

## 1 HOUSE BILL NO. 95

2 INTRODUCED BY KITZENBERG

3

4 A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING THE JOB INVESTMENT ACT TO ALLOW THE  
5 DEPARTMENT OF COMMERCE TO CERTIFY AND MAKE LOANS TO INTERMEDIARY LENDERS; AND  
6 AMENDING SECTION 17-6-510, MCA."

7

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

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10 **NEW SECTION. Section 1. Certified intermediary lenders.** (1) The department may make loans  
11 to private, nonprofit corporations established for economic development that have been certified as  
12 intermediary lenders by the department. The certified intermediary lenders may in turn lend the money  
13 received from the department to eligible Montana businesses, consistent with the provisions of this part.

14 (2) Loans made by the department to a certified intermediary lender:

15 (a) must be at 1% interest for a term not to exceed 30 years;

16 (b) may include a deferral period for principal payments of up to 3 years, which does not lengthen  
17 the term of the loan; and

18 (c) may not exceed a cumulative total of \$1 million.

19

20 **NEW SECTION. Section 2. Certification of intermediary lenders.** The department shall provide for  
21 a certification process, specifying the minimum qualifications required to be approved as an intermediary  
22 lender. The requirements for certification must include submission by the applicant of:

23 (1) an intermediary relending program plan;

24 (2) a listing of all available collateral capable of being mortgaged, pledged, or otherwise  
25 encumbered by the applicant in favor of the department for any intermediary loans that may be made to  
26 the applicant upon certification; and

27 (3) any other information or documentation requested by the department.

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29 **NEW SECTION. Section 3. Review of certified intermediary loans.** (1) The department shall  
30 require a certified intermediary lender to:

1 (a) pledge a sufficient amount of its collateral to the department as security for any loan given by  
2 the department to the certified intermediary lender; and

3 (b) assign to the department any collateral that the certified intermediary lender receives from a  
4 loan applicant before the department may advance the funds for that loan to the certified intermediary  
5 lender.

6 (2) (a) All loans to be made by a certified intermediary lender must be approved by the department  
7 prior to completion.

8 (b) Funds that the department has authorized for a certified intermediary lender may be drawn on  
9 by the certified intermediary lender only on an as-needed basis and must remain in the appropriate state  
10 investment fund until withdrawn.

11  
12 **Section 4.** Section 17-6-510, MCA, is amended to read:

13 **"17-6-510. Loan review committee -- conflict of interest -- servicing of loans.** (1) The department  
14 shall establish a loan review committee to administer this part. The committee shall accept and review loan  
15 applications pursuant to rules adopted by the department. The committee shall recommend to the board  
16 the approval or disapproval of loans. A loan, other than to a certified intermediary lender, may not exceed  
17 \$500,000.

18 (2) If a member of the committee has a financial interest in a business that submits a job  
19 investment loan application, then the application must be denied.

20 (3) The department shall contract for the servicing of loans."  
21

22 **NEW SECTION. Section 5. Codification instruction.** [Sections 1 through 3] are intended to be  
23 codified as an integral part of Title 17, chapter 6, part 5, and the provisions of Title 17, chapter 6, part 5,  
24 apply to [sections 1 through 3].

25 -END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0095, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act amending the Job Investment Act to allow the Department of Commerce to certify and make loans to intermediary lenders; and amending Section 17-6-510, MCA.

ASSUMPTIONS:

1. Current law allows the Department of Commerce (DOC) to loan \$12.5 million of the permanent coal tax trust fund for seed capital project loans or job investment financing loans (JIL).
2. Under the proposal, DOC may loan up to \$1 million to certified intermediary lenders at an interest rate of 1% for a term not to exceed 30 years and defer principal payments for up to three years.
3. Current rules require a return of at least 10.5% from loans for seed capital projects with the potential of earning more than the interest on the investment with the maximum term not to exceed eight years.
4. Current law for job investment loans mandate interest rates will not be less than the prevailing market rate with terms varying depending on what is financed. A 10% rate is assumed.
5. For comparative purposes, it is assumed the DOC would loan out \$1 million through the current JIL program on June 1, 1998, for 30 years. Under proposed law, the same \$1 million would be loaned through a intermediary without the three year deferral of principal payments.

FISCAL IMPACT:

Revenues: Permanent Coal Trust Earnings

	<u>FY98</u>	<u>FY99</u>
	<u>Difference</u>	<u>Difference</u>
General Fund (01)	0	(90,000)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The proposal would increase the local economic development corporations revolving loan fund by the amount of the difference between the 1% interest required to pay back to the state and interest charged to the business for the loan.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The long-range effects would be a decrease in interest earnings deposited in the general fund of \$90,000 per year for up to 30 years. Interest earnings in the local economic developments revolving fund would increase by the amount of the general fund loss.

Dave Lewis 1-8-97  
 DAVE LEWIS, BUDGET DIRECTOR      DATE  
 Office of Budget and Program Planning

Sam Katzenberg 1-13-97  
 SAM KATZENBERG, PRIMARY SPONSOR, DATE  
 Fiscal Note for HB0095, as introduced

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