</u>	<u>(63,750)</u>
Total	<u>(39,000)</u>	<u>(75,000)</u>

*Dave Lewis 1-25-95*  
 DAVE LEWIS, BUDGET DIRECTOR      DATE  
 Office of Budget and Program Planning

*Steve Bebedict*  
 STEVE BEBEDICT, PRIMARY SPONSOR      DATE

Fiscal Note for SB0038, third reading

**SB 38-#2**



EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The business expansion and job creating aspects of this proposal, while difficult to quantify, are beneficial to any locality in which businesses are expanded and jobs are created. In addition, persons previously unemployed would now be contributing to the income tax and property tax bases.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

It is estimated that over \$1,700,000 in Job Investment Act proceeds would be available for loans in FY98.

TECHNICAL NOTES:

It was intended that the revenue generated for the new SSR account (Section 5) would be sufficient to offset the administrative costs of the Job Investment Act. Some source of revenue, such as amending Section 5, would have to be implemented to cover the \$88,000 negative biennium amount since no other funds are available. Increases in the SSR account causes an equal decrease to the general fund.

DEDICATION OF REVENUE:

- a) Are there persons or entities that benefit from this dedicated revenue that do not pay? (Please explain)

No. The Job Investment Action establishes a SSR which would be funded by a portion of interest payment proceeds from loan repayments. The proposed legislation would make loans to assist in the expansion of Montana businesses. The portion of interest payment proceeds dedicated to the SSR which this proposed legislation creates is funded entirely by those businesses receiving loan proceeds. The bill dedicates a portion of the interest revenues received to fund the administration of the program.

- b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?

By placing a portion of the proceeds of the proposed legislation into a SSR, the public, Montana businesses, and the legislature is assured that the program is enacted and working as intended.

- c) Is the source of revenue relevant to current use of the funds and adequate to fund the program/activity that is intended?  Yes  No (if no, explain)

- d) Does the need for this SSR provision still exist?  Yes  No (Explain)

The proposed bill creates a SSR which is necessary to effectively and efficiently administer the Job Investment Act.

- e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please explain)

No. The dedicated revenue portion of this bill does not diminish the legislature's ability to scrutinize budgets, control expenditures, or establish priorities.

(continued)

- f) Does the dedicated revenue fulfill a continuing, legislatively recognized need?  
(Please explain)

Yes, provided the Legislature continues to mandate economic development and job creation efforts within Montana.

- g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)

The dedicated revenue provision, which is required in this proposed legislation, would provide accounting efficiencies within the Department of Commerce. It would allow for the quick and accurate analysis of how effective and efficient the Job Investment Act is operating. Establishment of a SSR would allow one to quickly determine if the Job Investment Act is accomplishing it's mission as intended.

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SENATE BILL NO. 38  
INTRODUCED BY BENEDICT  
BY REQUEST OF THE GOVERNOR

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING THE JOB INVESTMENT ACT; AUTHORIZING THE DEPARTMENT OF COMMERCE TO ADMINISTER \$8 MILLION OF THE PERMANENT COAL TAX TRUST FUND FOR LOANS TO BUSINESSES TO CREATE OR RETAIN JOBS; AMENDING SECTION 17-6-308, MCA; AND PROVIDING AN EFFECTIVE DATE."

STATEMENT OF INTENT

A statement of intent is required for this bill because [section 4 5] gives the department of commerce authority to adopt administrative rules for the administration of the Job Investment Act. The act is intended to provide funding for loans to Montana businesses as part of a financing package to permit business expansion and job creation. The act is intended to expand the current capabilities of the economic development portion of the federal community development block grant program, which is highly effective but satisfies only a small portion of the existing need.

The job investment loans are intended to provide a portion of the financing necessary to permit business expansion and job creation and may be used only in conjunction with equity and other debt financing in cases in which other funding would not satisfy the total need and would not be available without additional financing under the Job Investment Act.

The community development block grant program has also been used to leverage other forms of public and private financing to support job expansion and retention. The approximately \$2.6 million of community development block grant program economic development funding for the current fiscal year amounts to funding for less than one-half of the funding requests received during the first 4 months of the current fiscal year. If annualized, this year's funding experience would result in requests in excess of \$10 million. There is opportunity for significant economic impact from an expansion of the state's investment in projects that create jobs which would not be fully funded from existing sources.

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

1           **NEW SECTION. Section 1. Short title.** [Sections 1 through & 9] may be cited as the "Job  
2 Investment Act".

3

4           **NEW SECTION. Section 2. Legislative findings -- purpose.** (1) The legislature finds and declares  
5 that:

6           (a) it is the policy of the state to foster and encourage economic development within the state in  
7 order to promote the general welfare of the people; **AND**

8           (b) access to capital for the creation, expansion, and retention of qualified businesses, particularly  
9 for working capital, is a serious problem that inhibits the growth of businesses, jobs, and tax revenue; ~~and~~

10           ~~(c) the public sector and the private sector are constrained from satisfying the financial needs of~~  
11 ~~state businesses because of federal and state financial regulatory rules and practices.~~

12           (2) The purpose of [sections 1 through & 9] is to create a job investment program that encourages  
13 and assists in the creation, development, and financing of businesses whose primary obstacle to expansion  
14 or retention of employment is access to the appropriate type and amount of financing. This financial need  
15 is particularly acute in areas of the state that are economically depressed, and emphasis should be given  
16 to projects that will be located in these areas if the projects meet the requirements of [sections 1 through  
17 & 9] and rules adopted pursuant to [section 4 5] and meet acceptable levels of financial risk as determined  
18 by the loan review committee.

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20           **NEW SECTION. Section 3. Definitions.** As used in [sections 1 through & 9], unless the context  
21 requires otherwise, the following definitions apply:

22           (1) "Department" means the department of commerce provided for in 2-15-1801.

23           (2) "Loan review committee" means the committee that is established by the department to  
24 consider economic development loan applications for funding by the federal community development block  
25 grant program and that is responsible for reviewing and approving or denying job investment loans subject  
26 to [sections 1 through & 9] and rules implementing [sections 1 through & 9].

27           (3) "Qualified business" means a business enterprise that either is or will be located in the state  
28 and that produces goods or provides services that will, as a result of receiving a job investment loan, create  
29 jobs for Montana workers.

30

1            NEW SECTION. SECTION 4. LOAN APPLICANT ENDORSEMENT. APPLICANTS FOR JOB  
 2 INVESTMENT LOANS MUST BE ENDORSED BY LOCAL GOVERNMENT ENTITIES OR LOCAL ECONOMIC  
 3 DEVELOPMENT CORPORATIONS.

4  
 5            NEW SECTION. Section 5. Rulemaking authority. The department shall adopt rules to implement  
 6 the provisions of [sections 1 through ~~8~~ 9], including rules:

7            (1) determining the amount of interest and the method of computation and payment of interest  
 8 charged to recipients of job investment loans and specifying amortization schedules and other terms and  
 9 conditions for job investment loans as necessary. The rate of interest charged on a loan may not be less  
 10 than the prevailing market rate.

11            (2) establishing criteria for determining nonperformance and declaring default for a job investment  
 12 loan;

13            (3) specifying security and collateral requirements that must be met as a condition of receiving a  
 14 job investment loan;

15            (4) encouraging financial institutions to participate to the greatest extent possible in the financing  
 16 of job investment projects;

17            (5) requiring ~~at least 50% of project funding to come from equity or debt sources other than a job~~  
 18 ~~investment loan; and~~ THAT THE PERCENTAGE OF PROJECT FUNDING THAT MUST COME FROM  
 19 SOURCES OTHER THAN A JOB INVESTMENT LOAN BE A MINIMUM OF 50% WHEN A JOB INVESTMENT  
 20 LOAN DOES NOT EXCEED \$100,000 AND 67% FOR A MAXIMUM JOB INVESTMENT LOAN OF \$500,000.  
 21 LOAN PARTICIPATION FROM SOURCES OTHER THAN A JOB INVESTMENT LOAN MUST BE IN  
 22 INCREASING INCREMENTS OF .0425% OVER THE MINIMUM 50% FOR EVERY \$1,000 OF A JOB  
 23 INVESTMENT LOAN IN EXCESS OF \$100,000, AND THE FUNDS FROM OTHER SOURCES MUST INCLUDE  
 24 A LOAN FROM A FINANCIAL INSTITUTION.

25            (6) ESTABLISHING APPROPRIATE LOAN LOSS RESERVES; AND

26            ~~(6)~~(7) providing for an application process and a loan review process.

27  
 28            NEW SECTION. Section 6. Job investment administrative account. There is a job investment  
 29 administrative account in the state special revenue fund. The department shall deposit all loan origination  
 30 fees, all service charges, and up to ~~2%~~ 20% of interest payments on job investment loans into the account.

1 Money in the account must be used to pay the costs of administering [sections 1 through ~~8~~ 9], including  
 2 personnel costs, operating costs, and administrative costs.

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5 The department shall establish a loan review committee to administer [sections 1 through ~~8~~ 9]. The  
 6 committee shall accept and review loan applications pursuant to rules adopted by the department. The  
 7 committee shall approve or disapprove loans. A loan may not exceed \$500,000.

8 (2) A member of the department or the loan review committee who has a financial interest in a  
 9 business that submits a job investment loan application shall disclose the interest and abstain from any  
 10 involvement in the application, due diligence, and approval processes.

11 (3) The department ~~may~~ **SHALL** contract for the servicing of loans.

12

13 **NEW SECTION. Section 8. Legislative oversight.** The department shall report to the revenue  
 14 oversight committee annually on the performance of the job investment program. The report to the  
 15 committee must include:

16 (1) a summary of all loans made during the year;

17 (2) an analysis of job creation goals and performance;

18 (3) a summary of loan terms and conditions;

19 (4) a summary of funds leveraged with job investment loans; and

20 (5) an analysis of the job investment portfolio performance including calculations for returns on  
 21 investments.

22

23 **NEW SECTION. Section 9. Grants, gifts, and donations.** The department may accept grants, gifts,  
 24 and donations for purposes of [sections 1 through ~~8~~ 9]. The department may expend the funds pursuant  
 25 to laws and conditions governing the funds.

26

27 **Section 10.** Section 17-6-308, MCA, is amended to read:

28 "17-6-308. **Authorized investments.** (1) Except as provided in subsections (2) ~~and (3)~~ through  
 29 (4) and subject to the provisions of 17-6-201, the Montana permanent coal tax trust fund must be invested  
 30 as authorized by rules adopted by the board.

1 (2) The board may make loans from the permanent coal tax trust fund to the capital reserve  
 2 account created pursuant to 17-5-1515 to establish balances or restore deficiencies in the account. The  
 3 board may agree in connection with the issuance of bonds or notes secured by the account or fund to make  
 4 the loans. Loans must be on terms and conditions ~~as determined by the board determines~~ and must be  
 5 repaid from ~~revenues of the board~~ revenue realized from the exercise of ~~its~~ the board's powers under  
 6 17-5-1501 through 17-5-1518 and 17-5-1521 through 17-5-1529, subject to the prior pledge of the  
 7 ~~revenues~~ revenue to the bonds and notes.

8 (3) The board shall allow the Montana board of science and technology development, provided for  
 9 in 2-15-1818, to administer \$15.5 million of the permanent coal tax trust fund for seed capital project loans  
 10 and \$8.1 million of the permanent coal tax trust fund for research and development project loans pursuant  
 11 only to the provisions of Title 90, chapter 3. This authority does not extend beyond June 30, 1997, for  
 12 seed capital project loans and beyond June 30, 1995, for research and development project loans. Until  
 13 the Montana board of science and technology development makes a loan pursuant to the provisions of Title  
 14 90, chapter 3, the funds under its administration must be invested by the board ~~of investments~~ pursuant  
 15 to the provisions of 17-6-201.

16 (4) The board shall allow the department of commerce to administer \$8 million of the permanent  
 17 coal tax trust fund for job investment loans pursuant to [sections 1 through 8 9]. As loans are repaid, the  
 18 department of commerce may reinvest the principal in new loans. Until a loan is made, the board shall  
 19 invest the funds pursuant to 17-6-201.

20 ~~(4)(5)~~ (5) The board shall adopt rules to allow a nonprofit corporation to apply for economic assistance.  
 21 The rules must recognize that different criteria may be needed for nonprofit corporations than for for-profit  
 22 corporations."  
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24 NEW SECTION. Section 11. Codification instruction. [Sections 1 through 8 9] are intended to be  
 25 codified as an integral part of Title 17, chapter 6, and the provisions of Title 17, chapter 6, apply to  
 26 [sections 1 through 8 9].  
 27

28 NEW SECTION. Section 12. Effective date. [This act] is effective July 1, 1995.

29 -END-





1           **NEW SECTION.** **Section 1. Short title.** [Sections 1 through & 9] may be cited as the "Job  
2 Investment Act".

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4           **NEW SECTION.** **Section 2. Legislative findings -- purpose.** (1) The legislature finds and declares  
5 that:

6           (a) it is the policy of the state to foster and encourage economic development within the state in  
7 order to promote the general welfare of the people; **AND**

8           (b) access to capital for the creation, expansion, and retention of qualified businesses, particularly  
9 for working capital, is a serious problem that inhibits the growth of businesses, jobs, and tax revenue; ~~and~~

10           ~~(c) the public sector and the private sector are constrained from satisfying the financial needs of~~  
11 ~~state businesses because of federal and state financial regulatory rules and practices.~~

12           (2) The purpose of [sections 1 through & 9] is to create a job investment program that encourages  
13 and assists in the creation, development, and financing of businesses whose primary obstacle to expansion  
14 or retention of employment is access to the appropriate type and amount of financing. This financial need  
15 is particularly acute in areas of the state that are economically depressed, and emphasis should be given  
16 to projects that will be located in these areas if the projects meet the requirements of [sections 1 through  
17 & 9] and rules adopted pursuant to [section 4 5] and meet acceptable levels of financial risk as determined  
18 by the loan review committee.

19  
20           **NEW SECTION.** **Section 3. Definitions.** As used in [sections 1 through & 9], unless the context  
21 requires otherwise, the following definitions apply:

22           (1) "Department" means the department of commerce provided for in 2-15-1801.

23           (2) "Loan review committee" means the committee that is established by the department to  
24 consider economic development loan applications for funding by the federal community development block  
25 grant program and that is responsible for reviewing and approving or denying job investment loans subject  
26 to [sections 1 through & 9] and rules implementing [sections 1 through & 9].

27           (3) "Qualified business" means a business enterprise that either is or will be located in the state  
28 and that produces goods or provides services that will, as a result of receiving a job investment loan, create  
29 jobs for Montana workers.

30

1            NEW SECTION. SECTION 4. LOAN APPLICANT ENDORSEMENT. APPLICANTS FOR JOB  
 2 INVESTMENT LOANS MUST BE ENDORSED BY LOCAL GOVERNMENT ENTITIES OR LOCAL ECONOMIC  
 3 DEVELOPMENT CORPORATIONS.

4  
 5            NEW SECTION. Section 5. Rulemaking authority. The department shall adopt rules to implement  
 6 the provisions of [sections 1 through 8 9], including rules:

7            (1) determining the amount of interest and the method of computation and payment of interest  
 8 charged to recipients of job investment loans and specifying amortization schedules and other terms and  
 9 conditions for job investment loans as necessary. The rate of interest charged on a loan may not be less  
 10 than the prevailing market rate.

11            (2) establishing criteria for determining nonperformance and declaring default for a job investment  
 12 loan;

13            (3) specifying security and collateral requirements that must be met as a condition of receiving a  
 14 job investment loan;

15            (4) encouraging financial institutions to participate to the greatest extent possible in the financing  
 16 of job investment projects;

17            (5) requiring ~~at least 50% of project funding to come from equity or debt sources other than a job~~  
 18 ~~investment loan; and~~ THAT THE PERCENTAGE OF PROJECT FUNDING THAT MUST COME FROM  
 19 SOURCES OTHER THAN A JOB INVESTMENT LOAN BE A MINIMUM OF 50% WHEN A JOB INVESTMENT  
 20 LOAN DOES NOT EXCEED \$100,000 AND 67% FOR A MAXIMUM JOB INVESTMENT LOAN OF \$500,000.  
 21 LOAN PARTICIPATION FROM SOURCES OTHER THAN A JOB INVESTMENT LOAN MUST BE IN  
 22 INCREASING INCREMENTS OF .0425% OVER THE MINIMUM 50% FOR EVERY \$1,000 OF A JOB  
 23 INVESTMENT LOAN IN EXCESS OF \$100,000, AND THE FUNDS FROM OTHER SOURCES MUST INCLUDE  
 24 A LOAN FROM A FINANCIAL INSTITUTION.

25            (6) ESTABLISHING APPROPRIATE LOAN LOSS RESERVES; AND

26            ~~(6)(7)~~ providing for an application process and a loan review process.

27  
 28            NEW SECTION. Section 6. Job investment administrative account. There is a job investment  
 29 administrative account in the state special revenue fund. The department shall deposit all loan origination  
 30 fees, all service charges, and up to ~~2%~~ 20% of interest payments on job investment loans into the account.

1 Money in the account must be used to pay the costs of administering [sections 1 through ~~8~~ 9], including  
2 personnel costs, operating costs, and administrative costs.

3  
4 **NEW SECTION. Section 7. Loan review committee -- conflict of interest -- servicing of loans.** (1)

5 The department shall establish a loan review committee to administer [sections 1 through ~~8~~ 9]. The  
6 committee shall accept and review loan applications pursuant to rules adopted by the department. The  
7 committee shall approve or disapprove loans. A loan may not exceed \$500,000.

8 (2) A member of the department or the loan review committee who has a financial interest in a  
9 business that submits a job investment loan application shall disclose the interest and abstain from any  
10 involvement in the application, due diligence, and approval processes.

11 (3) The department ~~may~~ **SHALL** contract for the servicing of loans.

12  
13 **NEW SECTION. Section 8. Legislative oversight.** The department shall report to the revenue  
14 oversight committee annually on the performance of the job investment program. The report to the  
15 committee must include:

16 (1) a summary of all loans made during the year;

17 (2) an analysis of job creation goals and performance;

18 (3) a summary of loan terms and conditions;

19 (4) a summary of funds leveraged with job investment loans; and

20 (5) an analysis of the job investment portfolio performance including calculations for returns on  
21 investments.

22  
23 **NEW SECTION. Section 9. Grants, gifts, and donations.** The department may accept grants, gifts,  
24 and donations for purposes of [sections 1 through ~~8~~ 9]. The department may expend the funds pursuant  
25 to laws and conditions governing the funds.

26  
27 **Section 10.** Section 17-6-308, MCA, is amended to read:

28 "17-6-308. **Authorized investments.** (1) Except as provided in subsections (2) ~~and (3)~~ through  
29 (4) and subject to the provisions of 17-6-201, the Montana permanent coal tax trust fund must be invested  
30 as authorized by rules adopted by the board.

1 (2) The board may make loans from the permanent coal tax trust fund to the capital reserve  
 2 account created pursuant to 17-5-1515 to establish balances or restore deficiencies in the account. The  
 3 board may agree in connection with the issuance of bonds or notes secured by the account or fund to make  
 4 the loans. Loans must be on terms and conditions ~~as~~ determined by the board ~~determines~~ and must be  
 5 repaid from ~~revenues of the board~~ revenue realized from the exercise of ~~its~~ the board's powers under  
 6 17-5-1501 through 17-5-1518 and 17-5-1521 through 17-5-1529, subject to the prior pledge of the  
 7 ~~revenues~~ revenue to the bonds and notes.

8 (3) The board shall allow the Montana board of science and technology development, provided for  
 9 in 2-15-1818, to administer \$15.5 million of the permanent coal tax trust fund for seed capital project loans  
 10 and \$8.1 million of the permanent coal tax trust fund for research and development project loans pursuant  
 11 only to the provisions of Title 90, chapter 3. This authority does not extend beyond June 30, 1997, for  
 12 seed capital project loans and beyond June 30, 1995, for research and development project loans. Until  
 13 the Montana board of science and technology development makes a loan pursuant to the provisions of Title  
 14 90, chapter 3, the funds under its administration must be invested by the board ~~of investments~~ pursuant  
 15 to the provisions of 17-6-201.

16 (4) The board shall allow the department of commerce to administer \$8 million of the permanent  
 17 coal tax trust fund for job investment loans pursuant to [sections 1 through 8 9]. As loans are repaid, the  
 18 department of commerce may reinvest the principal in new loans. Until a loan is made, the board shall  
 19 invest the funds pursuant to 17-6-201.

20 ~~(4)(5)~~ The board shall adopt rules to allow a nonprofit corporation to apply for economic assistance.  
 21 The rules must recognize that different criteria may be needed for nonprofit corporations than for for-profit  
 22 corporations."  
 23

24 **NEW SECTION. Section 11. Codification instruction.** [Sections 1 through 8 9] are intended to be  
 25 codified as an integral part of Title 17, chapter 6, and the provisions of Title 17, chapter 6, apply to  
 26 [sections 1 through 8 9].  
 27

28 **NEW SECTION. Section 12. Effective date.** [This act] is effective July 1, 1995.

29 -END-



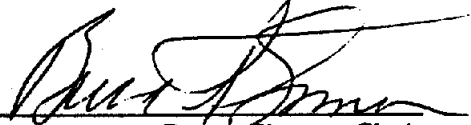
## HOUSE STANDING COMMITTEE REPORT

March 7, 1995

Page 1 of 2

Mr. Speaker: We, the committee on **Business and Labor** report that **Senate Bill 38** (third reading copy -- blue) be **concurred in as amended**.

Signed:

  
Bruce Simon, Chair

**Carried by: Rep. Simon**

**And, that such amendments read:**

1. Title, line 7.

Strike: "OR"

Insert: "AND"

2. Page 1, line 14.

Following: "expansion"

Strike: "and"

Insert: ", "

Following: "creation"

Insert: ", and job retention"

3. Page 1, line 18.

Following: "expansion"

Strike: "and"

Insert: ", "

Following: "creation"

Insert: ", and job retention"

4. Page 1, line 27.

Following: "create"

Committee Vote:

Yes 15, No 3

**SB 38**

**HOUSE**

Insert: "and retain"

5. Page 3, lines 18 through 24.

Following: "and" on line 18

Strike: the remainder of subsection (5)

Insert: "that the job investment loan may not exceed the funding provided by private lenders and that at least one private lender must be a financial institution. The department shall secure the most favorable collateral position possible on any job investment loan."

6. Page 3, line 26.

Following: "review process"

Insert: "that:

(a) incorporate the funding criteria adopted by the department to implement the federal community development block grant program pursuant to 90-1-103(5);

(b) minimize the amount of Job Investment Act funds required; and

(c) require financial institution review and contingent approval of the project before Job Investment Act funds are committed"

7. Page 3, lines 29 and 30.

Following: "deposit" on line 29

Strike: the remainder of line 29 through "and" on line 30

8. Page 4, line 8.

Following: "(2)"

Strike: "A"

Insert: "If a"

Following: "of"

Strike: "department or the loan review"

Following: "committee"

Strike: "who"

9. Page 4, lines 9 and 10.

Following: "application"

Strike: the remainder of line 9 through "processes" on line 10

Insert: ", then the application must be denied"

-END-



# HOUSE COMMITTEE OF THE WHOLE AMENDMENT

Senate Bill 38

Representative Royal Johnson

March 9, 1995 1:24 pm

Page 1 of 1

Mr. Chairman: I move to amend Senate Bill 38 (third reading copy -- blue).

Signed: *Royal Johnson*  
Representative Royal Johnson

And, that such amendments to Senate Bill 38 read as follows:

1. The House Standing Committee Report amendment no. 5 is amended as follows:

The last sentence of the inserted material is amended to read:

"The department shall secure the ~~most favorable~~ same collateral position ~~possible on any~~ as the financial institution participating in the job investment loan."

-END-

ADOPT

81-16

①

REJECT

SB 38

HOUSE

551323CW.Hbk



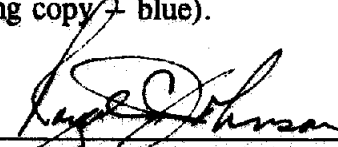
# HOUSE COMMITTEE OF THE WHOLE AMENDMENT

Senate Bill 38  
Representative Royal Johnson

March 9, 1995 1:25 pm  
Page 1 of 1

Mr. Chairman: I move to amend Senate Bill 38 (third reading copy - blue).

Signed:

  
Representative Royal Johnson

And, that such amendments to Senate Bill 38 read as follows:

1. Title, line 6.

Strike: "\$8"

Insert: "\$4"

2. Page 5, line 9.

Strike: "\$15.5"

Insert: "\$11.5"

3. Page 5, line 16.

Strike: "\$8"

Insert: "\$4"

-END-

ADOPT

74-23

②

REJECT

SB 38

HOUSE

551325CW.Hbk



## 1 SENATE BILL NO. 38

2 INTRODUCED BY BENEDICT

3 BY REQUEST OF THE GOVERNOR

4  
5 A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING THE JOB INVESTMENT ACT; AUTHORIZING THE  
6 DEPARTMENT OF COMMERCE TO ADMINISTER ~~\$8~~ \$4 MILLION OF THE PERMANENT COAL TAX TRUST  
7 FUND FOR LOANS TO BUSINESSES TO CREATE ~~OR~~ AND RETAIN JOBS; AMENDING SECTION 17-6-308,  
8 MCA; AND PROVIDING AN EFFECTIVE DATE."  
9

## 10 STATEMENT OF INTENT

11 A statement of intent is required for this bill because [section 4 5] gives the department of  
12 commerce authority to adopt administrative rules for the administration of the Job Investment Act. The  
13 act is intended to provide funding for loans to Montana businesses as part of a financing package to permit  
14 business expansion ~~and~~ job creation, AND JOB RETENTION. The act is intended to expand the current  
15 capabilities of the economic development portion of the federal community development block grant  
16 program, which is highly effective but satisfies only a small portion of the existing need.

17 The job investment loans are intended to provide a portion of the financing necessary to permit  
18 business expansion ~~and~~ job creation, AND JOB RETENTION and may be used only in conjunction with  
19 equity and other debt financing in cases in which other funding would not satisfy the total need and would  
20 not be available without additional financing under the Job Investment Act.

21 The community development block grant program has also been used to leverage other forms of  
22 public and private financing to support job expansion and retention. The approximately \$2.6 million of  
23 community development block grant program economic development funding for the current fiscal year  
24 amounts to funding for less than one-half of the funding requests received during the first 4 months of the  
25 current fiscal year. If annualized, this year's funding experience would result in requests in excess of \$10  
26 million. There is opportunity for significant economic impact from an expansion of the state's investment  
27 in projects that create AND RETAIN jobs which would not be fully funded from existing sources.  
28

29 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
30

1            NEW SECTION. **Section 1. Short title.** [Sections 1 through ~~8~~ 9] may be cited as the "Job  
2 Investment Act".

3

4            NEW SECTION. **Section 2. Legislative findings -- purpose.** (1) The legislature finds and declares  
5 that:

6            (a) it is the policy of the state to foster and encourage economic development within the state in  
7 order to promote the general welfare of the people; AND

8            (b) access to capital for the creation, expansion, and retention of qualified businesses, particularly  
9 for working capital, is a serious problem that inhibits the growth of businesses, jobs, and tax revenue; ~~and~~

10           ~~(c) the public sector and the private sector are constrained from satisfying the financial needs of~~  
11 ~~state businesses because of federal and state financial regulatory rules and practices.~~

12            (2) The purpose of [sections 1 through ~~8~~ 9] is to create a job investment program that encourages  
13 and assists in the creation, development, and financing of businesses whose primary obstacle to expansion  
14 or retention of employment is access to the appropriate type and amount of financing. This financial need  
15 is particularly acute in areas of the state that are economically depressed, and emphasis should be given  
16 to projects that will be located in these areas if the projects meet the requirements of [sections 1 through  
17 ~~8~~ 9] and rules adopted pursuant to [section 4 5] and meet acceptable levels of financial risk as determined  
18 by the loan review committee.

19

20            NEW SECTION. **Section 3. Definitions.** As used in [sections 1 through ~~8~~ 9], unless the context  
21 requires otherwise, the following definitions apply:

22            (1) "Department" means the department of commerce provided for in 2-15-1801.

23            (2) "Loan review committee" means the committee that is established by the department to  
24 consider economic development loan applications for funding by the federal community development block  
25 grant program and that is responsible for reviewing and approving or denying job investment loans subject  
26 to [sections 1 through ~~8~~ 9] and rules implementing [sections 1 through ~~8~~ 9].

27            (3) "Qualified business" means a business enterprise that either is or will be located in the state  
28 and that produces goods or provides services that will, as a result of receiving a job investment loan, create  
29 jobs for Montana workers.

30

1            NEW SECTION. SECTION 4. LOAN APPLICANT ENDORSEMENT. APPLICANTS FOR JOB  
 2 INVESTMENT LOANS MUST BE ENDORSED BY LOCAL GOVERNMENT ENTITIES OR LOCAL ECONOMIC  
 3 DEVELOPMENT CORPORATIONS.

4  
 5            NEW SECTION. Section 5. Rulemaking authority. The department shall adopt rules to implement  
 6 the provisions of [sections 1 through & 9], including rules:

7            (1) determining the amount of interest and the method of computation and payment of interest  
 8 charged to recipients of job investment loans and specifying amortization schedules and other terms and  
 9 conditions for job investment loans as necessary. The rate of interest charged on a loan may not be less  
 10 than the prevailing market rate.

11            (2) establishing criteria for determining nonperformance and declaring default for a job investment  
 12 loan;

13            (3) specifying security and collateral requirements that must be met as a condition of receiving a  
 14 job investment loan;

15            (4) encouraging financial institutions to participate to the greatest extent possible in the financing  
 16 of job investment projects;

17            (5) requiring ~~at least 50% of project funding to come from equity or debt sources other than a job~~  
 18 ~~investment loan; and THAT THE PERCENTAGE OF PROJECT FUNDING THAT MUST COME FROM~~  
 19 ~~SOURCES OTHER THAN A JOB INVESTMENT LOAN BE A MINIMUM OF 50% WHEN A JOB INVESTMENT~~  
 20 ~~LOAN DOES NOT EXCEED \$100,000 AND 67% FOR A MAXIMUM JOB INVESTMENT LOAN OF \$500,000.~~  
 21 ~~LOAN PARTICIPATION FROM SOURCES OTHER THAN A JOB INVESTMENT LOAN MUST BE IN~~  
 22 ~~INCREASING INCREMENTS OF .0425% OVER THE MINIMUM 50% FOR EVERY \$1,000 OF A JOB~~  
 23 ~~INVESTMENT LOAN IN EXCESS OF \$100,000, AND THE FUNDS FROM OTHER SOURCES MUST INCLUDE~~  
 24 ~~A LOAN FROM A FINANCIAL INSTITUTION. THAT THE JOB INVESTMENT LOAN MAY NOT EXCEED THE~~  
 25 ~~FUNDING PROVIDED BY PRIVATE LENDERS AND THAT AT LEAST ONE PRIVATE LENDER MUST BE A~~  
 26 ~~FINANCIAL INSTITUTION. THE DEPARTMENT SHALL SECURE THE MOST FAVORABLE COLLATERAL~~  
 27 ~~POSITION POSSIBLE ON ANY JOB INVESTMENT LOAN. THE DEPARTMENT SHALL SECURE THE SAME~~  
 28 ~~COLLATERAL POSITION AS THE FINANCIAL INSTITUTION PARTICIPATING IN THE JOB INVESTMENT~~  
 29 ~~LOAN.~~

30            (6) establishing appropriate loan loss reserves; and

1           ~~(6)(7)~~ providing for an application process and a loan review process THAT:

2           (A) INCORPORATE THE FUNDING CRITERIA ADOPTED BY THE DEPARTMENT TO IMPLEMENT THE  
 3 FEDERAL COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM PURSUANT TO 90-1-103(5);  
 4           (B) MINIMIZE THE AMOUNT OF JOB INVESTMENT ACT FUNDS REQUIRED; AND  
 5           (C) REQUIRE FINANCIAL INSTITUTION REVIEW AND CONTINGENT APPROVAL OF THE PROJECT  
 6 BEFORE JOB INVESTMENT ACT FUNDS ARE COMMITTED.

7  
 8           NEW SECTION. Section 6. Job investment administrative account. There is a job investment  
 9 administrative account in the state special revenue fund. The department shall deposit ~~all loan origination~~  
 10 ~~fees, all service charges, and up to 2% 20%~~ of interest payments on job investment loans into the account.  
 11 Money in the account must be used to pay the costs of administering [sections 1 through ~~8~~ 9], including  
 12 personnel costs, operating costs, and administrative costs.

13  
 14           NEW SECTION. Section 7. Loan review committee -- conflict of interest -- servicing of loans. (1)  
 15 The department shall establish a loan review committee to administer [sections 1 through ~~8~~ 9]. The  
 16 committee shall accept and review loan applications pursuant to rules adopted by the department. The  
 17 committee shall approve or disapprove loans. A loan may not exceed \$500,000.

18           (2) ~~A IF A~~ member of the ~~department or the loan review~~ committee ~~who~~ has a financial interest  
 19 in a business that submits a job investment loan application ~~shall disclose the interest and abstain from any~~  
 20 ~~involvement in the application, due diligence, and approval processes,~~ THEN THE APPLICATION MUST BE  
 21 DENIED.

22           (3) The department ~~may~~ SHALL contract for the servicing of loans.

23  
 24           NEW SECTION. Section 8. Legislative oversight. The department shall report to the revenue  
 25 oversight committee annually on the performance of the job investment program. The report to the  
 26 committee must include:

- 27           (1) a summary of all loans made during the year;  
 28           (2) an analysis of job creation goals and performance;  
 29           (3) a summary of loan terms and conditions;  
 30           (4) a summary of funds leveraged with job investment loans; and

1 (5) an analysis of the job investment portfolio performance including calculations for returns on  
2 investments.

3  
4 **NEW SECTION. Section 9. Grants, gifts, and donations.** The department may accept grants, gifts,  
5 and donations for purposes of [sections 1 through ~~8~~ 9]. The department may expend the funds pursuant  
6 to laws and conditions governing the funds.

7  
8 **Section 10.** Section 17-6-308, MCA, is amended to read:

9 **"17-6-308. Authorized investments.** (1) Except as provided in subsections (2) ~~and (3)~~ through  
10 (4) and subject to the provisions of 17-6-201, the Montana permanent coal tax trust fund must be invested  
11 as authorized by rules adopted by the board.

12 (2) The board may make loans from the permanent coal tax trust fund to the capital reserve  
13 account created pursuant to 17-5-1515 to establish balances or restore deficiencies in the account. The  
14 board may agree in connection with the issuance of bonds or notes secured by the account or fund to make  
15 the loans. Loans must be on terms and conditions ~~as determined by the board determines~~ and must be  
16 repaid from ~~revenues of the board~~ revenue realized from the exercise of ~~its~~ the board's powers under  
17 17-5-1501 through 17-5-1518 and 17-5-1521 through 17-5-1529, subject to the prior pledge of the  
18 ~~revenues~~ revenue to the bonds and notes.

19 (3) The board shall allow the Montana board of science and technology development, provided for  
20 in 2-15-1818, to administer ~~\$15.5~~ \$11.5 million of the permanent coal tax trust fund for seed capital  
21 project loans and \$8.1 million of the permanent coal tax trust fund for research and development project  
22 loans pursuant only to the provisions of Title 90, chapter 3. This authority does not extend beyond June  
23 30, 1997, for seed capital project loans and beyond June 30, 1995, for research and development project  
24 loans. Until the Montana board of science and technology development makes a loan pursuant to the  
25 provisions of Title 90, chapter 3, the funds under its administration must be invested by the board of  
26 ~~investments~~ pursuant to the provisions of 17-6-201.

27 (4) The board shall allow the department of commerce to administer ~~\$8~~ \$4 million of the permanent  
28 coal tax trust fund for job investment loans pursuant to [sections 1 through ~~8~~ 9]. As loans are repaid, the  
29 department of commerce may reinvest the principal in new loans. Until a loan is made, the board shall  
30 invest the funds pursuant to 17-6-201.

1           ~~(4)~~(5) The board shall adopt rules to allow a nonprofit corporation to apply for economic assistance.  
2 The rules must recognize that different criteria may be needed for nonprofit corporations than for for-profit  
3 corporations."

4

5           NEW SECTION. **Section 11. Codification instruction.** [Sections 1 through & 9] are intended to be  
6 codified as an integral part of Title 17, chapter 6, and the provisions of Title 17, chapter 6, apply to  
7 [sections 1 through & 9].

8

9           NEW SECTION. **Section 12. Effective date.** [This act] is effective July 1, 1995.

10

-END-

Conference Committee  
on SB 38  
Report No. 1, March 22, 1995

Page 1 of 1

Mr. President and Mr. Speaker:

We, your Conference Committee on SB 38, met and considered:  
House floor amendments to third reading copy (blue)

We recommend that SB 38 (reference copy - salmon) be amended as follows:

1. Title, line 6.

Strike: "\$4"

Insert: "\$8"

2. Page 3, line 27.

Strike: "SAME"

Insert: "most favorable"

3. Page 3, line 28.

Strike: "AS THE FINANCIAL INSTITUTION PARTICIPATING IN THE"

Insert: "possible on any"

4. Page 5, line 20.

Strike: "\$11.5"

Insert: "\$15.5"

5. Page 5, line 27.

Strike: "\$4"

Insert: "\$8"

And that this Conference Committee report be adopted.

For the Senate:

Benedict

Chair

Hertel

Lynch

Amd. Coord.

For the House:

Simon

Chair

Pavlovich

Hibbard

Rosana Skelton  
Sec. of Senate

ADOPT

REJECT

CCR#1

SB 38

Free Conference Committee  
on SB 38  
Report No.1, April 10, 1995

Page 1 of 1

Mr. President and Mr. Speaker:

We, your Free Conference Committee on SB 38, met and considered:

SB 38 in its entirety

We recommend that SB 38 (reference copy - salmon) be amended as follows:

1. Page 3, line 27.

Strike: "SAME"

Insert: "most favorable"

2. Page 3, line 28.

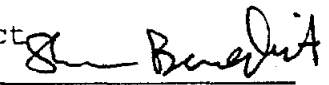
Strike: "AS THE FINANCIAL INSTITUTION PARTICIPATING IN THE"

Insert: "possible on any"

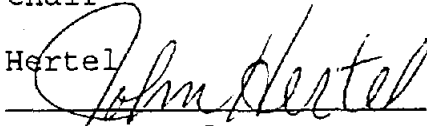
And that this Free Conference Committee report be adopted.

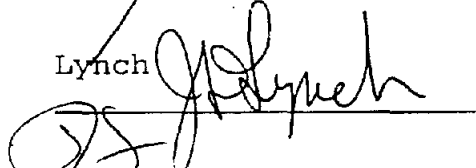
For the Senate:


Benedict

  
Chair

Hertel

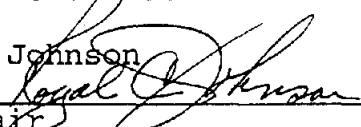
  
Lynch

  
Amd. Coord.


  
Sec. of Senate

For the House:

R. Johnson

  
Chair

Simon

  
Kadas

ADOPT

REJECT

SB 38  
FCCR#1  
821158CC.SRF



Free Conference Committee  
on SB 38  
Report No. 2, April 12, 1995

Page 1 of 3

Mr. President and Mr. Speaker:

We, your Free Conference Committee on SB 38, met and considered:

SB 38 in its entirety

We recommend that SB 38 (reference copy - salmon) be amended further as follows:

1. Title, line 6.

Strike: "\$4 MILLION"

Insert: "A PORTION"

2. Title, line 7.

Following: ";"

Insert: "REVISING THE ADMINISTRATION OF PERMANENT COAL TAX TRUST FUNDS FOR SEED CAPITAL AND RESEARCH AND DEVELOPMENT PROJECTS;"

3. Title, line 8.

Following: "AN"

Insert: "IMMEDIATE"

4. Page 2.

Following: line 21

Insert: "(1) "Board" means the Montana board of science and technology development provided for in 2-15-1818."

Renumber: subsequent subsections

5. Page 2, line 25.

Strike: "approving or denying"

Insert: "recommending to the board the approval or denial of"

6. Page 3, line 27.

Strike: "DEPARTMENT"

Insert: "board"

Strike: "SAME"

Insert: "most favorable"

7. Page 3, line 28.

Strike: "AS THE FINANCIAL INSTITUTION PARTICIPATING IN THE"

Insert: "possible on any"

ADOPT

REJECT

SB 38  
FCCR#2

841355CC.SRF

8. Page 4, line 17.

Strike: "approve or disapprove loans"

Insert: "recommend to the board the approval or disapproval of  
loans"

9. Page 5, lines 9 and 10.

Following: "~~(3)~~" on line 9

Strike: remainder of line 9 through "(4)" on line 10

Insert: "and (3)"

10. Page 5, line 20.

Strike: "\$11.5"

Insert: "\$12.5"

11. Page 5, line 21.

Following: "loans"

Insert: "or mezzanine financing loans"

Strike: "\$8.1"

Insert: "\$11.1"

12. Page 5, line 22.

Strike: "loans" through "3"

Insert: "matching funds for projects at Montana public  
universities"

13. Page 5, lines 23 and 24.

Strike: "1995"

Insert: "1997"

Following: "development" on line 23

Strike: remainder of line 23 through "loans" on line 24

Insert: "projects"

14. Page 5, line 26.

Following: "."

Insert: "As seed capital and mezzanine financing loans made  
pursuant to this subsection are repaid, the Montana board of  
science and technology development may reinvest the  
principal in new loans."

15. Page 5, lines 27 through 30.

Strike: subsection (4) in its entirety

Renumber: subsequent subsection

16. Page 6, line 9.

Strike: "July 1, 1995"

Insert: "on passage and approval"

And that this Free Conference Committee report be adopted.

For the Senate:

Benedict  
Chair

John Hertel

[Signature]  
Amd. Coord.

GA  
Sec. of Senate

For the House:

[Signature]  
Chair

[Signature]

Kudron

## 1 SENATE BILL NO. 38

2 INTRODUCED BY BENEDICT

3 BY REQUEST OF THE GOVERNOR

4  
5 A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING THE JOB INVESTMENT ACT; AUTHORIZING THE  
6 DEPARTMENT OF COMMERCE TO ADMINISTER ~~\$8 \$4 MILLION~~ A PORTION OF THE PERMANENT COAL  
7 TAX TRUST FUND FOR LOANS TO BUSINESSES TO CREATE ~~OR~~ AND RETAIN JOBS; REVISING THE  
8 ADMINISTRATION OF PERMANENT COAL TAX TRUST FUNDS FOR SEED CAPITAL AND RESEARCH AND  
9 DEVELOPMENT PROJECTS; AMENDING SECTION 17-6-308, MCA; AND PROVIDING AN IMMEDIATE  
10 EFFECTIVE DATE."

11  
12 STATEMENT OF INTENT

13 A statement of intent is required for this bill because [section 4 5] gives the department of  
14 commerce authority to adopt administrative rules for the administration of the Job Investment Act. The  
15 act is intended to provide funding for loans to Montana businesses as part of a financing package to permit  
16 business expansion ~~and~~, job creation, AND JOB RETENTION. The act is intended to expand the current  
17 capabilities of the economic development portion of the federal community development block grant  
18 program, which is highly effective but satisfies only a small portion of the existing need.

19 The job investment loans are intended to provide a portion of the financing necessary to permit  
20 business expansion ~~and~~, job creation, AND JOB RETENTION and may be used only in conjunction with  
21 equity and other debt financing in cases in which other funding would not satisfy the total need and would  
22 not be available without additional financing under the Job Investment Act.

23 The community development block grant program has also been used to leverage other forms of  
24 public and private financing to support job expansion and retention. The approximately \$2.6 million of  
25 community development block grant program economic development funding for the current fiscal year  
26 amounts to funding for less than one-half of the funding requests received during the first 4 months of the  
27 current fiscal year. If annualized, this year's funding experience would result in requests in excess of \$10  
28 million. There is opportunity for significant economic impact from an expansion of the state's investment  
29 in projects that create AND RETAIN jobs which would not be fully funded from existing sources.

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

2  
3 NEW SECTION. Section 1. Short title. [Sections 1 through ~~8~~ 9] may be cited as the "Job  
4 Investment Act".

5  
6 NEW SECTION. Section 2. Legislative findings -- purpose. (1) The legislature finds and declares  
7 that:

8 (a) it is the policy of the state to foster and encourage economic development within the state in  
9 order to promote the general welfare of the people; AND

10 (b) access to capital for the creation, expansion, and retention of qualified businesses, particularly  
11 for working capital, is a serious problem that inhibits the growth of businesses, jobs, and tax revenue; ~~and~~

12 ~~(c) the public sector and the private sector are constrained from satisfying the financial needs of~~  
13 ~~state businesses because of federal and state financial regulatory rules and practices.~~

14 (2) The purpose of [sections 1 through ~~8~~ 9] is to create a job investment program that encourages  
15 and assists in the creation, development, and financing of businesses whose primary obstacle to expansion  
16 or retention of employment is access to the appropriate type and amount of financing. This financial need  
17 is particularly acute in areas of the state that are economically depressed, and emphasis should be given  
18 to projects that will be located in these areas if the projects meet the requirements of [sections 1 through  
19 ~~8~~ 9] and rules adopted pursuant to [section 4 ~~5~~ 5] and meet acceptable levels of financial risk as determined  
20 by the loan review committee.

21  
22 NEW SECTION. Section 3. Definitions. As used in [sections 1 through ~~8~~ 9], unless the context  
23 requires otherwise, the following definitions apply:

24 (1) "BOARD" MEANS THE MONTANA BOARD OF SCIENCE AND TECHNOLOGY DEVELOPMENT  
25 PROVIDED FOR IN 2-15-1818.

26 ~~(4)~~(2) "Department" means the department of commerce provided for in 2-15-1801.

27 ~~(2)~~(3) "Loan review committee" means the committee that is established by the department to  
28 consider economic development loan applications for funding by the federal community development block  
29 grant program and that is responsible for reviewing and ~~approving or denying~~ RECOMMENDING TO THE  
30 BOARD THE APPROVAL OR DENIAL OF job investment loans subject to [sections 1 through ~~8~~ 9] and rules

1 implementing [sections 1 through & 9].

2 ~~(3)~~(4) "Qualified business" means a business enterprise that either is or will be located in the state  
3 and that produces goods or provides services that will, as a result of receiving a job investment loan, create  
4 jobs for Montana workers.

5

6 NEW SECTION. SECTION 4. LOAN APPLICANT ENDORSEMENT. APPLICANTS FOR JOB  
7 INVESTMENT LOANS MUST BE ENDORSED BY LOCAL GOVERNMENT ENTITIES OR LOCAL ECONOMIC  
8 DEVELOPMENT CORPORATIONS.

9

10 NEW SECTION. Section 5. Rulemaking authority. The department shall adopt rules to implement  
11 the provisions of [sections 1 through & 9], including rules:

12 (1) determining the amount of interest and the method of computation and payment of interest  
13 charged to recipients of job investment loans and specifying amortization schedules and other terms and  
14 conditions for job investment loans as necessary. The rate of interest charged on a loan may not be less  
15 than the prevailing market rate.

16 (2) establishing criteria for determining nonperformance and declaring default for a job investment  
17 loan;

18 (3) specifying security and collateral requirements that must be met as a condition of receiving a  
19 job investment loan;

20 (4) encouraging financial institutions to participate to the greatest extent possible in the financing  
21 of job investment projects;

22 (5) requiring ~~at least 50% of project funding to come from equity or debt sources other than a job~~  
23 ~~investment loan; and~~ THAT THE PERCENTAGE OF PROJECT FUNDING THAT MUST COME FROM  
24 SOURCES OTHER THAN A JOB INVESTMENT LOAN BE A MINIMUM OF 50% WHEN A JOB INVESTMENT  
25 LOAN DOES NOT EXCEED \$100,000 AND 67% FOR A MAXIMUM JOB INVESTMENT LOAN OF \$500,000.  
26 LOAN PARTICIPATION FROM SOURCES OTHER THAN A JOB INVESTMENT LOAN MUST BE IN  
27 INCREASING INCREMENTS OF .0425% OVER THE MINIMUM 50% FOR EVERY \$1,000 OF A JOB  
28 INVESTMENT LOAN IN EXCESS OF \$100,000, AND THE FUNDS FROM OTHER SOURCES MUST INCLUDE  
29 A LOAN FROM A FINANCIAL INSTITUTION. THAT THE JOB INVESTMENT LOAN MAY NOT EXCEED THE  
30 FUNDING PROVIDED BY PRIVATE LENDERS AND THAT AT LEAST ONE PRIVATE LENDER MUST BE A

1 ~~FINANCIAL INSTITUTION. THE DEPARTMENT SHALL SECURE THE MOST FAVORABLE COLLATERAL~~  
 2 ~~POSITION POSSIBLE ON ANY JOB INVESTMENT LOAN. THE DEPARTMENT BOARD SHALL SECURE THE~~  
 3 ~~SAME MOST FAVORABLE COLLATERAL POSITION AS THE FINANCIAL INSTITUTION PARTICIPATING IN~~  
 4 ~~THE POSSIBLE ON ANY JOB INVESTMENT LOAN.~~

5 (6) establishing appropriate loan loss reserves; and

6 ~~(6)(7)~~ providing for an application process and a loan review process THAT:

7 (A) INCORPORATE THE FUNDING CRITERIA ADOPTED BY THE DEPARTMENT TO IMPLEMENT THE  
 8 FEDERAL COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM PURSUANT TO 90-1-103(5);

9 (B) MINIMIZE THE AMOUNT OF JOB INVESTMENT ACT FUNDS REQUIRED; AND

10 (C) REQUIRE FINANCIAL INSTITUTION REVIEW AND CONTINGENT APPROVAL OF THE PROJECT  
 11 BEFORE JOB INVESTMENT ACT FUNDS ARE COMMITTED.

12  
 13 NEW SECTION. Section 6. Job investment administrative account. There is a job investment  
 14 administrative account in the state special revenue fund. The department shall deposit ~~all loan origination~~  
 15 ~~fees, all service charges, and up to 2%~~ 20% of interest payments on job investment loans into the account.  
 16 Money in the account must be used to pay the costs of administering [sections 1 through ~~8~~ 9], including  
 17 personnel costs, operating costs, and administrative costs.

18  
 19 NEW SECTION. Section 7. Loan review committee -- conflict of interest -- servicing of loans. (1)  
 20 The department shall establish a loan review committee to administer [sections 1 through ~~8~~ 9]. The  
 21 committee shall accept and review loan applications pursuant to rules adopted by the department. The  
 22 committee shall ~~approve or disapprove loans~~ RECOMMEND TO THE BOARD THE APPROVAL OR  
 23 DISAPPROVAL OF LOANS. A loan may not exceed \$500,000.

24 (2) A IF A member of the ~~department or the loan review~~ committee ~~who~~ has a financial interest  
 25 in a business that submits a job investment loan application ~~shall disclose the interest and abstain from any~~  
 26 ~~involvement in the application, due diligence, and approval processes,~~ THEN THE APPLICATION MUST BE  
 27 DENIED.

28 (3) The department ~~may~~ SHALL contract for the servicing of loans.

29  
 30 NEW SECTION. Section 8. Legislative oversight. The department shall report to the revenue

1 oversight committee annually on the performance of the job investment program. The report to the  
2 committee must include:

- 3 (1) a summary of all loans made during the year;  
4 (2) an analysis of job creation goals and performance;  
5 (3) a summary of loan terms and conditions;  
6 (4) a summary of funds leveraged with job investment loans; and  
7 (5) an analysis of the job investment portfolio performance including calculations for returns on  
8 investments.

9

10 **NEW SECTION. Section 9. Grants, gifts, and donations.** The department may accept grants, gifts,  
11 and donations for purposes of [sections 1 through ~~8~~ 9]. The department may expend the funds pursuant  
12 to laws and conditions governing the funds.

13

14 **Section 10.** Section 17-6-308, MCA, is amended to read:

15 "17-6-308. **Authorized investments.** (1) Except as provided in subsections (2) ~~and (3) through~~  
16 ~~(4) AND (3)~~ and subject to the provisions of 17-6-201, the Montana permanent coal tax trust fund must  
17 be invested as authorized by rules adopted by the board.

18 (2) The board may make loans from the permanent coal tax trust fund to the capital reserve  
19 account created pursuant to 17-5-1515 to establish balances or restore deficiencies in the account. The  
20 board may agree in connection with the issuance of bonds or notes secured by the account or fund to make  
21 the loans. Loans must be on terms and conditions as determined by the board ~~determines~~ and must be  
22 repaid from ~~revenues of the board~~ revenue realized from the exercise of ~~its~~ the board's powers under  
23 17-5-1501 through 17-5-1518 and 17-5-1521 through 17-5-1529, subject to the prior pledge of the  
24 ~~revenues~~ revenue to the bonds and notes.

25 (3) The board shall allow the Montana board of science and technology development, provided for  
26 in 2-15-1818, to administer ~~\$15.5~~ \$11.5 \$12.5 million of the permanent coal tax trust fund for seed capital  
27 project loans OR MEZZANINE FINANCING LOANS and ~~\$8.1~~ \$11.1 million of the permanent coal tax trust  
28 fund for research and development project loans ~~pursuant only to the provisions of Title 90, chapter 3~~  
29 MATCHING FUNDS FOR PROJECTS AT MONTANA PUBLIC UNIVERSITIES. This authority does not extend  
30 beyond June 30, 1997, for seed capital project loans and beyond June 30, ~~1995~~ 1997, for research and



1 development ~~project loans~~ PROJECTS. Until the Montana board of science and technology development  
 2 makes a loan pursuant to the provisions of Title 90, chapter 3, the funds under its administration must be  
 3 invested by the board of ~~investments~~ pursuant to the provisions of 17-6-201. AS SEED CAPITAL AND  
 4 MEZZANINE FINANCING LOANS MADE PURSUANT TO THIS SUBSECTION ARE REPAID, THE MONTANA  
 5 BOARD OF SCIENCE AND TECHNOLOGY DEVELOPMENT MAY REINVEST THE PRINCIPAL IN NEW LOANS.

6 ~~(4) The board shall allow the department of commerce to administer \$8 \$4 million of the permanent~~  
 7 ~~coal tax trust fund for job investment loans pursuant to [sections 1 through 8 9]. As loans are repaid, the~~  
 8 ~~department of commerce may reinvest the principal in new loans. Until a loan is made, the board shall~~  
 9 ~~invest the funds pursuant to 17-6-201.~~

10 ~~(4)~~(5) The board shall adopt rules to allow a nonprofit corporation to apply for economic assistance.  
 11 The rules must recognize that different criteria may be needed for nonprofit corporations than for for-profit  
 12 corporations."

13  
 14 NEW SECTION. Section 11. Codification instruction. [Sections 1 through ~~8 9~~] are intended to be  
 15 codified as an integral part of Title 17, chapter 6, and the provisions of Title 17, chapter 6, apply to  
 16 [sections 1 through ~~8 9~~].

17  
 18 NEW SECTION. Section 12. Effective date. [This act] is effective ~~July 1, 1995~~ ON PASSAGE AND  
 19 APPROVAL.

20 -END-