MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

January 12,1981

The second meeting of the Senate Taxation Committee was called to order by Chairman Pat M. Goodover at 8:05 a.m. in Room 415 of the State Capitol Building.

ROLL CALL: All members present.

Chairman Goodover asked if anyone would like to have the minutes read. Senator McCallum made a motion that the minute-reading be dispensed with at each meeting. Chairman Goodover announced the minutes would be available to anyone to read should they want to.

CONSIDERATION OF SENATE BILL 15: Bill sponsor Senator Mazurek said because of some weekend developments, amendments are going to be required for this bill. Briefly, the bill has to do with interest rate ceilings on general bonds, with ceilings on revenue bonds at 9%, school bonds at 7%. The problem across the State of Montana is the school bond situation where bonds can't be sold in the tax market because of the legislative tax ceiling. The purpose of Senate Bill 15 is to repeal the interest rate ceiling on municipal bonds. Senator Mazurek noted that in talking to school districts throughout the sections that relate to city, county, and state, the various rates are set forward in the notice provision and this weekend he asked the Legislative Council to prepare an amended bill that would strike this rate to 6 or 7%. Senator Mazurek concluded that he thinks it is critical to make the law effective as to those issues that have been approved by the voters and where the bonds themselves have been unable to be sold because of the ceiling. He presented a list showing interest rate ceilings on municipal bonds, which is attached. Senator Mazurek had also received a copy of a letter from the Superintendent of Schools in Glendive which is attached.

PROPONENTS

Bruce MacKenzie, General Counsel of D.A. Davidson Company, stated that D.A.D. markets 80-90% of the bonds in the State of Montana and that last year many people came to them asking how the bonds could be sold, but there was no market. The Bond Buyer's Index, a list of 20 general obligation bonds now stands a 9%. Currently there is a 9 1/2% interest rate for school district bonds, but D.A.D. can't bid on them because of the interest ceiling. Also, Mr. MacKenzie questioned using the Bond Buyer's Index as it might be an unconstitutional authority. He felt the best plan for D.A.D. would be to relate it to the market situation, as there are many companies in Montana that bid on bonds.

Mrs. Carrol Graham, Bighorn County, spoke in support of SB15, and a copy of her testimony is attached.

Larry Huss, representing the Montana Contractor's Association, said that waiting means money and urged adoption of the bill and amendments proposed by Senator Mazurek.

Bill Verwolf, Finance Director of the City of Helena, spoke next and his statement is attached. Duane Johnson, Director of Labor and Governmental Relations, MSBA, and John Campbell, Business Manager for the Helena School District, urged approval of SB15. Dave Goss, representing the Billings Area Chamber of Commerce, testified in support and his written testimony is attached. Gretchen Teague, Montana Bankers Association, and Mike Stephen, Montana Association of Counties, stated their support, for the record, of SB15.

There being no opponents to this bill, the chairman called for questions. Questions from Senators Towe and Elliott to Mr. MacKenzie elicited the fact that there are refund clauses on the bonds so that counties would be able to refund the bonds and take advantage of a lower interest rate. In voting on a bond issue where the interest rate was uncertain, the school board people suggested that words "at an annual rate as determined by the board" be used when they propose the bond issue for voter approval, deleting the figure of 6 or 7% and allowing the school districts to set a maximum. Other questions from the Committee were answered by Senator Mazurek. Chairman Goodover asked for further comments and there being none he announced the bill will be rescheduled and posted for hearing when it is in proper form.

CONSIDERATION OF SENATE BILL 12: Senator Norman presented his bill saying the two concepts it contained were sunset and earmarked revenues. He explained that sunset is a concept that many states have used to allow the Legislature to question what effectiveness one board or another is having and if the board isn't coming to the mark allows the Legislature to terminate it. This concept is now being related to earmarked revenues. An earmarked fund is a tax or fee the proceeds of which are earmarked for a particular government service, e.g., gasoline tax. The theory is that people who use it pay for it, although some programs can't use the benefit theory. There is a companion bill to this bill, but it is in another committee at this time. Senator Norman then introduced Mr. Robinson of the Legislative Finance Committee. Mr. Robinson said SB12 came from a study recommended by his office to look at problems attendant to earmarking funds. He said over half of the legislation was earmarked and much work was done to determine why they were earmarked and when and where they should be. Earmarking should occur when there is a direct benefit between the person paying the tax and the person receiving the benefit. This bill would propose a legislative committee review of all earmarked funds over the next four years to determine the relationship contained in the legislation. For instance, the long-range building fund has many earmarked funds. This bill authorized the Legislature to go in amd review to see the appropriateness. If not appropriate, the money would go to the general fund which would allow the legislature to look at present, rather than past needs.

FOR AMENDMENTS:

Larry Huss, representing Montana Society of CPA'S, said periodic sunsets for all types of questions could be supported by them, but they think that every four years may be too frequent for some and they would like the committee to entertain an extended or, as an alternative, a requirement that reestablishment of the fund contain a specific provision for the times to be reviewed.

Roland D. Pratt, Executive Director of Montana Funeral Directors, and Montana Optometric Association stated that the Board of Professional Licensing is under sunset provision. Because these funds are derived from the profession to be used in the profession, no general revenue funding goes to the Department. His suggestion was that the Committee remove those agencies from this bill.

Clint Grimes, representing the Alcoholism Program of Montana, stated that alcoholic programs in Montana do not want to go on record as opposing a good bill. He also believes that the County Alcohol Programs meet criteria and would stand the scrutiny outlined in the bill. He would like to have one of the committee members be someone from the community as well as legislative council persons.

Kelly Jenkins, representing Common Cause, recommends amendment of criteria for review to reflect existing legislative priorities and effectiveness of the funds in meeting those priorities, including deleting provision for necessity of direct benefit to the payer of the tax,e.g., coal severance tax, and instead provide that expenditure should be related to taxing source, not necessarily to the benefit of the payer.

OPPONENTS

William L. Romine, Montana Automotive Dismantlers and Recyclers

Association, said that although this bill does not directly affect them, they oppose this bill because it is too expensive, time-consuming, and not very effective. He felt the small industry with little money can not expend enough to get together the data that are in bigger agencies. He gave an example in the junk vehicle tax: whether it is earmarked or not earmarked, it does not affect the state budget. They are also opposed to sunsetting itself, as they do not think it is working.

Mike Stephen, Montana Association of Counties, said they have to oppose this bill. Rather than sunset and treating these agencies as a group, he suggested review every two years using a provision already available. He felt this bill would generate a study that is as large as the greenbelt bill and won't have direct benefit.

Senator Norman felt that there were no surprises in the proponent and opponent views heard today. He said all agencies are not going to be sunsetted, and the intent is not to shut down earmarked funds and agencies, just make them accountable. He felt the cost would be minimal involving only a committee report, or possibly assignment to the legislative auditor or a fiscal committee.

After additional questions from the Committee, the Chairman closed the hearing on SB12. Senator McCallum moved that the bill be held until the companion bill was able to be considered.

The meeting was adjourned.

Pat M. Goodover

PAT M. GOODOVER - CHAIRMAN

ROLL CALL

TAXATION COMMITTEE

47th LEGISLATIVE SESSION - - 1981 Date 1/12/81

NAME	PRESENT	ABSENT	EXCUSED
Goodover, Pat M., Chairman	✓		
McCallum, George, Vice	✓		
Brown, Bob	✓		
Brown, Steve	✓		
Crippen, Bruce D.	✓		
Eck, Dorothy	✓		
Elliott, Roger H.	✓		
Hager, Tom	✓		
Healy, John E. "Jack"	✓		
Manley, John E.	✓		
Norman, Bill	✓		
Ochsner, J. Donald	✓		
Severson, Elmer D.	✓		
Towe, Thomas E.	✓		

Each day attach to minutes.

DATE Jan. 12, 1981

COMMITTEE ON TAXATION BILL NO. SB #17

VISITOR'S REGISTER

NAME	REPRESENTING	Check One Support	Oppose
Bill Stinmore	IR		
[illegible]	[illegible] Commerce	V	
William L. Romine	Mont. Automotive Dismantlers & Recyclers Assoc.		X
Pat Stuart	Mt Coal Council		
William [illegible]	City of Helena	X	
[illegible]	Senate Aide		
Duane Johnson	MT. School Board Assn	X	
Joe Mazurek	Sen Dist 16 - Sponsor	Sen 15	
Bruce A. MacKenzie	D.A. Davidson & Co	Sen 15	
Tom Dowling	Mont. RR Assn	12-15	
Bill Steinhage[illegible]	NW Mining Assn		
Will Hand	Mt. Mng. Assoc.		
Roland V. Pratt	Mt [illegible] Assoc		✓
" "	Mt Funeral Directors Assoc		✓
[illegible] Nelson	Commissioner of Higher Education		

(Please leave prepared statement with Secretary) ach.

	State GO (%)	State Revenue (%)	State Agency (%)	State Notes (%)	Local GO (%)	Local Revenue (%)	Local Agency (%)	Local Notes (%)	Urban Renewal Notes (%)	Low Rent Housing Notes (%)
ALABAMA [1]	8	U	V	U	V	V	V	V	0	0
ALASKA [2]	10	10	V	10	V	V	V	V	7	0
ARIZONA [3]	0	0	0	0	0	0	0	0	0	0
ARKANSAS [4]	U	U	V	V	6	V	V	V	10	10
CALIFORNIA [5]	9	V	V	9	10	V	10	0	10	10
COLORADO [6]	0	0	0	0	0	0	V	0	0	0
CONNECTICUT	0	0	0	0	0	0	0	0	0	0
DELAWARE	0	0	0	0	V	V	V	V	6	6
FLORIDA [7]	V	V	V	V	V	V	V	V	V	V
GEORGIA	0	0	0	0	0	9	9	0	0	0
HAWAII [8]	9½	0	N	9½	0	0	N	0	6	8
IDAHO	N	U	U	0	V	U	U	0	0	0
ILLINOIS [9]	V	N	V	U	V	V	V	V	7	9
INDIANA [10]	N	N	0	N	0	0	0	0	0	0
IOWA [11]	10	10	U	U	10	10½	V	V	10	10
KANSAS	N	0	12	U	12	12	N	12	12	12
KENTUCKY	0	0	0	0	0	0	0	N	0	0
LOUISIANA	0	0	0	0	0	0	0	0	0	0
MAINE	0	U	V	0	0	0	V	0	6	0
MARYLAND	0	V	0	0	V	V	V	V	0	0
MASSACHUSETTS	0	0	0	0	0	0	0	0	0	0
MICHIGAN [12]	0	13	13	0	13	13	13	V	13	13
MINNESOTA [13]	0	0	0	U	12	12	12	12	12	12
MISSISSIPPI [14]	V	V	N	U	8	V	V	8	10	8
MISSOURI [15]	N	N	V	N	14	14	14	V	14	6
MONTANA	0	0	0	0	7	9	7	U	9	0
NEBRASKA [16]	0	0	0	0	0	0	0	0	9	0
NEVADA	9	9	N	9	9	9	0	9	9	9
NEW HAMPSHIRE	0	0	0	0	0	0	0	0	10	10
NEW JERSEY [17]	0	0	0	N	0	0	U	0	0	0
NEW MEXICO	8	8	8	U	8	8	8	U	8	8
NEW YORK [18]	0	N	0	0	V	N	0	0	0	0
NORTH CAROLINA	0	0	0	0	0	0	0	0	0	0
NORTH DAKOTA [19]	0	0	0	0	0	0	0	0	0	0
OHIO [20]	0	0	0	0	10½	0	10½	10½	10½	10½
OKLAHOMA [21]	6	8	V	U	10	14	0	N	0	10
OREGON [22]	15½	V	U	N	V	V	U	V	N	V
PENNSYLVANIA [23]	0	0	0	0	0	0	0	0	0	0
RHODE ISLAND [24]	0	U	0	0	0	U	0	0	0	0
SOUTH CAROLINA	7	7	7	7	7	7	7	7	7	7
SOUTH DAKOTA	0	U	12	U	12	12	12	U	12	12
TENNESSEE [25]	18	18	18	18	18	18	18	18	18	18
TEXAS [26]	10	10	10	U	10	10	10	10	10	8
UTAH	0	0	9	8	0	0	0	0	8	8
VERMONT	0	U	0	0	0	0	U	0	0	0
VIRGINIA	0	0	0	0	0	0	0	0	0	0
WASHINGTON [27]	0	0	0	U	0	V	V	V	0	0
WEST VIRGINIA	0	8	8	0	10	10	10	0	7	7
WISCONSIN [28]	0	0	0	0	0	0	0	0	0	0
WYOMING	10	10	U	N	10	10	10	N	10	0

23 - no limitation
18 - median 10.9 (18-6) montana 3rd from lowest.
9 - Variable.

0 — none; U—none issued; N—none authorized; V—various

1 Alabama: 8-8-1 of Alabama code sets 8% statutory ceiling, but respective statutes authorizing particular bonds set various limits, i.e., 2% on sinking fund bonds and rates up to 15% on loans of $100,000 or more by non-profit corporations, the State Board of Education and trustees of State educational institutions. Bonds of local agencies are exempt from statutory usury limits; bonds of local industrial development boards, public corporations and medical clinic boards are exempt and may bear unlimited rates.

2 Alaska: Ceiling on State bond anticipation notes is 7%, there is no limit on state revenue anticipation notes. No municipal bond or note may bear interest exceeding the legal usury rate which is fixed at four percentage points above the discount rate of the 12th Federal Reserve District. A contract or loan commitment in which the principal amount exceeds $100,000 is exempt from this limitation.

3 Arizona: Maximum interest rate must be specified on ballot. If political subdivision has authority to issue bonds without an election, there is 9% ceiling. There is $300,000 ceiling on amount of bonded indebtedness State may incur. On urban renewal notes, the interest is set by each local authority. All authorities have set a limit of 8% or the loan and grant contract rate whichever is higher. Low rent housing note rate is set by State Housing Finance Review Board on a case-by-case basis.

4 Arkansas: School District bonds have 7% ceiling. About 20 types of bonds for street and parking facilities, municipally sponsored bonds for waterworks, sewer, parks, recreation agencies, convention centers, and construction and refunding bonds for eight State-sponsored colleges and universities, and county and municipal bonds for hospitals, nursing and rest homes may be issued for 10%. County and municipal industrial development revenue bonds, airport revenue bonds for cities, metropolitan (multi-jurisdictional) port revenue bonds may be issued at 10%. Municipal improvement districts may issue bonds for, among other purposes, drainage with a ceiling of 10%. Public building corporations which are formed to construct municipal facilities may issue bonds therefor at 8% ceiling. Public facility boards, however, may issue bonds with a 10% ceiling for purpose of constructing municipal health care facilities, residential housing, off-street parking facilities, recreational and tourist facilities, waterworks and sewer facilities and facilities for securing or developing industries. Levee districts may issue bonds with 6% ceiling. Drainage districts, however, may issue bonds for levee improvements with 10% ceiling.

5 California: Any rate permitted on specific issue approved by two-thirds vote of each house of Legislature and by Governor. Municipalities GOs have 8% limit in some instances. A few special districts may exceed 8% limit.

6 Colorado: Maximum interest rate must be part of proposal submitted to voters along with amount of authorization.

7 Florida: Maximum interest rate is 150 base points higher than the Bond Buyer 20-bond index published immediately preceding the first day of the month in which the bonds are sold. However, such maximum rate does not apply to bonds rated single "A" or higher by a nationally recognized rating service. Upon request by a governmental unit, the State Board of Administration may authorize, for a specific issue or reissue of bonds, a rate in excess of the maximum. Excluded from these limits are issues by municipal utilities and by so-called private obligors issuing tax-exempt bonds for health, industrial development and higher education facilities.

8 Hawaii: On urban renewal notes, State Attorney General says interest ceiling does not apply to borrowing from Federal Government for direct loans. Taxable housing revenue bonds issued pursuant to Section 802 (c) 2 of the Housing and Community Development Act of 1974 have a 10% ceiling.

9 Illinois: A public corporation (any body corporate organization by or pursuant to the laws of the State including the State, any school district, park district, city, village, incorporated town, county, drainage or other type of district, commission, authority, university, college) may pay interest not exceeding the greater of 9% a year or 70% of the effective prime commercial rate. Bonds issued by an authority under the Industrial Revenue Bond Act have a maximum rate limit of 10%. The limitations are not applicable to home rule units.

10 Indiana: Certain town bonds, Barrett Law assessment bonds and grade separation taxing district bonds have 6% ceiling, airport authorities except Indianapolis have 7% ceiling, school bus notes and security agreements have 5% ceiling.

11 Kansas: Interest on universities and colleges and local GO bonds over $100,000 limited to

12 Michigan: 13% maximum on municipal bonds and Michigan State Hospital Financing Authority in effect until May 1, 1981, when the interest rate ceiling will revert to 10%. On State bonds, the ceiling is set at the time voters approve the individual authorizations. Currently, there is no ceiling on State Go bonds or operating notes with the exception of authorized and unissued water resources obligations with a 6% ceiling. State Housing Finance Agency and State college and university bonds have no ceiling. Short-term notes of local units have floating interest rate ceiling equal to 70% of the average prime rates of Citibank, Bank of America and First National Bank of Chicago.

13 Minnesota: Effective for local obligations issued after Dec. 31, 1982, the maximum rate will be 9%. The maximum rate for special assessment bonds is 13% for obligations issued before Dec. 31, 1982, and 10% thereafter. Industrial revenue bonds are subject to no maximum rate ceiling.

14 Mississippi: State GO highway bonds have no ceiling; school, State port and harbor and Mississippi Memorial Stadium Expansion Bonds have 7% limit. On other GO State bonds, ceiling is fixed by enabling act for each issue. State revenue bonds' interest fixed by enabling act. On local revenue bonds, airport and municipal public utility issues have no limit; hospital issues have 8% limit; industrial revenue bonds have no limit until June 30, 1980.

15 Missouri: A general law applicable to most political subdivisions requires a public sale for bonds exceeding 10% with 5% discount and has a ceiling of 14% with 5% discount. Industrial development revenue bonds and bonds purchased by the Federal Government are exempt from the public sales requirements. Other statutues contain special interest rates and sales requirements for specific issuers.

16 Nebraska: No state general obligation public debt. As of Aug. 24, 1979, the usury limitation changed from 11% to 12½%. This limitation does not apply to obligations of all issuers. A few types of local bonds are governed by specific rate limitations.

17 New Jersey: 6% ceiling suspended through June 30, 1981 for counties, municipalities, school districts, State agencies and other public authorities and agencies. State bonds may be issued subject to such terms, conditions and regulations as the issuing officials may prescribe.

18 New York: 5% statutory ceiling suspended for local bonds and notes until June 30, 1982, except the ceiling on obligations issued pursuant to 60.10 and 63.00 of the Local Finance Law increased to 6% until June 1, 1982, and ceilings for obligations of public authorities subject to statutory ceilings suspended until June 30, 1981.

19 North Dakota: Obligations sold privately are restricted to net interest cost rate of 8%, sales at up to 2% discount reduce coupon rates accordingly.

20 Ohio: Some state agencies, such as the Ohio Turnpike Commission and State Underground Parking Commission have 8% limit. Urban Renewal project notes, if GO, have 8% limit. Low Rent Housing notes have 6% limit.

21 Oklahoma: Bonds issued by public trusts may not be sold at a discount in excess of 4%, which shall include fees, discounts and other remuneration received by the purchaser, and the rate may not exceed 14%. Ceiling on turnpike bonds is 6%. Local industrial development bonds have 6% ceiling and state industrial development bonds have 6½% ceiling.

22 Oregon: No limit on port districts' revenue bonds.

23 Pennsylvania: Obligations issued under the provisions of the Local Government Unit Debt Act have no ceiling. Philadelphia is excluded from the provisions of the Local Government Unit Debt Act and 6% limitation on its port, transit and street bonds remains.

24 Rhode Island: Section 9 of the 1976 Vietnam Veterans Bonus Act states that the $10 million bond issue, as authorized by Chapter 81 of the Public Laws shall bear interest at a rate not to exceed 5%.

25 Tennessee: All state and local issues 5 percentage points above the Federal discount rate in effect for the Atlanta Federal Reserve District.

26 Texas: Rate is a net effective or weighted average annual interest rate. Bonds issued by an agency, instrumentality or subdivision of the State pursuant to constitutional authority, specifically setting an interest rate may bear interest not to exceed a weighted average annual interest rate of 6%.

27 Washington: Counties have 12% limit. Other local taxing entities have none.

28 Wisconsin: Town sanitary district bonds and special assessment B bonds limited to 8%

attach #2

January 6, 1981

Senator Pat Goodman
State Capitol
Helena, MT 59601

Dear Senator Goodman:

It is my understanding that your committee will be hearing Senate Bill #15 on Monday, January 12th. This bill is sponsored by Senator Mazurck and deals with the interest rate limitations on school bonds.

On the third of June, 1980, the Glendive Elementary School passed a bond issue for 1.6 million dollars, which would enable the district to build additions on two elementary schools. However, on August 14th no bidders were in attendance at the bond sale and thus the bonds did not sell.

The Board of Education thought they were ahead of the coal and gas impact the Glendive area is feeling. However, now it is not certain that we can stay ahead of the impact.

We urge your support of this bill and ask that if it passes two major points be included in the bill. One being that past issues that have been approved by the voters be recognized as being legal without another vote, and also that the bill go into effect immediately on passage.

Thank you,

Dr. Raymond Pelton
Superintendent of Schools

RP:ba

cc: Senator Joe Mazurck

Attach. #3

Mr. Chairman & Members of the Committee

I am Mrs Carroll Graham, Big Horn County. I am here to urge passage of Bill —.

I am Chairman of a Planning and Advisory Committee to our County Commissioners, for a New nursing home and retirement apartment Complex to be built in Hardin, Montana. We have worked very hard since last April to get all the preliminary paper work done to meet the requirements of the State Health Agencies, for a Certificate of Need. This has been approved. We petitioned the Voters to put a bond issue on the November ballot for both the Nursing home and the retirement apartments. This passed by an overwhelming majority - better than 2 to 1, margin.

The people of Big Horn County are willing to tax themselves for the general bond issue. Our problem is selling the bonds. We have been in contact with brokerage firms from here to New York and have been told that 7% interest is ridiculous in light of the 20% or 21% prime interest rate, even for 15 years or 20 years bonds.

Our hands are tied for further development until we are assured the bonds will be sold. Delays are costly in that Construction charges and materials are on the increase. I am sure that Big Horn County is not the only area that is hampered by such a law interest rate on general obligation bonds.

I would sincerely hope that this honorable committee would favorably consider a "do pass" recommendation for this much needed legislation.

Thank you for allowing me the time to present our problem in Big Horn County, the solution is in your hands.

Attachment 2
SB 15

DORSEY, WINDHORST, HANNAFORD, WHITNEY & HALLADAY

2300 FIRST NATIONAL BANK BUILDING

MINNEAPOLIS, MINNESOTA 55402

1468 W-FIRST NATIONAL BANK BUILDING
ST. PAUL, MINNESOTA 55101
(612) 227-8017

(612) 340-2600
CABLE: DOROW
TELEX: 29-0606
TELECOPIER: (612) 340-2868

115 THIRD STREET SOUTHWEST
ROCHESTER, MINNESOTA 55901
(507) 288-3156

WILLIAM A. JOHNSTONE
(612) 340-2815

January 12, 1981

Mr. Bruce MacKenzie
Vice President and
General Counsel
D.A. Davidson & Co.
P.O. Box 5015
Great Falls, Montana 59403

Dear Mr. MacKenzie:

You have requested our comments on the validity of a provision of a suggested amendment to the laws of Montana concerning the rate of interest borne by bonds of political subdivisions of the State of Montana. The provision would permit political subdivisions to issue and sell bonds heretofore authorized at rates within the limits of the amendment, notwithstanding that the rates exceeded the maximum permitted at the time of authorization or exceeded the limits set forth in the question submitted to the electors of the political subdivision.

Presumably the purpose of the provision is to permit political subdivisions to proceed to issue and sell bonds authorized by the electors but not sold because of interest rate limitations, without the necessity, and cost and time incident thereto, of conducting another election. The rationale being that the electors gave approval to the proposed bond issue and the maximum rate of interest to be borne by the bonds was not a factor of such significance in their approval as to warrant the delay and expense of conducting another election.

If the legislature should make the public policy decision approving such a provision, we believe the provision would be valid. The requirement of an election to approve bonds and the inclusion of the interest rate limitation in the ballot are not required by the state constitution, but are requirements with respect to certain bonds of political subdivisions imposed solely by the legislature. Accordingly, if the legislature so determined it could dispense with the requirement of an election or the requirement of including the interest rate limitation in the ballot. The Montana Supreme Court in Weber v. City of Helena, 297 P. 455 (Mt. 1931) has adopted the general rule that the legislature may adopt legislation retrospectively with respect to the power of a political subdivision. In Weber the principal was involved to uphold the validity of a bond validating act in curing defects in the conduct of a special bond election which the Supreme Court had previously held to be invalid. The Court reasoned that the legislature had the power to authorize the City of Helena to issue its bonds without an election or upon such terms as the legislature determined, consistent with constitutional requirements, and accordingly could enact general legislation which validated the election notwithstanding that certain provisions of law relating to the conduct of the election had not been observed.

The holding and reasoning of the court in Weber are directly applicable to and dispositive of the question raised by the proposed amendment. The legislature has the power under the Montana constitution to authorize a political subdivision to issue and sell its bonds without an election and bearing interest within such limitation as the legislature shall determine. And, had the election been improperly called, noticed or conducted, or had the bonds been issued and sold at a rate higher than the statute permitted, the legislature could have cured the defects and validated the bonds. Therefore, it appears to us that the legislature may authorize, by general law, political subdivisions to issue and sell bonds at a rate of interest higher than that authorized by the electors and by the statute in effect on the date of the election.

If you have any questions regarding the foregoing, please let us know.

Sincerely yours,

W A Johnstone

William A. Johnstone

WAJ:cmn

Commissioners
Rich D. Brown, Mayor
Michael J. DaSilva
Dale L. Johnson
ames H. Nybo
ussell J. Ritter

Robert A. Erickson
City Manager

GUARDIAN OF THE GULCH
City of Helena

City-County Admin. Bldg.
316 North Park
Helena, MT 59623

Phone 406/442-9920

STATEMENT OF WILLIAM J. VERWOLF,
FINANCE DIRECTOR, CITY OF HELENA
CONCERNING SENATE BILL NO. 15

Honorable Senators: My name is William Verwolf and I serve as Finance Director of the City of Helena. The concept proposed in Senate Bill 15 is to remove the statutory limitation on interest rates for bonds issued by political subdivisions of the State of Montana, which of course includes Cities, Counties and School Districts. This proposal is very logical in view of the current situation regarding interest rates for municipal bonds. The current "Bond Buyers" index for general obligation bonds is 9.76% and for revenue bonds is 10.81%. The present effect of the current interest rate limitations as provided in 17-5-102 MCA is to prevent the sale of any general obligation or revenue bonds.

This proposed legislation places the burden of comparing interest costs on a bond issue to the costs of delaying a construction project upon the local governing body, who are in the best position to make an informed decision. In some cases, even the high interest rates currently being charged are less of a burden on the taxpayers than would be the inflationary cost of delaying construction. The locally elected governing body is directly responsible to the effected taxpayers and therefore should be the body making such a decision.

Attach. #5

Billings Area
CHAMBER OF COMMERCE

SENATE BILL 15

The Billings Area Chamber of Commerce supports Senate Bill 15.

Because of the current interest rate restrictions on public bonds, the City of Billings is currently unable to sell some bonds that would finance projects that are needed by the community.

The Chamber is also concerned that the interest rate restrictions on industrial development revenue bonds will damage the use of these bonds for the economic development of the community.

As a result of these interest rate restrictions, we have seen investment capital going elsewhere where rates are higher, and in some cases this means leaving the community and the state. Therefore the capital is not being invested locally where it will create more jobs and add to the economic well being of the community.

Therefore we urge you to take action to allow the interest rates on government bonds to be more competitive in the market. We urge your support of Senate Bill 15.

P.O. Box 2519 • Billings, Montana 59103 • (406) 245-4111

CITY OF BILLINGS

220 NORTH 27TH STREET
P. O. BOX 1178
BILLINGS, MONTANA 59103
PHONE (406) 248-7511

Senator Pat Goodover, Chairman
Senate Taxation Committee

The City of Billings supports Senate Bill 15. This bill will allow the interest rate on public bonds to be determined at the market place.

At the present time, the City has a $3.5 million water revenue bond that we need to issue for some basic improvements to our water distribution system. These bonds cannot be marketed under current interest rate restrictions.

Several industrial development revenue bond issues are also held up due to the interest rate restrictions.

The cost of all of these projects is increasing with inflation. These projects would also provide many construction jobs at a time when the construction industry is at a low level.

We urge your favorable consideration of this bill.

Sincerely,

Cy Jamison
Ward Three Councilmember
City of Billings