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House BILL NO. *248*
Hayer

INTRODUCED BY

A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE BONDING LIMIT OF THE BOARD OF INVESTMENTS FROM \$50 MILLION TO \$75 MILLION FOR THE PURPOSES OF THE MUNICIPAL FINANCE CONSOLIDATION ACT; AMENDING SECTION 17-5-1608, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

Section 1. Section 17-5-1608, MCA, is amended to read:

"17-5-1608. Limitations on amounts. The board may not issue any bonds or notes that cause the total outstanding indebtedness of the board under this part (except for bonds or notes issued to fund or refund other outstanding bonds or notes or to purchase registered warrants or tax or revenue anticipation notes of a local government as defined in 7-6-1101) to exceed ~~\$50~~ \$75 million."

NEW SECTION. **Section 2. Effective date.** [This act] is effective July 1, 1997.

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0248, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act increasing the Board of Investment's bonding authority from \$50 million to \$75 million under the Municipal Finance Consolidation Act and authorizing the Board to sell tax-exempt bonds and lend the proceeds to state/local government agencies and the university system for a variety of purposes.

ASSUMPTIONS:

1. The Board of Investments (BOI) bonding program will continue to grow at or above the present pace.
2. The BOI will continue to generate operational funding for the program by the "spread" between the interest paid on the bonds issued and the interest charged the borrower.

FISCAL IMPACT:

Department of Commerce
Board of Investments:

Expenditures:

There would be no additional operational expenditures for the BOI.

Revenues:

To the extent that the BOI sells additional bonds and lends more funds to local/state agencies and the university system, revenues to the BOI's operational account would increase if the interest "spread" remained at the existing level. However, because the BOI's operational budget in this program is limited by the amount of fees approved by the legislature, the "spread" would most likely be reduced to generate approximately the same amount of operational funds, despite the growth of the program.

Net Impact:


It is the goal of this program to be totally self-supported by the interest rate "spread". Once this goal is achieved, the "spread" would be reduced to maintain adequate funding and the appropriate fund balance. Reducing the "spread" as a result of program growth would reduce costs to local/state agencies and the university system borrowing funds through the program.

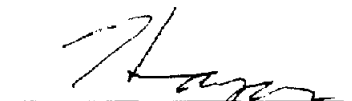
EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Should program growth result in the reduction of the "spread", borrowing costs for local governments using the program would be reduced.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The proposed legislation increases the BOI's bonding authority based on BOI estimates of future program utilization. However, bonds are only issued at the time that the need for funds is documented. Increasing the bonding authority will ensure that state/local agencies and university system will be able to continue accessing this lending program.

 1-16-97
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

 1-17-97
HAL HARPER, PRIMARY SPONSOR DATE
Fiscal Note for HB0248, as introduced

HB 248

APPROVED BY COM ON
LOCAL GOVERNMENT

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18 NEW SECTION. SECTION 2. LOANS TO STATE AGENCIES. AN AGENCY RESPONSIBLE FOR
19 THE PROCUREMENT AND PROVISION OF VEHICLES AND EQUIPMENT USING AN ENTERPRISE FUND OR
20 AN INTERNAL SERVICE FUND, AS DESCRIBED IN 17-2-102, IS AUTHORIZED TO ENTER INTO
21 CONTRACTS, LOAN AGREEMENTS, OR OTHER FORMS OF INDEBTEDNESS PAYABLE OVER A TERM NOT
22 TO EXCEED 7 YEARS FOR THE PURPOSE OF FINANCING THE COST OF THE VEHICLES AND EQUIPMENT
23 AND TO PLEDGE TO THE REPAYMENT OF THE INDEBTEDNESS THE REVENUE OF THE ENTERPRISE FUND
24 OR INTERNAL SERVICE FUND IF:

25 (1) THE TERM OF THE INDEBTEDNESS DOES NOT EXCEED THE USEFUL LIFE OF THE ITEMS
26 BEING FINANCED; AND

27 (2) AT THE TIME THAT THE INDEBTEDNESS IS INCURRED, THE PROJECTED REVENUE OF THE
28 FUND, BASED ON THE FEES AND CHARGES APPROVED BY THE LEGISLATURE AND OTHER AVAILABLE
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