

## BONDING AND STATE DEBT

### LEGISLATOR NOTICE

The Legislative Services Division is required to offer a brief history on the subject matter of a bill draft request prior to drafting (5-4-105, MCA; [Chapter 309, Laws of 2017](#)). The history must include related legislation introduced over the last five sessions and hyperlinks to the bill, hearing information, and fiscal notes. The legislation links below open to the page showing the status and history of bills introduced on this topic in the past. The bill text and any related fiscal notes can be accessed through the link at the top of that page.

**Legislation can be complex and this history is not intended to be exhaustive. Please contact the drafter of the requested bill for more information.**

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### Background Materials and Research

**Topic Summary:** The Montana Constitution, at [Art. VIII, sec. 8](#), provides: “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 thereon. No state debt shall be created to cover deficits incurred because appropriations exceeded anticipated revenue.”

Thus, any legislation authorizing general obligation bonds must be approved by two-thirds of each house of the Legislature. In addition, [Art. VIII, sec. 8](#), has historically been interpreted to mean that bond proceeds cannot be used for the ongoing costs of state government operations. Debt financing may be used for the purposes of capital construction and land acquisition. Debt financing may also be used for non-continuing costs or unusual state government costs.

Although the term “state debt” is not defined in the Constitution, general obligation (GO) bonds are considered state debt because the full faith and credit and taxing powers of the state are pledged for these bonds. Typically, House Bill No. 14 is a proposed bonding bill; however, a bonding bill authorizing general obligation bonds has not passed for several legislative sessions.

### Legislative Fiscal Division Materials:

[Bonding and Debt Service](#) May 2017

[Understanding State Finances & The Budgeting Process](#) 2017

### Other Materials:

[State of Montana Legislative Finance Committee State G.O. Debt Comparison](#) September 2018

## Introduced Legislation

### 2017

[House Bill 14](#) -- Died in Process -- AN ACT ENTITLED: "AN ACT CREATING THE JOBS IN MONTANA ACT; PROVIDING FUNDING AND AUTHORIZATION FOR CAPITAL AND INFRASTRUCTURE PROJECTS STATEWIDE; CREATING THE STATE TO COMMUNITY BOND ACCOUNT FOR GRANTS AND LOANS AND THE STATE AND LOCAL INFRASTRUCTURE ACCOUNT; APPROPRIATING MONEY TO THE DEPARTMENT OF ADMINISTRATION FOR CAPITAL PROJECTS AND FOR THE CONSTRUCTION OF THE STATE VETERANS' HOME IN SOUTHWESTERN MONTANA; APPROPRIATING MONEY TO THE DEPARTMENTS OF COMMERCE AND NATURAL RESOURCES AND CONSERVATION FOR GRANTS AND LOANS TO STATE AND LOCAL ENTITIES FOR PROJECTS AND IMPROVEMENTS; PRIORITIZING PROJECT GRANTS AND LOANS; AUTHORIZING PROJECT GRANTS AND LOANS AND AMOUNTS; APPROPRIATING MONEY TO THE DEPARTMENT OF COMMERCE AND AUTHORIZING THE INTEGRATED TESTING CENTER; REAUTHORIZING PROJECT GRANTS AND LOANS AUTHORIZED BY THE 64TH LEGISLATURE; ESTABLISHING CONDITIONS FOR GRANTS AND LOANS; REQUIRING LOCAL GOVERNMENTS TO PROVIDE MATCHING FUNDS FOR PROJECTS BASED ON A FORMULA; CREATING RULEMAKING AUTHORITY; PROVIDING FOR OTHER MATTERS RELATING TO THE APPROPRIATIONS; AUTHORIZING THE CREATION OF STATE DEBT THROUGH THE ISSUANCE OF GENERAL OBLIGATION BONDS; AUTHORIZING TRANSFERS TO THE GENERAL FUND; CLARIFYING THAT CERTAIN ACCOUNTS ARE SUBJECT TO LEGISLATIVE FUND TRANSFERS; AMENDING SECTIONS 15-10-420, 15-38-302, 17-5-703, 20-9-516, 90-6-701, AND 90-6-715, MCA; AMENDING SECTION 2, CHAPTER 461, LAWS OF 2009; AMENDING SECTION 5, CHAPTER 324, LAWS OF 2011; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

### 2015

[House Bill 5](#) -- Died in Process -- AN ACT ENTITLED: "AN ACT CREATING THE BUILD MONTANA ACT; AUTHORIZING THE CREATION OF STATE DEBT THROUGH THE ISSUANCE OF GENERAL OBLIGATION BONDS AND COAL SEVERANCE TAX BONDS; APPROPRIATING THE PROCEEDS OF THE BONDS FOR STATE AND LOCAL PROJECTS AND IMPROVEMENTS; APPROPRIATING MONEY FOR AND AUTHORIZING CAPITAL PROJECTS FOR THE BIENNIUM ENDING JUNE 30, 2017; APPROPRIATING MONEY TO THE DEPARTMENTS OF COMMERCE AND NATURAL RESOURCES AND CONSERVATION FOR GRANTS AND LOANS TO STATE AND LOCAL ENTITIES AND REGIONAL WATER AUTHORITIES FOR PROJECTS AND IMPROVEMENTS; APPROPRIATING COAL SEVERANCE TAXES FOR DEBT SERVICE; PRIORITIZING PROJECT GRANTS AND AMOUNTS; AUTHORIZING PROJECT GRANTS AND LOANS AND AMOUNTS; REAUTHORIZING PROJECT GRANTS AND LOANS AUTHORIZED BY THE 63RD LEGISLATURE; ESTABLISHING CONDITIONS FOR GRANTS AND LOANS; EXPANDING RULEMAKING AUTHORITY; CREATING THE LOCAL GOVERNMENT PROJECTS AND IMPROVEMENTS BOND PROCEEDS ACCOUNT; PROVIDING FOR OTHER MATTERS RELATING TO THE APPROPRIATIONS; AMENDING SECTIONS 90-6-701 AND 90-6-710, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND TERMINATION DATES."

[House Bill 14](#) -- Died in Process -- AN ACT ENTITLED: "AN ACT AUTHORIZING THE CREATION OF STATE DEBT THROUGH THE ISSUANCE OF GENERAL OBLIGATION BONDS TO CREATE THE BROADBAND DEVELOPMENT FUND; TRANSFERRING BOND PROCEEDS TO THE DEPARTMENT OF COMMERCE TO FUND GRANTS FOR BROADBAND INFRASTRUCTURE PROJECTS; PROVIDING RULEMAKING AUTHORITY; ESTABLISHING CRITERIA

FOR GRANTS; PROVIDING AN APPROPRIATION; AND PROVIDING AN EFFECTIVE DATE AND A TERMINATION DATE."

**2013**

[House Bill 14](#) -- Died in Process -- 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 CAPITAL PROJECTS FOR THE BIENNIUM ENDING JUNE 30, 2015; PROVIDING FOR MATTERS RELATING TO APPROPRIATIONS; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

**2011**

[House Bill 439](#) -- Died in Process -- AN ACT ENTITLED: "AN ACT AUTHORIZING THE CREATION OF STATE DEBT THROUGH THE ISSUANCE OF GENERAL OBLIGATION BONDS SUBJECT TO A STATE GENERAL FUND REVENUE CERTIFICATION BY THE DEPARTMENT OF ADMINISTRATION; APPROPRIATING THE PROCEEDS OF THE BONDS FOR UNIVERSITY SYSTEM BUILDING PROJECTS AND OTHER CAPITAL PROJECTS; PROVIDING FOR MATTERS RELATING TO APPROPRIATIONS; AND PROVIDING EFFECTIVE DATES."