

MINUTES OF THE MEETING  
FINANCE AND CLAIMS COMMITTEE  
MONTANA STATE SENATE

January 30, 1985

The 6th meeting of the Senate Finance and Claims Committee met in room 108 of the State Capitol on the above date.

ROLL CALL: All members were present at the meeting.

Senator Regan declared a quorum present and the meeting was called to order at 5:30 p.m.

CONSIDERATION OF SENATE BILLS 186 and 224: Senator Regan, Chairman, said the purpose of the meeting was to hear Senate Bill 186 and Senate Bill 224.

SENATE BILL 224: Senator Van Valkenburg, sponsor, presented Senate Bill 224 to the committee. Senator Van Valkenburg stated that this bill would increase the bond debt limit of the Board of Housing to \$975 million; amending section 90-6-111, MCA; and providing an immediate effective date. This bill would not only be a benefit to the first time buyer but also an overall economic benefit to the state estimated at \$280 million. This bill would allow the Board of Housing to provide additional funds for lower percentage loans.

PROPOSERS: Mr. Jay McLeod, Administrator of the Board of Housing spoke in support of the bill stating that the bill would be of tremendous significance. He stated that the program is rapidly growing and that the program gives first time buyers the opportunity to invest in a home which they otherwise would be unable to do. He said that the federal bond expires in December 1987.

Linda Forrey, Single-family Program Officer, Board of Housing spoke in favor of the bill. (EXHIBIT 1).

Terry Carmody, representing the Montana Association of Realtors in Helena stated that the association supported the bill because it was an economic boost to Montana and aided people in fulfilling their dreams.

Riley Johnson, Montana Home Builders Association supported the legislation. (EXHIBIT 2).

Russell Eklunt, contractor, Great Falls, MT stated that this program has kept quite a few builders in business as it is costly to build a home at the 13 and 14 percent rates. He supported the legislation. There were no opponents to the bill.

QUESTIONS

SENATOR AKLESTAD: asked Ms. Forrey, if their spending authority is 675 million and they have spent 522 million, why haven't they spent the \$152 million.

Ms. Forrey: This was primarily due to how the bonds are discounted.

SENATOR JACOBSON: stated she was confused on how the bonds are discounted, on the face value or the issue price.

Ms. Forrey: The issue price of the bonds plus the interest on the bond as of December 1984 when the bond debt was calculated.

SENATOR KEATING: Asked if there was a depression, how would it affect the Board of Housing?

Jay McLeod: stated that there would be no problem because all of their loans are VA or FHA guaranteed and a default insurance is carried by them to cover the the default issue.

SENATOR CHRISTIEANS: Asked what is the maturity value of the bonds under the process the board is currently working with.

Mr McLeod stated that these are only zero coupon bonds were figured. He explained the length of the bonds. The mortgage loans run for 25 years, the bonds generally depending on how they are structured, Serial bonds are due with the first 10 years, Term bonds are due the middle 10 years and the 2,010 bonds are the farthest down on the maturity.

SENATOR HAMMOND: asked if the 200 million a year was the maximum amount that the Housing Board could spend?

Mr. McLeod stated that in large states such as California it is based on 90 percent of the last three years mortgages, these states have a higher limit than \$200 million. It's either that or \$200 million whichever is the higher, ours is \$200 million.

SENATOR LANE: stated he had read in the newspaper that the builders were holding up construction because of these bonds. How long can they hold it up and is there a limit on this.

Mr. McLeod stated that there is an expiring date but frequently they ask for an extention which is granted. He said that the Realtors do move the sales faster than the contractors and it appears that the contractors are getting all of the monies and the realtors are not. The funds are allocated properly and evenly.

SENATOR GAGE: asked the percentage of delinquent loans compared to the normal.

Ms. Forrey stated 2.5 percent of the total port-folio, and that the foreclosures are less than 1/2 percent. The national percentage is approximately 3 to 4 percent for delinquent accounts.

SENATOR VAN VALKENBURG: closed the hearing on Senate Bill 224 asking the committee to support the legislation.

SENATE BILL 189: Senator Richard Manning presented Senate Bill 189 stating it was at the request of the Department of Administration. This

bill would allow the encumbrance at fiscal year-end of appropriations for certain state procurements of supplies and services; amendment section 17-7-302, MCA; and providing an immediate effective date.

This bill would allow the Department of Administration additional time in unusual circumstances, to complete bids and purchases provided the initial request was presented to them by the deadline outlined by the department.

Laurie Ekanger, Administrator, Purchasing Division, Department of Administration stated that the bill benefits the purchasing division and that it was good government. She explained that most state agencies wait to purchase their equipment until the end of the year in order to use up excess budget monies and also in order to assure personnel raises and other items. This causes the purchasing division to be flooded with requests the last four weeks prior to closure. There have been instances, due to these late arrivals, that a bid is opened on the last day and there were no bids or the bidders contest the action taken. This then runs into the next biennium. The bill would provide the division to continue to let invitation for bids again, if necessary or take action on the contested cases in the next biennium and complete the purchase request. She did state that the division would have to prove if the bill were passed is that the department had solicited bids and that the department couldn't issue the purchase order by June 30 because they didn't get any so the department has to resolicit or somebody protested and the department needs to investigate.

SENATOR KEATING: asked if this would prolong the expenditures of the budgets into the next biennium.

Ms. Ekanger said that was right. Although that happens now, the purchase orders that are issued on June 30th sometimes delivery is not for 60 days beyond that and then the invoice is paid so that happens anyway.

SENATOR SMITH: Doesn't it take about 120 days to get the bids let and get it out into the community.

Ms. Ekanger stated that sometimes it can be done in four weeks.

SENATOR GAGE: What is the cutoff date.

Ms. Ekanger: May first. This only applies to items requested on or before May 1st.

EXECUTIVE ACTION:

Senate Bill 224-Senator Haffey moved the bill do pass. Senator Bengtson seconded the motion. Senator Keating voted no. The motion carried.

Senate Bill 189-Senator Gage moved to amend the bill to apply this only to those requests received in the purchasing department on or before May 1st.

Senator Regan asked the researcher, Judy Rippingale where the amendment would be entered in the bill. Ms. Rippingale stated Page 2, line 5, the department had received the purchase request prior to May 1st and have the intent to establish contract.

SENATOR HIMSL: stated that this would defeat the purpose of the bill as the department already has requirements under the Administrative Codes covering the May 1 date and this would now allow the department the flexibility to change the date if necessary.

SENATOR HAFLEY: also state that it would defeat the purpose of the bill.

SENATOR KEATING: stated he agrees with Senator Himsl that some agencies do not spend there equipment money early in the year as they want to save the funds for personnel actions etc and then end up sacrificing their equipment.

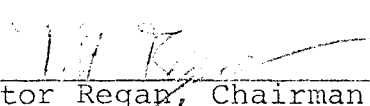
SENATOR STIMATZ: agreed that the amendment was not needed.

Senator Haffey seconded the motion. There was a roll call vote.

Senator's Jacobson, Gage, Story and Regan voted yes. Senators Haffey, Aklestad, Hammond, Lane, Christiaens, Himsl, Stimatz, Boylan, Smith, Manning, Bengtson and Keating voted no. The motion failed by a vote of 4 to 12.

Senator Haffey moved to do pass the bill, the motion carried unanimously.

The meeting was adjourned at 6:15 p.m.

  
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Senator Regan, Chairman

ROLL CALL

SENATE FINANCE AND CLAIMS

COMMITTEE

49th LEGISLATIVE SESSION - - 185

Date 1-30-85

NAME	PRESENT	ABSENT	EXCUSED
SENATOR REGAN	✓		
SENATOR HAFLEY	✓		
SENATOR JACOBSON	✓		
SENATOR AKLESTAD	✓		
SENATOR HAMMOND	✓		
SENATOR LANE	✓		
SENATOR CHRISTIAENS	✓		
SENATOR GAGE	✓		
SENATOR HIMSL	✓		
SENATOR STIMATZ	✓		
SENATOR BOYLAN	✓		
SENATOR STORY	✓		
SENATOR SMITH	✓		
SENATOR MANNING (Dick)	✓		
SENATOR BENGTON	✓		
SENATOR KEATING	✓		

SENATE AND HOUSE COMMITTEE

BILL 224

DATE 1-30-85

SPONSOR \_\_\_\_\_

224  
Write in Blue =

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY

SENATE AND HOUSE COMMITTEE

SPONSOR Manning

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

## SENATE COMMITTEE

## FINANCE AND CLAIMS

## VOTING RECORD

Date 1-30-85SenateBill No. 224Time       

Name	YES	NO	ABSENT	EXCUSED
Senator Haffey		✓		
Senator Jacobson	✓			
Senator Aklestad		✓		
Senator Hammond		✓		
Senator Lane		✓		
Senator Christiaens		✓		
Senator Gage	✓			
Senator Himsl		✓		
Senator Stimatz		✓		
Senator Boylan		✓		
Senator Story	✓			
Senator Smith		✓		
Senator Manning (Dick)		✓		
Senator Bengtson		✓		
Senator Keating		✓		
Senator Regan	✓			
	4	12		

Sylvia Kinsey  
Secretary

Senator Regan  
Chairman

Motion: Sen Gage moved to amend the bill to read  
Page 2, line 5 "the Department had received the  
 purchase request prior to May 1st and hence  
 the intent to establish a purchase  
The motion failed.



(This sheet to be used by those testifying on a bill.)

NAME: Laurie Ekanger DATE: 1-30-85

ADDRESS: 165 Mitchell Bld

PHONE: 2575

REPRESENTING WHOM? Dept. of Admin

APPEARING ON WHICH PROPOSAL: SB 189

DO YOU: SUPPORT? X AMEND? \_\_\_\_\_ OPPOSE? \_\_\_\_\_

COMMENT: \_\_\_\_\_

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Riley Johnson DATE: 1-30-85

ADDRESS: Helena

PHONE: 442-6424

REPRESENTING WHOM? Montana Homebuilders Ass'n.

APPEARING ON WHICH PROPOSAL: SB 224

DO YOU: SUPPORT? X AMEND? \_\_\_\_\_ OPPOSE? \_\_\_\_\_

COMMENT: Montana Homebuilders Association, representing  
over 600 builders and suppliers of material to builders  
in the state of Montana, support SB 224. The board of  
housing program has been one of sterling success. I  
wish you could see the faces of the some 10,000 Montana  
folks <sup>sign the home builders</sup> who have so far taken advantage of the board of  
housing program. Secondly, the infusion of money  
like board of housing money is injected into communities  
all across the state. I likened it <sup>to</sup> ~~is a~~ "mainlining" economic  
"mainlining" — something our Montana needs. We ask  
your support of SB 224.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

# STANDING COMMITTEE REPORT

..... January 30 ..... 19 85 .....

MR. PRESIDENT

We, your committee on ..... **Finance and Claims** .....  
..... **Senate** .....  
having had under consideration..... No. **189** .....  
**introduced bill** reading copy ( **white** )  
color

**ALLOW ENCUMBRANCE OF APPROPRIATIONS FOR CERTAIN PROCUREMENTS**

Respectfully report as follows: That..... **Senate** ..... No. **189** .....

~~DO PASS-~~

DO NOT PASS

..... **Senator Regan** .....  
Chairman.

# STANDING COMMITTEE REPORT

January 30

19 85

MR. PRESIDENT

We, your committee on **Finance and Claims**

having had under consideration..... **Senate** No. **224**

introduced bill reading copy ( white )  
color

**RAISING THE BOARD OF HOUSING BOND LIMIT TO \$975 MILLION**

Respectfully report as follows: That..... **Senate** No. **224**

DO PASS

DO NOT PASS,

.....  
**Senator Regan**

Chairman.

# MONTANA BOARD OF HOUSING



TED SCHWINDEN, GOVERNOR

2001 ELEVENTH AVENUE  
FSI PLAZA

STATE OF MONTANA

(406) 444-3040

HELENA, MONTANA 59620

January 30, 1985

TO: CHAIRMAN PAT REGAN  
MEMBERS OF FINANCE COMMITTEE

RE: SENATE BILL 224 AMENDING THE HOUSING ACT OF 1975:

(1) To Increase the Bond Debt Limit to \$975 million

The housing board's current debt limit is \$675 million. This means that the total amount of bond debt incurred by the Board cannot exceed \$675 million at any time. Our current debt is \$522 million which represents the funding of 10,000 mortgage loans since 1977.

Federal law limits to \$200 million the amount of bonds the agency may sell each year. Because this federal financing tool expires December 31, 1987 and more important because lower income families need this type of assistance to buy their first home, we are asking the legislature to increase the bond debt limit to \$975 million. As a result, 8,000 young families would receive the benefits of homeownership at an interest rate of 2% to 3% below market rate loans. 3,000 new homes are expected to be constructed. This new construction activity will create 2,500 jobs, generate \$20 million in federal, state and local tax revenues and the purchase of major household appliances. The total new construction economic activity

is estimated to reach \$283 million. No general fund monies are required. All financing programs are funded by the spread between the Board's cost of money and the income it receives from the repayment of the mortgage loans and investment income.

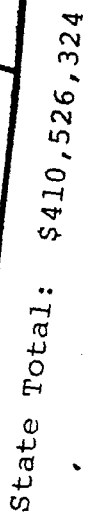
(2) To Determine how Bonds Sold at a Discount are Counted Against the Bond Debt Limit

Our average bond issue is approximately \$50 million. Out of this \$50 million, less than 5% is sometimes structured as a deep discount. The purpose of using a deep discount is that it significantly lowers the mortgage rate on a bond issue. We count the initial value instead of the maturity value because the money we receive is based on the issue value not the maturity value. The difference is interest which is not used to calculate the bond debt limit. For example, assume the sale of a 20-year bond at a discount with a maturity value of \$5,000 and the issue price of this bond today is \$500. We propose that the \$500 be used to calculate the outstanding bond debt instead of the maturity value of 5,000, 20 years from today. The maturity value method utilizes our bonding authority in a relatively short period of time. Conversely, the issue price method will provide for the financing of more homes for less initial bonding authority.

SUBMITTED BY  
MONTANA BOARD OF HOUSING:

  
Single Family Program Officer

5



No. 1092 — County Outline Map  
STATE PUBLISHING COMPANY  
Helena

BOARD OF HOUSING LOANS BY TOWN

<u>TOWN</u>	<u>AMOUNT</u>
Absarokee	\$ 149,650.00
Alberton	250,879.62
Amsterdam	31,080.00
Anaconda	2,066,225.12
Baker	1,371,918.30
Ballantine	43,467.08
Belgrade	7,431,058.08
Belt	318,249.88
Bigfork	784,962.81
Big Sandy	99,104.23
Big Sky	47,882.50
Big Timber	314,608.73
Billings	115,632,750.50
Black Eagle	362,825.26
Bloomfield	46,500.00
Bonner	401,647.45
Boulder	322,027.42
Bozeman	16,040,788.30
Bridger	93,400.00
Broadus	114,949.29
Broadview	69,000.00
Butte	10,252,338.79
Cascade	176,351.04
Charlo	124,983.63
Chester	105,000.00
Chinook	1,015,301.62
Choteau	175,616.67
Churchill	29,500.00
Circle	445,962.20
Clancy	1,539,072.74
Clinton	297,400.38
Colstrip	338,550.00
Columbia Falls	4,281,510.06



<u>TOWN</u>	<u>AMOUNT</u>
Columbus	\$ 486,811.84
Conrad	521,342.05
Corvallis	264,297.09
Culbertson	66,579.20
Cut Bank	2,109,836.41
Deer Lodge	1,327,665.69
Dillon	1,301,140.87
Dupuyer	31,176.39
Dutton	79,986.31
East Glacier	21,794.65
East Helena	3,714,897.97
East Missoula	1,075,831.22
Edgar	99,568.00
Ekalaka	18,000.00
Elliston	35,099.18
Ennis	776,346.99
Eureka	133,615.55
Fairfield	256,873.80
Fairview	421,255.11
Fallon	28,725.85
Florence	1,456,280.02
Forsyth	759,807.75
Fort Benton	230,286.77
Fort Smith	89,555.18
Frenchtown	1,001,449.71
Froid	22,284.13
Gallatin Gateway	41,000.00
Gardiner	156,089.67
Glasgow	2,232,958.52
Glendive	6,542,967.51
Great Falls	64,051,811.19
Hamilton	794,495.26
Hardin	1,288,977.67
Harlem	71,807.52
Harlowton	84,000.00

TOWNAMOUNT

Havre	\$ 6,197,051.96
Helena	26,099,004.99
Hingham	54,700.00
Hobson	37,350.00
Hungry Horse	121,384.11
Huntley	263,749.27
Huson	351,969.85
Joliet	265,267.71
Jordan	80,514.58
Kalispell	14,262,739.79
Kila	146,150.00
Kremlin	38,310.56
Lakeside	472,934.00
Laurel	6,673,242.33
Lewistown	2,263,897.30
Libby	2,994,030.31
Lincoln	63,875.88
Livingston	3,237,323.05
Lodge Grass	39,936.14
Lolo	4,684,512.35
Malta	566,029.19
Manhattan	649,948.18
Martin City	46,100.00
Marysville	42,500.00
Miles City	9,818,924.38
Missoula	45,745,359.12
Molt	49,885.96
Montana City	84,685.53
Moore	10,976.06
Nashua	93,400.74
Noxon	17,000.00
Opheim	30,000.00
Pablo	336,802.05
Park City	655,781.83
Phillipsburg	103,860.47

<u>TOWN</u>	<u>AMOUNT</u>
Piltzville	\$ 34,526.00
Plains	41,418.64
Plentywood	82,263.54
Polson	3,618,565.40
Poplar	56,500.00
Potomac	55,000.00
Power	50,000.00
Proctor	45,000.00
Radersburg	28,338.97
Ramsey	60,000.00
Red Lodge	486,905.56
Richey	24,675.84
Roberts	54,000.00
Ronan	826,525.99
Rosebud	37,650.00
Roundup	321,056.60
Roy	24,185.95
Rudyard	36,791.04
Saco	52,850.00
St. Ignatius	124,987.40
St. Regis	257,778.92
Sand Coulee	41,568.64
Savage	175,112.25
Scobey	30,699.35
Seeley Lake	265,696.00
Shawmut	33,946.32
Shelby	587,955.16
Shepherd	1,505,940.17
Sheridan	30,527.09
Sidney	6,095,519.80
Silesia	85,150.00
Silverbow	49,960.25
Simms	114,500.00
Somers	32,800.00
Stanford	123,000.00

<u>TOWN</u>	<u>AMOUNT</u>
Stevensville	\$ 2,026,070.36
Superior	1,294,613.57
Swan Lake	34,973.75
Terry	113,800.00
Thompson Falls	284,823.45
Three Forks	331,308.82
Toston	101,234.71
Townsend	819,323.55
Tracy	30,000.00
Trout Creek	39,980.54
Troy	401,944.39
Turah	187,700.00
Ulm	107,500.00
Valier	167,629.31
Vaughn	258,220.52
Victor	134,135.76
Virginia City	157,968.25
West Yellowstone	42,000.00
Whitefish	2,994,811.80
Whitehall	371,572.53
White Sulphur Springs	881,192.30
Wilsall	18,300.07
Winston	19,985.89
Wolf Point	1,160,365.06
Wordon	87,100.00
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TOTAL	\$410,526,323.97