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SB BILL NO. 207

INTRODUCED BY John Stovall Mike Blum Tina
Jerguson Emer Foster

A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING THE BOARD OF INVESTMENTS TO OBLIGATE FUNDS TO ACQUIRE REAL PROPERTY OR CONSTRUCT A SCHOOL FACILITY IF THE ACQUISITION OR CONSTRUCTION DOES NOT EXCEED 20 PERCENT OF THE SQUARE FOOTAGE OF THE EXISTING REAL PROPERTY IMPROVEMENTS AND IS APPROVED BY THE QUALIFIED VOTERS OF THE DISTRICT; INCREASING THE TERM OF AN OBLIGATION FROM 5 TO 10 FISCAL YEARS; AND AMENDING SECTION 20-9-471, MCA."

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

Section 1. Section 20-9-471, MCA, is amended to read:

"20-9-471. Issuance of obligations -- authorization -- conditions. (1) The trustees of a school district may, without a vote of the electors of the district, issue and sell to the board of investments obligations for the purpose of financing all or a portion of:

- (a) the costs of vehicles and equipment;
- (b) the costs associated with renovating, rehabilitating, and remodeling facilities, including but not limited to roof repairs, heating, plumbing, and electrical systems;
- (c) any other expenditure that the district is otherwise authorized to make, subject to subsection (4), including the payment of settlements of legal claims and judgments; and
- (d) the costs associated with the issuance and sale of the obligations.

(2) The term of the obligation, including an obligation for a qualified energy project, may not exceed ~~5~~ 10 fiscal years, ~~except that the term of the obligation for a qualified energy project may not exceed 10 fiscal years~~. For the purposes of this subsection, a "qualified energy project" means a project designed to reduce energy use in a school facility and from which the resulting energy cost savings are projected to meet or exceed the debt service obligation for financing the project, as determined by the department of environmental quality.

(3) At the time of issuing the obligation, there must exist an amount in the budget for the current fiscal year available and sufficient to make the debt service payment on the obligation coming due in the

1 current year. The budget for each following year in which any portion of the principal of and interest on
2 the obligation is due must provide for payment of that principal and interest.

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6 of the existing real property improvements made to a facility containing classrooms;

7 (b) the 20% square footage limitation may not be exceeded within any 5-year period; and

8 (c) the electors of the district approve a proposition authorizing the trustees to apply for funds
9 through the board of investments for the construction project.

10 (5) An obligation issued is payable from any legally available fund of the district and constitutes
11 a general obligation of the district.

12 (6) The obligation may bear interest at a fixed or variable rate and may be sold to the board of
13 investments at par, at a discount, or with a premium and upon any other terms and conditions that the
14 trustees determine to be in the best interests of the district.

15 (7) The principal amount of the obligation, when added to the outstanding bonded indebtedness
16 of the district, may not exceed the debt limitation established in 20-9-406."

17 -END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0207, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act permitting the Board of Investments to lend funds to school districts for acquisition or construction of real property under certain conditions. The board currently makes numerous loans to school districts for a variety of purposes, but loans for purchase or construction of real property are precluded by law.

ASSUMPTIONS:

Department of Commerce, Board of Investments:

1. The loans would be made through the Board of Investments (BOI) INTERCAP program, a program under which the BOI sells tax-exempt bonds and lends the proceeds to state/local agencies and the university system.
2. There would be no fiscal impact on the BOI operations budget.
3. Because the BOI administrative charges in the INTERCAP program are derived from the "spread" between the bond interest rate and the interest rate charged the borrower, the enactment of this legislation may impact BOI revenues. However, because the use of the program is at the discretion of school districts, it is not possible to estimate revenue impact. Since the legislature sets the maximum fees that the BOI may charge in this program, any increase revenues would not be available for BOI expenditures.

Office of Public Instruction:

4. Existing law requires school districts to obtain voter approval to acquire real property or to sell general obligation bonds for school facility construction. SB 207 does not change this voting requirement.
5. Because it does not affect the voting requirements for incurring debt, SB 207 will not increase the number of school construction projects, but will expand the options of school districts for financing construction projects.
6. Districts will experience some savings if they can borrow at a lower interest rate through the BOI than through other available sources. Districts may also avoid some transaction costs by borrowing through a BOI program.

FISCAL IMPACT:


No fiscal impact

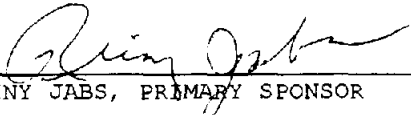
EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

To the extent that school districts could currently fund these projects by issuing bonds or obtaining other financing, revenues and expenditures would not be impacted. This legislation provides school districts an additional funding mechanism. School districts may experience some savings to the extent that they can borrow from the BOI at a lower rate than they can borrow elsewhere.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

This legislation would provide school districts increased flexibility in making real property improvements.


DAVE LEWIS, BUDGET DIRECTOR 1/25/97
Office of Budget and Program Planning DATE


REINY JABS, PRIMARY SPONSOR 1/27/97 DATE
Fiscal Note for SB0207, as introduced

SB 207

APPROVED BY COM ON LOCAL GOVERNMENT

1 INTRODUCTION BY John Stoval ^{SB} BILL NO. 207 Mike Blum Travis
 2
 3 Jerguson Emm Foster

4 A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING THE BOARD OF INVESTMENTS TO OBLIGATE
 5 FUNDS TO ACQUIRE REAL PROPERTY OR CONSTRUCT A SCHOOL FACILITY IF THE ACQUISITION OR
 6 CONSTRUCTION DOES NOT EXCEED 20 PERCENT OF THE SQUARE FOOTAGE OF THE EXISTING REAL
 7 PROPERTY IMPROVEMENTS AND IS APPROVED BY THE QUALIFIED VOTERS OF THE DISTRICT;
 8 INCREASING THE TERM OF AN OBLIGATION FROM 5 TO 10 FISCAL YEARS; AND AMENDING SECTION
 9 20-9-471, MCA."

10
 11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

12
 13 **Section 1.** Section 20-9-471, MCA, is amended to read:

14 **"20-9-471. Issuance of obligations -- authorization -- conditions.** (1) The trustees of a school
 15 district may, without a vote of the electors of the district, issue and sell to the board of investments
 16 obligations for the purpose of financing all or a portion of:

- 17 (a) the costs of vehicles and equipment;
- 18 (b) the costs associated with renovating, rehabilitating, and remodeling facilities, including but not
 19 limited to roof repairs, heating, plumbing, and electrical systems;
- 20 (c) any other expenditure that the district is otherwise authorized to make, subject to subsection
 21 (4), including the payment of settlements of legal claims and judgments; and
- 22 (d) the costs associated with the issuance and sale of the obligations.

23 (2) The term of the obligation, including an obligation for a qualified energy project, may not exceed
 24 ~~5~~ 10 fiscal years, ~~except that the term of the obligation for a qualified energy project may not exceed 10~~
 25 ~~fiscal years~~. For the purposes of this subsection, a "qualified energy project" means a project designed to
 26 reduce energy use in a school facility and from which the resulting energy cost savings are projected to
 27 meet or exceed the debt service obligation for financing the project, as determined by the department of
 28 environmental quality.

29 (3) At the time of issuing the obligation, there must exist an amount in the budget for the current
 30 fiscal year available and sufficient to make the debt service payment on the obligation coming due in the



1 current year. The budget for each following year in which any portion of the principal of and interest on
2 the obligation is due must provide for payment of that principal and interest.

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4 unless:

5 (a) the acquisition or construction project does not constitute more than 20% of the square footage
6 of the existing real property improvements made to a facility containing classrooms;

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8 (c) the electors of the district approve a proposition authorizing the trustees to apply for funds
9 through the board of investments for the construction project.

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15 (7) The principal amount of the obligation, when added to the outstanding bonded indebtedness
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17 -END-

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INTRODUCED BY John Stoval ^{SB} BILL NO. 207
Gregerson Tom Foster

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17 -END-

1 SENATE BILL NO. 207

2 INTRODUCED BY JABS, STOVALL, GLASER, TUSS, JERGESON, EWER, FOSTER

3

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 7 PROPERTY IMPROVEMENTS AND IS APPROVED BY THE QUALIFIED VOTERS OF THE DISTRICT;
 8 INCREASING THE TERM OF AN OBLIGATION FROM 5 TO 10 FISCAL YEARS; ~~AND~~ AMENDING SECTION
 9 20-9-471, MCA; AND PROVIDING AN EFFECTIVE DATE."

10

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9 through the board of investments for the construction project. THE PROPOSITION MUST BE APPROVED
10 AT A SPECIAL OR REGULAR ELECTION IN ACCORDANCE WITH ALL OF THE REQUIREMENTS OF
11 20-9-428, EXCEPT THAT THE PROPOSITION IS CONSIDERED TO HAVE PASSED IF A MAJORITY OF THE
12 QUALIFIED ELECTORS VOTING APPROVE THE PROPOSITION.

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20
21 NEW SECTION. SECTION 2. EFFECTIVE DATE. [THIS ACT] IS EFFECTIVE JULY 1, 1997.

22 -END-



CONFERENCE COMMITTEE

on Senate Bill 207

Report No. 1, April 16, 1997

Page 1 of 1

Mr. President and Mr. Speaker:

We, your Conference Committee on Senate Bill 207, met and considered the House Committee of the Whole amendments dated April 7, 1997.

We recommend that Senate Bill 207 (reference copy - salmon) be amended as follows:

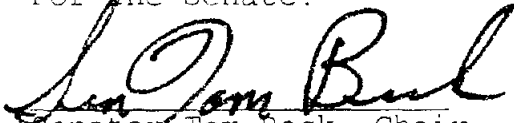
1. Page 2, lines 11 and 12.

Following: "20-9-428"

Strike: remainder of line 11 through "PROPOSITION" on line 12

And that this Conference Committee report be adopted.

For the Senate:


Senator Tom Beck, Chair

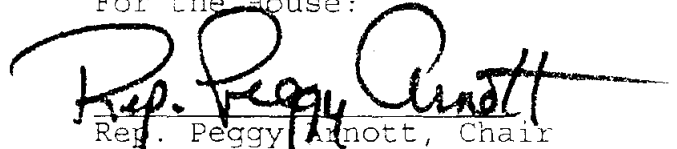

Senator Reidy Tabs


Senator J.D. Lynch

TS
Amd. Coord.

STS
Sec. of Senate

For the House:


Rep. Peggy Annett, Chair


Rep. Paul Bankhead

R.B. (Toni) Hagener
Rep. Toni Hagener

ADOPT

REJECT

CCR#1
SB 207

811001CC.STS