

MINUTES

**MONTANA SENATE
52nd LEGISLATURE - REGULAR SESSION**

COMMITTEE ON FINANCE & CLAIMS

Call to Order: By Senator Judy Jacobson, Chairman, on March 19, 1991, at 8:00 a.m., Room 108.

ROLL CALL

Members Present:

Judy Jacobson, Chairman (D)
Greg Jergeson, Vice Chairman (D)
Gary Aklestad (R)
Thomas Beck (R)
Esther Bengtson (D)
Don Bianchi (D)
Gerry Devlin (R)
Harry Fritz (D)
H.W. Hammond (R)
Ethel Harding (R)
Bob Hockett (D)
Thomas Keating (R)
Lawrence Stimatz (D)
Larry Tveit (R)
Eleanor Vaughn (D)
Mignon Waterman (D)
Cecil Weeding (D)

Members Excused: Senator Nathe, Senator Manning

Staff Present: Carroll South, Clayton Schenck (LFA)

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Announcements/Discussion: None

HEARING ON HOUSE BILL 586

Presentation and Opening Statement by Sponsor:

Representative Swysgood, District 73, Beaverhead County, sponsor, stated this bill at the request of the Department of Natural Resources and Conservation, has three provisions. It

establishes a state water project, hydroelectric power generation revenue account in which revenues from state owned projects are paid, and revenues currently flow into the water development state revenue fund. It would fund agency operations and grants. He said the clear intent of the Department has been to allocate state owned hydropower project revenues to the rehabilitation of state owned dams. HB 586 provides that funds deposited in this account but not expended in any one biennium will remain in the account. The bill also provides a statutory appropriation to pay a needed bond debt, service for bonds sold to rehabilitate projects or to construct hydropower projects. It also provides a statutory appropriation to transfer funds from the Broadwater replacement and renewal account when necessary to pay the debt service on the Broadwater project.

Proponents' Testimony:

Wayne Wetzel, Deputy Director, Department of Natural Resources and Conservation, stated his support of HB 586. (See Exhibit 1)

Opponents' Testimony:

None

Questions From Committee Members:

In a question from Senator Aklestad regarding the monetary amount, Rep. Swysgood said very little revenue has been generated and indicated that in the House Appropriation Committee's discussion on HB 2, it was indicated it would be somewhere in the area of \$200,000.

Mr. Wetzel referred the committee to a chart regarding funds. He said initially the funds go into an operation and maintenance account; \$25,000 a month goes into that. That account accumulates \$300,000 a year and is used every year. Then \$7,000 a month goes into a replacement and renewal account. There is currently about \$140,000 in that which will accumulate until it gets up to \$600,000; these are for major items. After the funds are taken out of that account, they go into a bond account where they are held for a year. They are swept out of that account every December 31st by IRS regulations where they then go into excess revenues account, and every month out of that account they pay the bond payments that are due monthly. Whatever is left after paying the bond payments each month goes into excess revenues. If there is more than \$400,000 in any one year, 25 percent of those excess revenues go into a water users account for the Broadwater water users, and that accumulates up to one million dollars. All other excess revenues are going into the account that will be created with HB 586, and that would eventually end up to rehabilitate state water projects. At the present time there is approximately \$200,000 after 18 months of operation in the excess revenue account which at this time has

gone into the water development account. This account has to be set up for the state water projects.

Regarding a question from Senator Aklestad if the excess revenue area never was above \$400,000, would everything continuously flow down the other way, Mr. Wetzel said that is correct and that in the first few years there were projections that they would probably not make money but they were fortunate in making money even with the lower water years. He added after the bonds are paid off, they will make somewhere in the order of eight to ten million dollars a year.

In a question from Senator Hammond as to how many hydroelectric plants the state has, Mr. Wetzel said they have one, and there are no plans at this time to develop more.

Senator Jacobson questioned what the excess revenue to irrigators was. Mr. Wetzel said they have negotiated an arrangement with the DNRC where they would have an account to be used for major operation and maintenance on the Broadwater irrigation project, which consists of approximately 23,000 acres. He added it is the largest state owned irrigation project.

When questioned by Senator Hockett as to what has been paid into the bond account at the present time, Mr. Wetzel said they sold 26 million dollars in bonds to finance the project from two different bond accounts; one is a tax exempt account of 22.2 million dollars and one is 3.8 million dollars which is taxable. The taxable account is being paid off first and it will be paid off in nine years, and the other account will be paid off in thirty years. Senator Hockett asked if they are anticipating about 30 years before much money going into excess revenue. Mr. Wetzel said revenue from power sales escalates every year but the bond payment is almost the same from year to year. He added they probably will split revenues with the water users somewhere between the fifth and seventh year, and somewhere within six to seven years after that, they will have paid off the one million dollars.

Senator Weeding asked if this appropriation would be recurring. Mr. Wetzel said once HB 586 is acted on, they will have the authority to pay their bonds and put money into this account, however, they will have to come back to the legislature to get authority to spend the money out of this account on any one project.

Regarding state owned dams, Mr. Wetzel said there are 26 active projects, not all of which have dams. There are 300 dams, which consists of private, state and federal. Rep. Swysgood said 17 or 18 are ranked in the high hazard category. Mr. Wetzel said some are high hazard and unsafe while some are high hazard but relatively safe.

Closing by Sponsor:

Rep. Swysgood said it was the intent when this project was put in that these funds generated would go into an account to draw from to allow rehabilitation of the many state owned projects. He concluded that HB 586 allows us an opportunity to set up a fund which long range building would be able to draw money from for projects submitted to them.

HEARING ON HOUSE BILL 146

Presentation and Opening Statement by Sponsor:

Representative Wanzenried, District 7, sponsor, stated HB 146 would authorize the Board of Investments to invest money in the school legacy and trust account in the short term investment program. The average daily cash balance of the trust and legacy account is about 12 million dollars a day, and those monies right now can be invested in overnight notes, with those notes paying a lower interest rate than the STIP program would pay. HB 146 would allow the Board to manage this account in the same way that the Board of Investments currently manages about 200 other accounts; the Board manages those portfolios to make sure there is sufficient liquidity and also gives the Board of Investments the opportunity to make sure they receive the maximum return while those monies are invested.

Proponents' Testimony:

Dave Lewis, Executive Director, State Board of Investments, stated his support in that the bill would allow them to manage money in the school permanent trust the same way all other accounts they have are managed. He said over the past few months, they have had situations where the interest they were earning on this account because it was overnight in repossessions was as low as one quarter of a percent with those rates having been lower over the last few months than at any previous time. If that money could have been put in the short term investment pool, they would have been earning 7 1/2 to 8 percent. He added their management fee on the short term investment pool runs about .06 percent, and they would be picking up from 60 to 150 basis points in extra yield. He concluded that the school trust fund comes out ahead on the bill.

Opponents' Testimony:

None

Questions From Committee Members:

In a question from Senator Keating regarding repossessions, Mr. Lewis stated in their bank contract, the bank gets 35 basis points for handling the repossession for them and the yield was less than what it would have cost for a bank contract. They had to do an amendment to the bank contract so they would not have to

pay the bank to handle the overnight money. When asked by Senator Aklestad where the overnight money was handled, Mr. Lewis said most of it was going to City Corp, and they have a repossession contract with Helena First National as they were awarded the bank contract by the State treasurer. On the national markets, they go to City Corp and also have done some with Chase. He added that all overnight money is collateralized, and they have 102 percent collateral pledged for the repossessions. Mr. Lewis said they at all times are fully invested; they never have any cash laying in the account. Regarding a question from Senator Aklestad as to time of transactions, Mr. Lewis said money has to be in City Corp by 3:00 Montana time each day which would be 5:00 in the east.

Closing by Sponsor:

Rep. Wanzenried closed by saying HB 146 was a revenue positive bill where money can be made for the state.

HEARING ON HOUSE BILL 328

Presentation and Opening Statement by Sponsor:

Representative Cobb, District 42, sponsor, stated Mary Bryson of the Legislative Auditor's office was passing out testimony relative to the bill. He added that her office is present for technical questions rather than showing support for the bill. (See Exhibit 2) He indicated with this bill there would be uniform audits on any local entity spending more than \$200,000 a year or more than \$25,000 of federal money. He noted amendments have been made to the bill which he discussed with the committee. (See Exhibits 3, 4) He concluded HB 328 expands the State's single audit to allow local governments, instead of having several auditors come in and review them, one auditor will do it, and it also makes uniform law so there will not be different audit requirements for different entities in local government.

Proponents' Testimony:

David Johnson, Certified Public Accountant, Helena, and also the chairman of the governmental relations committee of the Montana Society of CPA's, said the Society has worked with representatives of state government in developing HB 328 and they support the bill and urge passage.

Mr. Lyle Nagel, Montana State Volunteer Firefighters Association, stated their support of HB 328 and said their association is probably one of the largest beneficiaries of the bill and would urge passage.

Kim Enkerud, Executive Secretary, Montana Association of State Grazing Districts, stated she worked with Mary Bryson

regarding the amendment to HB 328 (See Exhibit 3) and supported the bill with the amendment.

Susan Reed, Missoula County Auditor, stated her support of HB 328, saying the federal single audit act allowed the external auditor of local governments to audit the entire unit, not each individually. She said it was unfortunate that state agencies are not taking advantage of the opportunity. She said the duplication of effort now costs a local government entity a minimum of \$1,000 to \$1,200 in staff time for each audit and that the proposed legislation would save counties from \$7,000 to \$10,000 annually. The Department of Commerce in auditing district court reimbursements for all judicial districts would be changed under this proposed legislation, and they estimate an additional \$2,000 in savings. She added that even though savings for state agencies haven't been looked at by eliminating the financial audit function, there would be savings at all government levels.

Peggy Parmelee, Executive Vice President of the Montana Association of Conservation Districts, stated her support of HB 328 as amended in that it makes the bill more workable for the conservation district. She added most conservation districts do not come close to receiving the amount of money from the 1.5 mills that is talked about in the bill but with grants and funding programs that they do receive project money from, there is a possibility that their total funding could have totalled up to the \$100,000. She added her support to the amendment (Exhibit 3) as the districts are paying grazing fees rather than receiving funding.

Opponents' Testimony:

None

Questions From Committee Members:

Senator Waterman questioned why the number of school district audits went up. Ms. Bryson said in the past school districts were excluded from the audit legislation. Under this legislation there is no distinction between which class of district the school is but rather the amount of revenue they receive.

Senator Harding asked what would happen with the county external audits. Ms. Bryson said all counties are required by law to have an external audit of their financial records done on an annual basis. In addition, if the county receives any federal government money through the state, state agencies send out auditors to review financial records associated with that particular grant or dollar amount. HB 328 requires that those state agencies have to place reliance upon the external audit prior to going to the county to review the financial records. One audit will be done by the county or local government and any

other auditors from either the federal or state would have to first review that audit report. Rep. Cobb said it will save time and money in that auditors hired would look at the report before numerous other auditors came in on projects.

When questioned by Senator Keating why the cap of \$200,000 was established to determine whether an audit was made, Ms. Bryson said the federal single audit act which was referred to by Rep. Cobb initially established a threshold of \$100,000 and that is what was originally proposed in this legislation; however because of the impact of the local government level, the dollar amount was raised to \$200,000 to alleviate the smaller entities. Senator Keating asked if any thought was given to indexing this amount for inflation over a period of time or if later legislation more audits would have to be done in the future. Rep. Cobb said they did not index it as he felt the smaller ones wouldn't be at the \$200,000 level for awhile. He added if the Department of Commerce thinks something is going wrong and they are below the audit requirements, they could require an audit. He said when they get to the \$200,000 level, maybe they should have audits.

Senator Jacobson questioned if in setting this up, local governments would use someone from the Department of Commerce's list. Ms. Bryson said that was correct, they currently don't maintain a list, and HB 328 gives them authority to maintain that list and authority to require the local government to use someone off that list. Regarding people getting on the list, Rep. Cobb said they would have to be qualified to do audits. When Senator Hammond asked regarding a grievance procedure in using auditors, Ms. Bryson said HB 328 allows for an application process so any local certified public accountant could apply through that process and as long as the minimum criteria are satisfied, they would be put on the roster.

Senator Jacobson questioned Ms. Bryson as to what besides maintaining a roster they were doing that is requiring two extra people and then three extra people at the Department of Commerce. Ms. Bryson said HB 328 establishes a process whereby the Department will be reviewing the financial report submitted on an annual basis and then reviewing the audit report for technical compliance with federal and state regulations. Currently that is not completed anywhere in state government.

Senator Hockett questioned where the community colleges are shown in the bill. Rep. Cobb said they are part of the university system and are audited through the Legislative Auditors' office.

Regarding the roster of independents and if the bidding process is being gone through for particular jobs, Ms. Bryson said that would still occur, and it is up to the local government entity.

Closing by Sponsor:

Representative Cobb closed by saying it is a good governed bill that will save money and make better options at local entities.

EXECUTIVE ACTION ON HOUSE BILL 551Discussion:

Scott Anderson, Department of Health and Environmental Sciences, stated after the hearing on 3/14/91, they met with the State's bond counsel, Dorsey & Whitney, and the State's bond underwriters, where they did a final review of the documents pertaining to the state revolving fund. He referred the committee to documents pertaining to amendments to HB 551. (See Exhibits 4, 5, 6)

Regarding a question from Senator Keating as to the type of projects, Mr. Anderson said the eligibilities in this program include sewer collection systems, sewage treatment plants, engineering studies, legal costs and nonpoint source control projects. Anna Miller from the Department of Natural Resources said there is one Missoula project where the Department of Highways is going to be tearing up a section of street and at the same time sewer lines will be laid in that section.

Senator Beck questioned the title of HB 551 in how it related to indenture of trust. Ms. Miller said they issue a bond resolution where the state is used as the fiscal agent; under that situation you do a document called a bond resolution. When a trustee is used to manage money for them, you use a contractual arrangement document called an indenture of trust. They are basically the same document. In one, you are using a trustee that is contracted, and in the other you are doing the work yourself under a bond resolution document.

Senator Waterman questioned amendment 17 of Exhibit 6 as to effective date of HB 551. Ms. Miller said Section 3, the effective date, should be left in the bill.

In a question from Senator Aklestad regarding an amendment in the title, line 11, Ms. Miller said it should be amended to read after "federal allocation account", the insertion of "authorizing bonds to be issued" rather than after the first "account" in line 11.

Amendments, Discussion, and Votes:

Senator Keating moved the amendments to HB 551. Motion carried unanimously.

Motion:

Senator Keating moved that HB 551 AS AMENDED BE CONCURRED IN.

Recommendation and Vote:

Regarding a question from Senator Beck on bonding done by the state and control of the bonds, Ms. Miller said long range building goes over all bonds that are issued. There is a financial adviser that tells them how they are doing and if good decisions are being made. They are also reviewed by the fiscal analyst and the auditor's office.

Motion that HB 551 AS AMENDED BE CONCURRED IN carried unanimously. Senator Waterman will carry the bill.

EXECUTIVE ACTION ON HOUSE BILL 146

Motion:

Senator Keating moved that HB 146 BE CONCURRED IN.

Discussion:

None

Amendments, Discussion, and Votes:

None

Recommendation and Vote:

Motion that HB 146 BE CONCURRED IN carried unanimously. Senator Keating will carry HB 146.

EXECUTIVE ACTION ON HOUSE BILL 328

Amendments, Discussion, and Votes:

Senator Jergeson moved amendments to HB 328. Motion carried unanimously.

Motion:

Senator Jergeson moved that HB 328 AS AMENDED BE CONCURRED IN.

Recommendation and Vote:

Motion that HB 328 AS AMENDED BE CONCURRED IN carried

unanimously. Senator Jergeson will carry HB 328.

EXECUTIVE ACTION ON HOUSE BILL 586

Motion:

Senator Keating moved that HB 586 BE CONCURRED IN.

Discussion:

None

Amendments, Discussion, and Votes:

None

Recommendation and Vote:

Motion that HB 586 BE CONCURRED IN carried unanimously. Senator Bengtson will carry HB 586.

EXECUTIVE ACTION ON HOUSE BILL 142

Motion:

Senator Jergeson moved that HB 142 BE CONCURRED IN.

Discussion:

None

Amendments, Discussion, and Votes:

None

Recommendation and Vote:

Motion that HB 142 BE CONCURRED IN carried with Senators Aklestad and Devlin opposed. Senator Jacobson will carry HB 142.

EXECUTIVE ACTION ON SENATE BILL 62

Amendments, Discussion, and Votes:

Pam Joehler from the LFA explained amendments to SB 62. (See Exhibit 7). She noted that the amendments place into the law that the Board of Regents are responsible for submitting the unified budget rather than each individual university unit. Senator Jacobson added the amendments don't change the intent of

SB 62 but are made to clarify the language in the bill.

Senator Jergeson moved the amendments to SB 62. Motion carried unanimously.

Motion:

Senator Jergeson moved that SENATE BILL 62 AS AMENDED DO PASS.

Recommendation and Vote:

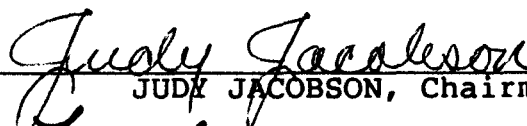
Regarding a question from Senator Tveit on SB 62, Senator Jacobson said SB 62 speaks to two different things. It clarifies in the law what we are doing as far as submitting a budget through the Board of Education, and that is the bulk of the bill. It also pulls the vocational technical centers into the system by this bill and also refers to lump sum appropriation. It does not cause the legislature to lump sum appropriate in any particular manner. The bill does not implement lump sum appropriations; the legislature has to do that themselves. Senator Aklestad said that since the word "implement" is in the title, we would have to implement one program or the other. Senator Jacobson said the way she reads the title, it is an act to implement lump sum appropriation policy. Ms. Joehler suggested it could be changed to accommodate lump sum appropriation policy rather than implement it. Senator Jergeson made a substitute motion to strike "implement" in title of SB 62 and insert "accommodate".

Senator Jergeson's substitute motion to amend SB 62 carried unanimously.


Senator Jergeson's motion that SB 62 AS AMENDED DO PASS carried unanimously.

ADJOURNMENT

Adjournment At: 9:30 a.m.



JUDY JACOBSON, Chairman



LYNN STALEY, Secretary

ROLL CALL

FINANCE & CLAIMS COMMITTEE

DATE 3/19/91

LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SENATOR JACOBSON CHAIRMAN	P		
SENATOR JERGSON, VICE CHAIRMAN	P		
SENATOR AKLESTAD	P		
SENATOR BECK	P		
SENATOR BENGTON	P		
SENATOR BIANCHI	P		
SENATOR DEVLIN	P		
SENATOR FRITZ	P		
SENATOR HAMMOND	P		
SENATOR HARDING	P		
SENATOR HOCKETT	P		
SENATOR KEATING	P		
SENATOR MANNING			E
SENATOR NATHE		A	
SENATOR STIMATZ	P		

Each day attach to minutes.

ROLL CALL

FINANCE & CLAIMS COMMITTEE, CONTINUED

DATE _____

LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SENATOR TVEIT	P		
SENATOR VAUGHN	P		
SENATOR WATERMAN	P		
SENATOR WEEDING	P		

Each day attach to minutes.

CLERICAL

Senate Bill No. 62

Finance + Claims
S / H Standing Committee

Date: 3-20-91

Jacobson
(Chairman)

Time: 4pm

S / H Committee of the Whole

MER
(Legislative Council Staff)

Judy Jacobson
(Sponsor)

In accordance with the Rules of the Montana Legislature, the following clerical errors may be corrected:

#2, in strike instruction, (Delete) Strike: "... and " "

3, 4, 5, 6, 7, 8, 9, 10
underline terms in "following" + "strike" instructions

#6 should read:
Page 2, line 5, Following: line 4 Insert: "or"
Following: "fail" Strike ", "
Insert instruction should read "(f) the board..."

#7 should read: Page 2, line 13, Following "agency" "or"
Strike ", "

#8, insert "institutions... regents,"

JJ 3/21/91
10:25

SENATE STANDING COMMITTEE REPORT

Page 1 of 4
March 20, 1991

MR. PRESIDENT:

We, your committee on Finance and Claims having had under consideration House Bill No. 551 (third reading copy blue), respectfully report that House Bill No. 551 be amended and as so amended be concurred in:

1. Title, lines 7 and 8

Following: "ALLOW" on line 7

Strike: "INTEREST EARNINGS ON BOND PROCEEDS"

Insert: "NET PROCEEDS OF BONDS"

2. Title, line 11.

Following: "ALLOCATION ACCOUNT;"

Insert: "AUTHORIZING BONDS TO BE ISSUED BY RESOLUTION OR
INDENTURE OF TRUST:"

3. Title, line 13.

Following: "75-5-1106"

Strike: "AND"

Insert: ", "

Following: "75-5-1113,"

Insert: "AND 75-5-1121,"

4. Page 1, line 23.

Strike: "and"

5. Page 1, line 24.

Following: "account"

Insert: ", and a cost of issuance account"

6. Page 2, line 7.

Following: ", the"

Insert: "net"

7. Page 2, lines 8 and 9.

Following: "75-5-1121" on line 8

Strike: "interest earnings on the bond proceeds,"

8. Page 2, line 15.

Following: "amounts in"

Strike: "the other"

Insert: "those"

9. Page 2, line 16.

Following: "fund"

Insert: "designated by the board of examiners in the resolution or indenture of Trust authorizing the issuance of bonds"

Strike: "and"

10. Page 2, line 18.

Strike: "."

Insert: "; and"

11. Page 2.

Following: line 18

Insert: "(f) the cost of issuance account, bond proceeds as determined necessary by the department of natural resources and conservation to pay the cost of issuing bonds."

12. Page 3, lines 7 through 9.

Following: "transferred"

Strike: remainder of line 7 through "fund" on line 9

Insert: "to other accounts within the revolving fund as provided in the resolution or indenture of trust authorizing the bonds"

13. Page 5, line 12.

Following: "must"

Insert: "ensure that the interest payments on the loan and on other outstanding loans will be sufficient, if paid timely and in full, with other available funds in the revolving fund, including investment income, to"

14. Page 6, line 13.

Strike: "must"

Insert: "may"

Following: "deposited"

Insert: "; (a)"

15. Page 6, line 16.

Following: "75-11-1106"

Insert: "; or (b) in the administration account"

16. Page 6, line 17.

Following: "account"

Insert: "or the administration account"

17. Page 6, line 20.

Following: line 19

Insert: Section 3. Section 75-5-1121, MCA, is amended to read:

"75-5-1121. Authorization of bonds - appropriation of proceeds. (1) The board of examiners is authorized, upon request of the department of natural resources and conservation, to issue and sell bonds of the state in an aggregate principal amount not exceeding \$10 million to provide money for the revolving loan program. The bonds are general obligations on which the full faith, credit, and taxing powers of the state are pledged for payment of the principal and interest. The bonds must be issued as provided by Title 17, chapter 5, part 8.

(2) The proceeds of the bonds, other than any premium and accrued interest received or amounts to be used to pay interest on the bonds or the costs of issuing the bonds, are appropriated to the state allocation account of the wastewater treatment works revolving fund. Any premium and accrued interest and bond proceeds to be used to pay interest must be deposited to in the debt service account. Proceeds of bonds deposited in the state allocation account may to be used to pay the costs of issuing the bonds must be deposited in the cost of issuance account. For purposes of sections 17-5-803 and 17-5-804, the state allocation account and the costs of issuance account constitute a capital projects account. The proceeds must be available to the department and the department of natural resources and conservation and may be used for the purposes authorized in this part without further budgetary authorization.

(3) In the resolution authorizing the sale and issuance of the bonds, the board of examiners, upon the request of the department of natural resources and conservation, may create separate accounts or subaccounts to provide for the payment security of the bonds and may pledge the interest component of the loan repayments credited to the revolving fund and the revolving fund as security for the bonds.

(4) The board of examiners may allow bonds issued under this section to be secured by a trust indenture between the board of examiners and a trustee. The trustee may be a trust company or bank having the powers of a trustee inside or outside the state.

(a) If the board of examiners elects to issue bonds pursuant to a trust indenture, the trustee may, as determined by the board of examiners, hold one or more of the funds and accounts created pursuant to this chapter.

(b) In addition to provisions that the board of examiners determines to be necessary and appropriate to secure the bonds, provide for the rights of the bondholders, and ensure compliance with all applicable law, the trust indenture must contain provisions that:

(l) govern the custody, safeguarding, and disbursement of all money held by the trustee under the trust indenture; and

(ii) permit representatives of the state treasurer, department, or department of natural resources and conservation, upon reasonable notice and at reasonable times, to inspect the trustee's books and records concerning the trust indenture.

(c) A trust indenture or an executed counterpart of a trust indenture developed pursuant to this chapter must be filed with the secretary of state."

Renumber; subsequent section

Signed: _____

Judy H. Jacobson
Judy H. Jacobson, Chairman

LB 3/20/91
Amd. Coord.

SR 3/20 1:45
Sec. of Senate

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
March 19, 1991

MR. PRESIDENT:

We, your committee on Finance and Claims having had under consideration House Bill No. 146 (third reading copy -- blue), respectfully report that House Bill No. 146 be concurred in.

Signed: Judy H. Jacobson
Judy H. Jacobson, Chairman

AM 3-17-91
Amd. Coord.

3/22/91 11:40
Sec. of Senate

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
March 19, 1991

MR. PRESIDENT:

We, your committee on Finance and Claims having had under consideration House Bill No. 328 (third reading copy -- blue), respectfully report that House Bill No. 328 be amended and as so amended be concurred in:

1. Page 4, line 19.

Following: ";"

Insert: "and "

2. Page 4, lines 20 and 21.

Following: "districts" on line 20

Strike: remainder of line 20 through "DISTRICTS" on line 21

3. Page 13, line 7.

Following: "excess of"

Strike: "\$100,000"

Insert: "\$200,000"

Signed: _____

Judy H. Jacobson
Judy H. Jacobson, Chairman

LB 3-20-11
Amd. Coord.

SB 3-20 1:45
Sec. of Senate

SENATE STANDING COMMITTEE REPORT

Page 1 of 2
March 19, 1991

MR. PRESIDENT:

We, your committee on Finance and Claims having had under consideration Senate Bill No. 62 (first reading copy -- white), respectfully report that Senate Bill No. 62 be amended and as so amended do pass:

1. Title, line 5.

Following: "TO"

Strike: "IMPLEMENT"

Insert: "ACCOMMODATE"

2. Page 1, line 13.

Delete: "Montana university system and"

Insert: "board of regents on behalf of"

3. Page 1, line 13.

Following: "all"

Strike: "other"

4. Page 1, line 14.

Following: "under"

Strike: "the"

Insert: "its"

5. Page 1, line 15.

Following: "control"

Strike: "of the board of regents"

6. Page 2, line 5.

Following: "or"

Strike: "educational institution under the general administrative
and supervisory control of the board of regents fails"

Insert: "if the board of regents fails"

7. Page 2, line 13.

Following: "or"

Insert: "the"

8. Page 2, line 14.

Strike: "institution"

Insert: "institutions under general administrative and
supervisory control of the board of regents"

9. Page 7, line 6.

Following: "a"

Strike: "copy of the budgets for"

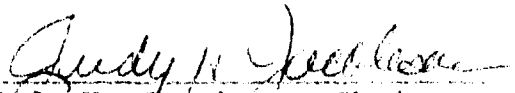
Insert: "unified budget request for"

10. Page 7, line 7.

Following: "under"

Insert: "the"

Signed:


Judy H. Jacobson, Chairman

LB 3/19/91
Amd. Coord.

SR 3/20 1:45
Sec. of Senate

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
March 21, 1991

MR. PRESIDENT:

We, your committee on Finance and Claims having had under consideration House Bill No. 142 (third reading copy - blue), respectfully report that House Bill No. 142 be concurred in.

Signed: Judy H. Jacobson
Judy H. Jacobson, Chairman

JHL 3-21-91
Amd. Coord.

SA 3 21 2 25
Sec. of Senate

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
March 19, 1991

MR. PRESIDENT:

We, your committee on Finance and Claims having had under consideration House Bill No. 586 (third reading copy -- blue), respectfully report that House Bill No. 586 be concurred in.

Signed: Judy H. Jacobson
Judy H. Jacobson, Chairman

31 3-17-91
Amd. Coord.

W. J. G. 11:40
Sec. of Senate

HOUSE BILL 586

TESTIMONY OF THE DEPARTMENT OF NATURAL RESOURCES & CONSERVATION

March 18, 1991

By request of the Department of Natural Resources and Conservation:
A Bill for an act entitled:

"An Act allocating power generation revenues generated at State Water Conservation Projects to repair and rehabilitate State Water Conservation Projects; authorizing the Department of Natural Resources and Conservation to transfer funds from the State Water Project Hydroelectric Project Power Generation Special Revenue Account and the Broadwater Replacement and Renewal Account for payment of debt service; amending Sections 17-7-502 and 85-1-510, MCA; and providing an effective date."

Purpose

The purpose of this bill is to provide a source of revenue to rehabilitate state-owned dams and to help pay the debt of the Broadwater Power Project.

Background

The Department of Natural Resources and Conservation owns 50 water projects--including 35 water storage facilities--that irrigate more than 400,000 acres, or approximately 12 percent of the total irrigated area in the state. Most of these water storage projects were constructed during the 1930s and currently do not satisfy all of the requirements under the state's dam safety law. The State of Montana may be liable for any damages caused by the failure of any dam. Estimates of potential damage from the failure of state-owned dams range from \$400 million below the Tongue River Dam to \$30 million below the Middle Creek Dam. These figures do not include the potential loss of life, the cost to replace the dams, or the loss of benefits created by the projects.

In order to divert a potential catastrophe, the Department has developed a four-step plan to rehabilitate these dams: (1) complete emergency repairs where needed; (2) rehabilitate the dam; (3) develop emergency action plans; and (4) continue a comprehensive inspection program. Funds to implement this plan are limited, however. Nearly all federal funding programs now require the state and the water users to share the costs of water projects. This requirement, coupled with the limited ability of the state and the water users to pay for water projects, makes it difficult to finance the rehabilitation and repair of high-hazard, state-owned dams.

One potential source of revenue to help pay for the rehabilitation of state-owned dams is to retrofit state projects for hydroelectric power production and use the revenues from the sale of the power to rehabilitate the dams. The Broadwater Diversion Dam at Toston has recently been retrofitted with a hydropower unit. Other state-owned dams may also have the potential to generate power; however, there are no current plans for additional state-owned hydropower plants.

Implementation

House Bill 586 has three basic provisions.

- (1) Establishes a "State Water Project Hydroelectric Power Generation Special Revenue

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 1

DATE 3-19-91

Account," into which revenues from state-owned hydropower projects are paid. These revenues currently flow into the "Water Development State Special Revenue Account" and could fund agency operations and grants. The clear intent of the Department since 1977 and legislation since 1981 has been to allocate state-owned hydropower project revenues to the rehabilitation of state-owned dams.

The bill also provides that funds deposited in this account but not expended in any one biennium will remain in the account. Costs of rehabilitating all state-owned water projects exceed the future expected total revenues from the Broadwater Power Project; hence, if these revenues are not used in one biennium, they will still be needed in future biennia.

- (2) Provides a statutory appropriation to pay--when needed--bond debt service for bonds sold to rehabilitate projects or to construct hydropower projects. A statutory appropriation would obviate the need for the legislature to process a specific appropriation for debt service each session.
- (3) Provides a statutory appropriation to transfer funds from the "Broadwater Replacement and Renewal Account" when necessary to pay debt service on Broadwater Power Project bonds. This appropriation would be used in extreme cases when hydropower revenues would not be sufficient to pay debt service. This situation would likely only occur with very low flows in the early years of the project. This provision was anticipated in the bond resolution and could prevent coal severance tax proceeds from being used in these rare and unpredictable situations.

The Broadwater Power Project is likely to generate modest revenues during the first few years. Revenues should increase over time, however, as the cost of power increases. Based on average water flows, the project is expected to break even over the next two years and produce net revenues in the following years. The income from the Broadwater Power Project is deposited into several accounts, as shown on the attached chart.

EXPLANATION OF HOUSE BILL 328
State Single Audit Act
March 1991

- Section 1: Amends 2-7-501, the definition section, to include: audit, board (Board of Public Accountants), financial assistance, financial report, independent auditor (includes department personnel and licensed accountants), local government entity (now includes specific criteria) and revenues (receipts of a local government entity).
- Section 2: Amends 2-7-502 to include the short title as the "State of Montana Single Audit Act," and states the purposes of the act.
- Section 3: Amends 2-7-503 to require annual financial reports from all local government entities and at least a ~~biennial audit~~ of local government entities which satisfy specific criteria (revenues in excess of \$200,000). This section establishes responsibility for financial reporting, the uniform reporting requirements, state agency reliance on audits conducted under this part and special audits.
- Section 4: Amends 2-7-504 to provide the department of commerce with rule making authority to establish the general methods and details of accounting of moneys belonging to the local government entity.
- Section 5: Amends 2-7-505 to set the audit scope and standards to be used by the independent auditor. Requires the department of commerce to prepare a local government compliance supplement.
- Section 6: Amends 2-7-506, expands the department of commerce's rule making authority to establish and maintain a roster of independent auditors authorized to conduct audits of local government entities. Sets up the contracting process used by the department and local government entity to obtain an audit.
- Section 7: Amends 2-7-507 to require local government officers and employees provide assistance to the independent auditor.
- Section 8: Amends 2-7-508 to give the independent auditor power to examine the books and papers of the local government entity.
- Section 9: Amends 2-7-511, replaces department with independent auditor and governmental entity with local government entity.
- Section 10: Amends 2-7-512, see comments on section 9.
- Section 11: Amends 2-7-513 to establish government auditing standards issued by the U.S. comptroller general as the reporting requirements for the audit reports. Refers to federal regulations for reporting purposes, as adopted by the department. Also establishes the rule making authority for the department regarding the form of the financial report to be submitted annually by the local government entity.

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 2

DATE 3-19-91

BILL NO. HB 328

Section 12: Amends 2-7-514 to include the filing of an annual financial report with the department as well as the audit report . In addition, this section establishes the rule making authority for the department to charge a filing fee to any local government entity required to have an audit under this act to cover the costs incurred by the department in the administration of this act. The filing fee for school districts shall be paid by the superintendent of public instruction from the funds appropriated for state equalization aid. Requires the superintendent of public instruction to submit a list of school districts meeting the criteria in 2-7-503 to the department. Allows the department to charge a surcharge on the filing fee to repay the general fund loan over a five year period.

Section 13: Amends 2-7-515 to require the local government entity to adopt measures to correct the report findings and submit a copy of the corrective action plan to the department. Sets up a resolution process when a disagreement between the department and the local government entity occurs.

Section 14: Amends 2-7-516 to provide for compensation to the independent auditor and for the deposit of compensation paid to the department for audit work.

Section 15: Amends 2-7-517 to establish a penalty for failure to file a report as required by 2-7-503 to make payment as required by 2-7-514.

Section 16: Amends 2-7-518, deletes reference to audit fees and replaces governmental with local government.

Section 17: Amends 2-7-521 to conform with the audit requirements detailed in 2-7-503 for local government entities. Includes the publication requirements for counties and incorporated cities and towns and other local government entities.

Section 18: Establishes a new section in law which requires the department to conduct report reviews. Establishes the department responsibilities under this part to review the financial and audit reports submitted in accordance with 2-7-514.

Section 19: Amends 3-5-902 to require the department to develop a uniform accounting system for district courts in accordance with 2-7-504 and deletes the separate annual audit requirement for district courts.

Section 20: Amends 7-6-2352 to remove the audit requirement relating to state grants to district courts. This section now states that an audit conducted in compliance with 2-7-503 satisfies the requirement.

Section 21: Amends 7-6-4113 to refer to the amended sections of 2-7-503.

Section 22: Amends 19-11-204 to require the board of trustees to review the accounts of the association rather than audit the accounts of the association. (Relates to rural fire associations).

Section 23: Amends 19-11-205 to cause rural fire associations to prepare a report in accordance with 2-7-503. Requires the associations to file the report with the department of commerce as well as the state auditor.

Section 24: Amends 20-9-203 to require all school districts to have an audit in accordance with 2-7-503. Requires that the audit report be filed with the department of commerce and the superintendent of public instruction. Eliminates the provision requiring the county auditor to conduct audits of third class school districts with out a high school.

Section 25: Amends 20-9-213 to remove the biennial audit requirement and reference to the audit requirements of 2-7-503.

Section 26: Amends 20-10-202 to remove the audit requirement associated with the school food services operated by a school district. This section requires the superintendent of public instruction to conduct inspections and administrative reviews of the school food services.

Section 27: New section which requires the governor to include in his proposed budget to the 53rd legislature an estimate of cost savings to state agencies resulting from the implementation of this act.

Section 28: New section which establishes an interfund loan from the general fund to the department of commerce for the costs incurred by the department in the first year of operation of the program (FY 1992).

Section 29: New section which sets the codification instructions.

Section 30: New section which sets the effective date, rule making authority and applicability of this act.

Section 31: New section which terminates the surcharge section at the end of the five-year period.

New Law:

Audit required for entities which receive or maintain fiscal year financial assistance or revenues in excess of \$100,000. (Two year audit requirement)

"Local Governmental Entity" means a county, city, district or public corporation upon which is conferred the powers of state (i.e. raise revenue) for the purpose of serving the general public and is governed by a board, commission or individual elected or appointed by the public or representatives of the public and receives local, state or federal financial assistance.

Local Governmental Entities include but are not limited to:

- Airport Authority Districts
- Cemetery Districts
- Counties
- County Housing Authority
- County Road Improvement Districts
- County Sewer Districts
- County Water Districts
- County Weed Control Districts
- Drainage Districts
- Fire Dept Relief Associations
- Fire Districts
- Hospital Districts
- Incorporated Towns/Cities
- Irrigation Districts
- Municipal Housing Authority Districts
- Mosquito Districts
- Port Authority
- Refuse Disposal Districts
- Rural Improvement Districts
- School District Extracurricular Funds
- School Districts
- Soil Conservation Districts
- Television Districts
- Urban Transportation Districts
- Volunteer Fire Departments
- Water Conservancy Districts

Old Law:

- (1) The department shall audit the affairs of all:
 - (a) counties;
 - (b) incorporated cities and towns (population > 300);
 - (c) first- and second-class school districts and third-class school districts that maintain a high school;
 - (d) school district extracurricular funds;
 - (e) irrigation districts (expenditures > \$30,000);
 - (f) conservancy districts;
 - (g) fire districts and volunteer fire departments in unincorporated areas, towns, and villages supported by a mill levy, except as provided in subsection (6);
 - (h) fire department relief associations, except as provided in subsection (6); and
 - (i) cemetery districts (expenditures > \$25,000).
- (6) (a) Except as provided in subsection (6)(c), the department may not audit:
 - (i) a fire district which has an annual budget of less than \$20,000 and in which fire protection is provided solely by a fire company composed only of volunteer firefighters organized under Title 7, chapter 33; or
 - (ii) a fire department relief association organized under Title 19, chapter 11, which has annual receipts, including earnings on invested funds, of less than \$20,000, except for audits as provided under 19-11-206.
- (b) Such fire district shall annually file with the board of county commissioners of the county in which the majority of the district is located an itemized account of all receipts and expenditures for the year, signed under oath by an officer of the fire company designated by the fire district trustees.

LOCAL GOVERNMENT ENTITIES SUBJECT TO AUDIT
(Estimated)

<u>Type of Local Government</u>	<u>Number</u>	<u>Under Under Current Law</u>	<u>Proposed Legislation</u>
Counties & Consolidated City/County Govts	56	56	56
Incorporated Cities	49	49	48
Incorporated Towns	77	51	32
School Districts	391	188	222
Airport Authorities	8	0	2
Cemetery Districts	81	18	0
Conservation Districts	59	0	1
Drainage Districts	23	0	0
Flood Control Districts	1	0	0
Hospital Districts	17	0	2
Irrigation Districts	71	35	13
Port Authorities	2	0	0
Refuse Districts	18	0	2
Rural Fire Districts	179	62	5
Television Districts	65	0	0
Urban Transportation Districts	1	0	1
County Sewer Districts	14	0	0
County Water Districts	15	0	0
County Water & Sewer Districts	<u>2</u>	<u>0</u>	<u>0</u>
Total	<u>1,129</u>	<u>459</u>	<u>384</u>

March 19, 1991

Amendments to House Bill 328

House Second Reading Bill

1. Page 4, line 19.
Following: ";"
Insert: "and"
2. Page 4, line 20.
Following: "districts"
Strike: "; AND"
Insert: "."
3. Page 4, line 21.
Strike: "(XXVII) GRAZING DISTRICTS."
4. Page 13, line 7.
Following: "excess of"
Strike: "\$100,000"
Insert: "\$200,000"

SENATE FINANCE AND CLAIMS
EXHIBIT NO. 3
DATE 3-19-91
BILL NO. HB 328

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 4
DATE 3-19-91
BILL NO. HB 551

LC 1196/01

LC 1196/01

52nd Legislature

House BILL NO. 551

INTRODUCED BY 7/11/91
BY REQUEST OF THE DEPARTMENT OF
HEALTH AND ENVIRONMENTAL SCIENCES

A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING THE WASTEWATER ^(see proceeds of bonds)

TREATMENT REVOLVING FUND ACT TO ALLOW ~~INTEREST EARNINGS ON~~

~~BOND PROCEEDS~~ TO BE DEPOSITED IN THE STATE ALLOCATION

ACCOUNT; REMOVING THE REQUIREMENT THAT PRINCIPAL REPAYMENTS

MUST BE CREDITED PROPORTIONATELY TO THE STATE ALLOCATION ^{Authority Bonds to be issued by resolution or indenture of Trust}

ACCOUNT AND THE FEDERAL ALLOCATION ACCOUNT; REQUIRING LOCAL

GOVERNMENTS TO ESTABLISH AND MAINTAIN RESERVES; AMENDING

SECTIONS 75-5-1106 ~~AND~~, 75-5-1113, ^{and 75-5-1121} MCA; AND PROVIDING AN

IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 75-5-1106, MCA, is amended to read:

"75-5-1106. Revolving fund. (1) There is established in

the state treasury a separate account designated as the

wastewater treatment works revolving fund. There are

established in the revolving fund as subaccounts a federal

allocation account, a state allocation account, an

administration account, an investment income account, and a

debt service account, ^{and a cost of issuance account.}

(2) There must be credited to:

1 (a) the federal allocation account, all amounts

2 received by the state pursuant to the federal act as

3 capitalization grants for a state revolving fund to assist

4 construction of wastewater treatment works and grants or

5 transfers of grants received under subchapter II of the

6 federal act for construction of wastewater treatment works;

6. 7 (b) the state allocation account, the ^{net} proceeds of bonds

7. 8 of the state issued pursuant to 75-5-1121, ~~interest earnings~~

9 ~~on the bond proceeds~~ and other money appropriated by the

10 legislature;

11 (c) the administration account, 4%, or the maximum

12 amount allowed by the federal act, of the capitalization

13 grant award for payment of administrative costs;

14 (d) the investment account, all money received from

15 investment of amounts in ^{these} other accounts in the revolving

16 fund; ^{designated by the Board of Examiners, with the authority}

17 (e) the debt service account, all interest earnings on

18 bond proceeds and the interest portion of loan repayments, and

19 ^{(4) the cost of issuance account, bond proceeds, etc.}

(3) Each loan made as authorized by 75-5-1113 must be

20 funded and disbursed from the federal allocation account or

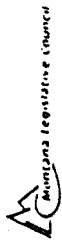
21 the state allocation account, or both, by the department of

22 natural resources and conservation as recommended by the

23 department, and all amounts received in repayment of

24 principal of a loan must be credited in the same proportion

25 to the federal allocation account or the state allocation



THIRD READING
HB 551

1 ~~accounty--or--both.~~ All amounts received in payment of
 2 principal or interest on a loan must be credited to the
 3 revolving fund. If bonds have been issued pursuant to
 4 75-5-1121 and are outstanding, the interest payments must be
 5 transferred to the debt service account securing the bonds.
 6 Money in the debt service account that is not required for
 7 ~~debt service~~ ^{to other accounts within the} may be transferred by the board of examiners,
 8 ~~upon request of the department of natural resources and~~ ^{revolving fund as provided in the resolution or order}
 9 ~~of trust authorizing the trade~~ ^{of trust authorizing the trade} conservation to other accounts within the revolving fund.
 10 (4) The department of natural resources and
 11 conservation may establish additional accounts and
 12 subaccounts within the revolving fund as it considers
 13 necessary to account for the program money and to ensure
 14 compliance with the federal act and this part."

15 **Section 2.** Section 75-5-1113, MCA, is amended to read:
 16 "75-5-1113. Loans. (1) Upon approval of an application
 17 by the department, the department of natural resources and
 18 conservation may lend amounts on deposit in the revolving
 19 fund to a municipality or private concern to pay part or all
 20 of the cost of a project or to buy or refinance an
 21 outstanding obligation of a municipality that was issued to
 22 finance a project. The loan is subject to the municipality
 23 or private concern complying with the following conditions:

24 (a) meeting requirements of financial capability set by
 25 the department of natural resources and conservation to

1 assure sufficient revenues to operate and maintain the
 2 project for its use(u) life and to repay the loan, including
 3 the establishment and maintenance by the municipality of a
 4 reserve or revolving fund to secure the payment of principal
 5 of and interest on the loan to the extent permitted by the
 6 applicable law governing the municipality's obligation;
 7 (b) agreeing to operate and maintain the project
 8 properly over its structural and material design life, which
 9 may not be less than 20 years;

10 (c) agreeing to maintain proper financial records in
 11 accordance with recognized government accounting procedures
 12 and agreeing that all records are subject to audit;

13 (d) meeting the requirements listed in the federal act
 14 for projects constructed with funds directly made available
 15 by federal capitalization grants;:

16 (e) providing legal assurance that all necessary
 17 property titles, easements, and rights-of-way have been
 18 obtained to construct, operate, and maintain the project;

19 (f) submitting an engineering report evaluating the
 20 proposed project, including information demonstrating its
 21 cost-effectiveness and environmental information necessary
 22 for the department and the department of natural resources
 23 and conservation to fulfill their responsibilities under the
 24 Montana Environmental Policy Act and rules adopted to
 25 implement that act;

1 (g) complying with plan and specification requirements
 2 for public wastewater systems established by the board; and
 3 (h) providing for proper construction inspection and
 4 project management.

5 (2) Each loan, unless prepaid, is payable subject to
 6 the limitations of the federal act, with interest paid in
 7 annual or more frequent installments, the first of which
 8 must be received not more than 1 year after the completion
 9 date of the project and the last of which must be received
 10 not more than 20 years after the completion date.

11 (3) Subject to the limitations of the federal act, the
 12 interest rate on a loan must ^{ensure that the interest payments are} payable to the state to pay the
 13 principal of and interest on the bonds issued pursuant to
 14 75-5-1121.

15 (a) The interest rate must be determined as of the date
 16 the loan is authorized by the department of natural
 17 resources and conservation.

18 (b) The rate may include any additional rate that the
 19 department of natural resources and conservation considers
 20 reasonable or necessary to provide a reserve for the
 21 repayment of the loan. The additional rate may be fixed or
 22 variable or may be calculated according to a formula, and it
 23 may differ from the rate established for any other loan.

24 (4) Each loan must be evidenced by a bond, note, or
 25 other evidence of indebtedness of the municipality or

1 private concern, in a form prescribed or approved by the
 2 department of natural resources and conservation, except
 3 that the bond, note, or other evidence must include
 4 provisions required by the federal act and must be
 5 consistent with the provisions of this part. The bond, note,
 6 or other evidence is not required to be identical for all
 7 loans.

8 (5) As a condition to making a loan, the department of
 9 natural resources and conservation, with the concurrence of
 10 the department, may impose a reasonable administrative fee
 11 that may be paid from the proceeds of the loan or other
 12 available funds of the municipality or private concern.
 13 Administrative fees ^{may} ~~must~~ be deposited in a special
 14 administrative costs account that the department of natural
 15 resources and conservation may create for that purpose ^{etc}
 16 outside the revolving fund provided for in 75-5-1106. ^{Or the administr} Money ^{or the etc}
 17 deposited in the special administrative costs account ^{must}
 18 be used for the payment of administrative costs of the
 19 program."

20 NEW SECTION. Section 3. ^{Insert #17 of amendments.} Effective ~~date~~ ~~(this act)~~ is

21 ~~effective on passage and approval~~

-End-

Flow of funds prior to revised legislation

STATE OF MONTANA

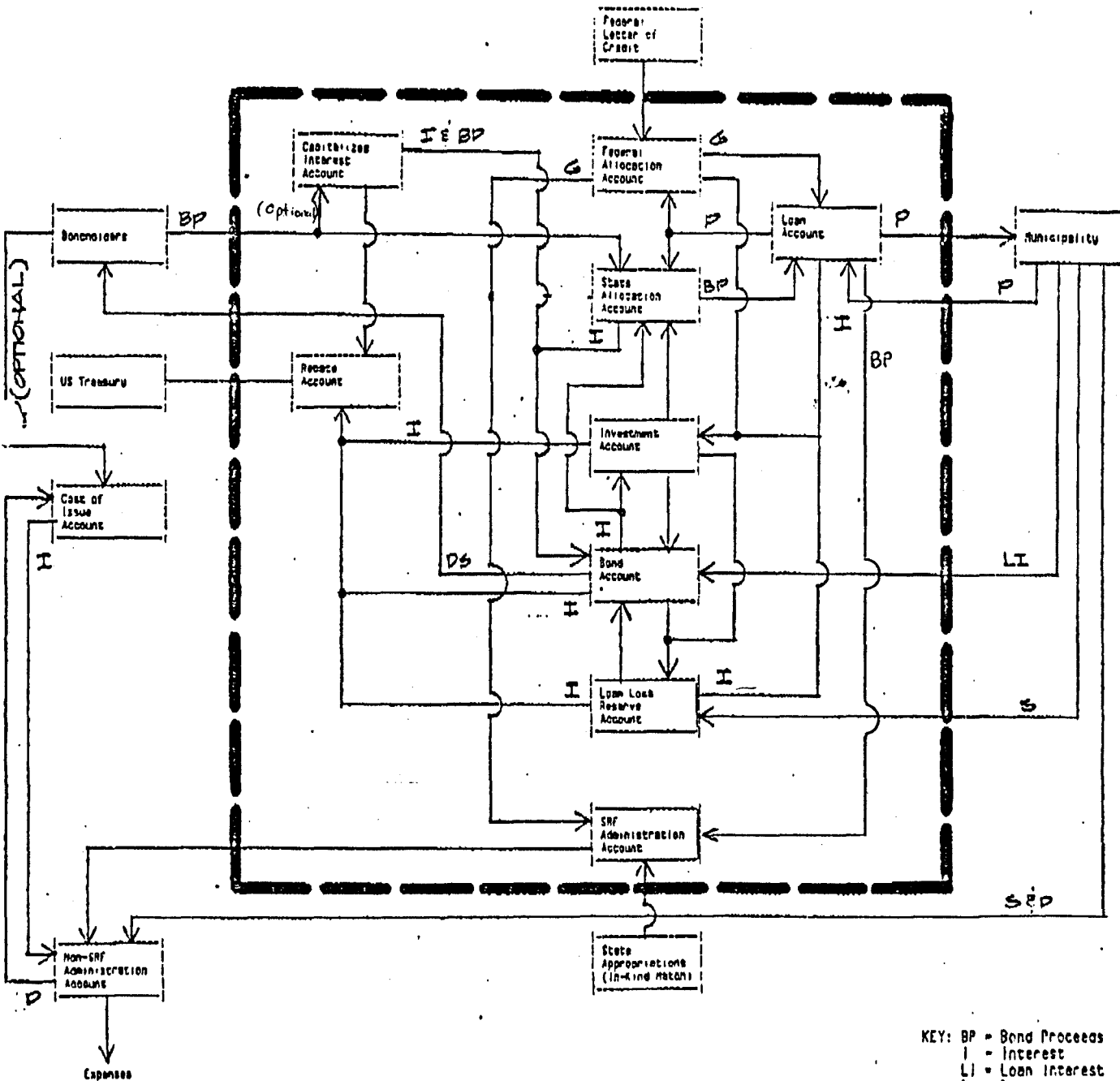
REVOLVING LOAN PROGRAM
9-20-90

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 5

DATE 3-19-91

BILL NO. HB 551



- KEY: BP = Bond Proceeds
 I = Interest
 LI = Loan Interest
 P = Principal
 S = Surcharge
 D = Discount for Cost of Iss
 DS = Debt Service
 C = Grant funds

NOTE: All accounts inside dotted line are subject to Title VI.

Proposed Amendments to House Bill No. 551
Third Reading Copy

Submitted by the Department of Health and Environmental Sciences
March 18, 1991

1. Title, line 7.
Following: "ALLOW"
Strike: "INTEREST EARNINGS ON BOND PROCEEDS"
Insert: "NET PROCEEDS OF BONDS"
2. Title, line 11.
Following: "ACCOUNT;"
Insert: "AUTHORIZING BONDS TO BE ISSUED BY RESOLUTION OR
INDENTURE OF TRUST;"
3. Title, line 13.
Following: "75-5-1106"
Strike: "AND"
Insert: ", "
Following: "75-5-1113,"
Insert: "AND 75-5-1121,"
4. Page 1, line 23.
Strike: "and"
5. Page 1, line 24.
Following: "account"
Insert: "and a cost of issuance account"
6. Page 2, line 7.
Following: ", the"
Insert: "net"
7. Page 2, line 8.
Following: "75-5-1121"
Strike: "interest earnings on the bond proceeds."
8. Page 2, line 15.
Following: "amounts in"
Strike: "the other"
Insert: "those"
9. Page 2, line 16.
Following: "fund"
Insert: "designated by the board of examiners in the
resolution or indenture of trust authorizing the issuance
of bonds"
Strike: "and"
10. Page 2, line 18
Strike: "."
Insert: "; and"

SENATE FINANCE AND CLAIMS
EXHIBIT NO. 6
DATE 3-19-91
BILL NO. HB 551

11. Page 2.

Following: line 18

Insert: "(f) the cost of issuance account, bond proceeds as determined necessary by the department of natural resources and conservation to pay the cost of issuing bonds."

12. Page 3, lines 7 through 9.

Strike: "by" on line 7 through line 9

Insert: "to other accounts within the revolving fund as provided in the resolution or indenture of trust authorizing the bonds."

13. Page 5, line 12.

Following: "must"

Insert: "ensure that the interest payments on the loan and on other outstanding loans will be sufficient, if paid timely and in full, with other available funds in the revolving fund, including investment income, to"

14. Page 6, line 13.

Strike: "must"

Insert: "may"

15. Page 6, line 16.

Following: "75-11-1106"

Insert: "or the administration account"

16. Page 6, line 17.

Following: "account"

Insert: "or the administration account"

17. Page 6, line 20.

Insert: "Section 3. Section 75-5-1121, MCA, is amended to read:

"75-5-1121. Authorization of bonds -- appropriation of proceeds. (1) The board of examiners is authorized, upon request of the department of natural resources and conservation, to issue and sell bonds of the state in an aggregate principal amount not exceeding \$10 million to provide money for the revolving loan program. The bonds are general obligations on which the full faith, credit, and taxing power of the state are pledged for payment of the principal and interest. The bonds must be issued as provided by Title 17, chapter 5, part 8.

(2) The proceeds of the bonds, other than any premium and accrued interest received or amounts to be used to pay interest on the bonds or the costs of issuing the bonds, are appropriated to the state allocation account of the wastewater treatment works revolving fund. Any premium and accrued interest and bond proceeds to be used to pay interest must be deposited ~~to~~ in the debt service account. Proceeds of bonds deposited in the state allocation account may to be used to pay the costs of issuing the bonds must be deposited in the cost of issuance account. For purposes of

sections 17-5-803 and 17-5-804, the state allocation account and the costs of issuance account ~~constitutes~~ constitute a capital projects account. The proceeds must be available to the department and the department of natural resources and conservation and may be used for the purposes authorized in this part without further budgetary authorization.

(3) In the resolution authorizing the sale and issuance of the bonds, the board of examiners, upon the request of the department of natural resources and conservation, may create separate accounts or subaccounts to provide for the payment security of the bonds and may pledge the interest component of the loan repayments credited to the revolving fund and the revolving fund as security for the bonds.

(4) The board of examiners may allow bonds issued under this section to be secured by a trust indenture between the board of examiners and a trustee. The trustee may be a trust company or bank having the powers of a trustee inside or outside the state.

(a) If the board of examiners elects to issue bonds pursuant to a trust indenture, the trustee may as determined by the board of examiners hold one or more of the funds and accounts created pursuant to this chapter.

(b) In addition to provisions that the board of examiners determines to be necessary and appropriate to secure the bonds, provide for the rights of the bondholders, and ensure compliance with all applicable law, the trust indenture must contain provisions that:

(i) govern the custody, safeguarding, and disbursement of all money held by the trustee under the trust indenture; and

(ii) permit representatives of the state treasurer, department, or department of natural resources and conservation, upon reasonable notice and at reasonable times, to inspect the trustee's books and records concerning the trust indenture.

(c) A trust indenture or an executed counterpart of a trust indenture developed pursuant to this chapter must be filed with the secretary of state."

Renumber: subsequent section

Amendments to Senate Bill No. 62
First Reading Copy

Requested by Senator Judy Jacobson
For the Committee on Senate Finance and Claims

Prepared by Pamela D. Joehler
March 13, 1991

1. Page 1, line 13.
Delete: "Montana university system and"
Insert: "board of regents on behalf of"
2. Page 1, line 13.
Following: "all"
Strike: "other"
3. Page 1, line 14.
Following: "under"
Strike: "the"
Insert: "its"
4. Page 1, line 15.
Following: "control"
Strike: "of the board of regents"
5. Page 2, line 5.
Following: "or"
Strike: "educational institution under the general administrative
and supervisory control of the board of regents fails"
Insert: "if the board of regents fails"
6. Page 2, line 13.
Following: "or"
Insert: "the"
7. Page 2, line 14.
Strike: "institution"
Insert: "institutions under general administrative and
supervisory control of the board of regents"
8. Page 7, line 6.
Following: "a"
Strike: "copy of the budgets for"
Insert: "unified budget request for"
9. Page 7, line 7.
Following: "under"
Insert: "the"

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 7

DATE 3-19-92

BILL NO. SB62

DATE 3-19-91

COMMITTEE ON Finance & Claims

HB 146, HB 328, HB 586

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Wayne Wedzel	Dept of Nat Res & Env.	HB 586	X	
Scott Anderson	MDHE S	HB 551	X	
Maxwell Anderson	DOC	HB 508		
MIKE RUNCHE	COMMERCE	HB 328		
Peggy Palmrose	MT Assoc. of Coun. Dist.	HB 328	Amended ✓	
Diane Jones	MT SOCIETY CPAs	✓	✓	
Susan REED	MSLA CO AUDITOR	328	✓	
Kim Enkerud	MT Assn. State Grazing Dist.	328	✓	

(Please leave prepared statement with Secretary)