

HOUSE BILL 284

Introduced by Cobb, et al.

1/19	Introduced
1/20	Referred to Education & Cultural Resources
1/20	First Reading
1/20	Fiscal Note Requested
1/25	Fiscal Note Received
1/28	Fiscal Note Printed
1/29	Hearing
2/03	Committee Report--Bill Passed
2/11	2nd Reading Do Pass as Amended Motion Failed
2/11	Segregated from Committee of the Whole Report
2/11	Taken from 2nd Reading and Rereferred to Appropriations
3/05	Tabled in Committee

1 House BILL NO. 284
2 INTRODUCED BY C. B. Park
3 BY REQUEST OF THE OFFICE OF PUBLIC INSTRUCTION
4
5 A BILL FOR AN ACT ENTITLED: "AN ACT EXTENDING THE
6 AUTHORIZATION OF STATE LOANS TO SCHOOL DISTRICTS TO PAY
7 HOLDERS OF SCHOOL DISTRICT BONDS DECLARED INVALID OR
8 UNENFORCEABLE BY A FINAL COURT ORDER OR INJUNCTION; LIMITING
9 THE AMOUNT OF STATE-SECURED LOANS TO \$40 MILLION; AMENDING
10 SECTIONS 20-9-466 AND 20-9-467, MCA; AND PROVIDING AN
11 IMMEDIATE EFFECTIVE DATE."
12
13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
14 **Section 1.** Section 20-9-466, MCA, is amended to read:
15 "20-9-466. School district bonds -- state loan --
16 qualifications for state loan. (1) The department of
17 administration shall make a loan from the coal severance tax
18 school bond contingency loan fund, established in
19 17-5-703(1)(e), to a school district in an amount equal to
20 the principal and interest payment on qualifying bonds when
21 due in accordance with the provisions contained in the
22 bonds. In order to receive a loan, the school district must:
23 (a) have issued bonds between January 21, 1992, and
24 January 1, 1993 1995, pursuant to 20-9-421 and 20-9-464;
25 (b) be prevented from making principal and interest

1 payments on the bonds because the debt service levy for the
2 bonds:
3 (i) has been declared invalid or unenforceable under
4 Article II, section 4, or Article X, section 1, of the
5 Montana constitution by a final court order; or
6 (ii) is prevented by an injunction;
7 (c) have exhausted the debt service reserve for the
8 bonds; and
9 (d) have complied with all the requirements for the
10 bonds contained in 20-9-467 and this section.
11 (2) To qualify for the state loan described in
12 subsection (1), a school district, before issuing its bonds,
13 must have:
14 (a) received voter approval for bonds pursuant to
15 20-9-421;
16 (b) following voter approval, received a certificate of
17 eligibility from the board of public education stating that
18 after consultation with the superintendent of public
19 instruction, the board has determined that a minimum of 75%
20 of the principal amount of the proposed bonds will be used
21 to:
22 (i) restore, rebuild, or replace a destroyed or
23 severely damaged school building;
24 (ii) correct one or more building deficiencies that
25 affect the health and safety of school children;

(iii) correct one or more deficiencies that prevent the school district from meeting current accreditation standards; or

(iv) address any combination of circumstances described under subsections (2)(b)(i) through (2)(b)(iii); and

(c) received a final certificate of allocation from the department of administration pursuant to subsection (5).

(3) The board of public education shall:

(a) maintain a record of the total principal amount of bonds for which certification has been issued; and

(b) immediately furnish to the department a copy of each certificate issued.

(4) Upon receipt of a copy of the certificate from the board of public education, the department shall temporarily allocate loan authority to the school district equal to the principal amount of bonds indicated in the board's certificate. The principal amount of bonds for which final certification is issued may be less than the principal amount of bonds approved by the voters pursuant to subsection (2)(a).

(5) To obtain a final certificate of allocation, a school district shall provide the department, on a form provided by the department, the following information:

(a) the tentative date of sale of the school district's bonds;

(b) the principal amount of the bonds to be issued;

(c) the name and addresses of bond counsel and the financial advisor; and

(d) other information as requested by the department.

(6) Upon issuance of the bonds, a school district shall forward to the department a copy of the district's bond resolution, the final opinion of bond counsel on the bonds, and a schedule of principal and interest payments on the bonds to maturity. The bond resolution must include a covenant agreeing to:

(a) defend any lawsuit challenging the school district's authority to sell and issue the bonds and to levy a tax for payment of the principal of and interest on the bonds;

(b) provide to the department before August 1 of each year a report of the school district's outstanding principal balance as of the preceding June 30 on the bonds secured by state loans;

(c) refund the bonds on any normal call date if, during the term of the bonds, the school district can refund its bonds without the state loan security and without increasing its total debt service costs on the bonds; and

(d) enter into a contract with the department establishing a schedule to repay the state if the state loans the school district money to make payments on district

1 bonds. Notwithstanding other provisions of law, the loan
 2 must be repaid by the school district at a rate equivalent
 3 to the average yield of the pooled investment fund
 4 established in 17-6-203(3), commonly known as the short-term
 5 investment pool, for the period of the loan. Repayment must
 6 begin no later than ~~January 17, 1994~~ than 1 year after the
 7 loan is issued, and the loan must be repaid in full within
 8 10 years from the date the first loan is issued to a school
 9 district. Repayment must be paid from the sources designated
 10 for repayment of the bonds or from any other revenue and
 11 assets of the school district, including state equalization
 12 funds currently distributed or which may be distributed to
 13 the district. Loan repayments received by the department
 14 must be deposited in the coal severance tax school bond
 15 contingency loan fund.

16 (7) The department shall maintain a record of the total
 17 principal amount of bonds secured by state loans.

18 (8) A school district issuing bonds subject to 20-9-467
 19 and this section may apply to the attorney general for a
 20 determination as to whether its bonds are affected by a
 21 court order declaring that the bonds of another district are
 22 invalid or unenforceable.

23 (9) A school district whose authority to levy a
 24 property tax to pay principal of and interest on bonds has
 25 been challenged shall, upon notification of the challenge,

1 immediately notify the attorney general and the department."

2 **Section 2.** Section 20-9-467, MCA, is amended to read:

3 "20-9-467. State loan -- limitation on state loan
 4 authority -- priority of loan allocation -- application. (1)
 5 The allocation of the state's loan authority for bonds
 6 issued pursuant to 20-9-466 is intended only to enable a
 7 school district to issue bonds pending resolution of the
 8 financing of capital outlay.

9 (2) Except as provided in subsection (5), the total
 10 principal amount of school district bonds that may be
 11 secured by loans under 20-9-466 may not exceed ~~\$25~~ \$40
 12 million and must be allocated to qualifying school districts
 13 on a first-come, first-serve basis in order of issuance of
 14 final certificates of allocation by the department of
 15 administration.

16 (3) An individual school district may not issue bonds
 17 secured by a state loan with a principal amount in excess of
 18 \$6 million.

19 (4) If more than one school district qualifies for a
 20 state loan and an insufficient amount of state loan
 21 authority remains, the board of public education shall
 22 allocate the state loan authority to the district with the
 23 earliest voter approval of its bonds.

24 (5) Prior to allocating the final \$1.5 million of state
 25 loan authority under 20-9-466, the board of public education

1 shall determine if there is a school district eligible for a
2 state loan under 20-9-466(2)(b)(i) and, if so, shall give
3 that district first priority to the remaining loan
4 authority.

5 (6) This section does not apply unless a bond
6 resolution contains the covenant required under
7 20-9-466(6)."

8 NEW SECTION. **Section 3. Effective date.** [This act] is
9 effective on passage and approval.

-End-

STATE OF MONTANA - FISCAL NOTE
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0284, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act extending the authorization of state loans to school districts to pay holders of school district bonds declared invalid or unenforceable by a final court order or injunction; limiting the amount of state-secured loans to \$40 million.


ASSUMPTIONS:

1. This bill increases the level of bonds secured by the state for loans by \$15 million.
2. All \$15 million of state loans guarantees will be awarded in fiscal 1994.
3. Existing state loan guarantees require a balance of \$3.5 million in the coal severance tax school bond contingency loan fund in order to maintain an amount equal to the annual principal and interest payment on qualifying school bonds.
4. The balance in the bond contingency fund would increase by \$2 million to \$5.5 million once the \$40 million loan authority limit is met. The limit will be met by January 1, 1994.
5. Of the \$2 million that will be added to the school bond contingency loan fund as a result of this bill, \$1 million would have gone to the Treasure State Endowment and \$1 million would have gone to the coal severance tax permanent trust fund.
6. The balances in the Treasure State Endowment and the school bond contingency loan fund will each earn interest at the Short-term Investment Pool (STIP) rate, which is estimated to be 4.59% in fiscal 1994 and 5.39% in fiscal 1995. The balance in the permanent trust will earn 8.26% in fiscal 1994 on new investments and 8.56% in fiscal 1995.
7. The interest earned by the Treasure State Endowment fund is distributed to the fund. The interest earned by the school bond contingency loan fund and the permanent trust fund is distributed 85% to the general fund and 15% to the state equalization aid account.

FISCAL IMPACT:

Expenditures: No impact on state expenditures.

	FY '94			FY '95		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
<u>Revenues:</u>						
General Fund	465,293,000	465,291,045	1,955	480,745,000	480,730,848	14,152
State Equalization Aid Account	391,637,000	391,636,655	345	400,698,000	400,695,502	2,498
Treasure State Endowment	7,599,000	7,087,525	(511,475)	7,572,000	7,031,575	(540,425)
Permanent Coal Trust	7,599,000	7,099,000	(500,000)	7,572,000	7,072,000	(500,000)
School Bond Contingency	0	1,000,000	1,000,000	0	1,000,000	1,000,000
Total	872,123,400	872,114,225	(9,175)	896,553,700	896,529,925	(23,775)

 1-25-93
DAVE LEWIS, BUDGET DIRECTOR
Office of Budget and Program Planning

JOHN COBB, PRIMARY SPONSOR

DATE

Fiscal Note for HB0284, as introduced

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Fiscal Note Request, HB0284, as introduced
Form BD-15 page 2
(continued)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Less money will be available to fund projects under the Treasure State Endowment. However, school districts will be able to build new school facilities financed by bonds.

H/S 284

APPROVED BY COMM. ON EDUCATION
AND CULTURAL RESOURCES

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