

SENATE BILL NO. 403

2/13 Introduced
2/13 Referred to Business & Industry
2/13 Fiscal Note Requested
2/19 Fiscal Note Received
2/19 Hearing
2/20 Tabled in Committee

1 *Senate* BILL NO. *403*
 2 INTRODUCED BY *Helgin Sen. J. Anselmi*
 3

4 A BILL FOR AN ACT ENTITLED: "AN ACT CREATING A MONTANA
 5 COMMUNITY DEVELOPMENT BOARD; TRANSFERRING ADMINISTRATION OF
 6 THE MUNICIPAL FINANCE CONSOLIDATION ACT OF 1983 TO THE
 7 BOARD; INCREASING THE BOND LIMITS UNDER THE ACT; GIVING THE
 8 BOARD AUTHORITY TO GUARANTEE BONDS OR NOTES ISSUED OR
 9 PURCHASED UNDER THE ACT; APPROPRIATING START-UP FUNDING TO
 10 THE BOARD; AMENDING SECTIONS 17-5-1604, 17-5-1605,
 11 17-5-1608, 17-5-1630, AND 17-5-1645, MCA; AND PROVIDING AN
 12 EFFECTIVE DATE."

13
 14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

15 NEW SECTION. Section 1. Montana community development
 16 board -- allocation -- composition -- quasi-judicial powers.

17 (1) There is a Montana community development board. Except
 18 as otherwise provided in this section, the board is
 19 allocated to the department of commerce for administrative
 20 purposes only as provided in 2-15-121. The board has
 21 authority over its own personnel as provided in [sections 2
 22 and 3].

23 (2) The board is composed of seven members, to be
 24 appointed by the governor as prescribed in 2-15-124. The
 25 board must be broadly representative of the local

1 governments of the state, and shall include at least one
 2 person representing each of the following:

- 3 (a) cities;
 - 4 (b) towns;
 - 5 (c) counties; and
 - 6 (d) local economic development groups.
- 7 (3) The board is designated as a quasi-judicial board
 8 for purposes of 2-15-124.

9 (4) The board shall administer the Municipal Finance
 10 Consolidation Act of 1983, provided for in Title 17, chapter
 11 5, part 16, [and the revenue bond guaranty act provided for
 12 in sections 3 through 8 of Bill No. [LC 1481]].

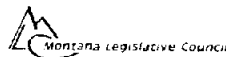
13 NEW SECTION. Section 2. Meetings and acts of the
 14 board and personnel. (1) All meetings of the Montana
 15 community development board are open to the public.

16 (2) All official acts of the board must be taken in a
 17 regular or special meeting and by a majority of the board.

18 (3) All rules adopted by the board must be in
 19 accordance with the Montana Administrative Procedure Act.

20 (4) The board may employ an administrator, who shall
 21 have general responsibility for the selection and management
 22 of the board's staff and direction of its activities. The
 23 administrator serves at the pleasure of the board.

24 (5) The board may prescribe the duties and annual
 25 salary for professional staff positions.



1 (6) The Montana community development board, the
2 Montana economic development board, and the board of
3 investments shall hold joint meetings at least twice a year
4 as a unified investment board for purposes of coordinating
5 investment strategies, policies, and programs.

6 NEW SECTION. Section 3. Administrative officer. (1)
7 The Montana community development board may employ an
8 administrative officer, who will have general responsibility
9 for the selection and management of the board's staff and
10 direction of its bonding and guaranty activity. The
11 administrative officer serves at the pleasure of the board.

12 (2) The board may prescribe the duties and annual
13 salary for professional staff positions.

14 Section 4. Section 17-5-1604, MCA, is amended to read:

15 "17-5-1604. Definitions. As used in this part, the
16 following definitions apply:

17 (1) "Board" means the Montana economic community
18 development board created in 2-15-1805 [section 1].

19 (2) "Department" means the department of commerce
20 created in 2-15-1801.

21 (3) "Local government unit" means any municipal
22 corporation or political subdivision of the state, including
23 without limitation any city, town, county, school district,
24 or other special taxing district.

25 (4) "Reserve fund" means the municipal finance

1 consolidation act reserve fund created in 17-5-1630."

2 Section 5. Section 17-5-1605, MCA, is amended to read:

3 "17-5-1605. Board of investments to implement. The
4 board of investments may make and enforce orders, rules, and
5 bylaws that are necessary or desirable for the
6 implementation of this part."

7 Section 6. Section 17-5-1608, MCA, is amended to read:

8 "17-5-1608. Limitations on amounts. The board may not:

9 (1) make any loans to or purchase the bonds or notes
10 of any single local government unit in an amount greater
11 than \$500,000 \$1,000,000 per single loan, bond issue, or
12 note; or

13 (2) issue any bonds or notes that cause the total
14 outstanding indebtedness of the board under this part
15 (except for bonds or notes issued to fund or refund other
16 outstanding bonds or notes) to exceed \$25--million
17 \$50,000,000."

18 Section 7. Section 17-5-1630, MCA, is amended to read:

19 "17-5-1630. Reserve fund. (1) The board shall
20 establish and maintain a municipal finance consolidation act
21 reserve fund, to which there shall be deposited or
22 transferred:

23 (a) all money appropriated by the legislature for the
24 purposes of the fund in accordance with the provisions of
25 subsection (4);

1 (b) all proceeds of bonds required to be deposited in
2 the fund by terms of a contract between the board and its
3 bondholders or a resolution of the board with respect to the
4 proceeds of bonds;

5 (c) the proceeds of any bond issue of the state that
6 is authorized for such purpose;

7 (d) all other money appropriated by the legislature to
8 the reserve fund; and

9 (e) any other money or funds of the board that it
10 decides to deposit in the fund.

11 (2) All money held in the reserve fund shall be used
12 solely for the payment of the principal of or interest on
13 the bonds or notes secured in whole or in part by the fund
14 or the debt service fund payments with respect to the bonds
15 or notes, the purchase or redemption of the bonds or notes,
16 the payment of interest on the bonds or notes, or the
17 payment of any redemption premium required to be paid when
18 the bonds or notes are redeemed prior to maturity. Money in
19 the reserve fund may not be withdrawn at any time in an
20 amount that reduces the fund to an amount less than the sum
21 of minimum reserve requirements established in the
22 resolutions or indentures of the board for the fund except,
23 with respect to bonds or notes secured in whole or in part
24 by the fund, for the purpose of making payment when due of
25 principal, interest, redemption premiums, and debt service

1 fund payments for the payment of which other money pledged
2 is not available.

3 (3) Money in the reserve fund in excess of the
4 required reserve may be withdrawn at any time by the board
5 and transferred to another fund or account of the board
6 established for purposes of this part, but not to any other
7 fund or account.

8 (4) Nothing in this section creates a debt or
9 liability of the state. However, in order to assure
10 maintenance of the reserve fund, the chairman of the board
11 shall, on or before September 1 in each year preceding the
12 convening of the legislature, deliver to the governor a
13 certificate stating the sum, if any, required to restore the
14 reserve fund to the minimum reserve requirement. The
15 governor shall include the sum in the executive budget
16 submitted to the legislature.

17 (5) Notwithstanding any provision of Title 17, chapter
18 6, the board of investments may lend money for deposit to
19 the reserve fund in an amount equal to any deficiency in the
20 required debt service reserve. The loans shall be made on
21 such reasonable terms and conditions as the board considers
22 proper and as may be agreed upon between the board and the
23 board of investments, including without limitation terms and
24 conditions providing that the loans need not be repaid until
25 the obligations of the board secured and to be secured by

1 the reserve fund are no longer outstanding."

2 Section 8. Section 17-5-1645, MCA, is amended to read:

3 "17-5-1645. Insurance or guaranty. The board may
4 obtain, from a department or agency of the United States or
5 a nongovernmental insurer, insurance or guaranty for the
6 payment or repayment of interest or principal, or both, or
7 any part of interest or principal on bonds or notes issued
8 by the board or on municipal bonds, bond anticipation notes,
9 or notes of local government units purchased or held by the
10 board. The board may also issue a guaranty pursuant to
11 [Bill No. (LC 1481)] for bonds issued under this part or
12 any bonds purchased by the board with the proceeds of bonds
13 issued under this part."

14 NEW SECTION. Section 9. Appropriation. There is
15 appropriated from the general fund \$250,000 to the Montana
16 Community Development Board for the biennium ending June 30,
17 1987, for purposes of carrying out the provisions of this
18 act.

19 NEW SECTION. Section 10. Codification instruction.
20 Sections 1 through 3 are intended to be codified as an
21 integral part of Title 2, chapter 15, part 18, and the
22 provisions of Title 2, chapter 15, part 18, apply to
23 sections 1 through 3.

24 NEW SECTION. Section 11. Coordination instruction. If
25 this act and Bill No. [LC 1481] are both passed and

1 approved, references to the "board" in 17-6-311(2) as
2 contained in Bill No. [LC 1481] and in sections 4
3 through 8 of [LC 1481] are changed from meaning the Montana
4 economic development board to meaning the Montana community
5 development board. If Bill No. [LC 1481] is not passed
6 and approved, section 8 of this act amending 17-5-1645 is
7 void.

8 NEW SECTION. Section 12. Effective date. This act is
9 effective July 1, 1985.

-End-

STATE OF MONTANA
FISCAL NOTE

REQUEST NO. FNN 428-85

Form BD-15

In compliance with a written request received February 15, 19 85, there is hereby submitted a Fiscal Note for Senate Bill 403 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:

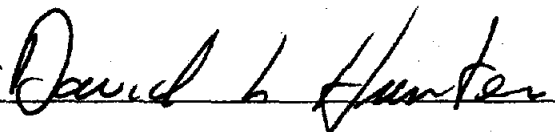
Senate Bill 403 creates a new seven member board called the Community Development Board and transfers the Municipal Consolidation Act of 1983 to the new Board from the existing Montana Economic Development Board. It increases the bond limits from \$25 to \$50 million and the size of eligible projects from \$500,000 to \$1,000,000. The bill also makes the bonds "moral obligations of the state" and authorizes the Board to guarantee the bonds with the Coal Tax Trust Fund and interest under the provisions of Senate Bill 413. The bill appropriates \$250,000 from the General Fund for the operation of the new Board for the biennium. The appropriation would subsidize the cost of issuing the bonds.

ASSUMPTIONS:

1. We estimate no bond issues will be sold under the Municipal Finance Consolidation Act and this new act because the analysis of the MEDB indicates that even increasing the limit on eligible projects to \$1,000,000, adding the moral obligation and guarantee projects with Instate Investment Fund will not provide an interest rate savings to local issuers over the rate they can acquire by public sale of their bond. Therefore, local governments will not use the program and there will be no revenue.

FISCAL IMPACT:

	<u>FY 1986</u>	<u>FY 1987</u>	<u>TOTAL</u>
Revenue:	-0-	-0-	\$ -0-
Expenditures:	<u>\$125,000</u>	<u>\$125,000</u>	<u>250,000</u>
Total Cost to General Fund	<u>\$125,000</u>	<u>\$125,000</u>	<u>250,000</u>



BUDGET DIRECTOR
Office of Budget and Program Planning

Date: Feb 19, 1985

TECHNICAL OR MECHANICAL DEFECTS OR CONFLICT WITH EXISTING LEGISLATION:

1. It is not clear whether Section 1 (4) and Section 8 completely transfers all authority over components of Senate Bill 413 to the new board and if it does neither bill provides a mechanism for reconciling which board shall determine how the Instate Investment Fund shall be allocated between investment alternatives. Both boards would have authority to use the same fund to back guarantees.
2. This bill proposes a form of moral obligation of the state to cover a capital reserve account used to repay any bonds issued under this bill. In the event that the Governor is required to request funding from the legislature, there is a potential for general fund obligation.