MINUTES

MONTANA HOUSE OF REPRESENTATIVES
51st LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON LONG RANGE PLANNING

Call to Order: By Chairperson Mary Ellen Connelly, on March 23, 1989, at 7:30 a.m.

ROLL CALL

Members Present: All except:

Members Excused: Representatives Bardanouve and Thoft

Members Absent: None

Staff Present: Donna Grace, Committee Secretary; Carroll South, Staff Researcher, Legislative Fiscal Analyst's Office

Announcements/Discussion: None

AMENDMENTS TO HB 775

Tape 52:A:000

REP. CONNELLY stated that she had called the meeting to discuss two bills that affected the Water Development and Renewable Resource Development Grant Programs and HB 775. One was HB 760, "An Act Appropriating Money to Yellowstone County to Help Fund a Feasibility Study of a Billings-area Reservoir Site for Recreation or Other Purposes," introduced by Rep. Hannah. She stated that it had been called to her attention that the money for this project would be coming off the top of the Water Development Special Revenue Account for the biennium ending June 30, 1991. She said the amount originally requested in the bill was $100,000 from the Water Development Account, but had been amended down to $7,500 from the general fund.

HB 398, "An Act Creating a Genetic Engineering Technology Research and Development Account for Certain Funds Appropriated or Contributed to Montana State University; and Appropriating Money to Montana State University to Provide Additional Support for Applied Genetic Engineering Technology Research and Development to Enhance Montana Agricultural Products", was introduced by Representative Westlake. This bill would also take $160,000 off the top of the Renewable Resource Fund.

REP. CONNELLY advised that she had talked with Caralee Cheney, who said they could shift some of the water projects from one account to the other.

MR. SOUTH (52:A:020) said that the way HB 398 was originally written, there was a legal problem because it appropriated money out of the Renewable Resources Bond Fund, which is pledged to the outstanding bonds. In order to correct the legal problem, an amendment was written which was included on page 2 of the bill. The intent of the amendment was that this money would only come out if there was money available after all other appropriations were made. However, the way the bill was written, even with the amendment, because of the fund from which the money would actually be appropriated, that is not how it works. He said the $160,000 would actually come right off the top of revenue flowing into the Renewable Resources Account because anything that was not used in the bond retirement account would flow into the Renewable Resources Account. Effectively, HB 398 as it was written would take $160,000 out of the Renewable Resources Account and take four grants off the bottom of those that had been approved by this committee in HB 775.

MR. SOUTH suggested one way to overcome this would be to amend HB 775 in such a way that Renewable Resource Grants could be transferred into the Water Development Grants Program where there was money available. He said there was no money available in the Renewable Resources fund. HB 775 was written in such a way that Water Development Grants that were not funded could be put in Renewable Resources but the language was not there to do the reverse. An amendment could be proposed in the Senate to HB 775 which would give the Department of Natural Resources and Conservation (DNRC) authority to transfer the Water Development projects that were currently to be funded with renewable resource money into the Water Development account where the money was available. Thereby $160,000 could be provided for HB 398 and all the grants in HB 775 could be funded.

MR. SOUTH said Ms Cheney's problem with doing that was the subcommittee had made a motion to continue using the cash accounting system in the Water Development fund. MR. SOUTH said the committee was now saying there was $600,000 to $700,000 in that fund. The department was saying there was not. If an actual amendment were put in HB 775 to permit DNRC to fund Renewable Resource projects, which have already been approved, with Water Development money (provided the money was there), all the problems would be solved. He said it would be necessary for the committee to give some sort of assurance to the department that the projects could be funded in this way, regardless of the accounting mechanism.

SENATOR HIMSL (52:A:060) said he felt it would be unfair to change any of the allocations that had already been made and start putting other projects in. SEN. HIMSL stated that if the Senate killed HB 398, there would not be a problem.

REP. CONNELLY and MR. SOUTH said the House had not been aware of what this bill would do to the grants program when it was passed by a good margin. It was the opinion in the House that this bill would be funded only if money was available, and that the project would come at the bottom.

MR. SOUTH suggested that it might be a good idea to amend HB 775 in the Senate because, even without HB 398, the balance in the Renewable Resource Development account was getting precarious as opposed to the Water Development account, which had approximately $600,000 in it.

MR. SOUTH (52:A:105) said he would work with the department on an amendment to HB 775 to assure that all the grants would be funded. REP. CONNELLY stated that they would present the amendment to the Senate Finance Committee and could then explain what the problem was.

Motion: SEN. MANNING (52:A:126) made a motion that Mr. South prepare the amendment for consideration by the Senate Finance and Claims Committee.

Vote: The motion CARRIED unanimously.

The committee then discussed HB 760 (52:A:128), which was amended down from $100,000 to $7,500, an amount which would also come off the top of the Water Development account. MR. SOUTH said this would not be a problem because it would only be funded if there was money available in this account. REP. CONNELLY said that no action was necessary; she only wanted the subcommittee to be aware of the matter.

SEN. MANNING asked what the bill provided for, and REP. CONNELLY said it was for studies for a reservoir.

The committee then discussed the bill which would provide for the acceptance by the state of the Tobin Mansion (52:A:160). REP. CONNELLY stated that a decision must be made within 18 months. She said she talked to the Governor and he said he would not oppose the bill if the legislature could come up with some money to do the work that needs to be done at the current mansion on Carson Street. He had given her a rough estimate that it would cost approximately $100,000 to get it in shape. She agreed with the Governor that the committee would look to see if some money could be found to do that work.

MR. SOUTH indicated there might be some money available from Aeronautics General Obligation Bonds which had been sold in 1985 (EXHIBIT 1). MR. SOUTH explained that there could be problems in the future because the arbitrage laws provided that earnings could not be any more on the bond proceeds than were paid to the interest holders. He explained the situation as set forth in the exhibit and said in most cases earnings were less. Over the four years these bonds had been outstanding, the state had not earned as much interest on the bond proceeds as it had paid the bondholder. Consequently, since all the money wasn't loaned out, the state during the last year of bond retirement would not have enough money to make the payment. The unpaid balance would be $137,875 on August 1. This would have to come from the general fund because there was no other funding source. MR. SOUTH said, from his perspective, this was a problem that would catch up with the state in 1995, and one that the committee should know about.

MR. SOUTH said he was not laying out any options as to whether the bond proceeds should be spent or not or whether the committee should ask the Aeronautics Division if they were going to make any more loans. He said that an increase in interest rates would not help, because any interest earned on the bond proceeds above that paid to the bond holder would have to be sent to the federal government under the federal arbitrage laws, or the tax exempt status on the bonds would be lost.

A discussion followed with SEN. HIMSL regarding the possibility of losing the tax exempt status. MR. SOUTH (52:A:265) stated that the Aeronautics Division had only until August 1 to make any more loans. If they didn't, the money would be there because they could not make loans after that date. He said approximately $867,000 remained in the account.

SEN. MANNING (52:A:240) asked Chairperson Connelly if she had talked to the Governor about the possibility of him living in the Tobin Mansion and she replied that she had. His response was that he really didn't like old houses. REP. CONNELLY added that Governor Stephens would not be governor forever.

SEN. MANNING (52:A:281) asked if selling of the current mansion was a possibility and REP. CONNELLY said yes. She said she had spoken with Steve Browning, Montana Community Foundation representative, and he had said it could be suitable for law offices or professional offices of some sort. REP. CONNELLY stated that she had checked on the covenants in the area and found it would be possible to use the current mansion for that purpose. SEN. MANNING asked if anyone had any idea of the value of the current mansion, and SEN. HIMSL said he thought it had cost approximately $300,000, which was considered an outrageous amount at the time.

REP. CONNELLY (52:A:300) asked if the committee wished to pursue the matter and it was decided that they would consider it further to see what could be worked out.

ADJOURNMENT

Adjournment At: 8:00 a.m.

M. E. Connelly

REP. CONNELLY, Chairperson

MEC/dg

6725.MIN

DAILY ROLL CALL

Long Range Planning SUBCOMMITTEE

DATE March 23, 1989

NAME	PRESENT	ABSENT	EXCUSED
Rep. Mary Ellen Connelly, Chair	✓		
Sen. Matt Himsl, Vice Chair	✓		
Rep. Francis Bardenouve			✓
Sen. Harry McLane	✓		
Sen. Richard Manning	✓		
Rep. Bob Thoft			✓

Form CS-30A
Rev. 1985

EXHIBIT 1
DATE 3-23-89
HB Tobla Mansion

STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/444-2986

JUDY RIPPINGALE
LEGISLATIVE FISCAL ANALYST

March 22, 1989

TO: Long-Range Planning Committee

FROM: Carroll South
Associate Fiscal Analyst

SUBJECT: Aeronautics General Obligation Bonds

The state sold $1.7 million in general obligation bonds in 1985 to provide loans to local and state government agencies for airport improvements. As of this date, 11 loans totaling $465,655 have been made from the bond proceeds. A portion of the proceeds and all interest earned on the proceeds have been used to make bond payments.

Table 1 shows past and projected activities affecting the bond proceeds through August 1, 1989 when the next bond payment is due.

Table 1
1985 Aeronautics General Obligation Bonds
August 1, 1989

Beginning Bond Proceeds	$1,700,000
Airport Loans Made	(465,655)
Bond Payments Made From Proceeds	(367,345)
Estimated Bond Proceed Balance	$ 867,000

The authority to loan money from the bond proceeds expires on June 30, 1989. The Aeronautics Division is considering other loans before that date, but additional loans have not been authorized at this time. Bond proceeds which are not loaned will continue to be used to make that part of the bond payments not covered by payments from loan receipts.

Table 2 shows projected activities for this bond issue through the last payment on August 1, 1995, assuming that no more loans are made from the account.

Table 2
Projected Activity - 1985 Aeronautics Bond
Through August 1, 1995

Total Outstanding Bond Payments	$1,724,760	
Less Loan Repayments	(495,527)	
Total Remaining State Obligation	$1,229,233	
Unspent Bond Proceeds*	(1,091,358)	
Unpaid Balance	$ 137,875	from Gen'l Fund

*Includes the expenditure of all interest earned on the unspent bond proceeds, as well as the proceeds themselves.

Table 2 shows that payments from loan recipients, when combined with the payments from bond proceeds principal and interest during the next six years, will not be sufficient to retire the debt. Although the unpaid balance shown in the table is estimated and could vary, any balance that remains unpaid after the bond proceeds are exhausted will become a general fund obligation.

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