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House BILL NO. 188

INTRODUCED BY DENNY M. Cole

A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING THE CREATION OF STATE DEBT THROUGH THE ISSUANCE OF GENERAL OBLIGATION BONDS; APPROPRIATING THE PROCEEDS OF THE BONDS FOR INFORMATION TECHNOLOGY PROJECTS FOR THE BIENNIUM ENDING JUNE 30, 1999; PROVIDING FOR DEBT SERVICE PAYMENTS FROM THE GENERAL FUND AND OTHER SOURCES; PROVIDING FOR MATTERS RELATING TO THE ISSUANCE OF THE BONDS AND THE APPROPRIATION OF THE BOND PROCEEDS; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

NEW SECTION. Section 1. Definitions. As used in [sections 1 through 8], the following definitions apply:

(1) "Cost allocation plans" means the:

(a) state cost allocation plan by which state general fund costs are distributed in an equitable manner to nonfederal funding sources other than the general fund; and

(b) statewide cost allocation plan by which state general fund costs are allocated to federally funded, state-operated grants and programs.

(2) "Information technology project" means the planning, design, development, acquisition, installation, or integration of software and required hardware to provide for upgraded and integrated state management information systems.

(3) "Other funding sources" means money other than bond proceeds.

(4) "Responsible agency" means the lead agency for each information technology project as provided in [section 2].

NEW SECTION. Section 2. Appropriation of bond proceeds and approval of information technology information projects. Upon the sale of general obligation bonds by the board of examiners, the following bond proceeds are appropriated from the capital projects fund to each responsible agency for the following information technology projects:

<u>Agency/Project</u>	<u>Bond Proceeds</u>
DEPARTMENT OF REVENUE	
Integrated Revenue and Tax Systems	\$17,750,000
(Consolidation of Employer's Reporting for Income Tax Withholding, Old Fund Liability Tax, and Unemployment Insurance Contributions; Income Tax Modernization; and Property Tax Integration)	
DEPARTMENT OF ADMINISTRATION	
Montana Project to Reengineer Revenue and the Information Management Environment (MT PRRIME)	22,200,000
Cadastral Property Parcel Mapping	4,000,000
OFFICE OF BUDGET AND PROGRAM PLANNING	
Montana Integrated Budget System (MIBS)	500,000
DEPARTMENT OF LABOR	
Unemployment Benefit Package	3,600,000
MONTANA UNIVERSITY SYSTEM	
Technology Initiative	7,000,000

20

21 **NEW SECTION. Section 3. Authorization of bonds.** (1) The board of examiners may issue and
 22 sell general obligation information technology bonds in an amount not exceeding \$55,050,000 for the
 23 projects described in [section 2] over and above the amount of general obligation bonds outstanding on
 24 January 1, 1997. The bonds must be issued in accordance with Title 17, chapter 5, part 8. The bonds
 25 authorized by this section must mature within 10 years from their date of issue. The authority granted to
 26 the board by this section is in addition to any other authorization to the board to issue and sell general
 27 obligation bonds.

28 (2) It is the intent of the 55th legislature that the annual debt service payments on the bonds
 29 authorized in subsection (1) be paid from the general fund and other funding sources in the respective
 30 principal amounts indicated in [sections 6 and 7].

1 **NEW SECTION. Section 4. Planning and design.** The department of administration and the
2 responsible agency may proceed with the planning and design of information technology projects before
3 the receipt of bond proceeds. The department may use interaccount loans pursuant to 17-2-107 to pay
4 planning and design costs incurred before receipt of the proceeds.

5
6 **NEW SECTION. Section 5. Financial plans to be approved.** If the debt service costs of an
7 information technology project are financed in whole or in part from a source other than the general fund,
8 the responsible agency may not proceed with planning and design and the board of examiners may not
9 issue the bonds until the responsible agency has submitted a financial plan that has been approved by the
10 director of the department of administration assuring the availability of funding.

11
12 **NEW SECTION. Section 6. Allocation of selected debt service costs.** (1) The department of
13 administration shall allocate \$12,600,000 of bond principal and the interest due on the bonds, for the MT
14 PRRIME project to:

- 15 (a) appropriate funding sources using cost allocation plans; and
16 (b) appropriate proprietary programs for inclusion in their rates.

17 (2) The department of administration and the office of budget and program planning shall present
18 to the 55th legislature increases in fiscal year 1999 budget authority in all nongeneral fund categories for
19 the cost allocation plans to be included in the general appropriations act of 1997 based on the approved
20 information technology projects.

21 (3) The proprietary programs identified pursuant to subsection (1)(b) shall transfer on a semi-annual
22 basis, to the debt service fund administered by the department of administration, the amounts required to
23 pay the debt service costs of the MT PRRIME project that are allocated to their programs.

24
25 **NEW SECTION. Section 7. Agreements for other funding sources.** (1) In order to ensure payment
26 from sources other than the general fund of certain of the general obligation bonds authorized for
27 information technology projects under [section 3], the board of examiners shall enter into agreements with
28 the department of revenue, the department of labor and industry, and the Montana university system. The
29 agreements must provide that:

- 30 (a) income from the sale of the respective principal amount of bonds must be credited to the

1 entity's repayment obligation;

2 (b) payment must be made from available funds; and

3 (c) the respective entity shall pay to the state treasurer for deposit, in accordance with 17-2-101
4 through 17-2-107, an amount sufficient to pay the following principal amount of bonds and interest due
5 on the bonds:

6 (i) \$1,250,000 from the department of revenue for revenue and integrated tax systems;

7 (ii) \$3,600,000 from the department of labor and industry for the unemployment insurance benefit
8 package; and

9 (iii) \$3,500,000 from the Montana university system.

10 (2) In order to ensure payment of \$600,000 in principal amount of bonds and interest due on the
11 bonds for the cadastral property parcel mapping project, the board of examiners shall enter into agreements
12 with participating state agencies and local governments. Payment under the agreements must be made
13 from available funds.

14 (3) In order to ensure payment of \$3 million in principal amount of bonds and interest due on the
15 bonds for the cadastral property mapping project, the board of examiners shall enter into agreements with
16 participating federal agencies and private parties.

17 (4) The agreements made pursuant to this section are solely for the benefit of the state of Montana
18 and are not enforceable by bondholders or other third party beneficiaries.

19

20 **NEW SECTION. Section 8. Expenditures.** Expenditures of bond proceeds under [sections 1
21 through 8] may be used for information technology project administration and implementation, including
22 software and required hardware, software licensing, and contracted services.

23

24 **NEW SECTION. Section 9. Two-thirds vote required.** Because [section 3] authorizes the creation
25 of state debt, Article VIII, section 8, of the Montana constitution requires a vote of two-thirds of the
26 members of each house of the legislature for passage.

27

28 **NEW SECTION. Section 10. Severability.** If a part of [this act] is invalid, all valid parts that are
29 severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its
30 applications, the part remains in effect in all valid applications that are severable from the invalid

1 applications.

2

3 NEW SECTION. **Section 11. Effective date.** [This act] is effective on passage and approval.

4

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0188, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act authorizing the creation of state debt through the issuance of general obligation bonds; appropriating the proceeds of the bonds for information technology projects for the biennium ending June 30, 1999; providing for debt service payments from the general fund and other sources; and providing for matters relating to the issuance of the bonds and the appropriation of the bond proceeds.

ASSUMPTIONS:


MONTANA PROJECT TO REENGINEER THE REVENUE AND INFORMATION MANAGEMENT ENVIRONMENT (MT PRRIME):

1. The MT PRRIME project consists of the replacement of the state's core "legacy" software systems: financial, human resource, budget, fixed assets and procurement, and the development and implementation of a state revenue processing center. The principal amount of bonds and the source of the funding for the repayment of debt service for each project is broken down as follows:

	<u>General Fund</u>	<u>Other</u>	<u>Total</u>
Legacy Systems	\$7,500,000	\$8,500,000	\$16,000,000
Revenue Proc. Cntr.	<u>2,100,000</u>	<u>4,100,000</u>	<u>6,200,000</u>
Total	<u>\$9,600,000</u>	<u>\$12,600,000</u>	<u>\$22,200,000</u>

2. Bonds for the MT PRRIME project will not be issued until late in fiscal 1998; these projects will use general fund loans for initial planning and design work; no debt service payments will be made until fiscal 1999.
3. The bond payments on the revenue processing center part of this project will be paid out of the general fund portion of fiscal 1999.
4. The bonds will be sold with a 10-year repayment debt service schedule.
5. The annual debt service on the \$16 million legacy system portion of the project is \$2,033,205 of which \$953,065 is funded from the general fund and \$1,080,140 is funded from other funds.
6. The total cost of the project and the related debt service can be allocated to project functions as follows: financial 40 percent, human resources 40 percent, and asset management 20 percent.
7. The debt service costs are allocated to the agencies and the various fund types through the State Funds Cost Allocation Plan (SFCAP), the Statewide Cost Allocation Plan (SWCAP) (indirect costs for federal programs), fee schedule increases (fixed costs) in the payroll and warrant writer internal service funds, and a fee increase in the debt service internal service fund. An allocation schedule by agency is attached for information purposes.
8. The debt service costs are allocated to these functions in these percentages and amounts for fiscal year 1999 only on the basis of how these functions operate at this time. New allocation plans will need to be done for the 2001 biennium and subsequent biennia based on the operation of these functions after the new systems are in place.
9. Agencies must receive additional appropriation authority for increases in SFCAP fees, SWCAP indirect costs, and internal service fund proprietary rates as indicated below. Separate schedules have been developed to provide a detailed breakdown by agency and fund type. The fee, fixed costs, and indirect costs increases will enable the internal service funds to pay their portion of the debt service costs as allocated below.

(Continued)

 1-20-97
 DAVE LEWIS, BUDGET DIRECTOR DATE
 Office of Budget and Program Planning

 1-21-97
 MATT DENNY, PRIMARY SPONSOR DATE

Fiscal Note for HB0188, as introduced
 HB 188

CADASTRAL PROPERTY PARCEL MAPPING:

10. The total cost of this project is \$4,000,000, of which the general fund is responsible for \$400,000 in debt service costs. The Board of Examiners will enter into agreements with state agencies for repayment of \$600,000 in debt service costs. The Board of Examiners will enter into agreements with federal agencies and/or private parties for the repayment of \$3,000,000 in debt service costs.
11. The project will begin July 1, 1997. The bonds will be sold in three segments; \$1,500,000 in fiscal year 1998, \$1,500,000 in fiscal year 1999, and \$1,000,000 in fiscal year 2000. These bonds will be repaid within ten years. When all bonds are sold, yearly debt service costs will be \$50,830 from the general fund, \$76,245 from other state agencies and \$381,226 from federal agencies and/or private parties.

INTEGRATED REVENUE AND TAX SYSTEMS:

12. The total cost of this project is \$17,750,000, of which the general fund is responsible for \$16,500,000 in debt service costs. The Board of Examiners will enter into an agreement with the Department of Revenue for repayment of \$1,250,000 in debt service costs. The funding source for the \$1,250,000 will be federal unemployment insurance funds presently in the Department of Labor and Industry.
13. Planning for this project will begin June 1, 1997.
14. The bonds for the Integrated Revenue and Tax Systems will be sold over a period of three years as funds are needed. These bonds will be repaid within 10 years. When all bonds are sold, yearly debt service costs will be \$2,097,000 from the general fund and \$158,844 from other funds.

INTEGRATED BUDGET SYSTEM (MIBS):

15. The total cost of this project is \$500,000. Funding for the debt service will be obtained from state agencies through the state funds cost allocation plan (SFCAP) in the same manner as a portion of the funding for the MT PRRIME. The debt for this project will be structured in the same manner as for MT PRRIME.

UNEMPLOYMENT BENEFITS PACKAGE:

16. Bonds required to fund the Department of Labor and Industry's (DLI) Unemployment Benefits Package information technology project will be sold as the cash is needed for each phase of implementation. It is estimated that \$2.484 million (69% of the \$3.6 million total cost) is needed in fiscal 1998 and \$1.116 million (31% of the \$3.6 million) is needed in fiscal 1999. The debt service amounts are estimated to be \$323,779 in fiscal 1998 and \$469,955 in fiscal 1999.
17. The debt service cost is based upon a standard principal and interest repayment schedule for fiscal years 1998 and 1999 as shown on a state of Montana \$14 million General Obligation Bond debt service schedule dated 2/96.
18. The DLI will utilize statutory authority per 17-7-502(4), MCA, to make the debt service payments. Debt service payments from the DLI would be due to the Department of Administration based on bond proceeds received.
19. The phrase in section 4 of the bill "the department may use interaccount loans pursuant to 17-2-107 to pay planning and design costs incurred before receipt of the proceeds" also applies to the responsible agencies.

MONTANA UNIVERSITY SYSTEM (MUS) TECHNOLOGY INITIATIVE:

21. The amount of bond proceeds attributable to this initiative is \$7,000,000. The principle and interest payment will be made 50 percent from the state general fund and 50 percent from non-general fund sources, including tuition, fees, assessments, and other non-state funds.

NET IMPACT:

22. The total general fund debt service costs for all projects will not exceed \$3 million in the 1999 biennium.

(Continued)

FISCAL IMPACT:

	<u>FY98</u>	<u>FY99</u>
<u>Expenditures:</u>	<u>Difference</u>	<u>Difference</u>
State agency operating expenses:		
Warrant writer fixed costs	0	101,661
Payroll fees fixed costs	0	304,980
State funds cost allocation	0	516,341
Statewide cost allocation	<u>0</u>	<u>313,032</u>
Total	0	1,236,014
<u>Funding:</u>		
General fund (01)	0	141,190
State special revenue (02)	0	521,152
Federal special revenue (03)	0	368,655
Other funds	<u>0</u>	<u>205,017</u>
Total	0	1,236,014
<u>Transfers to debt service account:</u>		
General fund (01)		1,524,920
Warrant writer proprietary (06)	0	101,661
Payroll fees proprietary (06)	0	304,980
Debt collection proprietary (06)	0	101,660
Unemployment insurance-federal(03)	<u>323,779</u>	<u>469,955</u>
Total	323,779	2,503,176
<u>Revenue:</u>		
General fund (SFCAP/SWCAP) (01)	0	829,373
Proprietary funds (06)	0	508,301
<u>Net Impact on fund balance:</u> (Revenue minus expenses)		
General fund (01)	0	(836,737)
State special revenue (02)	0	(521,152)
Federal special revenue (03)	(323,779)	(838,610)
Proprietary and other funds	0	(205,017)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The bill may have an effect on the debt collection area since the percentage commission is applied to all debts collected including the delinquent property taxes for the counties.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

1. Cost allocation plans will have to be developed each biennium to allocate the debt service cost of this project (including the revenue processing center) to all funds over the life of the bonds. Debt service costs will continue through fiscal year 2009.
2. Replacement of the legacy systems will result in a long-term elimination of 68.00 FTE at a savings of about \$2.17 million per year in fiscal year 1999 dollars.
3. There will be at least \$1 million in cost avoidance for the individual agency human resource and asset management systems during the 1999 biennium.
4. When all agencies are using the same updated MT PRRIME system, most of the 119 separate agency subsystems will be eliminated and standardized training will be possible. Quality and timeliness of information will improve.

TECHNICAL NOTES:

Although all other proprietary funds (besides the three internal service funds above) may be given additional authority to pay the debt service allocated to them in the new SFCAP schedules, they were not given the opportunity to increase their fees, if necessary, to recover this additional cost to their program in the 1999 biennium.

(Continued)

**FY99 ALLOCATED DEBT SERVICE COSTS
ATTACHMENT TO ASSUMPTION 7 (MT PRIME)**

HB0188		HB0188			HB0188			HB0188		
		Object 2113	Object 2113	Object 2113	Object 2114	Object 2114	Object 2114	OBJECT 2895	Object 2895	OBJECT 2895
AGENCY NO.	AGENCY	HB0188 TOTAL WARRANT WRITER	EXEC BUDGET WARRANT WRITER	WARRANT WRITER DIFFERENCE	HB0188 TOTAL PAYROLL	EXEC BUDGE PAYROLL	PAYROLL DIFFERENCE	SFCAP ASSESSMEN	EXEC BUDGE	SFCAP DIFFERENCE
1104	Legislative Services Division	1,562	1,381	181	18,393	12,273	6,120	4,619	2,362	2,257
1112	Consumer Counsel	109	97	12	522	348	174	881	455	426
2110	Judiciary	1,554	1,374	180	8,098	5,403	2,695	3,837	1,862	1,975
2115	MT Chiro Legal Panel	19	16	3	0	0	0	15	9	6
3101	Governor's Office	974	861	113	3,855	2,572	1,283	528	240	288
3201	Secretary of State	595	526	69	3,394	2,265	1,129	8,205	4,134	4,071
3202	Comm of Pol Pract	49	43	6	403	269	134	(0)	(0)	0
3401	State Auditor's Office	739	653	86	4,697	3,134	1,563	1,546	823	723
3501	Supt. of Pub Instruct	4,975	4,399	576	10,057	6,711	3,346	3,992	2,399	1,593
3513	College of Technology - Grt. Falls	2,073	1,833	240	9,123	6,087	3,036	367	471	(104)
3514	College of Technology - Helena	1,288	1,139	149	7,127	4,755	2,372	174	229	(55)
4107	Crime Control	1,212	1,072	140	1,773	1,183	590	(0)	(0)	0
4110	Justice	8,333	7,368	965	51,272	34,211	17,061	63,495	39,815	23,680
4201	PSC	527	466	61	5,201	3,470	1,731	5,158	3,047	2,111
5101	Bd of Pub Ed	126	112	14	440	293	147	393	193	200
5102	Comm of Higher Ed	7,387	6,531	856	6,095	4,067	2,028	1,734	873	861
5103	University of Montana	26,177	23,148	3,031	0	0	0	12,258	16,929	(4,671)
5104	Montana State University	45,325	40,077	5,248	0	0	0	9,833	11,241	(1,408)
5105	Montana Tech of U of M	8,699	7,692	1,007	0	0	0	1,117	1,344	(227)
5106	MSU - Billings	12,652	11,187	1,465	0	0	0	3,536	4,816	(1,280)
5107	MSU - Northern	7,110	6,286	824	0	0	0	1,291	1,567	(276)
5108	Western Montana Coll. of U of M	4,598	4,066	532	0	0	0	1,067	1,371	(304)
5109	Ag Exper Station	900	796	104	0	0	0	88	77	11
5113	School for Deaf and Blind	452	400	52	8,079	5,391	2,688	999	685	314
5114	Montana Arts Council	801	708	93	1,062	709	353	1,711	757	954
5115	Library Commission	125	110	15	2,771	1,649	922	2,664	1,291	1,373
5117	Historical Society	912	806	106	4,874	3,252	1,622	5,403	2,722	2,681
5201	Fish, Wildlife & Parks	49,557	43,818	5,739	47,637	31,785	15,852	123,495	60,258	63,237
5301	Environmental Quality	4,393	3,884	509	29,052	19,384	9,668	43,440	22,287	21,153
5401	Transportation	31,750	28,074	3,676	146,790	97,945	48,845	300,457	185,457	115,000
5603	Livestock	2,012	1,779	233	12,331	8,228	4,103	19,181	10,701	8,480
5706	Natural Resources	8,664	7,660	1,004	37,583	25,077	12,506	40,764	21,336	19,428
5801	Revenue	197,758	174,859	22,899	50,378	33,614	16,764	39,790	21,063	18,727
6101	Administration	27,908	24,676	3,232	27,306	18,220	9,086	68,575	36,795	31,780
6102	Appellate Defender	78	69	9	1,233	823	410	(0)	(0)	0
6103	State Fund	94,241	83,328	10,913	19,162	12,786	6,376	51,852	28,293	23,559
6104	PERD	32,923	29,111	3,812	1,563	1,043	520	6,601	3,141	3,460
6105	TRS	18,942	16,749	2,193	873	562	291	3,679	1,679	2,000
6107	LRBP	1,160	1,026	134	0	0	0	16,785	8,871	7,914
6201	Agriculture	4,143	3,663	480	6,143	5,434	2,709	22,555	12,028	10,527
6401	Corrections	10,352	9,153	1,199	75,806	50,582	25,224	17,620	9,301	8,319
6501	Commerce	28,984	25,628	3,356	23,976	15,998	7,978	71,615	37,462	34,153
6602	Labor and Industry	14,760	13,051	1,709	49,685	33,152	16,533	133,621	55,072	78,549
6701	Adjutant General	3,064	2,709	355	10,030	6,692	3,338	726	302	424
6901	Public Health & Human Services	207,980	183,879	24,091	227,743	151,960	75,783	76,256	41,825	34,431
TOTAL		877,922	776,261	101,661	916,527	611,547	304,980	1,171,923	655,582	516,341

1 HOUSE BILL NO. 188

2 INTRODUCED BY DENNY, COLE

3
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7 DEBT SERVICE PAYMENTS FROM THE GENERAL FUND AND OTHER SOURCES; PROVIDING FOR
8 MATTERS RELATING TO THE ISSUANCE OF THE BONDS AND THE APPROPRIATION OF THE BOND
9 PROCEEDS; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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21 installation, or integration of software and required hardware to provide for upgraded and integrated state
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30 information technology projects:

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	<u>\$14,000,000</u>
(Consolidation of Employer's Reporting for Income Tax Withholding, Old Fund Liability Tax, and Unemployment Insurance Contributions; Income Tax Modernization; and Property Tax Integration)	
DEPARTMENT OF ADMINISTRATION	
Montana Project to Reengineer Revenue and the Information Management Environment (MT PRRIME)	22,200,000
	<u>19,800,000</u>
Cadastral Property Parcel Mapping	4,000,000
OFFICE OF BUDGET AND PROGRAM PLANNING	
Montana Integrated Budget System (MIBS)	500,000
DEPARTMENT OF LABOR	
Unemployment Benefit Package	3,600,000
MONTANA UNIVERSITY SYSTEM	
Technology Initiative	7,000,000

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 24 sell general obligation information technology bonds in an amount not exceeding ~~\$55,050,000~~
 25 \$37,900,000 for the projects described in [section 2] over and above the amount of general obligation
 26 bonds outstanding on January 1, 1997. The bonds must be issued in accordance with Title 17, chapter
 27 5, part 8. The bonds authorized by this section must mature within 10 years from their date of issue. The
 28 authority granted to the board by this section is in addition to any other authorization to the board to issue
 29 and sell general obligation bonds.

30 (2) It is the intent of the 55th legislature that the annual debt service payments on the bonds

1 authorized in subsection (1) be paid from the general fund and other funding sources in the respective
2 principal amounts indicated in [sections 6 and 7].

3 (3) IT IS THE INTENT OF THE 55TH LEGISLATURE THAT BONDS SOLD TO PURCHASE
4 EQUIPMENT BE ISSUED FOR A TERM THAT REFLECTS THE LIFE OF THE ASSETS. THEREFORE, OF THE
5 \$33.8 MILLION IN BONDING FOR THE INTEGRATED REVENUE AND TAX SYSTEMS AND THE MT PRRIME
6 PROJECTS, \$1.75 MILLION IN BONDS MUST BE SOLD FOR A TERM OF 4 YEARS AND \$4.45 MILLION
7 IN BONDS MUST BE SOLD FOR A TERM OF 5 YEARS. THE REMAINING \$27.6 MILLION IN BONDS FOR
8 THESE PROJECTS MUST BE SOLD FOR A TERM OF 10 YEARS.

9 (4) IT IS THE INTENT OF THE 55TH LEGISLATURE THAT IF MONEY BECOMES AVAILABLE FROM
10 THE FEDERAL DEPARTMENT OF LABOR FOR YEAR 2000 COMPLIANCE, THE MONEY MUST BE USED TO
11 PAY DEBT SERVICE OR RETIRE OUTSTANDING PRINCIPAL ON THE \$3.6 MILLION WORTH OF BONDS
12 ISSUED FOR THE UNEMPLOYMENT BENEFIT PACKAGE PROJECT. HOWEVER, THE MONTANA
13 DEPARTMENT OF LABOR AND INDUSTRY SHALL MAINTAIN THE FLEXIBILITY TO USE SOME OF THE
14 FEDERAL FUNDS TO REPLACE BASE GRANT FUNDS EXPENDED FOR YEAR 2000 COMPLIANCE
15 PURPOSES.

16
17 NEW SECTION. Section 4. Planning and design. The department of administration and the
18 responsible agency may proceed with the planning and design of information technology projects before
19 the receipt of bond proceeds. The department may use interaccount loans pursuant to 17-2-107 to pay
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25 issue the bonds until the responsible agency has submitted a financial plan that has been approved by the
26 director of the department of administration assuring the availability of funding.

27
28 NEW SECTION. Section 6. Allocation of selected debt service costs. (1) The department of
29 administration shall allocate ~~\$12,600,000~~ \$11,000,000 of bond principal and the interest due on the
30 bonds, for the MT PRRIME project to:

1 (a) appropriate funding sources using cost allocation plans; and

2 (b) appropriate proprietary programs for inclusion in their rates.

3 (2) The department of administration and the office of budget and program planning shall present
4 to the 55th legislature increases in fiscal year 1999 budget authority in all nongeneral fund categories for
5 the cost allocation plans to be included in the general appropriations act of 1997 based on the approved
6 information technology projects.

7 (3) The proprietary programs identified pursuant to subsection (1)(b) shall transfer on a semi-annual
8 basis, to the debt service fund administered by the department of administration, the amounts required to
9 pay the debt service costs of the MT PRRIME project that are allocated to their programs.

10

11 **NEW SECTION. Section 7. Agreements for other funding sources.** ~~(1)~~ In order to ensure payment
12 from sources other than the general fund of certain of the general obligation bonds authorized for
13 information technology projects under [section 3], the board of examiners shall enter into agreements with
14 the department of revenue, **AND** the department of labor and industry, ~~and the Montana university system.~~

15 The agreements must provide that:

16 ~~(a)(1)~~ income from the sale of the respective principal amount of bonds must be credited to the
17 entity's repayment obligation;

18 ~~(b)(2)~~ payment must be made from available funds; and

19 ~~(c)(3)~~ the respective entity shall pay to the state treasurer for deposit, in accordance with 17-2-101
20 through 17-2-107, an amount sufficient to pay the following principal amount of bonds and interest due
21 on the bonds:

22 ~~(i)(A)~~ \$1,250,000 from the department of revenue for revenue and integrated tax systems; **AND**

23 ~~(ii)(B)~~ \$3,600,000 from the department of labor and industry for the unemployment insurance
24 benefit package; ~~and,~~

25 ~~(iii)~~ \$3,500,000 from the Montana university system.

26 ~~(2) In order to ensure payment of \$600,000 in principal amount of bonds and interest due on the~~
27 ~~bonds for the cadastral property parcel mapping project, the board of examiners shall enter into agreements~~
28 ~~with participating state agencies and local governments. Payment under the agreements must be made~~
29 ~~from available funds.~~

30 ~~(3) In order to ensure payment of \$3 million in principal amount of bonds and interest due on the~~

1 ~~bonds for the cadastral property mapping project, the board of examiners shall enter into agreements with~~
2 ~~participating federal agencies and private parties.~~

3 (4) The agreements made pursuant to this section are solely for the benefit of the state of Montana
4 and are not enforceable by bondholders or other third party beneficiaries.

5
6 **NEW SECTION. Section 8. Expenditures.** Expenditures of bond proceeds under [sections 1
7 through 8] may be used for information technology project administration and implementation, including
8 software and required hardware, software licensing, and contracted services.

9
10 **NEW SECTION. Section 9. Two-thirds vote required.** Because [section 3] authorizes the creation
11 of state debt, Article VIII, section 8, of the Montana constitution requires a vote of two-thirds of the
12 members of each house of the legislature for passage.

13
14 **NEW SECTION. Section 10. Severability.** If a part of [this act] is invalid, all valid parts that are
15 severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its
16 applications, the part remains in effect in all valid applications that are severable from the invalid
17 applications.

18
19 **NEW SECTION. Section 11. Effective date.** [This act] is effective on passage and approval.

20 -END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0188, second reading

DESCRIPTION OF PROPOSED LEGISLATION:

An act authorizing the creation of state debt through the issuance of general obligation bonds; appropriating the proceeds of the bonds for information technology projects for the biennium ending June 30, 1999; providing for debt service payments from the general fund and other sources; and providing for matters relating to the issuance of the bonds and the appropriation of the bond proceeds.

ASSUMPTIONS:

Montana Project to Reengineer the Revenue and Information Management Environment (MT PRRIME):

- The MT PRRIME project consists of the replacement of the state's core "legacy" software systems: financial, human resource, budget, fixed assets and procurement, and the development and implementation of a state revenue processing center. The principal amount of bonds and the source of the funding for the repayment of debt service for each project is as follows:

	<u>General Fund</u>	<u>Other</u>	<u>Total</u>
Legacy Systems	\$7,500,000	\$8,500,000	\$16,000,000
Revenue Proc. Center	<u>1,300,000</u>	<u>2,500,000</u>	<u>3,800,000</u>
Total	\$8,800,000	\$11,000,000	\$19,800,000

- Bonds for the MT PRRIME project will not be issued until late in fiscal year 1998. These projects will use general fund loans for initial planning and design work; no debt service payments will be made until fiscal year 1999.
- The bond payments on the revenue processing center part of this project will be paid out of the general fund portion of fiscal year 1999.
- The bonds will be sold with a 10-year repayment debt service schedule except for the portion of each project used to finance workstations and hardware that will be funded over a shorter time frame corresponding to the life of the assets purchased. The dollar amount and time frame for this portion of each project is as follows:

		<u>Legacy Systems</u>	<u>Rev. Proc. Center</u>
Workstations	4 Years	\$ 1,500,000	\$ 250,000
Hardware	5 Years	2,500,000	0
Other Costs	10 Years	<u>12,000,000</u>	<u>3,550,000</u>
Total		\$16,000,000	\$ 3,800,000

- The annual debt service for fiscal year 1999 on the \$16 million legacy system portion of the project will be \$2,503,738 of which \$1,100,391 will be funded from the general fund and \$1,403,347 will be funded from other funds.
- The total cost of the project and the related debt service are allocated to project functions as follows: financial 40%, human resources 40%, and asset management 20%.
- The debt service costs are allocated to the agencies and the various fund types through the State Funds Cost Allocation Plan (SFCAP), the Statewide Cost Allocation Plan (SWCAP) [indirect costs for federal programs], fee schedule increases (fixed costs) in the payroll and warrant writer internal service funds, and a fee increase to 15.0% for the debt collection internal service fund. An allocation schedule by agency is attached on page 5 for information purposes. The Federal Highway Administration does not participate in state indirect costs so SWCAP adjustments are not applicable to the Department of Transportation, or to several other agencies.
- Debt service costs are allocated to these functions in these percentages and amounts for fiscal year 1999 only on the basis of how these functions operate at this time. Allocation plans will be revised for the 2001 biennium and subsequent biennia based on the operation of these functions after the new systems are in place.

(Continued)

Dave Lewis 3-20-97
 DAVE LEWIS, BUDGET DIRECTOR DATE
 Office of Budget and Program Planning

DENNY 3-20-97
 MATT DENNY, PRIMARY SPONSOR DATE

(continued)

9. Upon passage and approval of this bill, agencies will receive additional appropriation authority in HB 2 for increases in SFCAP fees, SWCAP indirect costs, and internal service fund proprietary rates as indicated below. Separate schedules have been developed to provide a detailed breakdown by agency and fund type. The fee, fixed costs, and indirect costs increases will enable the internal service funds to pay their portion of the debt service costs as allocated below.

Integrated Revenue and Tax Systems:

10. The total cost of this project is \$14,000,000, of which the general fund will be responsible for \$12,750,000 in debt service costs. The Board of Examiners will enter into an agreement with the Department of Revenue for repayment of \$1,250,000 in debt service costs. The funding source for the \$1,250,000 will be federal unemployment insurance funds presently in the Department of Labor and Industry.
13. Planning for this project will begin June 1, 1997.
14. The first \$7.0 million of bonds for the Integrated Revenue and Tax Systems project will be sold late in fiscal year 1998; no debt service payments will be incurred until fiscal year 1999. The remaining \$7.0 million of the bonds will be issued in April 1999. The \$7.0 million in each issue will be sold with the following debt repayment schedule: \$975,000 to be repaid over 5 years; \$6,025,000 to be repaid over 10 years. The debt service on these bonds in fiscal year 1999 will be \$985,733 of which \$897,721 will be from the general fund and \$88,012 will be from federal funds.

Integrated Budget System (MIBS):

15. The total cost of this project is \$500,000. Funding for the debt service will be obtained from state agencies through the state funds cost allocation plan (SFCAP) in the same manner as a portion of the funding for the MT PRRIME. The original Executive Budget SFCAP schedule includes a SFCAP adjustment of \$10,950 due to initial MIBS implementation. The SWCAP schedule increases by \$17,426 for MIBS. The debt for this project will be structured in the same manner as for MT PRRIME.

Unemployment Benefits Package:

16. Bonds required to fund the Department of Labor and Industry (DLI) Unemployment Benefits Package information technology project will be sold as the cash is needed for each phase of implementation. It is projected that \$2.484 million (69% of the \$3.6 million total cost) will be needed in fiscal year 1998 and \$1.116 million (31% of the \$3.6 million) will be needed in fiscal year 1999. The debt service amounts will be \$315,470 in fiscal year 1998 and \$457,203 in fiscal year 1999.
17. The debt service cost is based upon a standard principal and interest repayment schedule for fiscal years 1998 and 1999 as shown on a state of Montana \$14 million General Obligation Bond debt service schedule dated 2/96.
18. The DLI will utilize statutory authority in accordance with 17-7-502(4), MCA, to make the debt service payments. Debt service payments from the DLI will be due to the Department of Administration based on bond proceeds received.

FISCAL IMPACT:

State agency operating expenses	<u>FY98</u>	<u>FY99</u>
<u>Expenditures:</u>	<u>Difference</u>	<u>Difference</u>
Warrant writer fixed costs	0	125,187
Payroll fees fixed costs	0	375,560
Debt collection charges (15.0%)	0	125,187
State funds cost allocation	0	627,809
Statewide cost allocation	<u>0</u>	<u>403,488</u>
Total	0	1,657,231

Funding:

General fund (01)	0	236,458
State special revenue (02)	0	657,027
Federal special revenue (03)	0	503,280
Other funds	<u>0</u>	<u>260,466</u>
Total	0	1,657,231

(Continued)

(continued)

FISCAL IMPACT: (Continued)

	<u>FY98</u>	<u>FY99</u>
	<u>Difference</u>	<u>Difference</u>
<u>Transfers to the debt service account:</u>		
General fund (01)		3,359,413
Warrant writer proprietary (06)	0	125,187
Payroll fees proprietary (06)	0	375,560
Debt collection proprietary (06)	0	125,187
Unemployment insurance-federal (03)	<u>315,470</u>	<u>545,215</u>
Total	315,470	4,530,562

Revenue:

General fund (SFCAP/SWCAP) (01)	0	1,031,297
Proprietary funds (06)	0	625,934

Net Impact on fund balance: (Revenue minus expenses and transfers)

General fund (01)	0	(2,553,624) *
State special revenue (02)	0	(657,027)
Federal special revenue (03)	(315,470)	(1,031,069)
Proprietary and other funds	0	(260,466)

* An additional \$10,950 impact for a portion of MIBS was included in the Executive Budget based on beginning implementation of the project, making a total of \$2,564,574 for the biennium.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The bill may have an effect on the debt collection area since the percentage commission is applied to all debts collected including the delinquent property taxes for the counties.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

1. Cost allocation plans will be developed each biennium to allocate the debt service cost of MT PRRIME to all funds over the life of the bonds. A portion of the debt service costs will continue through fiscal year 2009.
2. It is projected that the efficiencies associated with implementation of new systems will allow for a \$2 million ongoing annual reduction in personal services expenditures.
3. There will be at least \$14.7 million in cost avoidance for the individual agency human resource and asset management systems enabled by passage and approval of HB 188.
4. When all agencies are using the same updated MT PRRIME system, most of the 119 separate agency subsystems will be eliminated and standardized training will be possible. Quality and timeliness of information will improve.

TECHNICAL NOTES:

1. Although all other proprietary funds (besides the three internal service funds above) may be given additional authority to pay the debt service allocated to them in the new SFCAP schedules, the allocations process appears to have moved beyond providing an opportunity to increase their fees, if any increases were necessary, to recover this additional cost to their programs in the 1999 biennium.
2. The informational schedule on page 5 is higher than the comparable schedule for the bill as introduced, even though the LRP Subcommittee recommendations are \$17.15 million less than the original bill. This is due to refinements in the debt service schedules that plan for hardware expenditures to be paid in four years and five years rather than over ten years.

(Continued)

Debt Service Plan - Information Technology Bonding

(in millions)

02/17/97

Retirement of New Debt

Fiscal Year	General Fund	New IT Debt	Projected Fiscal Year Total	Retirement of New Debt			
	Current Fiscal Year Total			General Fund	State Special Revenue	Fed Spec Revenue	Proprietary/ Other
1997	4.125	0.000	4.125				
1998	4.058	0.315	4.373			0.315	
1999	3.951	4.531	8.482	2.554	0.752	0.960	0.265
2000	3.925	5.516	9.441	3.108	0.840	0.960	0.608
2001	3.763	5.516	9.279	3.108	0.840	0.960	0.608
2002	3.764	5.516	9.280	3.108	0.840	0.960	0.608
2003	3.757	5.033	8.790	2.903	0.731	0.880	0.519
2004	3.450	4.247	7.697	2.453	0.563	0.770	0.461
2005	3.429	4.026	7.455	2.252	0.543	0.770	0.461
2006	3.420	4.026	7.446	2.252	0.543	0.770	0.461
2007	3.424	4.026	7.450	2.252	0.543	0.770	0.461
2008	3.425	3.711	7.136	2.252	0.543	0.455	0.461
2009	3.578	0.765	4.343	0.697	0.068	0.000	0.000
2010	3.668		3.668				
2011	3.685		3.685				
2012	3.692		3.692				
2013	3.703		3.703				
2014	2.047		2.047				
2015	0.411		0.411				
2016	0.276		0.276				
2017	0.277		0.277				
Totals	65.828	47.228	113.056	26.939	6.806	8.570	4.913

(Continued)

FY99 ALLOCATED DEBT SERVICE COSTS		ATTACHMENT TO ASSUMPTION 7 (NT PRIME)													
HB0188															
AGENCY NO.	AGENCY	Object 2113		Object 2114		Object 2115		Object 2116		Object 2117		Object 2118		Object 2119	
		WARRANT WRITER	WARRANT WRITER	WARRANT WRITER	WARRANT WRITER	WARRANT WRITER	WARRANT WRITER	WARRANT WRITER	WARRANT WRITER	WARRANT WRITER	WARRANT WRITER	WARRANT WRITER	WARRANT WRITER	WARRANT WRITER	WARRANT WRITER
1104	Legislative Services Division	1,643	1,381	19,809	12,273	7,536	5,106	2,362	2,744	0	0	0	0	0	0
1112	Consumer Counsel	108	97	562	348	214	973	455	518	0	0	0	0	0	0
2110	Judiciary	1,601	1,374	8,721	5,403	3,318	4,254	1,862	2,392	0	0	0	0	0	0
2115	MT Chiro Legal Panel	18	16	2	0	0	17	9	8	0	0	0	0	0	0
3101	Governor's Office	970	861	4,152	2,572	1,580	567	240	347	0	0	0	0	0	0
3201	Secretary of State	593	526	3,656	2,265	1,391	9,043	4,134	4,909	0	0	0	0	0	0
3202	Comm of Pol Pract	49	43	434	289	165	(0)	(0)	0	0	0	0	0	0	0
3401	State Auditor's Office	750	653	5,059	3,134	1,925	1,697	823	874	0	0	0	0	0	0
3501	Supl. of Pub Instruct	4,948	4,399	10,832	6,711	4,121	4,330	2,399	1,931	335,200	200,000	135,200	0	0	0
3513	College of Technology - Grt. Falls	2,083	1,833	9,826	6,087	3,739	406	471	(65)	0	0	0	0	0	0
3514	College of Technology - Helena	1,309	1,139	7,676	4,755	2,921	193	229	(36)	0	0	0	0	0	0
4107	Crime Control	1,193	1,072	1,910	1,183	727	(0)	(0)	0	4,190	2,500	1,690	0	0	0
4110	Justice	8,320	7,368	55,220	34,211	21,009	68,647	39,815	28,832	0	0	0	0	0	0
4201	PSC	547	466	5,602	3,470	2,132	5,623	3,047	2,576	225	134	91	0	0	0
5101	Bd of Pub Ed	124	112	473	293	180	433	193	240	0	0	0	0	0	0
5102	Comm of Higher Ed	8,326	6,531	6,565	4,067	2,498	1,915	873	1,042	0	0	0	0	0	0
5103	University of Montana	27,071	23,146	0	0	0	13,537	16,929	(3,392)	0	0	0	0	0	0
5104	Montana State University	45,988	40,077	0	0	0	10,840	11,241	(401)	0	0	0	0	0	0
5106	Montana Tech of U of M	9,362	7,692	0	0	0	1,230	1,344	(114)	0	0	0	0	0	0
5106	MSU - Billings	13,616	11,187	0	0	0	3,912	4,816	(904)	0	0	0	0	0	0
5107	MSU - Northern	7,563	6,286	0	0	0	1,425	1,567	(142)	0	0	0	0	0	0
5108	Western Montana Coll. of U of M	4,848	4,066	0	0	0	1,177	1,371	(194)	0	0	0	0	0	0
5109	Ag Exper Station	0	0	0	0	0	98	77	21	0	0	0	0	0	0
5113	School for Deaf and Blind	888	796	8,702	5,391	3,311	1,072	685	387	0	0	0	0	0	0
5114	Montana Arts Council	446	400	1,144	709	435	1,898	757	1,141	2,546	1,518	1,027	0	0	0
5115	Library Commission	807	708	2,985	1,849	1,136	2,943	1,291	1,652	31,006	18,500	12,506	0	0	0
5117	Historical Society	916	806	5,250	3,252	1,998	5,941	2,722	3,219	4,190	2,500	1,690	0	0	0
5201	Fish, Wildlife & Parks	48,989	43,818	51,305	31,785	19,520	136,214	60,258	75,956	124,112	74,052	50,060	0	0	0
5301	Environmental Quality	4,397	3,884	31,289	19,384	11,905	47,768	22,287	25,481	0	0	0	0	0	0
5401	Transportation	31,464	28,074	158,094	97,945	60,149	325,184	185,457	139,727	0	0	0	0	0	0
5503	Livestock	1,985	1,779	13,281	8,228	5,053	20,972	10,701	10,271	0	0	0	0	0	0
5706	Natural Resources	8,569	7,660	40,477	25,077	15,400	44,778	21,336	23,442	1,344	801	643	0	0	0
5801	Revenue	195,802	174,859	54,257	33,614	20,643	43,684	21,063	22,621	5,266	3,142	2,124	0	0	0
6101	Administration	31,618	24,676	29,408	18,220	11,188	75,208	36,795	38,413	0	0	0	0	0	0
6102	Appellate Defender	1,149	69	1,328	823	505	(0)	(0)	0	0	0	0	0	0	0
6103	State Fund	93,408	83,328	20,638	12,786	7,852	56,827	28,293	28,534	0	0	0	0	0	0
6104	PERD	39,815	29,111	1,683	1,043	640	7,285	3,141	4,144	0	0	0	0	0	0
6105	TRS	22,109	16,749	940	582	358	4,079	1,679	2,400	0	0	0	0	0	0
6107	LRBP	1,153	1,026	0	0	0	18,502	8,871	9,631	0	0	0	0	0	0
6201	Agriculture	4,169	3,663	8,771	5,434	3,337	24,705	12,028	12,677	6,705	4,000	2,705	0	0	0
6401	Corrections	10,391	9,153	81,644	50,582	31,062	19,320	9,301	10,019	0	0	0	0	0	0
6501	Commerce	28,552	25,628	25,822	15,998	9,824	78,744	37,462	41,282	18,648	11,126	7,522	0	0	0
6602	Labor and Industry	14,451	13,051	53,511	33,152	20,359	148,755	55,072	93,683	59,626	35,576	24,050	0	0	0
6701	Adjutant General	5,645	2,709	10,802	6,692	4,110	806	302	506	0	0	0	0	0	0
6901	Public Health & Human Services	213,675	183,879	245,279	151,960	93,319	83,261	41,825	41,436	407,296	243,016	164,280	0	0	0
	TOTAL	901,338	776,151	987,107	611,547	375,560	1,283,391	655,582	627,909	1,000,353	596,365	403,488	0	0	0

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HOUSE BILL NO. 188
INTRODUCED BY DENNY, COLE

A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING THE CREATION OF STATE DEBT THROUGH THE
ISSUANCE OF GENERAL OBLIGATION BONDS; APPROPRIATING THE PROCEEDS OF THE BONDS FOR
INFORMATION TECHNOLOGY PROJECTS FOR THE BIENNIUM ENDING JUNE 30, 1999; PROVIDING FOR
DEBT SERVICE PAYMENTS FROM THE GENERAL FUND AND OTHER SOURCES; PROVIDING FOR
MATTERS RELATING TO THE ISSUANCE OF THE BONDS AND THE APPROPRIATION OF THE BOND
PROCEEDS; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

THERE ARE NO CHANGES IN THIS BILL AND IT WILL NOT BE REPRINTED. PLEASE REFER TO SECOND READING COPY (YELLOW) FOR COMPLETE TEXT.

1 HOUSE BILL NO. 188

2 INTRODUCED BY DENNY, COLE

3

4 A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING THE CREATION OF STATE DEBT THROUGH THE
5 ISSUANCE OF GENERAL OBLIGATION BONDS; APPROPRIATING THE PROCEEDS OF THE BONDS FOR
6 INFORMATION TECHNOLOGY PROJECTS FOR THE BIENNIUM ENDING JUNE 30, 1999; PROVIDING FOR
7 DEBT SERVICE PAYMENTS FROM THE GENERAL FUND AND OTHER SOURCES; PROVIDING FOR
8 MATTERS RELATING TO THE ISSUANCE OF THE BONDS AND THE APPROPRIATION OF THE BOND
9 PROCEEDS; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

10

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

12

13 NEW SECTION. **Section 1. Definitions.** As used in [sections 1 through 8], the following definitions
14 apply:

15 (1) "Cost allocation plans" means the:

16 (a) state cost allocation plan by which state general fund costs are distributed in an equitable
17 manner to nonfederal funding sources other than the general fund; and

18 (b) statewide cost allocation plan by which state general fund costs are allocated to federally
19 funded, state-operated grants and programs.

20 (2) "Information technology project" means the planning, design, development, acquisition,
21 installation, or integration of software and required hardware to provide for upgraded and integrated state
22 management information systems.

23 (3) "Other funding sources" means money other than bond proceeds.

24 (4) "Responsible agency" means the lead agency for each information technology project as
25 provided in [section 2].

26

27 NEW SECTION. **Section 2. Appropriation of bond proceeds and approval of information technology**
28 **information projects.** Upon the sale of general obligation bonds by the board of examiners, the following
29 bond proceeds are appropriated from the capital projects fund to each responsible agency for the following
30 information technology projects:

<u>Agency/Project</u>	<u>Bond Proceeds</u>
DEPARTMENT OF REVENUE	
Integrated Revenue and Tax Systems	\$17,750,000
	<u>\$14,000,000</u>
(Consolidation of Employer's Reporting for Income Tax Withholding, Old Fund Liability Tax, and Unemployment Insurance Contributions; Income Tax Modernization; and Property Tax Integration)	
DEPARTMENT OF ADMINISTRATION	
Montana Project to Reengineer Revenue and the Information Management Environment (MT PRRIME)	22,200,000
	<u>19,800,000</u>
Cadastral Property Parcel Mapping	4,000,000
OFFICE OF BUDGET AND PROGRAM PLANNING	
Montana Integrated Budget System (MIBS)	500,000
DEPARTMENT OF LABOR	
Unemployment Benefit Package	3,600,000
MONTANA UNIVERSITY SYSTEM	
Technology Initiative	7,000,000
<u>MONTANA UNIVERSITY SYSTEM</u>	
<u>TECHNOLOGY INITIATIVE</u>	<u>3,200,000</u>

25 NEW SECTION. Section 3. Authorization of bonds. (1) The board of examiners may issue and
 26 sell general obligation information technology bonds in an amount not exceeding ~~\$55,050,000~~
 27 ~~\$37,900,000~~ \$41,100,000 for the projects described in [section 2] over and above the amount of general
 28 obligation bonds outstanding on January 1, 1997. The bonds must be issued in accordance with Title 17,
 29 chapter 5, part 8. The bonds authorized by this section must mature within 10 years from their date of
 30 issue. The authority granted to the board by this section is in addition to any other authorization to the

1 board to issue and sell general obligation bonds.

2 (2) It is the intent of the 55th legislature that the annual debt service payments on the bonds
3 authorized in subsection (1) be paid from the general fund and other funding sources in the respective
4 principal amounts indicated in [sections 6 and 7].

5 (3) IT IS THE INTENT OF THE 55TH LEGISLATURE THAT BONDS SOLD TO PURCHASE
6 EQUIPMENT BE ISSUED FOR A TERM THAT REFLECTS THE LIFE OF THE ASSETS. THEREFORE, OF THE
7 \$33.8 MILLION IN BONDING FOR THE INTEGRATED REVENUE AND TAX SYSTEMS AND THE MT PRRIME
8 PROJECTS, \$1.75 MILLION IN BONDS MUST BE SOLD FOR A TERM OF 4 YEARS AND \$4.45 MILLION
9 IN BONDS MUST BE SOLD FOR A TERM OF 5 YEARS. THE REMAINING \$27.6 MILLION IN BONDS FOR
10 THESE PROJECTS MUST BE SOLD FOR A TERM OF 10 YEARS.

11 (4) IT IS THE INTENT OF THE 55TH LEGISLATURE THAT IF MONEY BECOMES AVAILABLE FROM
12 THE FEDERAL DEPARTMENT OF LABOR FOR YEAR 2000 COMPLIANCE, THE MONEY MUST BE USED TO
13 PAY DEBT SERVICE OR RETIRE OUTSTANDING PRINCIPAL ON THE \$3.6 MILLION WORTH OF BONDS
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15 DEPARTMENT OF LABOR AND INDUSTRY SHALL MAINTAIN THE FLEXIBILITY TO USE SOME OF THE
16 FEDERAL FUNDS TO REPLACE BASE GRANT FUNDS EXPENDED FOR YEAR 2000 COMPLIANCE
17 PURPOSES.

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20 responsible agency may proceed with the planning and design of information technology projects before
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24 NEW SECTION. Section 5. Financial plans to be approved. If the debt service costs of an
25 information technology project are financed in whole or in part from a source other than the general fund,
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27 issue the bonds until the responsible agency has submitted a financial plan that has been approved by the
28 director of the department of administration assuring the availability of funding.

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30 NEW SECTION. Section 6. Allocation of selected debt service costs. (1) The department of

1 administration shall allocate ~~\$12,600,000~~ \$11,000,000 of bond principal and the interest due on the
2 bonds, for the MT PRRIME project to:

3 (a) appropriate funding sources using cost allocation plans; and

4 (b) appropriate proprietary programs for inclusion in their rates.

5 (2) The department of administration and the office of budget and program planning shall present
6 to the 55th legislature increases in fiscal year 1999 budget authority in all nongeneral fund categories for
7 the cost allocation plans to be included in the general appropriations act of 1997 based on the approved
8 information technology projects.

9 (3) The proprietary programs identified pursuant to subsection (1)(b) shall transfer on a semi-annual
10 basis, to the debt service fund administered by the department of administration, the amounts required to
11 pay the debt service costs of the MT PRRIME project that are allocated to their programs.

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13 **NEW SECTION. Section 7. Agreements for other funding sources.** ~~(1)~~ In order to ensure payment
14 from sources other than the general fund of certain of the general obligation bonds authorized for
15 information technology projects under [section 3], the board of examiners shall enter into agreements with
16 the department of revenue, ~~AND~~, the department of labor and industry, ~~and the Montana university system,~~
17 **AND THE MONTANA UNIVERSITY SYSTEM.** The agreements must provide that:

18 ~~(a)(1)~~ income from the sale of the respective principal amount of bonds must be credited to the
19 entity's repayment obligation;

20 ~~(b)(2)~~ payment must be made from available funds; and

21 ~~(c)(3)~~ the respective entity shall pay to the state treasurer for deposit, in accordance with 17-2-101
22 through 17-2-107, an amount sufficient to pay the following principal amount of bonds and interest due
23 on the bonds:

24 ~~(i)(A)~~ \$1,250,000 from the department of revenue for revenue and integrated tax systems; ~~AND~~

25 ~~(ii)(B)~~ \$3,600,000 from the department of labor and industry for the unemployment insurance
26 benefit package; ~~and;~~ ~~AND~~

27 ~~(iii)~~ \$3,500,000 from the Montana university system.

28 ~~(2)~~ In order to ensure payment of \$600,000 in principal amount of bonds and interest due on the
29 bonds for the cadastral property parcel mapping project, the board of examiners shall enter into agreements
30 with participating state agencies and local governments. Payment under the agreements must be made

1 ~~from available funds.~~

2 ~~(3) In order to ensure payment of \$3 million in principal amount of bonds and interest due on the~~
3 ~~bonds for the cadastral property mapping project, the board of examiners shall enter into agreements with~~
4 ~~participating federal agencies and private parties.~~

5 (C) \$1,600,000 FROM THE MONTANA UNIVERSITY SYSTEM.

6 (4) The agreements made pursuant to this section are solely for the benefit of the state of Montana
7 and are not enforceable by bondholders or other third party beneficiaries.

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9 NEW SECTION. Section 8. Expenditures. Expenditures of bond proceeds under [sections 1
10 through 8] may be used for information technology project administration and implementation, including
11 software and required hardware, software licensing, and contracted services.

12

13 NEW SECTION. Section 9. Two-thirds vote required. Because [section 3] authorizes the creation
14 of state debt, Article VIII, section 8, of the Montana constitution requires a vote of two-thirds of the
15 members of each house of the legislature for passage.

16

17 NEW SECTION. Section 10. Severability. If a part of [this act] is invalid, all valid parts that are
18 severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its
19 applications, the part remains in effect in all valid applications that are severable from the invalid
20 applications.

21

22 NEW SECTION. Section 11. Effective date. [This act] is effective on passage and approval.

23

-END-

1 HOUSE BILL NO. 188

2 INTRODUCED BY DENNY, COLE

3

4 A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING THE CREATION OF STATE DEBT THROUGH THE
5 ISSUANCE OF GENERAL OBLIGATION BONDS; APPROPRIATING THE PROCEEDS OF THE BONDS FOR
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7 DEBT SERVICE PAYMENTS FROM THE GENERAL FUND AND OTHER SOURCES; PROVIDING FOR
8 MATTERS RELATING TO THE ISSUANCE OF THE BONDS AND THE APPROPRIATION OF THE BOND
9 PROCEEDS; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

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13 NEW SECTION. **Section 1. Definitions.** As used in [sections 1 through 8], the following definitions
14 apply:

15 (1) "Cost allocation plans" means the:

16 (a) state cost allocation plan by which state general fund costs are distributed in an equitable
17 manner to nonfederal funding sources other than the general fund; and

18 (b) statewide cost allocation plan by which state general fund costs are allocated to federally
19 funded, state-operated grants and programs.

20 (2) "Information technology project" means the planning, design, development, acquisition,
21 installation, or integration of software and required hardware to provide for upgraded and integrated state
22 management information systems.

23 (3) "Other funding sources" means money other than bond proceeds.

24 (4) "Responsible agency" means the lead agency for each information technology project as
25 provided in [section 2].

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28 **information projects.** Upon the sale of general obligation bonds by the board of examiners, the following
29 bond proceeds are appropriated from the capital projects fund to each responsible agency for the following
30 information technology projects:

<u>Agency/Project</u>	<u>Bond Proceeds</u>
DEPARTMENT OF REVENUE	
Integrated Revenue and Tax Systems	\$17,750,000
	<u>\$14,000,000</u>
(Consolidation of Employer's Reporting for Income Tax Withholding, Old Fund Liability Tax, and Unemployment Insurance Contributions; Income Tax Modernization; and Property Tax Integration)	
DEPARTMENT OF ADMINISTRATION	
Montana Project to Reengineer Revenue and the Information Management Environment (MT PRRIME)	22,200,000
	<u>19,800,000</u>
Cadastral Property Parcel Mapping	4,000,000
OFFICE OF BUDGET AND PROGRAM PLANNING	
Montana Integrated Budget System (MIBS)	500,000
DEPARTMENT OF LABOR	
Unemployment Benefit Package	3,600,000
MONTANA UNIVERSITY SYSTEM	
Technology Initiative	7,000,000
<u>MONTANA UNIVERSITY SYSTEM</u>	
<u>TECHNOLOGY INITIATIVE</u>	<u>3,200,000</u>

25 **NEW SECTION. Section 3. Authorization of bonds.** (1) The board of examiners may issue and
26 sell general obligation information technology bonds in an amount not exceeding ~~\$55,050,000~~
27 ~~\$37,900,000~~ \$41,100,000 for the projects described in [section 2] over and above the amount of general
28 obligation bonds outstanding on January 1, 1997. The bonds must be issued in accordance with Title 17,
29 chapter 5, part 8. The bonds authorized by this section must mature within 10 years from their date of
30 issue. The authority granted to the board by this section is in addition to any other authorization to the

1 board to issue and sell general obligation bonds.

2 (2) It is the intent of the 55th legislature that the annual debt service payments on the bonds
3 authorized in subsection (1) be paid from the general fund and other funding sources in the respective
4 principal amounts indicated in [sections 6 and 7].

5 (3) IT IS THE INTENT OF THE 55TH LEGISLATURE THAT BONDS SOLD TO PURCHASE
6 EQUIPMENT BE ISSUED FOR A TERM THAT REFLECTS THE LIFE OF THE ASSETS. THEREFORE, OF THE
7 \$33.8 MILLION IN BONDING FOR THE INTEGRATED REVENUE AND TAX SYSTEMS AND THE MT PRRIME
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7 the cost allocation plans to be included in the general appropriations act of 1997 based on the approved
8 information technology projects.

9 (3) The proprietary programs identified pursuant to subsection (1)(b) shall transfer on a semi-annual
10 basis, to the debt service fund administered by the department of administration, the amounts required to
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17 AND THE MONTANA UNIVERSITY SYSTEM. The agreements must provide that:

18 ~~(a)(1)~~ (i) income from the sale of the respective principal amount of bonds must be credited to the
19 entity's repayment obligation;

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21 ~~(c)(3)~~ (iii) the respective entity shall pay to the state treasurer for deposit, in accordance with 17-2-101
22 through 17-2-107, an amount sufficient to pay the following principal amount of bonds and interest due
23 on the bonds:

24 ~~(i)(A)~~ (i)(A) \$1,250,000 from the department of revenue for revenue and integrated tax systems; AND

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FREE CONFERENCE COMMITTEE

on House Bill 188
Report No. 1, April 17, 1997

Mr. Speaker and Mr. President:

We, your Free Conference Committee met and considered **House Bill 188** (reference copy -- salmon) and recommend that **House Bill 188** be amended as follows:

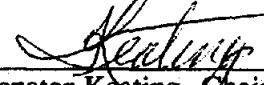
1. Page 2, following line 23.
Insert: "DEPARTMENT OF CORRECTIONS
Information Technology Plan 1,890,408"
2. Page 2, line 27.
Strike: " \$41,100,000"
Insert: " \$42,990,408"
3. Page 3, following line 17.
Insert: " (5) It is the intent of the 55th legislature that bonds sold to purchase equipment be issued for a term that reflects the life of the assets. Therefore, of the \$1,890,408 in bonding for the department of corrections information technology plan, \$913,908 in bonds must be sold for a term of 5 years and \$976,500 in bonds must be sold for a term of 10 years."


And this FREE Conference Committee report be adopted.


For the House:

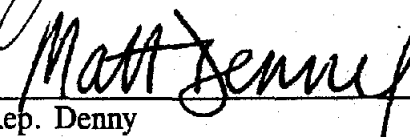
For the Senate:


Rep. Grady, Chair


Senator Keating, Chair


Rep. Quilici


Senator Cole


Rep. Denny

Senator Stang

ADOPT

REJECT

FCCR#1

AC HB 188-1

821017CC.Hgd

AB 188

1 HOUSE BILL NO. 188

2 INTRODUCED BY DENNY, COLE

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3 Integrated Revenue and Tax Systems	\$17,750,000
4	<u>\$14,000,000</u>
5 (Consolidation of Employer's Reporting	
6 for Income Tax Withholding, Old Fund	
7 Liability Tax, and Unemployment Insurance	
8 Contributions; Income Tax Modernization; and	
9 Property Tax Integration)	
10 DEPARTMENT OF ADMINISTRATION	
11 Montana Project to Reengineer Revenue	
12 and the Information Management	
13 Environment (MT PRRIME)	<u>22,200,000</u>
14	<u>19,800,000</u>
15 Cadastral Property Parcel Mapping	4,000,000
16 OFFICE OF BUDGET AND PROGRAM PLANNING	
17 Montana Integrated Budget System (MIBS)	500,000
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19 Unemployment Benefit Package	3,600,000
20 MONTANA UNIVERSITY SYSTEM	
21 Technology Initiative	7,000,000
22 <u>MONTANA UNIVERSITY SYSTEM</u>	
23 <u>TECHNOLOGY INITIATIVE</u>	<u>3,200,000</u>
24 <u>DEPARTMENT OF CORRECTIONS</u>	
25 <u>INFORMATION TECHNOLOGY PLAN</u>	<u>1,890,408</u>

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 29 ~~\$37,900,000~~ ~~\$41,100,000~~ \$42,990,408 for the projects described in [section 2] over and above the
 30 amount of general obligation bonds outstanding on January 1, 1997. The bonds must be issued in

1 accordance with Title 17, chapter 5, part 8. The bonds authorized by this section must mature within 10
2 years from their date of issue. The authority granted to the board by this section is in addition to any other
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