



Montana Legislative Services Division

Office of Research and Policy Analysis

January 8, 2008

SENATE LOCAL GOVERNMENT
EXHIBIT NO. 2
DATE 1.9.09
BILL NO. SB 57
SB 58

To: Members of the Senate Local Government Committee
From: Hope Stockwell, staff, HB 49 Subcommittee

Re: Questions about SB 57 and SB 58

I have consulted with our legal director, Greg Petesch, and provide this memo to address questions raised during the hearing on January 7, 2009 for SB 57 and SB 58, sponsored by Sen. Kim Gillan.

- **SB 57 (the "Uniform Act" for special districts)**
 1. **Bonding:**
 - a. **How does this bill affect indebtedness limits?**

The county limit of 2.5% (raised from 1.4% in 2007) would apply to special districts under this bill. Special district indebtedness would count toward the county's limit. However, Mr. Petesch says no county should be near this limit.
 - b. **Who's on the hook if a bond obligation isn't met?**

This depends on how the county chooses to issue the bonds.

 - If it's a general obligation bond, the county would be on the hook.
 - If the bond is issued and payable from assessments on property in the district, then the property owners would be responsible.

A reminder that the terms of bonds issued before the effective date of this act would not change.
 - c. **Would this bill have any effect on bond ratings?**

Again, this depends on how the county chooses to issue the bonds.

 - If bonds are issued on behalf of the district, payable through assessments on property in the district, then there would be no change in existing ratings.
 - If the county issues general obligation bonds, then the rating would presumably improve, as the county is involved and would have a stronger bond rating than an individual special district.
 2. **Would special districts that aren't currently subject to audits be subject to audits?**
 - Yes, any district not currently subject to audits would be subject to county auditing provisions.
 3. **How would the tax levy process for fire districts be affected, since that statute would be repealed?**
 - In effect, there would be no effect. Tax levies for fire districts are handled the same way tax levies for counties are handled.

- **SB 58 (private negotiated sale for bonds up to \$1 million; GIS reporting requirements)**

Could bonds issued under these provisions be resold?

Mr. Petesch concurs with the assessment by Steve Turkiewicz (Montana Bankers Association) that no they could not be.

Please let me know if you have any further questions or if I can be of assistance in any way.