SENATE BILL NO. 298

IN THE SENATE

January 30, 1979	Introduced and referred to Committee on Taxation.
January 31, 1979	Fiscal note requested.
February 6, 1979	Fiscal note returned.
March 13, 1979	Committee recommend bill do not pass.

Senate BILL NO. 298

INTRODUCED BY Thomas

A BILL FOR AN ACT ENTITLED: "AN ACT TO CHANGE THE LIMITATIONS ON THE AMOUNT OF BONDED INDEBTEDNESS OF CITIES, COUNTIES, AND SCHOOL DISTRICTS FROM 18% OF THE TAXABLE VALUE TO 5% OF THE MARKET VALUE OF THE PROPERTY SUBJECT TO TAXATION; AMENDING SECTIONS 7-7-2101, 7-7-2203, 7-7-4201, 7-7-4202, 20-9-406, AND 20-9-407, MCA."

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

Section 1. Section 7-7-2101, MCA, is amended to read:

"7-7-2101. Limitation on amount of county indebtedness. (1) No county may become indebted in any manner or for any purpose to an amount, including existing indebtedness, in the aggregate exceeding ~~10%~~ 5% of the ~~taxable~~ market value of the property therein subject to taxation as ascertained by the last assessment for state and county taxes previous to the incurring of such indebtedness and made pursuant to the provisions of 15-8-111.

(2) No county may incur indebtedness or liability for any single purpose to an amount exceeding $40,000 without the approval of a majority of the electors thereof voting at an election to be provided by law, except as provided in 7-21-3413 and 7-21-3414."

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 market 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 and made pursuant to the provisions of 15-8-111.

(2) A county may issue bonds which, with all outstanding bonds and warrants, will exceed 2 1/2% but will not exceed 5% of the market value of such taxable property, when necessary to do so, for 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."

Section 3. Section 7-7-4201, MCA, is amended to read:

"7-7-4201. Limitation on amount of bonded indebtedness. (1) Except as otherwise provided, no city or town may issue bonds for any purpose in an amount which with all outstanding and unpaid indebtedness will exceed ~~10%~~ 5% of the ~~taxable~~ market value of the property therein subject to taxation, to be ascertained by the last assessment for state and county taxes pursuant to the provisions of 15-8-111.

(2) Except as otherwise provided, the total amount of indebtedness authorized to be contracted in any form, including the then existing indebtedness, must not at any time exceed 5% of the total market value of the taxable property of the city or town, as ascertained by the last assessment for state and county taxes pursuant to the provisions of 15-8-111.

(3) The issuing of bonds for the purpose of funding or refunding outstanding warrants or bonds is not the incurring of a new or additional indebtedness but is merely the changing of the evidence of outstanding indebtedness."

Section 4. Section 7-7-4202, MCA, is amended to read:

"7-7-4202. Special provisions relating to water and sewer systems. (1) (a) Notwithstanding the provisions of 7-7-4201(1), for the purpose of constructing a sewer system, procuring a water supply, or constructing or acquiring a water system for a city or town which shall own and control the water supply and water system and devote the revenues

therefrom to the payment of the debt, a city or town may incur an additional indebtedness by borrowing money or issuing bonds.

(b) Notwithstanding the provisions of 7-7-4201(2), an additional indebtedness shall be incurred when necessary to construct a sewer system or procure a water supply for the city or town which shall own or control said water supply and devote the revenue derived therefrom to the payment of the debt.

(2) (a) The additional total indebtedness that may be incurred by borrowing money or issuing bonds for the construction of a sewer system, for the procurement of a water supply, or for both such purposes, including all indebtedness theretofore contracted which is unpaid or outstanding, may not in the aggregate exceed 10% over and above the ~~10%~~ 5%, referred to in 7-7-4201(1), of the total taxable value of the property therein subject to taxation as ascertained by the last assessment for state and county taxes pursuant to the provisions of 15-8-111.

(b) The additional indebtedness authorized, including all indebtedness theretofore contracted which is unpaid or outstanding, for the construction of a sewer system, for the procurement of a water supply, or for both such purposes shall not exceed in the aggregate 10% over and above the 5%, referred to in 7-7-4201(2), of the total valuation of the taxable property of the city or town as ascertained by the last assessment for state and county taxes pursuant to the provisions of 15-8-111.

(3) The above limit of 5% shall not be extended unless the question shall have been submitted to a vote and carried in the affirmative by a vote of the majority of the electors who vote upon such question."

Section 5. Section 20-9-406, MCA, is amended to read:

"20-9-406. Limitations on amount of bond issue. (1) 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%~~ 5% of the ~~taxable~~ market 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 and made pursuant to the provisions of 15-8-111. The ~~29%~~ 5% 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%~~ 5% 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 6. Section 20-9-407, MCA, is amended to read:

"20-9-407. Industrial facility agreement for bond issue in excess of maximum. (1) In a school district within which a new major industrial facility which seeks to qualify for taxation as class eighteen property under 15-6-119 is being constructed or is about to be constructed, the school district may require, as a precondition of the new major industrial facility qualifying as class eighteen property, that the owners of the proposed industrial facility enter into an agreement with the school district concerning the issuing of bonds in excess of the ~~29%~~ 5% limitation prescribed in this section. Under such an agreement, the school district may, with the approval of the voters, issue bonds which exceed the limitation prescribed in this section by a maximum of ~~29%~~ 5% of the estimated ~~taxable~~ market value of the property of the new major industrial facility subject to taxation when completed. The estimated ~~taxable~~ market

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value of the property of the new major industrial facility subject to taxation shall be computed by the department of revenue when requested to do so by a resolution of the board of trustees of the school district. A copy of the department's statement of estimated ~~taxable~~ market value shall be printed on each ballot used to vote on a bond issue proposed under this section.

(2) Pursuant to the agreement between the new major industrial facility and the school district and as a precondition to qualifying as class eighteen property, the new major industrial facility and its owners shall pay, in addition to the taxes imposed by the school district on property owners generally, so much of the principal and interest on the bonds provided for under this section as represents payment on an indebtedness in excess of the limitation prescribed in this section. After the completion of the new major industrial facility and when the indebtedness of the school district no longer exceeds the limitation prescribed in this section, the new major industrial facility shall be entitled, after all the current indebtedness of the school district has been paid, to a tax credit over a period of no more than 20 years. The credit shall as a total amount be equal to the amount which the facility paid the principal and interest of the school district's bonds in excess of its general liability as a

taxpayer within the district.

(3) A major industrial facility is a facility subject to the taxing power of the school district whose construction or operation will increase the population of the district, imposing a significant burden upon the resources of the district and requiring construction of new school facilities. A significant burden is an increase in ANB of at least 20% in a single year."

-End-

STATE OF MONTANA

Request No. 190-79

FISCAL NOTE

Form BD-15

In compliance with a written request received January 31, 1979, there is hereby submitted a Fiscal Note for Senate Bill 298 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:

This proposed bill changes the limitation on the amount of bonded indebtedness of cities, counties, and school districts from 18% of the taxable value to 5% of the market value of the property subject to taxation.

FISCAL IMPACT:

No Fiscal Impact

EFFECT ON LOCAL GOVERNMENTS:

The limit of bonded indebtedness would be increased on a statewide basis approximately as follows:

	Maximum Indebtedness Under Present Law	Maximum Indebtedness Under Proposed Law	Increase
Counties	$282,270,054	$ 655,031,066	$ 372,761,012
Cities	85,440,363	198,212,401	112,772,038
Schools			
Elementary	282,270,054	655,031,066	372,761,012
High School	282,270,054	655,031,066	372,761,012
Totals	$932,250,525	$2,163,305,599	$1,231,055,074

Richard L. Dunning Jr.

BUDGET DIRECTOR
Office of Budget and Program Planning
Date: 2/6/79