

MINUTES OF THE
MEETING OF THE SENATE COMMITTEE
ON GOVERNMENT AFFAIRS

SIXTY-FIRST SESSION
NEVADA STATE LEGISLATURE
March 11, 1981

The Senate and Assembly Committees on Government Affairs were called to order by Co-Chairman Joseph E. Dini, at 2:08 p.m., Wednesday, March 11, 1981, in Room 131 of the Legislative Building, Carson, City, Nevada. Exhibit A is the Meeting Agenda. Exhibit B is the Attendance Roster.

COMMITTEE MEMBERS PRESENT:

Senator James I. Gibson, Co-Chairman
Senator Jean Ford
Senator Keith Ashworth
Senator Gene Echols
Senator Virgil Getto
Senator James Kosinski
Senator Sue Wagner
Assemblyman Joseph Dini, Co-Chairman
Assemblyman James Schofield
Assemblyman Robert Craddock
Assemblyman John DuBois
Assemblyman John Jeffrey
Assemblyman Paul May
Assemblyman Donald Mello
Assemblyman David Nicholas
Assemblyman John Polish
Assemblyman Paul Prengaman
Assemblyman Kenneth Redelsperger

STAFF MEMBERS PRESENT:

Anne Lage, Committee Secretary

SENATE BILL NO. 263

Establishes municipal bond bank in office of state treasurer.

ASSEMBLY BILL NO. 189

Establishes municipal bond bank in office of state treasurer.

Mr. Stanton Colton, State Treasurer, testified that there has been a problem with local entities issuing at reasonable

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rates bonds to support construction improvement, expansion and existing water and sewer facilities. There has been a problem of the marketability of these bonds, even at the high interest rates. It was the intent of the bond bank legislation to provide (1) an easier market and (2) a savings for local governments through state assistance. The bond bank would operate by agreeing to purchase local level government bonds secured by the general obligation revenues of those local governments. The state would in turn issue general obligation bonds of the state and pass on through to the local governments, the states rating which is AA. (This would mean that the state would be able to sell the bonds at a reduced rate of interest over what the local governments could do.)

For providing this service, there would be no cost to the state, rather a potential for cash gain. The bond bank would issue the bonds after it was agreed to purchase the local level bonds, then hold the proceeds from the bond sale for a three month period. The local level government would then make its first payment six months after it received its money from the state. The state would make its first payment to its bond purchasers at the end of one year.

The bonds that would be sold under this legislation are those bonds which are considered to be in the area of conservation and preservation of natural resources. Mr. Colton indicated that the state did not want to encumber the state's one percent limitation on its bond debt level.

An amendment to the constitution was being proposed which would allow the state to issue general obligation bonds for projects which go beyond the scope of the conservation and preservation of natural resources.

Co-Chairman Dini asked for clarification as to whether this would prevent a local government from selling their own bonds if this was their preference. Mr. Colton replied that the bond bank would not prevent local governments from doing this.

Mr. Colton presented the committee with a preliminary outline of proposed regulations for the bond bank. See Exhibit C.

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He also included a chart with an estimate of savings to the municipalities. See Exhibit D.

Senator Wagner questioned Mr. Colton as to the number of states that have already implemented bond banks. Mr. Colton replied that there were four states and one territory; Maine, Vermont, North Dakota, Alaska and Puerto Rico.

In response to Senator Kosinski's questioning, Mr. Colton explained that the state treasurer's office would make the determination as to which counties would receive the use of these funds according to criteria required in the statute of the rules and regulations.

Assemblyman Paul May voiced concern over the state treasurer's office having sole control of these monies. Assemblyman May also questioned Mr. Colton as to whether he would consider an amendment which would prohibit use of these monies as a refinancing vehicle for existing projects presently financed by local governments. Mr. Colton indicated that such an amendment would not create any problems. However, he did clarify this by stating that if they had issued bonds at a higher rate and the rates moved down, they would want the authorization to refinance to get the lower rates.

Senator Ford questioned Mr. Michael Cheroutes, Attorney with Sherman and Howard of Denver, Colorado, as to why a limit of \$100,000,000 had been placed in this legislation. Mr. Cheroutes testified that research had been done with regard to future requests for bonds and according to this, \$100,000,000 was considered to be sufficient to meet those needs. If the needs did exceed that amount, Mr. Cheroutes pointed out that an amendment could be made in the next session to increase that figure.

By accepting this additional liability by the state, Assemblyman DuBois questioned if there was a possibility that the state's AA rating might be jeopardized. Mr. Henry Chanin, Burrows Smith and Company, replied that the financing was so secure at so many levels that it would be very difficult to jeopardize the state's rating.

Senator Echols inquired how many states had ceilings on bond interest. Mr. Chanin did not know this figure, however he

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did state that twenty-seven states have acted within the last twelve months by raising or eliminating their ceilings.

Senator Kosinski questioned Mr. Colton as to whether Senate Bill No. 263 and Assembly Bill No. 189 were identical. Mr. Colton indicated that the content was the same in both bills.

Mr. Colton distributed proposed amendments to the committee members and advised them that these amendments were technical in nature. See Exhibit E.

Senator Keith Ashworth questioned if there was anything in these bills that would prohibit the state from buying municipal or county bonds that were issued without an election. Mr. Hal Smith, Burrows, Smith and Company, responded that as long as it were valid to issue the bonds without an election, there was nothing that would prohibit the state from buying them. He did not feel that an amendment to this effect would hamper the effectiveness of this bill.

Mr. Hal Smith testified that last fall his company was approached by Mr. Colton suggesting the state bond bank concept. This piece of legislation was an important initial step, without cost to the state of Nevada, in providing some of the services that the state can provide with its best credit rating. Mr. Smith felt that these bills should be supported by favorable legislative action.

As there were no further questions relating to Senate Bill No. 263 and Assembly Bill No. 189, the joint hearing was adjourned at 3:25 p.m. The Senate Committee on Government Affairs reconvened in Room 243 for the remainder of their hearings at 3:35 p.m.

SENATE BILL NO. 293

Enlarges legislative grounds.

Senator Jacobsen gave the background of this bill. In anticipation of a parking problem, a proposal was presented

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to the Board of Examiners requesting acquisition of the piece of property surrounded by Fifth, Fourth, Fall and Stewart streets for the purpose of turning it into a parking lot for legislative staff personnel. The Board of Examiners denied this request. After this happened, the Legislative Commission decided the only positive way to go would be to bring this property under jurisdiction of the Legislature. By doing this they could provide fifty-four parking spots with only eliminating three or four trees out of the present fourteen.

Senator Ford moved "Do Pass" on Senate Bill No. 293.

Senator Getto seconded the motion.

The motion carried. (Senator Kosinski voted "No".)

ASSEMBLY BILL NO. 6

Makes certain changes relating to destruction of public records by clerk of court.

Mr. Ted Thornton, Carson City Clerk, testified that he was in support of this bill. It would primarily create more storage space. Mr. Thornton explained that court records would not be destroyed until after all the appeal processes were completed.

Chairman Gibson acknowledged a copy of a letter he had received from the Supreme Court to the archivist stating their support of this bill.

Mr. Bryce Wilson, Nevada Association of Counties, testified that all counties he had contacted were enthusiastic about this bill.

Mr. Patrick Pine, Clark County, testified that he believed Assemblyman Banner introduced this bill at the request of Loretta Bowman, Clark County Clerk. Although she was unable to appear, she was in support of Assembly Bill No. 6 and its amendments.

Senator Ford requested that the Supreme Court be included in this bill.

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Senator Getto moved "Amend and Do Pass" on Assembly Bill No. 6.

Senator Ford seconded the motion.

The motion carried unanimously.

Chairman Gibson assigned Senator Ford to follow up on the amendment to include the Supreme Court.

ASSEMBLY BILL NO. 75

Changes procedure for notifying elector of cancellation of registration.

Mr. William Swackhamer, Secretary of State, testified that this bill was instituted at his request. He asked the committee to consider the following two amendments: (1) Put in a date by which the affidavits should be returned (preferably 60 days), and (2) take out the requirement that these affidavits be notarized.

Mr. Bryce Wilson, Nevada Association of Counties, testified that he was sceptical of the validity of returned postcards. He felt that the bill was good without any amendments.

Mr. Ted Thornton, Carson City Clerk, was in support of this bill with the elimination of the bracketed area.

Mr. Gene McDowell, Washoe County Registrar of Voters, testified that this year in Washoe County, 10,222 cards had been sent out to voters who had not participated in the last general election. Of those only 910 had been returned of which only 210 were notarized.

Senator Wagner moved "Do Pass" on Assembly Bill No. 75.

Senator Getto seconded the motion.

The motion passed unanimously.

SENATE BILL NO. 267

Transfers responsibility for distribution and sale of Nevada Reports to supreme court.

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Mr. Swackhamer responded to the possibility of using the basement of the Capitol as a storage and distribution area for the Nevada Reports. He testified that they had gone to microfilming in an effort to conserve space. The extra space in the basement is only temporary. Therefore, they were not in favor of taking over the responsibility of the Nevada Reports.

Mr. Swackhamer suggested establishing a central mailing place which would house all public reports.

Senator Kosinski moved "Indefinite Postponement" on Senate Bill No. 267.

Senator Keith Ashworth seconded the motion.

The motion carried unanimously.

SENATE BILL NO. 4

Established procedure for purchase and sale of real property by counties, cities and school districts for industrial development and housing.

Senator Keith Ashworth moved "Amend and Re-refer" on Senate Bill No. 4.

Senator Wagner seconded this motion.

The motion carried unanimously.

SENATE BILL NO. 342

Makes various amendments to law relating to state public works board.

Senator McCorkle testified that this bill was a result of the interim study committee on the state public works. Senator McCorkle explained the six major parts of this bill.

Mr. William Hancock, Public Works Board, testified that six months could be saved in time with this bill.

Senator McCorkle explained that the central element of this bill was that they were giving the board the same flexibility to negotiate the best deal as a private developer would have in today's economy. But, there were controls. One control

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was that the architect was separate from the contractor and selected by the board in advance. Secondly, contractors who qualify for this system must be approved by the board.

Senator Kosinski inquired as to why Nevada Revised Statute No. 341.090 in the bill made reference to appropriated or authorized expenditures while none of the other sections refer to authorized. Mr. Hancock replied that he believed appropriated should be included in the other sections and he would review the bill with regard to this.

Senator Keith Ashworth moved "Amend and Do Pass" on Senate Bill No. 342.

Senator Getto seconded the motion.

The motion carried unanimously.

SENATE BILL NO. 295

Authorizes school districts to issue bonds approved by electors before effective date of act at any rate of interest.

The committee decided to hold this bill for further consideration.

BILL DRAFT REQUEST NO. 20-1289*

Removes distinction based on sex from requirements to serve on posse.

BILL DRAFT REQUEST C-1292**

Proposes constitutional amendment to remove Lieutenant Governor as president of the Senate.

The committee agreed to submit these Bill Draft Requests for committee introduction.

There being no further business, meeting was adjourned at 5:15 p.m.

*SB 402
**SJR 29

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Respectively submitted by:

Anne L. Lage
Anne L. Lage, Secretary

APPROVED BY:

James I. Gibson
Senator James I. Gibson, Chairman
DATE: March 18, 1981

SENATE AGENDA

REVISED 3/5/81

COMMITTEE MEETINGS

Committee on Government Affairs , Room 243 .

Day Wednesday , Date March 11 , Time 2:00 p.m. .

JOINT HEARING OF THE SENATE AND
ASSEMBLY COMMITTEES ON GOVERNMENT AFFAIRS

S. B. No. 263--Establishes municipal bond bank in office of state treasurer.

A. B. No. 189--Establishes municipal bond bank in office of state treasurer.

Senator Joe Neal
Stan Colton, State Treasurer
Hal Smith, Municipal Government

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S. B. No. 293--Enlarges legislative grounds.

Senator Jacobsen, Prime Sponsor
Art Palmer, Administrative Director

S. B. No. 342--Makes various amendments to law relating to state public works board.

Senator McCorkle, Prime Sponsor
William Hancock, Public Works Board

A. B. No. 6--Makes certain changes relating to destruction of public records by clerk of court.

Assemblyman Banner, Prime Sponsor
Bryce Wilson, Nevada Association of Counties

A. B. No. 75--Changes procedure for notifying elector of cancellation of registration.

Assemblyman Glover, Prime Sponsor
William Swackhamer, Secretary of State
Bryce Wilson, Nevada Association of Counties

NEVADA MUNICIPAL BOND BANK
PRELIMINARY OUTLINE OF PROPOSED REGULATIONS

EXHIBIT C

1. Any municipality may request consideration of a project for natural resources purposes as an eligible loan project under the Nevada Bond Bank Law.
2. To the extent possible, the municipality shall forward to the State Treasurer a copy of its project proposal concurrently with the submission of such proposal to the general obligation bond commission in the county in which it is situated. In addition to any other relevant information, the proposal shall contain:
 - a. A description of the proposed project;
 - b. The maximum amount of financing required for the project, including a break-down of costs;
 - c. An estimate of the time-table required to complete the project; and
 - d. A statement of financial feasibility accompanied by an analysis of the revenue sources to be utilized in the operation and maintenance of the project and in making debt service payments on the proposed financing.
3. Subsequent to the approval of the proposal by the general obligation bond commission of the county in which the municipality is situated, the State Treasurer shall forward to the governing body of the municipality a conditional letter of commitment to finance the proposed project as an eligible loan project or a letter detailing why the proposed project is not eligible.
4. Eligibility of a proposed project shall be based upon the following:
 - a. The natural resources purpose of the project;
 - b. The financial feasibility of the project; and
 - c. The availability of funds for loan projects under the Nevada Bond Bank Law.
5. If, at any time, the availability of uncommitted funds for loan projects under the Nevada Bond Bank Law shall be less than the dollar amount of funds required to finance loan projects submitted for consideration, the State Treasurer shall give priority to loan projects which if otherwise financed would require prohibitive interest costs and to loan projects involving the removal of an immediate threat to the health, safety or property of a municipality's citizens.
6. Any general obligation municipal securities purchased by the State in connection with a loan project shall:
 - a. Be accompanied by an unqualified opinion of bond counsel as to validity and enforceability;
 - b. Be registrable in the name of the state as to principal, interest, and any prior redemption premium due in connection therewith; and
 - c. Mature, bear interest at such rate or rates, and provide other details based upon the like provisions in the state general obligation securities issued in connection with the loan project.

7. Notwithstanding (c) above, the respective issuance and payment dates of general obligation state securities and related general obligation municipal securities shall be staggered so as to provide adequate time periods for the appropriate transfers of revenues through the bond bank fund and the investment of monies held in that fund to generate investment income sufficient to pay all and any of the operation and maintenance expenses incurred by the state in connection with loan projects under the Nevada Bond Bank Law.
8. Any municipality may request the State Treasurer to provide assistance in connection with a loan project, including but not limited to contracting for any engineering, legal, financial or other professional services.
9. Costs of issuance incurred by the state in connection with general obligation state or municipal securities shall be capitalized from the proceeds of such securities, and the appropriate share of such costs shall be due and payable to the state upon delivery of general obligation municipal securities.
10. The operation and administration of loan projects under the Nevada Bond Bank Law shall become a part of the budget of the office of the State Treasurer.

EXHIBIT D

NEVADA MUNICIPAL BOND BANK

Present estimates of net interest rate for 20-year general obligation bonds rated as follows:

Aa (State)	10.00%
A	10.50%
Baa	11.25%
No rating	12.50% (or not marketable at all)

Estimate of savings in interest costs to municipalities based upon full utilization of the \$100,000,000 authorization if the average spread in rates is:

.50%	\$ 8,067,281
.75%	\$ 12,137,715
1.25%	\$ 20,349,719

PROPOSED AMENDMENTS TO
ASSEMBLY BILL NO. 189
SENATE BILL NO. 263

EXHIBIT E

EXPLANATION--Matter in italics is new; matter in brackets []
is material to be omitted.

AN ACT relating to public borrowing and bonds; providing for a municipal bond bank in the office of the state treasurer; granting powers to and imposing duties upon the bank; and providing other matters properly relating thereto.

The People of the State of Nevada, represented in Senate and Assembly, do enact as follows:

SECTION 1. Title 30 of NRS is hereby amended by adding thereto a new chapter to consist of the provisions set forth as sections 2 to 21, inclusive, of this act.

SEC. 2. The legislature finds that:

1. It is in the public interest to foster and promote the protection and preservation of [public] the property and natural resources of the State of Nevada, and to obtain the benefits thereof [of that property and those resources]; and that the state should encourage and assist municipalities in undertaking local projects for such purposes by making loans to municipalities which might not be

otherwise available or which might be available only at prohibitive interests rates; and

2. The making of such loans and the issuing of general obligation state securities therefor [as general obligations] are necessary, expedient, and advisable for the protection and preservation of the property and natural resources of the State of Nevada and for obtaining the benefits thereof [its municipalities and the natural resources of the state].

SEC. 3. As used in this chapter, the words and terms defined in sections 4 to 13, inclusive, of this act have the meanings ascribed to them in those sections.

SEC. 4. "Board" means the state board of examiners.

SEC. 5. "Cost of a loan project" means all or [a] any designated part of the cost of any loan project, including any incidental cost pertaining to [the] such project. The cost of a loan project may include, without limitation [among other costs], the costs of:

1. Surveys, audits, preliminary plans, other plans, specifications, estimates and other costs of preparations.

2. Appraising, printing, estimating, advice, services of engineers, architects, financial consultants, attorneys, clerical personnel and other agents and employees.

3. Publishing, posting, mailing and otherwise giving notice, filing or recording instruments, taking options and fees to banks.

4. Establishment of a reserve for contingencies.

5. Interest on general obligation state securities [issued as general obligations] for any time which does not exceed [1 year] 3 years, discounts on such state securities, reserves for the payment of the principal of and interest on such securities, replacement expenses and other costs of issuing such securities.

6. Amending any resolution or other instrument authorizing the issuance of, or otherwise relating to, general obligation state securities for [the] any loan project.

7. Funding [S]short-term financing.

SEC. 6. "Expenses of operation and maintenance" means any reasonable and necessary current expense of the state for the operation, maintenance or administration of a loan project or of the collection and administration of loan project revenues [from a project]. The term includes, [among other expenses] without limitation:

1. Expenses for engineering, auditing, reporting, legal services and other expenses of the state treasurer which are directly related to the administration of loan projects.

2. Premiums for fidelity bonds and policies of property and liability insurance pertaining to loan projects, and shares of the premiums of blanket bonds and policies which may be reasonably allocated to [the state] loan projects.

3. Payments to pension, retirement, health insurance and other insurance funds.

4. Reasonable charges made by any paying agent, commercial bank, trust company or other depository bank pertaining to any general obligation state securities.

5. Services rendered under the terms of contracts, services of professionally qualified persons, salaries, administrative expenses and the cost of materials, supplies and labor pertaining to the issuance of any general obligation state securities, including the expenses of any trustee, receiver or other fiduciary.

6. Costs incurred in the collection and any refund of loan project revenues [from the project], including the amount of the refund.

SEC. 7. "General obligation [M]unicipal securities" means notes, warrants, interim debentures, bonds and temporary bonds validly issued by a municipality under any other act for [the] a purpose related to [of conserving] natural resources which are payable from taxes, or payable from taxes and additionally secured by any municipal revenues available therefor [revenues derived from the project or projects, or both taxes and revenues].

SEC. 8. "Municipality" means county, city, town, school district, general improvement district and other district other than an irrigation district.

SEC. 9. "Loan p[P]roject" means any undertaking which the state is authorized to complete in connection with loans to municipalities made by the purchase of general obligation municipal

securities [which were] validly issued for a purpose related to natural resources.

SEC. 10. "Purpose related to natural resources" means, a purpose necessary, expedient or advisable for the protection and preservation of any [public] property or natural resources of [in] the state, or for obtaining the benefits thereof, including , without limitation, water projects, sewer projects, and park projects which preserve natural landscape or wildlife habitat or both[, and other similar projects].

SEC. 11. "Loan project revenues [Revenues of a loan project]" means any money, except the proceeds of taxes levied by the state, received by the state treasurer from or in respect to any loan projects, including, without limitation:

1. Money derived from any source of revenue connected with [the] a loan project, including , without limitation, payments by a municipality of the principal, interest or redemption premium of any general obligation municipal security, and any other income derived from the operation or administration of [the] a loan project or the sale or other disposal of general obligation municipal securities or other assets acquired in connection with a loan project;

2. Loans, grants or contributions to the state from the Federal Government for the payment of the principal, interest and redemption premiums [in connection with] of general obligation state securities; [and]

3. Fees or charges paid by a municipality in connection with a loan project [.]; and

4. Money derived from the investment and reinvestment of any of the foregoing.

SEC. 12. "General obligation [S]state securities" means notes, warrants, interim debentures, bonds and temporary bonds issued by the state pursuant to this chapter for any loan project which are payable from taxes, or payable from taxes and additionally secured by a pledge of all or any designated loan project revenues [revenues derived from the project or projects, or both taxes and revenues].

SEC. 13. "Taxes" means [a] general (ad valorem) property taxes.

SEC. 14. In order to protect and preserve [public] the property and [the] natural resources of the state, and to obtain the benefits thereof, the state treasurer may make loans to municipalities by purchasing their general obligation municipal securities validly issued for a purpose[s] [relating] related to natural resources.

SEC. 15. 1. The state treasurer is the administrator of the municipal bond bank.

2. In his capacity as administrator, the state treasurer may:

(a) Sue and be sued;

(b) Acquire and hold general obligation municipal securities, and exercise all of the rights of holders of those securities;

(c) Sell or otherwise dispose of general obligation municipal securities and assets acquired in connection with those securities, unless limited by any agreement which relates to such [the] securities;

(d) Make contracts and execute all necessary or convenient instruments [Enter the agreements and execute instruments necessary or convenient to the purchase, holding and sale of securities];

(e) Accept grants of money from the Federal Government, the state, any agency or political subdivision, or any other person;

(f) Adopt regulations relating to loan projects and the administration of loan projects;

(g) Employ for himself or for any municipality, any necessary legal, fiscal, engineering and other expert services in connection with loan projects and with the authorization, sale and issuance of general obligation state securities and general obligation municipal securities;

(h) Enter into agreements and arrangements consistent with the provisions of this chapter with respect to the issuance of general obligation state securities and the purchase of general obligation municipal securities; and

(i) Undertake other matters which he determines to be necessary or desirable in accomplishing the purposes of this chapter.

SEC. 16. 1. The board may, at the request of the state treasurer, borrow money or otherwise become obligated for the purpose of paying the cost of any loan project, and may provide evidence of [the] such obligations by issuing general obligation state securities.

2. General obligation state [S] securities may be issued pursuant to this chapter in an aggregate principal amount of not more than \$100,000,000.

3. General obligation [S] state securities must be payable from taxes, [and] may be additionally secured by all or any designated loan project revenues, and may be issued without an election or other preliminaries [of one or more projects].

4. Provisions of the State Securities Law which are not inconsistent with the provisions of this chapter apply to the issuance of general obligation state securities [issued pursuant to this chapter].

SEC. 17. The board shall determine the rate or rates of interest which general obligation state securities are to bear. [The] Such securities may be sold at par, above par, or below par at a discount determined by the board.

SEC. 18. A municipality may sell its general obligation municipal securities [connected with a project] to the state at

private sale and may pay and obligate itself to pay to the state fees or charges in connection with any loan project.

SEC. 19. 1. All loan project revenues [received by the state treasurer from projects] must be deposited in the fund for the municipal bond bank in the state treasury, which is hereby created.

2. [Money in the fund, including interest received from the investment of the money in the fund,] Any loan project revenues in the fund must be applied in the following order of priority:

(a) Deposited into the consolidated bond interest and redemption fund created pursuant to NRS 349.090 in amounts necessary to pay the principal of, interest on and redemption premiums due in connection with general obligation state securities issued pursuant to this chapter.

(b) Deposited into [a] any reserve account created for [the purpose by the state treasurer for] the payment of the principal of, interest on and redemption premiums due in connection with general obligation state securities issued pursuant to this chapter, in amounts and at times determined to be necessary, [by the state treasurer.]

(c) Payment of exepenses of operation and maintenance.

(d) On July 1 of each odd-numbered year, any uncommitted balance in the fund deposited into [deposit of the uncommitted balance in the fund in] the state general fund.

SEC. 20. As the provisions of this chapter are necessary to secure the public health, safety, convenience and welfare, the

chapter must be construed liberally to put its provisions into effect.

SEC. 21. 1. The powers conferred by this chapter are in addition to the powers conferred by any other law.

2. Securities may be issued pursuant to this chapter without regard to any procedure required by law, other than those set forth in this chapter or in the State Securities Law.

SEC. 22. This act shall become effective upon passage and approval.