

HOUSE BILL NO. 818

Introduced: 02/15/83

Referred to Select Committee on Economic Development:
02/15/83

Hearing: 2/17/83

Report: 02/21/83, Do Pass, As Amended

2nd Reading: 02/23/83, Do Pass

3rd Reading: 02/23/83, Do Pass

Transmitted to Senate: 2/23/83

Referred to Committee on Business & Industry: 3/1/83

Hearing: 3/21/83

Report: 3/24/83, Be Concurred In

2nd Reading: 03/26/83, Be Concurred In

3rd Reading: 03/28/83, Be Indefinitely Postponed
Bill Killed

1 *House* BILL NO. *818*
2 INTRODUCED BY *Bingham* *Dee*
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO AUTHORIZE THE
5 ISSUANCE AND SALE OF GENERAL OBLIGATION BONDS OF THE STATE
6 OF MONTANA; TO PROVIDE FOR AN AGREEMENT BETWEEN THE BOARD OF
7 EXAMINERS AND THE MONTANA ECONOMIC DEVELOPMENT BOARD; AND
8 PROVIDING FOR AN IMMEDIATE EFFECTIVE DATE."
9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
11 Section 1. Authorization of bonds. The board of
12 examiners is authorized to issue and sell general obligation
13 bonds in an amount not to exceed \$2 million over and above
14 any such bonds outstanding on January 1, 1983.
15 Section 2. Agreement with the Montana economic
16 development board. If the proceeds of the bonds issued and
17 sold pursuant to [this act] are appropriated for funding the
18 reserve fund under [___ Bill No. ___, LC 474], the board of
19 examiners and the economic development board may enter into
20 an agreement under the terms of which the board shall pay
21 the state treasurer for deposit in accordance with the
22 Treasury Fund Structure Act, as determined by the state
23 treasurer, an amount sufficient to pay the principal and
24 interest as due on the bonds or notes from which the
25 appropriation was made and to accumulate and maintain

1 reserves required under such bonds. The agreement must
2 further provide that the income from the investment of bond
3 proceeds not necessary for the funding of the reserve fund
4 as specified in [___ Bill No. ___, LC 474] must be credited
5 to the payment obligation of the economic development board.
6 The agreement must also allow for the accumulation of
7 reserves during the first year the bonds are outstanding.
8 Payments by the board must be made from funds available
9 therefor.

10 Section 3. Benefit of the state. The agreement made
11 pursuant to [section 2] is solely for the benefit of the
12 state of Montana and is not enforceable by bondholders or
13 other third-party beneficiaries.

14 Section 4. Coordination instruction. If [___ Bill No.
15 ___, LC 1148] is not passed and approved, references to the
16 economic development board in this act shall be changed to
17 refer to the board of investments as provided in 2-15-1005.

18 Section 5. Codification instruction. Sections 1
19 through 3 of this act are intended to be codified in Title
20 17, chapter 5, if the above-referenced bill is not enacted
21 by the 48th legislature; otherwise, such sections shall be
22 codified in the same title as the sections of the
23 above-referenced bill.

24 Section 6. Effective date. This act is effective on
25 passage and approval.

-End-
-2-

INTRODUCED BILL

HB 818

STATE OF MONTANA

REQUEST NO. 452-83

FISCAL NOTE

Form BD-15

In compliance with a written request received February 16, 19 83, there is hereby submitted a Fiscal Note for House Bill 818 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).

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 818 provides for the issuance of \$2 million in general obligation debt to finance a reserve fund for bonds issued under House Bill 733.

ASSUMPTIONS:

- 1) Bonds will be issued in FY84 to require two payments.
- 2) Interest rates vary from 7.375% to 9.375%, bond issue life will be 15 years with level annual principal payments.
- 3) Interest earned on reserve is a four point spread or 12½%.
- 4) Bond issue is effective July 1, 1984.

FISCAL IMPACT:

The funding source for repayment of the bonds is interest earned on the reserve under current law; the Economic Development Board or the Board of Investments will be required to establish a reserve fund for this issue in the first year of the issue in the amount of \$300,833. After which it is assumed that interest earnings on the total debt service will be sufficient to pay semi-annual installments. Total cost of the issue over a 15 year life would be \$3,394,170, which is calculated at an 8½% annual yield, and assumes a level annual principal payment. Investment earnings on the reserve are calculated to achieve a 12½% yield and the financing scheme would be effective on July 1, 1984.

	<u>FY84</u>	<u>FY85</u>
Transfers from the board	\$341,832	\$ -0-
Investment earning	<u>250,000</u>	<u>248,771</u>
Total Income	\$591,832	\$248,771
Principal and Interest payments	<u>(300,833)</u>	<u>(290,999)</u>
	<u>\$290,999</u>	<u>\$ (42,228)</u>

Since this is a general obligation bond issue, any deficit of funds will have to be assumed by the general fund if no other source of revenue is available. The effect of this bill is to use state general obligation debt to provide a reserve for the municipal bond bank authorized in HB 733.

FISCAL NOTE 16: X/1



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-20-83

Approved by Committee
on Economic Development

HOUSE BILL NO. 818

INTRODUCED BY BENGTSON, TONE

A BILL FOR AN ACT ENTITLED: "AN ACT TO AUTHORIZE THE
ISSUANCE AND SALE OF GENERAL OBLIGATION BONDS OF THE STATE
OF MONTANA; TO PROVIDE FOR AN AGREEMENT BETWEEN THE BOARD OF
EXAMINERS AND THE MONTANA ECONOMIC DEVELOPMENT BOARD; AND
PROVIDING FOR AN IMMEDIATE EFFECTIVE DATE."

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

Section 1. Authorization of bonds. The board of
examiners is authorized to issue and sell general obligation
bonds in an amount not to exceed \$2 ~~110~~ million over and
above any such bonds outstanding on January 1, 1983.

Section 2. Agreement with the Montana economic
development board. If the proceeds of the bonds issued and
sold pursuant to [this act] are appropriated for funding the
~~reserve--fund~~ GUARANTY FUNDS under ~~[---Bitt-Now---v-t6~~
~~474] HOUSE BILLS 700, 733, OR 871,~~ the board of examiners
and the economic development board may enter into an
agreement under the terms of which the board shall pay the
state treasurer for deposit in accordance with the Treasury
Fund Structure Act, as determined by the state treasurer, an
amount sufficient to pay the principal and interest as due
on the bonds or notes from which the appropriation was made

and to accumulate and maintain reserves required under such
bonds. The agreement must further provide that the income
from the investment of bond proceeds not necessary for the
funding of the reserve-fund GUARANTY FUNDS as specified in
~~[---Bitt-Now---v-t6-474] [HOUSE BILLS 700, 733, OR 871]~~
must be credited to the payment obligation of the economic
development board. The agreement must also allow for the
accumulation of reserves during the first year the bonds are
outstanding. Payments by the board must be made from funds
available therefor.

Section 3. Benefit of the state. The agreement made
pursuant to [section 2] is solely for the benefit of the
state of Montana and is not enforceable by bondholders or
other third-party beneficiaries.

~~Section 4. Coordination instruction. If [---Bitt-Now~~
~~---v-t6-1148] is not passed and approved, references to the~~
~~economic--development--board in this act shall be changed to~~
~~refer to the board of investments as provided in 2-15-1985.~~

Section 4. Codification instruction. Sections 1
through 3 of this act are intended to be codified in Title
17, chapter 5, if ~~the above-referenced-bitt~~ [HOUSE BILLS
700, 733, OR 871] ~~is~~ ARE not enacted by the 48th
legislature; otherwise, such sections shall be codified in
the same title as the sections of ~~the above-referenced--bitt~~
[HOUSE BILL 700, 733, OR 871].

1 Section 5. Effective date. This act is effective on
2 passage and approval.

-End-

HOUSE BILL NO. 818

INTRODUCED BY BENGTSON, TOWE

A BILL FOR AN ACT ENTITLED: "AN ACT TO AUTHORIZE THE ISSUANCE AND SALE OF GENERAL OBLIGATION BONDS OF THE STATE OF MONTANA; TO PROVIDE FOR AN AGREEMENT BETWEEN THE BOARD OF EXAMINERS AND THE MONTANA ECONOMIC DEVELOPMENT BOARD; AND PROVIDING FOR AN IMMEDIATE EFFECTIVE DATE."

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

Section 1. Authorization of bonds. The board of examiners is authorized to issue and sell general obligation bonds in an amount not to exceed \$2 \$10 million over and above any such bonds outstanding on January 1, 1983.

Section 2. Agreement with the Montana economic development board. If the proceeds of the bonds issued and sold pursuant to [this act] are appropriated for funding the reserve--fund GUARANTY FUNDS under ~~{---B+++Nov---v-L6~~ 474} HOUSE BILLS 700, 733, OR 871, the board of examiners and the economic development board may enter into an agreement under the terms of which the board shall pay the state treasurer for deposit in accordance with the Treasury Fund Structure Act, as determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes from which the appropriation was made

and to accumulate and maintain reserves required under such bonds. The agreement must further provide that the income from the investment of bond proceeds not necessary for the funding of the reserve-fund GUARANTY FUNDS as specified in ~~{---B+++Nov---v-L6-474} [HOUSE BILLS 700, 733, OR 871]~~ must be credited to the payment obligation of the economic development board. The agreement must also allow for the accumulation of reserves during the first year the bonds are outstanding. Payments by the board must be made from funds available therefor.

Section 3. Benefit of the state. The agreement made pursuant to [section 2] is solely for the benefit of the state of Montana and is not enforceable by bondholders or other third-party beneficiaries.

~~Section 4--Coordination-instructions--if-{---B+++Nov---v-L6-1148}-is-not-passed-and-approved, references-to-the economic--development--board-in-this-act-shall-be-changed-to refer-to-the-board-of-investments-as-provided-in--2-15-1985.~~

Section 4. Codification Instruction. Sections 1 through 3 of this act are intended to be codified in Title 17, chapter 5, if ~~the-above-referenced-b+++~~ [HOUSE BILLS 700, 733, OR 871] ~~is~~ ARE not enacted by the 48th legislature; otherwise, such sections shall be codified in the same title as the sections of the-above-referenced--b+++ [HOUSE BILL 700, 733, OR 871].

1 Section 5. Effective date. This act is effective on
2 passage and approval.

-End-