

MINUTES OF THE MEETING OF THE HOUSE STATE ADMINISTRATION COMMITTEE
February 1, 1983

CHAIRMAN JOE BRAND called the meeting to order at 9 a.m. in Room 129 of the Capitol. All members were present except Representatives HAMMOND and O'CONNELL.

HOUSE BILL 427

Chairman Brand opened the hearing by calling for testimony on House Bill 427, and called on sponsor REP. GAYE HOLLIDAY, who said the measure was introduced at the request of the Office of Budget and Program Planning. She said it would transfer data processing for the state from OBPP to the Department of Administration. She called on OBPP Director DAVID LEWIS for further testimony.

LEWIS said the measure results from a 1977 decision to place control of state data processing within his office. One person was hired then, but the workload has grown considerably. He said the transfer would be an efficient move and productive.

MIKE TREVOR, speaking for the Department of Administration, endorsed the bill, as did Commissioner of Higher Education, Irving Dayton.

No opponents were heard and Rep. Holliday closed her remarks about the measure by suggesting an amendment to provide an effective date.

THERE BEING NO OPPONENTS TO HOUSE BILL 427 HEARD, CHAIRMAN BRAND CALLED FOR QUESTIONS FROM COMMITTEE MEMBERS.

REP. JERRY DRISCOLL asked Trevor what effect the move would have on employees of the Department of Administration. Trevor said little because employees are doing the same work now at the direction of the OBPP. Responding to a question by REP. KATHLEEN MCBRIDE, Trevor said the employees answer to the Department of Administration.

Chairman Brand asked why the bill would exclude the University System. DAYTON said because the University System also uses computers for research and instruction, and must have that autonomy.

THERE BEING NO FURTHER QUESTIONS FROM THE COMMITTEE, CHAIRMAN BRAND CALLED THE HEARING INTO HOUSE BILL 427 TO A CLOSE.

HOUSE BILL 462

CHAIRMAN BRAND OPENED THE HEARING INTO HOUSE BILL 462 BY CALLING ON ITS SPONSOR, REP. TOM ASAY.

REP. ASAY said the measure would double the salary of Coal Board members from \$25 a day to \$50. He said the increase was justified because the members are making important policy decisions and are paid too little. He said \$50 a day would not be fair, either.

NO OTHER PROPONENTS OR OPPONENTS WERE HEARD, AND CHAIRMAN BRAND CALLED FOR QUESTIONS FROM THE COMMITTEE.

Rep. McBride asked Rep. Asay if he thought members of the board were above members of other boards. He said not.

REP. PAUL PISTORIA asked why did not he propose paying board members the same salary as legislators. Rep. Asay said the \$50 figure was a convenient one for him.

REP. FRANCIS BARDANOUE criticized the measure, saying it opened a "can of worms" that had been considered before. He said Rep. Asay's argument that the experienced members were not paid enough did not hold water. Rep. Bardanoue said other members of other boards performed services for \$25 a day, including highly paid professionals. He said the Board of Natural Resources and Conservation made decisions about matters worth \$2-3 billion in reviewing Colstrip development. He also said the argument that the pay would not come from the general fund, but from earmarked revenue, is not valid. He suggested once this is done for this board, other members of other boards will be seeking raises as well. Rep. Asay said earmarked revenue is an important consideration in these days of tight budgets.

REP. BILL HAND asked, and Rep. Asay answered, to the effect that there are seven people on the board who averages seven meeting days a year. "Montanans have become severance tax junkies," he said.

REP. FRANCIS KOEHNKE asked if there were 27-30 other state boards. Rep. Bardanoue said there were "significant" numbers of boards and the memberships totaled "hundreds of other people." Chairman Brand said other board members' pay ranged from \$25 a day to nothing.

Responding to a question from Rep. Driscoll, Rep. Bardanoue said the salaries are raised through earmarked revenue.

Responding to a question from REP. JOHN RYAN, Rep. Asay said there has been no difficulty getting people to serve on the Coal Board. He said members were appointed by the governor and there were some occupational qualifications.

He said members are also paid a per diem expense payment.

THERE BEING NO FURTHER QUESTIONS FROM COMMITTEE MEMBERS,
CHAIRMAN BRAND CLOSED THE HEARING INTO HOUSE BILL 462.

HOUSE BILL 448

CHAIRMAN BRAND OPENED THE HEARING INTO HOUSE BILL 448 BY
CALLING ON REP. BARDANOUVE.

Rep. Bardanouve said the measure would rewrite the state's authority to issue general obligation bonds and notes. He said the present law contains problems, especially with new federal regulations and the "reality of the world of higher interest."

Rep. Bardanouve said the present law has us nearly bumping the ceiling of 11 percent of income tax, corporate license tax and other revenue levels. (including 73 percent of cigarette tax revenue and 100 percent of assessments of other tobacco taxes) He said the state is limited by current law to spending no more than is in the pool to pay off building construction. He said that at the present time, however, the state has a need to build more buildings because the employment is needed and bids come in favorable. But he said the state is limited by the ceiling.

He said the bill would allow for the sale of "anticipation notes" for short-term paper that often can be risky. He said the bill would also require registration of the bonds, in line with federal regulations, and would also require two percent of the bond purchases to be deposited in Montana banks. He said the important part of the bill was that it would remove the requirement for a reserve equal to the annual debt service that the state must now put aside. He spoke of the concept of "defeasance", or the idea of discharging the obligation to bond holders by putting a cash amount equal to the old bonds in an escrow account, thus freeing the state from the escrow requirement by way of the new bill.

MORRIS BRUSSETT, Director of the Department of Administration, stated that the state now has an excellent AAA-1 bond rating. He said that Moody's favors the bill, and has stated that the bill, if passed into law, would not affect the excellent rating.

Brussett spoke for the refunding provision of the bill, which would allow the sale of new bonds to pay off old bonds. He said it was good sometimes to restructure debt. He suggested amendment to allow refunds when interest rates on new bonds is less than that on old ones.

JOHN OITZINGER, a bond lawyer in Helena, stated that his firm had worked with the Department of Administration, but was not paid for his testimony today. Oitzinger said that the bill would be a good idea.

THERE BEING NO OPPONENTS TO HOUSE BILL 448 BEING HEAR, CHAIRMAN BRAND CALLED FOR QUESTIONS FROM COMMITTEE MEMBERS AFTER REP. BARDANOUE DECLINED TO MAKE A CLOSING STATEMENT.

Rep. Bill Hand asked about the practicalities of selling new bonds to retire the old. Rep. Bardanoue said that would be possible when bond holders agreed to such defeasement, he said that would make reserve cash available.

REP. WALTER SALES asked why the bill was limited to general obligation bonds and not all bonds issued by the state. Rep. Bardanoue said general obligation bonds are the most attractive to bond buyers and that earmarked bonds are less than desirable to bond buyers. Rep. Sales also asked why the state cannot have a specific fiscal agent for all bonds. Brussett stated that was possible but it would probably require an umbrella bonding agency.

REP. SMITH questioned about the idea of selling 3-4 percent bonds and pay them off with revenues raised by issuance of bonds to be paid at a higher rate, further and then retaining reserved cash to protect them. Rep. Bardanoue explained that would be wise to do because often bond holders are willing to cash in their bonds at less than face value, sometimes as much as 80 percent of face value.

Rep. Driscoll asked how much would be raised by selling bonds today. An underwriter introduced by Brussett stated that a typical 20 year issue of general obligation bonds would yield a 9 percent interest rate bid. Brussett said that current investments by the Board of Investments were getting about a 10 percent bid.

Chairman Brand asked about the possible effect on the state's bond rating if the reserve requirement was removed. Brussett said that Moody's assures him that it would result in no change in the state's excellent rating. He said the reserve requirement was not important to bond buyers for general obligation bonds.

Rep. Paul Pistoria asked the underwriter who spoke earlier to identify himself. The underwriter identified himself as FRANK HOADLEY of Boettcher and Company, of Cheyenne, Wyoming and Denver, Colorado.

THERE BEING NO FURTHER QUESTIONS FROM COMMITTEE MEMBERS, CHAIRMAN BRAND CLOSED THE HEARING ON HOUSE BILL 448.

Chairman Brand called the committee into EXECUTIVE SESSION, and called for action on House Bill 448.

EXECUTIVE SESSION

REP. SALES MOVED DO PASS for the purpose of amending the measure. REP. SALES WITHDREW that motion, and made another motion, MOVED the AMENDMENTS to House Bill 448 as presented (see attached proposed amendments to House Bill 448), REP. SALES SECONDED, the questioned was called and the motion was CARRIED by unanimous voice vote.

REP. SALES MOVED DO PASS AS AMENDED, REP. DRISCOLL SECONDED.

Rep. Sales said the state should not hire duplicative personnel, and should rely on a single bonding agent.

REP. CHET SOLBERG asked why the state would go out of state to sell the bonds. Rep. Bardanouve said he did not know.

The question was called and the motion CARRIED by voice vote, CHAIRMAN BRAND voting "NO".

HOUSE BILL 462

REP. SALES MOVED DO NOT PASS, REP. MUELLER SECONDED.

Rep. Holliday said she would abstain from voting.

Rep. Driscoll said that the people who would be affected were not merely advisory, they made actual decisions with regard to coal fund money.

REP. BLISS stated that members of the Coal Board did their work as a service.

Rep. Bardanouve observed that perhaps the legislature needed a blanket bill for all boards.

Rep. Pistoria stated that there was a discrepancy in how the matters of pay for the board members is handled.

The question was called and the motion CARRIED by voice vote. Voting "NAY" were Representatives DRISCOLL and McCORMICK. Abstaining was REP. HOLLIDAY.

HOUSE BILL 427

REP. SALES MOVED the AMENDMENTS, REP. MUELLER SECONDED.

The question was called and CARRIED by voice vote.

REP. HAND MOVED DO PASS AS AMENDED, AND REP. PHILLIPS SECONDED.

Rep. Driscoll said he would abstain from voting on the bill until he checked with employees to be affected by the measure. Rep. Holliday stated that those people were doing it already.

The question was called and the motion CARRIED by voice vote. REP. DRISCOLL abstained.

HOUSE BILL 411

Rep. Hand stated that his subcommittee was ready for action on the measure. Legislative Researcher, LOIS MENZIES stated that regarding the amendments, some were at the request of other factions.

CHAIRMAN BRAND INTERRUPTED ACTION ON HOUSE BILL 411 BY CALLING FOR ACTION ON HOUSE BILL 79.

REP. SALES MOVED a committee be appointed to put a bill together, REP. MUELLER SECONDED. The question was called and CARRIED by unanimous voice vote.

CHAIRMAN BRAND RETURNED TO DISCUSSION REGARDING HOUSE BILL 411.

Legislative Researcher, Lois Menzies stated that the new section three contained within the amendments would explain the party affiliation requirement and reflect a change in the application process. She said the forth amendment would affect the paper ballot only counties; the sixth would affect the oath, and the seventh amendment would include the work "d'èvice".

REP. LLOYD McCORMICK asked if the bill would not disenfranchise the independent voters. Many members of the committee agreed.

REP. HAND MOVED the AMENDMENTS, REP. DRISCOLL SECONDED.

Chairman Brand suggested holding the bill for action the next day.

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The question was called and the motion to adopt the AMENDMENTS CARRIED by unanimous voice vote.

IT WAS MOVED AND SECONDED FOR ADJOURNMENT, AND CHAIRMAN BRAND DECLARED THE MEETING ADJOURNED.



REPRESENTATIVE JOE BRAND, Chairman

FEBRUARY 1, 1983

MR. **SPEAKER**We, your committee on **STATE ADMINISTRATION**having had under consideration **HOUSE** Bill No. **448****first reading copy (white)**

"AN ACT TO CREATE A GENERAL OBLIGATION BOND AND NOTE LAW UNDER WHICH THE STATE MAY ISSUE GENERAL OBLIGATION BONDS AND NOTES AS AUTHORIZED BY PARTICULAR BOND ACTS APPROVED BY THE LEGISLATURE; AMENDING SECTION 18-1-203, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

Respectfully report as follows: That **HOUSE** Bill No. **448**
be amended as follows:

1. Title, line 8.

Following: ";

Insert: "TO MODIFY THE CONDITIONS UNDER WHICH THE BOARD OF EXAMINERS MAY REFUND BONDS AND DEBENTURES ISSUED BY THE STATE;"

2. Title, line 9.

Strike: "SECTION"

Insert: "SECTIONS 17-5-301, 17-5-305, AND"

Following: "AN"

Insert: "IMMEDIATE"

Following: "DATE"

Strike: "AND"

3. Title, line 10.

Strike: "AN APPLICABILITY DATE"

XXXXXX
DO NOT

FEBRUARY 1, 19 93

4. Page 8.

Following: line 11

Insert: "Section 7. Section 17-5-301, MCA, is amended to read:

"17-5-301. Refunding bonds or debentures authorized -- interest rate. The board of examiners is hereby authorized and empowered to refund any issue of bonds, highway or other debentures heretofore issued by the state and which are outstanding or which may hereafter be issued by the state whenever in the judgment of such board it shall be deemed for the best interests of the state to do so, provided that: --

----- (1) -- when the amount of any such issue of bonds or debentures is less than \$500,000, the same shall not be refunded unless such refunding bonds shall bear interest at a rate of at least 1/2 of 1% per annum less than the rate of interest on the bonds to be refunded;

----- (2) -- when the amount of any such issue of bonds or debentures is more than \$500,000, the same shall not be refunded unless such refunding bonds shall bear interest at a rate of at least 1/4 of 1% per annum less than the rate of interest on the bonds to be refunded; and

----- (3) -- refunding Refunding bonds or debentures shall not be issued in any greater amount than will be required to pay the principal of the bonds or debentures to be refunded, costs of issuance, plus any defaulted interest thereon."

Section 8. Section 17-5-305, MCA, is amended to read:

"17-5-305. Sale of bonds and debentures. The refunding bonds or debentures which may be issued under the provisions of this part shall be sold by the board of examiners in such manner as they shall deem for the best interests of the state, provided that:

(1) none thereof shall be sold at less than its par value; and

(2) if the state shall hold any bonds or debentures to be refunded by any such issue of refunding bonds or debentures as investments of institutional or other funds, the same may be exchanged for the refunding bonds or debentures if such exchange be authorized by the proper state officers or board, subject, however, to the provisions for reduced interest rates required by 17-5-301."

Renumber: subsequent sections

5. Page 9, line 10.

Strike: "July 1, 1983"

Insert: "on passage and approval"

6. Page 9, line 11.

Strike: section 9 in its entirety

AND AS AMENDEDDO PASS

STANDING COMMITTEE REPORT

FEBRUARY 1, 19 **83**

MR. **SPEAKER**

We, your committee on **STATE ADMINISTRATION**

having had under consideration **HOUSE** Bill No. **427**

first reading copy (white)
color

"AN ACT TRANSFERRING THE RESPONSIBILITY FOR CONTROL OF STATE GOVERNMENT DATA PROCESSING FROM THE BUDGET DIRECTOR TO THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION; FURTHER DEFINING THE DEPARTMENT DIRECTOR'S RESPONSIBILITIES; CREATING A DATA PROCESSING ADVISORY COUNCIL; AMENDING SECTIONS 2-17-301 AND 18-4-111, MCA."

Respectfully report as follows: That **HOUSE** Bill No. **427**

be amended as follows:

1. Title, line 11.

Following: "MCA"

Insert: "; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE"

2. Page 3.

Following: line 10

Insert: "New section. Section 5. Effective date. This act is effective on passage and approval."

AND AS AMENDED

DQ PASS.

PROPOSED AMENDMENTS TO HOUSE BILL 448 - INTRODUCED BILL

1. Title, line 8.

Following: "Legislature;"

Insert: "and to modify the conditions under which the board of examiners are empowered to refund bonds and debentures issued by the state;"

2. Title, line 9.

Following: "section"

Insert: "17-5-301, 17-5-305, and"

3. Title, line 9.

Following: "providing an"

Insert: "immediate"

4. Title, line 9.

Strike: "and"

5. Title, line 10.

Strike: "an applicability date."

6. Page 9, line 6.

Following: section 7, part 4;

Insert: "Section 8. Section 17-5-301, MCA, is amended to read:

"17-5-301. Refunding bonds or debentures authorized - interest rate. The board of examiners is hereby authorized and empowered to refund any issue of bonds, highway or other debentures heretofore issued by the state and which are outstanding or which may hereafter be issued by the state whenever in the judgment of such board it shall be deemed for the best interests of the state to do so, provided that,

~~(1) when the amount of any such issue of bonds or debentures is less than \$500,000, the same shall not be refunded unless such refunding bonds shall bear interest at a rate of at least $\frac{1}{2}$ of 1% per annum less than the rate of interest on the bonds to be refunded;~~

~~(2) when the amount of any such issue of bonds or debentures is more than \$500,000, the same shall not be refunded unless such refunding bonds shall bear interest at a rate of at least $\frac{1}{4}$ of 1% per annum less than the rate of interest on the bonds to be refunded; and~~

~~(3) refunding~~ Refunding bonds or debentures shall not be issued in any greater amount than will be required to pay the principal of the bonds or debentures to be refunded, costs of issuance, plus any defaulted interest thereon."

"Section 9. Section 17-5-305, MCA, is amended to read:

"17-5-305. Sale of bonds and debentures. The refunding bonds or debentures which may be issued under the provisions of this part shall be sold by the board of examiners in such manner as they shall deem for the best interests of the state, provided that:

Proposed Amendments
To HB 448
Introduced Bill
Page 2

(1) none thereof shall be sold at less than its par value;
and

(2) if the state shall hold any bonds or debentures to be refunded by any such issue of refunding bonds or debentures as investments of institutional or other funds, the same may be exchanged for the refunding bonds or debentures if such exchange be authorized by the proper state officers or board ~~subject, -- however, -- to -- the -- provisions -- for -- reduced interest rates required by 17-5-301.~~

Renumber: all subsequent sections

7. Page 9, line 10.

Following: "effective"

Strike: "July 1, 1983."

Insert: "on passage and approval."

8. Page 9, line 11.

Strike: Section 9 in its entirety.

EXCUSE

Date: 2-1, 1983

Representative Mueller is excused from the
committee hearing to be conducted 2-2, 1983.

Joe Brand
REP. JOE BRAND, Chairman

o-0-o

PROXY

In view of the above absence, I give my proxy to

Representative _____ for bill(s) _____

to follow these instructions _____

HB - 411 NO

HB - 79 YES with amendments O.K.

HB - 52 NO

HB - 375

signature

VISITOR'S REGISTER

HOUSE

COMMITTEE

BILL HB 862

DATE _____

SPONSOR _____

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITOR'S REGISTER

HOUSE

COMMITTEE

BILL HB 427

DATE _____

SPONSOR Rep. Holiday

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Amendment to HB427

1. Page 1, line 11
Following: "MCA"
Insert: ";AND PROVIDING AN IMMEDIATE EFFECTIVE DATE"
2. Page 3, line 10
Following: line 10
Insert: "Section 5. Effective date. This act is effective on
passage and approval."

House State Administration Committee

Bill Summaries

Tuesday, February 1, 1983

HB 426 (Holliday): Currently the budget director is responsible for establishing guidelines for the operation and development of data processing services for state government. HB 427, requested by the Office of Budget and Program Planning, shifts this responsibility to the Director of the Department of Administration and further defines the director's responsibilities relating to data processing. The bill also creates a state data processing advisory council to assist the department.

HB 448 (Bardanouve): Requested by the Department of Administration, this bill permits the Board of Examiners (Governor, Secretary of State, and Attorney General) to issue and sell bonds under a bond act approved by the Legislature or the electors of the state. The Board may employ a fiscal agent and a bond registrar and transfer agent to assist in the performance of its duties. Bond proceeds must be deposited in the capital projects account to pay the costs of the projects for which the bonds were issued. The Board may issue and sell bond anticipation notes. HB 448 further requires that bids for the purchase and sale of bonds or notes be secured in such amounts as determined by the Board or state treasurer.

HB 462 (Asay): Currently the Coal Board members receive \$25 a day when conducting official business. HB 462 increases this compensation to \$50 a day.

Joe -

No on HB 462

McBride

Yes on 426

McBride

PROPOSED AMENDMENTS TO HB 411

1. Title, lines 4 and 5.

Following: "ACT" on line 4

Strike: "ESTABLISHING" through "VOTING" on line 5

Insert: "REQUIRING AN ELECTOR TO DECLARE HIS PARTY
AFFILIATION TO BE ELIGIBLE TO VOTE"

2. Page 1, line 21.

Following: "alternative,"

Strike: " "

Insert: "House"

Following: "No."

Strike: " "

Insert: "117"

Strike: "[LC 484]"

3. Page 2, lines 1 through 9.

Following: "1." on line 1

Strike: "Qualification" through "." on line 9

Insert: "Eligibility to vote in primary--
declaration of party affiliation--change
of party affiliation. (1) A registered
elector who has declared a political party
affiliation as provided in this section is
entitled to vote in the primary election of
the party with which he is affiliated.

(2) A registered elector may declare his
political party affiliation by stating his
affiliation in writing on a form provided by
the election judge on the day of the first
primary election after the effective date of
this act in which the elector desires to vote.

(3) Any registered elector who has declared
his political party affiliation may change his
affiliation by:

(a) not less than 30 days before a primary
election, filing with the election administrator
a written declaration stating his change of
party affiliation; or

(b) stating his new party affiliation in
writing on a form provided by the election
judge on the day of any primary election;
however, the change is effective for the next
primary election. An elector desiring to vote
in the primary election at which he submitted
a form changing his party affiliation must vote
for the party with which he was previously
affiliated."

(over 2)

4. Page 2, line 20.

Following: "(2)"

Strike: "The"

Insert: "In those counties using only paper ballots,
the"

5. Page 2, line 23.

Strike: "general"

Insert: "primary"

6. Page 8, line 19 through line 3 on page 9.

Following: "vote" on line 19

Strike: ":" through "election" on line 3, page 9

7. Page 10, line 18.

Strike: "or device"

8. Page 10, line 20.

Following: "election"

Insert: ";

Strike: "and"

Insert: "(4)"

9. Page 10, line 22.

Strike: "that"

Insert: "the"

Following: "party"

Insert: "with which"

Following: "elector"

Insert: "has declared his affiliation under [section 1]"

Renumber: subsequent subsections