HOUSE BILL 497

IN THE HOUSE

January 31, 1979	Introduced and referred to Committee on Taxation.
March 24, 1979	Committee recommend bill, do not pass.
March 26, 1979	Report adopted.

House BILL NO. 497 Marks Rota

INTRODUCED BY Donaldson Thoft Azzara, Bengtson Dunn Anderson Keyser Bennett

A BILL FOR AN ACT ENTITLED: "AN ACT TO ALLOW SCHOOL DISTRICTS AND COUNTIES TO EXCEED THEIR BONDED INDEBTEDNESS LIMITS UNDER CERTAIN CIRCUMSTANCES; TO PROVIDE FOR STATE PAYMENT OF INTEREST ON SCHOOL BONDS IN EXCESS OF A CERTAIN LIMIT; ALLOCATING A PORTION OF THE INTEREST FROM THE COAL TAX EDUCATION TRUST FUND FOR THIS PURPOSE; AMENDING SECTIONS 7-7-2203, 20-9-406, AND 90-6-211, MCA."

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

Section 1. Section 20-9-406, MCA, is amended to read:

"20-9-406. Limitations on amount of bond issue. (1) ~~The~~ Except as provided in [section 3], the maximum amount for which each school district may become indebted by the issuance of bonds, including all indebtedness represented by outstanding bonds of previous issues and registered warrants, is 29% of the taxable value of the property subject to taxation as ascertained by the last completed assessment for state, county, and school taxes previous to the incurring of such indebtedness. The 29% maximum, however, may not pertain to indebtedness imposed by special improvement district obligations or assessments against the school district. All bonds issued in excess of such amount shall be null and void, except as provided in this section.

(2) When the total indebtedness of a school district has reached the 29% limitation prescribed in this section, the school district may pay all reasonable and necessary expenses of the school district on a cash basis in accordance with the financial administration provisions of this chapter.

(3) Whenever bonds are issued for the purpose of refunding bonds, any moneys to the credit of the debt service fund for the payment of the bonds to be refunded are applied towards the payment of such bonds and the refunding bond issue is decreased accordingly."

Section 2. Section 7-7-2203, MCA, is amended to read:

"7-7-2203. Limitation on amount of bonded indebtedness. (1) Except as provided in subsections (2) and (3), no county shall issue bonds for any purpose which, with all outstanding bonds and warrants except county high school bonds and emergency bonds, will exceed 2 1/2% of the value of the taxable property therein, to be ascertained by the last assessment for state and county taxes previous to the issuance of such bonds.

(2) A county may issue bonds which, with all outstanding bonds and warrants, will ~~exceed 2 1/2% but will~~ not, except as provided in [section 3], exceed 5% of the value of such taxable property, when necessary to do so, for

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the purpose of acquiring land for a site for county high school buildings and for erecting or acquiring buildings thereon and furnishing and equipping the same for county high school purposes.

(3) The foregoing limitation shall not apply to refunding bonds issued for the purpose of paying or retiring county bonds lawfully issued prior to January 1, 1932.

(4) This part shall not be construed to extend limitations on bonded indebtedness for county high school purposes as fixed by [75-4114] and acts amendatory thereof."

NEW SECTION. Section 3. Conditions necessary to exceed limitations on amount of bond issue. (1) A school district may exceed the limit on bonded indebtedness imposed in 20-9-406 if:

(a) the trustees of the district pass a resolution stating that:

(i) the district needs funds for one of the purposes listed in (a) or (b) of 20-9-403(1);

(ii) issuing bonds for this purpose would raise the district's bonded indebtedness above the limit imposed in 20-9-406; and

(iii) funds for the purpose are not reasonably available from any other source;

(b) the superintendent of public instruction certifies that the statements contained in the trustees' resolution are correct.

(2) A county may exceed the limit on bonded indebtedness imposed in 7-7-2203 if:

(a) the county commissioners pass a resolution stating that:

(i) the county needs funds for the purpose listed in 7-7-2203(2);

(ii) issuing bonds for this purpose would raise the county's bonded indebtedness above the limit imposed in 7-7-2203(2); and

(iii) funds for this purpose are not reasonably available from other sources;

(b) the superintendent of public instruction certifies that the statements contained in the county commissioners' resolution are correct.

NEW SECTION. Section 4. State payment of interest on certain bonded indebtedness. (1) As long as funds are available in the school improvement fund created in 90-6-211, the superintendent of public instruction shall pay the interest due on a school district's bonds:

(a) if the district's bonded indebtedness exceeds 20% of the taxable value of the property subject to taxation as ascertained by the last completed assessment for state, county, and school taxes previous to the incurring of the indebtedness; and

(b) if the bonds raising the district's indebtedness above this figure were issued for the purposes listed in (a) or (b) of 20-9-403(1).

(2) Tax money collected from the school district for debt service must be used to pay the principal due on the bonds.

(3) The superintendent shall twice a year forward the funds necessary to pay the interest due on bonds meeting the conditions imposed in subsection (1) to the treasurer of the county in which the district issuing the bonds is located. The county treasurer shall credit these funds to the debt service fund for the school district.

(4) The superintendent shall draw these funds from the school improvement fund created in 90-6-211.

(5) Tax money collected from the school district for debt service must be used to pay both principal and interest due on the bonds as soon as the district's bonded indebtedness equals less than 20% of the taxable valuation of the property in the district.

NEW SECTION. Section 5. State payment of interest on certain county bonded indebtedness. (1) As long as funds are available in the school improvement fund created in 90-6-211, the superintendent of public instruction shall pay the interest due on a county's bonds if:

(a) the county's bonded indebtedness exceeds 4% of the

value of the taxable property in the county as determined on the last assessment date prior to the issue of bonds; and

(b) the bonds raising the county's indebtedness above this figure were issued for the purpose listed in 7-7-2203(2).

(2) Tax money collected from the county for the sinking and interest fund must be used to pay the principal due on the bond.

(3) The superintendent shall twice a year forward the funds necessary to pay the interest due on bonds meeting the conditions imposed in subsection (1) to the treasurer of the county which has issued the bonds. The county treasurer shall credit these funds to the sinking and interest fund for the bonds.

(4) The superintendent shall draw these funds from the school improvement fund created in 90-6-211.

(5) Tax money collected from the county for the sinking and interest fund for the bonds must be used to pay both principal and interest due on the bonds as soon as the county's bonded indebtedness equals less than 4% of the taxable valuation of the property in the county.

Section 6. Section 90-6-211, MCA, is amended to read:

"90-6-211. Disposition of interest from unexpended balance. The unexpended balance in the local impact and education trust fund account shall be invested as provided

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by statute by the board of investments. Of the income from such investments each year 10% shall be added to the principal of the account to be segregated and held in trust for the purposes of supporting the public schools and university systems of the state. ~~Of the~~ The remaining 90% of the income from such investments~~, three-fourths~~ shall be annually paid into the earmarked revenue fund to the credit of the school improvement fund, which is hereby created, for state ~~equalization~~ aid to enable public schools of the state ~~and--one-fourth--each--year--shall--be--paid-to-the-board-of regents-of-higher-education-for-use-by-the--institutions--of higher--learning--in--the--state,--subject--to-the-budgeting authority-of-the-legislature~~ to finance necessary capital improvements and expenditures, as provided in [section 2]. Except as provided in 90-6-205(4), the principal of the local impact and educational trust fund shall be dedicated to education and forever remain inviolate and sacred to this purpose as provided in sections 3 and 10 of Article X of the Montana constitution."

-End-

STATE OF MONTANA

REQUEST NO. 476-79

FISCAL NOTE

Form BD-15

In compliance with a written request received March 12, 19 79, there is hereby submitted a Fiscal Note for HB 497 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

Description of Proposed Legislation:

House Bill 497 allows school districts and counties to exceed their bonded indebtedness limits under certain circumstances and provides for the payment of interest on such bonds from interest on the local impact and educational trust fund.

Assumptions:

1. The long-term investment rate will be 8.5%.
2. Coal tax collections are homogeneous.

Fiscal Impact:

Distribution of interest earnings on Local Impact and Educational Trust Fund:

	FY 80		FY 81	
	Current Law	Proposed Law	Current Law	Proposed Law
State equalization aid	$ 758,000	$ -0-	$ 968,000	$ -0-
Board of Regents	252,000	-0-	322,000	-0-
School Improvement Fund	-0-	1,010,000	-0-	1,290,000
	$1,010,000	$1,010,000	$1,290,000	$1,290,000

Technical Note:

The General Appropriations bill, HB 483, appropriates the local impact and educational trust monies provided by current statutes to the Foundation Program and the WICHE program in the Commissioner of Higher Education's office.

Richard L. [illegible] for

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 3/26/79