

City Indebtedness, Law Authorizing Compromise. Indebtedness of Cities, Law Authorizing Compromise.

There is no constitutional provision prohibiting the enactment of a general law authorizing the electors of a municipality to compromise by issuing bonds to pay for indebtedness of a city, which is disputed, or for any other reason unpaid, where the original indebtedness was incurred for a lawful purpose.

Helena, Montana, January 20, 1909.

Hon. M. M. Duncan, Chairman, Judiciary Committee, House of Representatives, Helena, Montana.

Dear Sir:

We are in receipt of your letter of the 20th instant, transmitting House Bill No. 45, relating to the

“Compromise of outstanding disputed evidence of indebted-

ness of cities and towns issued for municipal purposes and now held by bona fide holders thereof for value, and the issuance of funding bonds therefor,"

upon which you request an opinion as to its constitutionality.

We can find no provisions of the constitution which prohibits the enactment of a law providing for the compromise of a debt of this character. If the original indebtedness incurred by the municipality was for a purpose for which it could incur an indebtedness under the laws of this state, in our opinion authority could be conferred by a general law, upon such municipality to settle said indebtedness by the payment of the same in cash or by the issuance of funding bonds; provided, of course, the issuance of funding bonds did not exceed the constitutional limitation of indebtedness. The reason for failing to pay the original indebtedness when due would be immaterial, so long as the indebtedness was incurred for a legal purpose for value received, as the municipality would certainly have the right to settle all its just claims whenever it is in a position so to do without exceeding the constitutional limit of indebtedness. Therefore, the enclosed bill does not appear to violate any constitutional provision.

Very truly yours,

ALBERT J. GALEN,

Attorney General.