House BILL NO. 248

INTRODUCED BY Hayne

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~~ <u>$75</u> million."

<u>NEW SECTION.</u> **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.

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

Hal Harper 1-17-97
HAL HARPER, PRIMARY SPONSOR DATE

Fiscal Note for HB0248, as introduced

HB 248

APPROVED BY COM ON LOCAL GOVERNMENT

HOUSE BILL NO. 248

INTRODUCED BY HARPER

A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING TERMS AND CONDITIONS OF BOARD OF INVESTMENTS LOANS TO STATE AGENCIES; 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 IMMEDIATE EFFECTIVE DATE."

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

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

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

(2) AT THE TIME THAT THE INDEBTEDNESS IS INCURRED, THE PROJECTED REVENUE OF THE FUND, BASED ON THE FEES AND CHARGES APPROVED BY THE LEGISLATURE AND OTHER AVAILABLE FUND REVENUE, WILL BE SUFFICIENT TO REPAY THE INDEBTEDNESS OVER THE PROPOSED TERM AND TO MAINTAIN THE OPERATION OF THE ENTERPRISE.

NEW SECTION. **SECTION 3. CODIFICATION INSTRUCTION.** [SECTION 2] IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF TITLE 17, CHAPTER 5, AND THE PROVISIONS OF TITLE 17, CHAPTER 5, APPLY TO [SECTION 2].

NEW SECTION. **Section 4. Effective date.** [This act] is effective ~~July 1, 1997~~ ON PASSAGE AND APPROVAL.

-END-

HOUSE BILL NO. 248

INTRODUCED BY HARPER

A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING TERMS AND CONDITIONS OF BOARD OF INVESTMENTS LOANS TO STATE AGENCIES; 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 IMMEDIATE EFFECTIVE DATE."

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

(2) AT THE TIME THAT THE INDEBTEDNESS IS INCURRED, THE PROJECTED REVENUE OF THE FUND, BASED ON THE FEES AND CHARGES APPROVED BY THE LEGISLATURE AND OTHER AVAILABLE FUND REVENUE, WILL BE SUFFICIENT TO REPAY THE INDEBTEDNESS OVER THE PROPOSED TERM AND TO MAINTAIN THE OPERATION OF THE ENTERPRISE.

NEW SECTION. **SECTION 3. CODIFICATION INSTRUCTION.** [SECTION 2] IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF TITLE 17, CHAPTER 5, AND THE PROVISIONS OF TITLE 17, CHAPTER 5, APPLY TO [SECTION 2].

NEW SECTION. **Section 4. Effective date.** [This act] is effective ~~July 1, 1997~~ ON PASSAGE AND APPROVAL.

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APPROVED BY COM ON LOCAL GOVERNMENT

HOUSE BILL NO. 248

INTRODUCED BY HARPER

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

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NEW SECTION. **SECTION 3. LOW-INCOME HOUSING.** SUBJECT TO AVAILABLE FUNDING, THE BOARD OF INVESTMENTS MAY INITIATE A DEFERRED LOAN, IN CONJUNCTION WITH OTHER FINANCING, TO PRESERVE AFFORDABLE MULTIFAMILY HOUSING AS ORIGINALLY PROVIDED FOR UNDER THE EMERGENCY LOW INCOME HOUSING PRESERVATION ACT OF 1987 AND THE LOW-INCOME HOUSING PRESERVATION AND RESIDENT HOMEOWNERSHIP ACT OF 1990. VARIABLE RATE BONDS MAY BE ISSUED UNDER TITLE 17, CHAPTER 5, PART 15, TO BE USED AS PART OF THE FINANCING ARRANGEMENT. THE BONDS MAY BE SECURED BY THE BONDING MECHANISM UNDER 17-5-1516. THE HOUSING UNITS, FORMERLY PROVIDED FOR UNDER BOTH ACTS, MUST REMAIN AS LOW-INCOME UNITS FOR THE ENTIRE LENGTH OF THE BONDS OR 30 YEARS, WHICHEVER IS LONGER. ANY MORTGAGES SECURING THE BONDS MUST EITHER BE INSURED OR GUARANTEED BY A FEDERAL AGENCY. VARIABLE RATE BONDS MUST BE SECURED BY MORTGAGES HAVING A MAXIMUM INTEREST RATE OF 5%. THE BOND INDENTURE MUST PROVIDE A MECHANISM TO REDUCE THE LIKELIHOOD OF DRAWING UPON THE CAPITAL RESERVE ACCOUNT UNDER 17-5-1516. THE BOARD MAY NOT MAKE ANY LOANS OR ISSUE ANY BONDS TO FINANCE HOUSING UNITS UNDER THIS SECTION UNLESS THE INCOME FROM THE FINANCIAL PROPERTIES, AFTER DEDUCTING THE EXPENSES FOR THE OPERATION AND MAINTENANCE OF THE HOUSING UNITS, IS PROJECTED TO BE SUFFICIENT TO REPAY THE LOANS AND BONDS.

NEW SECTION. **SECTION 4. CODIFICATION INSTRUCTION.** [SECTION 2] IS INTENDED TO BE CODIFIED AS AN INTEGRAL PART OF TITLE 17, CHAPTER 5, AND THE PROVISIONS OF TITLE 17, CHAPTER 5, APPLY TO [SECTION 2].

NEW SECTION. **Section 5. Effective date.** [This act] is effective ~~July 1, 1997~~ ON PASSAGE AND APPROVAL.

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HOUSE BILL NO. 248

INTRODUCED BY HARPER

A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING TERMS AND CONDITIONS OF BOARD OF INVESTMENTS LOANS TO STATE AGENCIES; INCREASING THE BONDING LIMIT OF THE BOARD OF INVESTMENTS FROM $50 MILLION TO $75 MILLION FOR THE PURPOSES OF THE MUNICIPAL FINANCE CONSOLIDATION ACT; PROVIDING AUTHORITY FOR FUNDING LOW-INCOME HOUSING UNITS; AMENDING SECTION 17-5-1608, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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REFERENCE BILL
AS AMENDED

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