EXHIBIT 8
DATE 2-7-05
HB HB389

Ratings on State Bonds

To achieve a better interest rate, an issuer may seek a bond rating from one of the nationally recognized rating agencies. Issuers may seek to obtain bond insurance for a particular bond issue which may improve the rating on the bonds. In rating a general obligation of the state, rating agencies look at the economy, amount of outstanding debt, finances, and administrative management strategies. Ratings are based primarily on the strength of the source of revenue pledged to the repayment of the bond.

Current Ratings on Outstanding Issues

General Obligation and TRANS:

Moody's: Aa3
Standard & Poors: AA-

Coal Severance Tax Bonds:

Moody's: A1
Standard & Poors: AA-

Explanation of Ratings

Moody's and Standard & Poor's have nine and ten rating categories, respectively. The top four rating categories of each are:

	Moody's / Standard & Poor's
Aaa/AAA	highest quality; minimal credit risk
Aa/AA	high quality; very low credit risk
A/A	upper medium grade; low credit risk
Baa/BBB	medium grade; moderate credit risk

Within each rating category, Moody's appends numerical modifiers; 1 indicates higher ranking, 2 indicates mid-range ranking, and 3 indicates lower ranking. Standard & Poor's modifies categories with the addition of a plus or minus sign to show relative standing.

Debt Ratios

The State's debt ratios (expressed as percentages) of the principal of debt per capita, per assessed value of taxable property, and for present income compared with the national averages are set forth in the table below:

Montana		National Median
G.O. Debt as of 2/01/04	$213,855,000	
Per Capita Debt	$232.96	$573.00
Ratio to 2003 Assessed Value	0.455%	
Ratio to 2002 Personal Income	0.944%	-2.30%
Long Term Debt as of 2/01/04	$376,352,000	
Per Capita Debt	$409.97	$573.00
Ratio to 2003 Assessed Value	0.800%	
Ratio to 2002 Personal Income	1.661%	

Montana State Legislature
Environmental Quality Council
PO Box 201704
Helena MT 59620
406 444-3742
http://www.leg.state.mt.us/css/lepo/2003_2004/default.asp

An Informational Guide to $tate Debt

Constitutional Restriction On State Debt

"No state debt shall be created unless authorized by a two-thirds vote of the members of each house of the legislature or a majority of the electors voting therein."

- Article VIII, Section 8, of the Montana Constitution

What Constitutes State Debt?

Generally, a debt of the State is payable in a future budgetary period from revenues derived from the Legislature's exercise of the state's taxing authority. Since the incurrence of a debt obligates a future Legislature to levy a tax or appropriate general fund moneys to repay that debt, it removes or limits subsequent legislators' control or discretion with respect to the state budget and supermajority legislative or electoral approval is required by the Constitution.

Answers to Your Questions About State Debt
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What is a Bond?

A form of debt typically issued by government entities to borrow money. Bonds may bear interest that is exempt from federal income tax and in the case of Montana, state individual income tax.

Types of State Bonds

1. General Obligation Bonds are bonds authorized by the Legislature for specific projects or programs in specified amounts. They constitute a pledge of the full faith and credit of the State; the State covenants to levy taxes through the life of the bonds in amounts necessary to pay the principal and interest thereon. Most secure, these bonds achieve the best interest rates.

2. Special or Limited Tax Obligation Bonds are payable from a single or committed tax source (the coal tax, or limited tax sources such as gasoline taxes). The bond holders take the risk of the adequacy of tax revenues. For bonds to be marketable, the State must agree to continue to impose and collect the tax until outstanding bonds are paid.

3. Tax-Backed Revenue Bonds may be issued to enhance marketability of bonds that are primarily payable from revenues. The State's Coal Severance Tax Bonds and the State Water and Sewer Revolving Fund are general examples. The first source of repayment of the bonds are repayments of loans made from proceeds of the bonds. Only if revenues are defaulted will the general fund or coal severance tax trust fund bond account be used to pay debt service.

4. Revenue Bonds are payable from a specific stream of revenues, other than taxes, and may include revenues of a particular program or project. These bonds are generally not considered "debt," as they are not secured by the State's taxing power and do not have to be authorized by the two-thirds vote. Various state agencies and boards have been created by the Legislature and authorized to issue revenue bonds that are secured by program revenues, loan repayments from borrowers, and user fees.

a) ***University System Facility Revenue Bonds*** are issued by the State Board of Regents and are used to finance college dormitories, student union buildings, and other revenue-producing facilities.

b) ***Mortgage Revenue Bonds*** are issued by the State Board of Housing to finance acquisition of single family housing and are payable from housing program revenues.

c) ***Health Care Revenue Bonds*** are issued by the Facility Finance Authority to make loans to eligible health care providers and are payable from the loan repayments.

d) ***Economic Development Revenue Bonds*** are issued by the Board of Investments to finance commercial, industrial, manufacturing, agricultural, hydroelectrical, and other types of economic development projects and are payable from loan repayments.

e) ***Municipal Finance Consolidation Act Program Bonds*** are bonds issued by the Board of Investments to purchase obligations or make loans to local governments and the State and its agencies. The source of payment is the repayments of the obligations or loans. While the bonds themselves are not debt of the State, the underlying loans may be "debt" of the State or local borrowing entity depending on the source of repayment and obligation to repay. (The Board cannot have outstanding at any one time more than $120,000,000 of its bonds, excluding refundings or bonds to purchase tax and revenue anticipation notes.)

5. Tax and Revenue Anticipation Notes are issued by the State in anticipation of receipt of taxes and revenues for the budgetary period, as necessary to meet the monthly cash flow requirements of the State. The amount of notes cannot exceed the amounts appropriated under the budget for state law purposes, and must be repaid from taxes and revenues not later than the end of the fiscal year in which notes are issued.

6. Refunding Bonds are issued to refund outstanding bonds, subject to certain restrictions in the Internal Revenue Code, to bear interest exempt from federal income taxation. Refunding bonds are generally issued for the purpose of taking advantage of lower interest rates.

7. Moral Obligation Bonds. Under the Housing Act, the Economic Development Bond Act, and the Facility Finance Authority Act, the Legislature, while providing that moral obligation bonds issued under those Acts do not constitute a debt of the State, require the governor to place in his or her budget the amounts necessary to restore any deficiency in the debt service reserve fund for such bonds, and request the Legislature to appropriate moneys from the State's general fund to restore the deficiency. The Legislature has no legal obligation to make this appropriation. The Montana Supreme Court has determined that any "moral obligation" of the Legislature to appropriate funds does not constitute debt. The Housing Bonds have not been issued as moral obligation bonds. Several issues of Facility Finance Authority bonds have been issued as moral obligations.