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 2 INTRODUCED BY *House* BILL NO. *350*
 3 *Beaudry Harrington* Member *Lynch*

4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE AUTHORITY FOR THE SIZE OF LOANS THAT
 5 ENHANCE ECONOMIC DEVELOPMENT AND CREATE JOBS IN THE BASIC SECTOR OF THE ECONOMY;
 6 PROVIDING A 4-YEAR PERIOD OVER WHICH TO ASSESS THE CREATION OF JOBS; EXTENDING TO 4
 7 YEARS THE PERIOD FOR MEASURING JOBS TO CALCULATE INTEREST RATE REDUCTIONS FOR
 8 INFRASTRUCTURE LOANS; AND AMENDING SECTIONS 17-6-311 AND 17-6-318, MCA."

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

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12 **Section 1.** Section 17-6-311, MCA, is amended to read:

13 **"17-6-311. Limitation on size of investments.** (1) Except as provided in subsections (2) through
 14 (4), an investment may not be made that will result in any one business enterprise or person receiving a
 15 benefit from or incurring a debt to the permanent coal tax trust fund the total current accumulated amount
 16 of which exceeds 1% of the permanent coal tax trust fund.

17 (2) Subsection (1) does not limit the board's authority to make loans to the capital reserve account
 18 as provided in 17-6-308(2).

19 (3) Subsection (1) does not apply to the purchase of debentures issued by a capital company;
 20 however, the total amount of such debentures purchased by the board may not exceed 1% of the Montana
 21 permanent coal tax trust fund at the time of purchase.

22 (4) The total amount of loans made pursuant to 17-6-309(2) may not exceed \$20 million, and a
 23 single loan may not be less than \$500,000. ~~Loans must be made in \$250,000 increments.~~ A loan may not
 24 exceed \$10,000 per job that is estimated to be created. In determining the size of a loan made pursuant
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 28 located;

29 (b) the long-term effect of corporate and personal income taxes estimated to be paid by the
 30 business and its employees;

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17 (2) If the salary or wage of the job created:

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STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0350, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

A bill for an act revising the authority for the size of loans that enhance economic development and create jobs in the basic sector of the economy; providing a four-year period over which to assess the creation of jobs; extending to four years the period for measuring jobs to calculate interest rate reductions for infrastructure loans.

ASSUMPTIONS:


1. The Board of Investments recently made its first "infrastructure" loan and noted the following problems:
 - a. The requirement that infrastructure loans be made in increments of \$250,000 is somewhat inconsistent with the provision that permits the Board of Investments (BOI) to lend \$10,000 per job estimated to be created. For example, after the \$500,000 minimum threshold is met (which would require the creation of 50 jobs) the creation of an additional 24 jobs would not enable the BOI to lend any more funds because $24 \times \$10,000 = \$240,000$ or less than the \$250,000 increment currently required. This bill removes the \$250,000 increment requirement.
 - b. The BOI is currently authorized to reduce interest rates up to 2.5% for jobs created within a two-year period. Because the BOI serves as a "take-out" lender in the in-state investment program, the jobs triggering the interest rate reductions are usually created and filled well within the two-year period. In contrast, "infrastructure" loans to local governments will usually be made well in advance of any job creation and, in the case of very large projects, job creation may exceed the two-year limit in current law. This bill establishes a period of four years from the date of the infrastructure loan in which the jobs must be created in order to receive the interest rate reduction and also permits the BOI to consider the jobs to be created over a four-year period when sizing the "infrastructure" loan.

FISCAL IMPACT:

There is no fiscal impact on the Department of Commerce, Board of Investments.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Local governments may currently borrow and spend the loan proceeds under existing law. This bill provides increased flexibility in the program.

 1-27-97
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

 29/Jan/97
HALEY BEAUDRY, PRIMARY SPONSOR DATE

Fiscal Note for HB0350, as introduced

HB 350

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House BILL NO. *350*

INTRODUCED BY *Beaudry Harrington* Member *Lynch*
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(2) Subsection (1) does not limit the board's authority to make loans to the capital reserve account as provided in 17-6-308(2).

(3) Subsection (1) does not apply to the purchase of debentures issued by a capital company; however, the total amount of such debentures purchased by the board may not exceed 1% of the Montana permanent coal tax trust fund at the time of purchase.

(4) The total amount of loans made pursuant to 17-6-309(2) may not exceed \$20 million, and a single loan may not be less than \$500,000. ~~Loans must be made in \$250,000 increments.~~ A loan may not exceed \$10,000 per job that is estimated to be created. In determining the size of a loan made pursuant to 17-6-309(2), the board shall consider:

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INTRODUCED BY Beaudry Harrington Menahan Lynch
Opp

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