

HOUSE BILL 640

Introduced by Quilici, et al.

2/10	Introduced
2/11	Referred to Appropriations
2/13	Fiscal Note Requested
3/01	Fiscal Note Received
3/09	Fiscal Note Printed
3/14	Hearing
3/17	Tabled in Committee
4/06	Motion Failed to Take From Committee

1 *HOUSE BILL NO. 640*
 2 INTRODUCED BY *Timothy J. Harney*
 3 *Timothy J. Harney*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING THE SALE OF
 5 STATE GENERAL OBLIGATION ZERO COUPON EDUCATIONAL BONDS;
 6 REQUIRING THAT BOND PROCEEDS BE USED TO RENOVATE THE
 7 METALLURGY/CHEMISTRY BUILDING AT MONTANA COLLEGE OF MINERAL
 8 SCIENCE AND TECHNOLOGY; AUTHORIZING THE ISSUANCE AND SALE OF
 9 GENERAL OBLIGATION BONDS IN THE NET AMOUNT OF \$3 MILLION FOR
 10 RENOVATION OF THE METALLURGY/CHEMISTRY BUILDING; AND
 11 APPROPRIATING THE NET PROCEEDS OF THE BONDS."
 12

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

14 NEW SECTION. **Section 1.** Definitions. As used in [this
 15 act], the following definitions apply:

16 (1) "Approved budget amendment" means approval by the
 17 budget director of a request submitted through the
 18 architecture and engineering division of the department of
 19 administration to transfer excess funds appropriated to a
 20 capital project within an agency in order to increase the
 21 appropriations of another capital project within that agency
 22 or to obtain financing to expand a project with funds that
 23 were not available for consideration by the legislature.

24 (2) "Board" means the board of examiners established
 25 under 2-15-1007.

1 (3) "Capital projects account" means a capital projects
 2 account as defined in 17-5-801.

3 (4) "General obligation bonds" means the zero coupon
 4 educational bonds issued under [this act].

5 NEW SECTION. **Section 2.** Bond authorization -- issuance
 6 -- requirements. (1) The board may issue and sell general
 7 obligation bonds under the conditions and in the manner
 8 prescribed in [this act] in a net amount not exceeding \$3
 9 million for the purpose of renovating the
 10 metallurgy/chemistry building at Montana college of mineral
 11 science and technology to create safe, usable instructional
 12 classrooms and laboratories. This amount includes the
 13 administrative costs of the project, such as the costs of
 14 bond issuance and other expenses incidental to the
 15 administration of capital projects.

16 (2) Bonds authorized in this section must be sold in a
 17 manner, at times, in amounts, and at a price determined by
 18 the board. The bonds may not be sold without prior
 19 legislative appropriation of the net proceeds of the sale of
 20 the bonds. The board may obtain insurance or letters of
 21 credit and may authorize the execution and delivery of
 22 agreements, promissory notes, and other obligations to
 23 ensure the payment or enhance the marketability of the
 24 bonds. Promissory notes or other obligations issued under
 25 this section do not constitute a debt or a contract for

1 indebtedness under any constitutional or statutory
2 limitation if their payment is conditioned upon the failure
3 of the state to pay the principal of or interest on the
4 bonds with respect to which the notes or other obligations
5 are issued.

6 (3) The board may sell the bonds at a deep discount
7 from their par value if it determines the sale is
8 economically feasible and in the best interest of the state.

9 (4) Except as provided in [this act], the bonds
10 authorized under this section must be sold in accordance
11 with Title 17, chapter 5, part 8.

12 NEW SECTION. Section 3. Deposit and use of bond sale
13 proceeds. The proceeds from the sale of general obligation
14 bonds issued under [this act] must be deposited as required
15 by 17-5-803 and must be used exclusively for the purpose
16 designated in [section 2].

17 NEW SECTION. Section 4. Full faith and credit pledge.
18 The full faith and credit and taxing power of the state are
19 pledged for the payment of all bonds and notes issued
20 pursuant to [section 2].

21 NEW SECTION. Section 5. Appropriation. There is
22 appropriated from the capital projects account to the
23 department of administration \$3 million, contingent upon the
24 sale of general obligation bonds by the board, for the
25 renovation of the metallurgy/chemistry building at Montana

1 college of mineral science and technology.

2 NEW SECTION. Section 6. Budget amendment required for
3 expansion. The capital project authorized in [this act] may
4 not be expanded beyond the scope of the project as approved
5 by [this act] unless the capital project expansion is
6 authorized by an approved budget amendment.

7 NEW SECTION. Section 7. Requirements for approval of
8 state debt. Because [this act] authorizes creation of a
9 state debt, a vote of two-thirds of the members of each
10 house of the legislature is required for enactment of [this
11 act].

12 NEW SECTION. Section 8. Severability. If a part of
13 [this act] is invalid, all valid parts that are severable
14 from the invalid part remain in effect. If a part of [this
15 act] is invalid in one or more of its applications, the part
16 remains in effect in all valid applications that are
17 severable from the invalid applications.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB640, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

A bill for an Act entitled: "An Act authorizing the sale of state general obligation zero coupon educational bonds; requiring that bond proceeds be used to renovate the Metallurgy/Chemistry Building at Montana College of Mineral Science and Technology; authorizing the issuance and sale of general obligation bonds in the net amount of \$3 million for renovation of the Metallurgy/Chemistry Building; and appropriating the net proceeds of the bonds."

ASSUMPTIONS:

1. Assume net proceeds of issue will be \$3,000,000 which will fund project costs, bond issuance and administrative expenses.
2. Bonds structured as zero coupon bonds maturing 1996 to 2009 with level annual debt service for three years consistent with earlier proposals for the use of zero coupon bonds for academic buildings.
3. Interest rates reflect current market conditions.

FISCAL IMPACT:

	Current	FY90 Proposed		Current	FY91 Proposed	
Expenditures:	Law	Law	Difference	Law	Law	Difference
Capital Outlay	\$ -0-	\$3,000,000	\$3,000,000	\$ -0-	\$ -0-	\$ -0-

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

HB640 will commit Long Range Building Program to annual payments of approximately 1/2 million dollars from 1996 thru 2009.

TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

Bond consultant advises to recommend that "current interest bonds also be authorized for this project in the event there is a reduced or absence of a market for zero coupon bonds". (Market for zero coupon bonds has historically been volatile - high demand periods followed by low demand.)



DATE 3/1/89

RAY SHACKLEFORD, BUDGET DIRECTOR
OFFICE OF BUDGET AND PROGRAM PLANNING



DATE 3/08/89

JOE QUILICI, PRIMARY SPONSOR

Fiscal Note for HB640, as introduced**HB 640**