

HOUSE BILL NO. 14

INTRODUCED BY B. NOONEY

BY REQUEST OF THE OFFICE OF BUDGET AND PROGRAM PLANNING

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 PURCHASE AND MANAGEMENT OF REAL PROPERTY AND APPURTENANCES FOR SUSTAINABLE FOREST MANAGEMENT, RECREATIONAL USE, AND INCOME-GENERATING POTENTIAL; PROVIDING CONSIDERATIONS FOR THE BOARD OF LAND COMMISSIONERS TO TAKE INTO ACCOUNT WHEN DETERMINING WHETHER TO REQUEST THE ISSUANCE OF BONDS; PROVIDING FOR THE DISPOSITION OF INTEREST AND INCOME; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

NEW SECTION. Section 1. Public school land acquisition account. (1) There is a public school land acquisition account in the state special revenue fund established in 17-2-102. The account must be administered by the department.

(2) Money in the account may be used only for the purpose of purchasing and managing interests in and appurtenances to real property in accordance with [section 2].

(3) After deductions are made pursuant to 77-1-109 and 77-1-613, the net interest and income earned on real property and appurtenances purchased with funds from the account must be distributed to the school facility improvement account provided for in 20-9-516.

NEW SECTION. Section 2. Public school land purchases -- considerations -- distributions. (1) The board may request the board of examiners to issue bonds for the purpose of purchasing interests in and appurtenances to real property selected by the board in accordance with the requirements of this section. Upon issuance of the bonds, the board shall purchase the real property and its appurtenances.

(2) Prior to requesting the issuance of bonds under subsection (1), the board shall consider the following:

- (a) the income-generating potential of the real property and appurtenances;
- (b) the opportunity for sustainable forest management activities and outcomes as described in 76-13-701

1 and 76-13-702; and

2 (c) the opportunity for recreational use of the real property and appurtenances consistent with Title 77,
3 chapter 1, part 8.

4 (3) Prior to requesting the issuance of bonds, the board or the department, at the board's direction, shall
5 complete a cost-benefit analysis of potential real property and appurtenance purchases. This cost-benefit analysis
6 must be made available to the public upon request.

7 (4) Prior to purchasing any real property and appurtenances, the board shall determine that the benefits
8 of the purchase are significant and that the financial risks are prudent and are consistent with the board's fiduciary
9 duty as a reasonably prudent trustee of a perpetual trust. For the purposes of this section, that duty requires the
10 board to:

11 (a) discharge its duties with the care, skill, prudence, and diligence that a prudent person acting in a
12 similar capacity with the same resources and familiar with similar matters should exercise in the conduct of an
13 enterprise of similar character and aims;

14 (b) diversify the land holdings purchased pursuant to [section 1] and this section pursuant to an asset
15 management plan to minimize the risk of loss and maximize the sustained rate of return;

16 (c) discharge its duties and powers solely in the interest of and for the benefit of the trust; and

17 (d) discharge its duties subject to the fiduciary standards set forth in 72-34-114.

18 (5) All interests in real property and appurtenances acquired under this section must be managed
19 pursuant to Title 77, chapters 1 through 6.

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21 **NEW SECTION. Section 3. Authorization of bonds.** Upon request of the board of land commissioners,
22 the board of examiners is authorized to issue and sell general obligation bonds in an amount not exceeding \$21
23 million for the purchase of interests in and appurtenances to real property described in [section 2] in addition to
24 the amount of general obligation bonds outstanding on January 1, 2009. The proceeds from the bonds sold under
25 this section must be deposited in the public school land acquisition account established in [section 1]. The bonds
26 must be issued in accordance with the terms and in the manner required by Title 17, chapter 5, part 8.

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28 **NEW SECTION. Section 4. Appropriation of bond proceeds.** Up to \$21 million is appropriated to the
29 board of land commissioners from the public school land acquisition account from the proceeds of the bonds
30 authorized in [section 3] for the purchase of interests in and appurtenances to real property by the board as

1 authorized in [section 2].

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3 NEW SECTION. Section 5. Codification instruction. [Sections 1 and 2] are intended to be codified
4 as an integral part of Title 77, chapter 1, part 2, and the provisions of Title 77, chapter 1, part 2, apply to [sections
5 1 and 2].

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7 NEW SECTION. Section 6. Two-thirds vote required. Because [section 3] authorizes the creation of
8 state debt, Article VIII, section 8, of the Montana constitution requires a vote of two-thirds of the members of each
9 house of the legislature for passage.

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11 NEW SECTION. Section 7. Effective date. [This act] is effective on passage and approval.

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