

## HOUSE BILL NO. 460

INTRODUCED BY CLARK, WINDY BOY, ELLIOTT, SHOCKLEY

1  
2  
3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT LIMITING THE FINANCIAL RESPONSIBILITY METHODS  
5 ACCEPTABLE FOR RECLAMATION ASSURANCE UNDER THE METAL MINE RECLAMATION LAW;  
6 ~~REQUIRING A BOARD OF ENVIRONMENTAL REVIEW HEARING TO APPROVE ANY PROPOSED SURETY~~  
7 ~~OR WRITTEN UNDERTAKING~~; AMENDING SECTION 82-4-338, MCA; AND PROVIDING AN IMMEDIATE  
8 EFFECTIVE DATE."

9  
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11  
12 **Section 1.** Section 82-4-338, MCA, is amended to read:  
13 **"82-4-338. Performance bond.** (1) An applicant for an exploration license or operating permit shall file  
14 with the department a bond payable to the state of Montana with surety satisfactory to the department in the sum  
15 to be determined by the department of not less than \$200 for each acre or fraction of an acre of the disturbed  
16 land, conditioned upon the faithful performance of the requirements of this part, the rules of the board, and the  
17 permit. In lieu of a bond, the applicant may file with the department a cash deposit, an assignment of a certificate  
18 of deposit, or an irrevocable letter of credit, ~~or other surety acceptable to the department~~. The bond may not be  
19 less than the estimated cost to the state to ensure compliance with Title 75, chapters 2 and 5, this part, the rules,  
20 and the permit, including the potential cost of department management, operation, and maintenance of the site  
21 upon temporary or permanent operator insolvency or abandonment, until full bond liquidation can be effected.  
22 A public or governmental agency may not be required to post a bond under the provisions of this part. A blanket  
23 performance bond covering two or more operations may be accepted by the department. A blanket bond must  
24 adequately secure the estimated total number of acres of disturbed land.

25 (2) (a) The department may calculate one or more reclamation plan components within its jurisdiction  
26 with the assistance of one or more third-party contractors selected jointly by the department and the applicant  
27 and compensated by the applicant when, based on relevant past experience, the department determines that  
28 additional expertise is necessary to calculate the bond amount for reclamation plan components. The  
29 department may contract for assistance pursuant to this subsection in determining bond amounts for the initial  
30 bond and for any subsequent bond review and adjustment. The mine owner is responsible for the first \$5,000

1 in contractor services provided under this subsection. The mine owner and the department are each responsible  
2 for 50% of any amount over \$5,000.

3 (b) To select a third-party contractor as authorized in subsection (2)(a), the department shall prepare  
4 a list of no fewer than four contractors acceptable to the department and shall provide the applicant with a copy  
5 of the list. The applicant shall provide the department with a list of at least 50% of the contractors from the  
6 department's list. The department shall select its contractor from the list provided by the applicant.

7 (3) (a) The department shall conduct an overview of the amount of each bond annually and shall  
8 conduct a comprehensive bond review at least every 5 years. The department may conduct additional  
9 comprehensive bond reviews if, after modification of a reclamation or operation plan, an annual overview, or an  
10 inspection of the permit area, the department determines that an increase of the bond level may be necessary.  
11 The department shall consult with the licensee or permittee if a review indicates that the bond level should be  
12 adjusted. When determined by the department that the set bonding level of a permit or license does not  
13 represent the present costs of compliance with this part, the rules, and the permit, the department shall modify  
14 the bonding requirements of that permit or license. The licensee or permittee must have 60 days to negotiate  
15 the preliminary bond determination with the department, at the end of which time period the department shall  
16 issue the proposed bond determination. The department shall give the licensee or permittee a copy of the bond  
17 calculations that form the basis for the proposed bond determination and, for operating permits, publish notice  
18 of the proposed bond determination in a newspaper of general circulation in the county in which the operation  
19 is located. The department shall issue a final bond determination in 30 days. Unless the licensee or permittee  
20 requests a hearing under subsection (3)(b) ~~or a board hearing is required under subsection (3)(c)~~, the licensee  
21 or permittee shall post bond with the department in the amount represented by the final bond determination no  
22 later than 30 days after issuance of the final bond determination. If the licensee or permittee demonstrates that,  
23 through the exercise of reasonable diligence, the licensee or permittee will not be able to post the bond within  
24 30 days, the department shall grant a 30-day extension of the deadline.

25 (b) The permittee or any person with an interest that may be adversely affected may obtain a contested  
26 case hearing before the board under the provisions of the Montana Administrative Procedure Act, Title 2, chapter  
27 4, part 6, on the final bond determination by filing with the department, within 30 days of the issuance of the final  
28 bond determination, a written request for hearing stating the reason for the request. The request for hearing must  
29 specify the amount of bond increase, if any, that the licensee or permittee considers appropriate and state the  
30 reasons that the licensee or permittee considers the department's final bond determination to be excessive. As

1 a condition precedent to any right to request a hearing, the licensee or permittee shall post bond with the  
 2 department in the amount of the bond increase that the licensee or permittee has stated is appropriate in the  
 3 request for hearing or the amount that is one-half of the increase contained in the department's final bond  
 4 determination, whichever amount is greater. If the board determines that additional bond is necessary, the  
 5 licensee or permittee shall post bond in the amount determined by the board within 30 days of receipt of the  
 6 board's decision. If the licensee or permittee demonstrates that, through the exercise of reasonable diligence,  
 7 the licensee or permittee will not be able to post the bond within 30 days, the department shall grant a  
 8 reasonable extension of the deadline.

9 (c) (f) A bond required pursuant to subsection (3)(a) or (3)(b) must be a surety bond, a cash deposit,  
 10 an assignment of a certificate of deposit, an irrevocable letter of credit, or other surety or written undertaking  
 11 proposed by the applicant. Other sureties or written undertakings proposed by the applicant must meet all of the  
 12 following criteria:

13 (A)(i) the surety or written undertaking must be capable of being evaluated by an independent appraiser  
 14 who is an expert in the field;

15 (B)(ii) the surety or written undertaking must be convertible to a liquid asset that has a cash value equal  
 16 to or greater than the value of the required bond amount; and

17 (C)(iii) the title to the surety or written undertaking must be held in the name of the state or in a manner  
 18 that maximizes the state's recovery of value in any subsequent bankruptcy or other insolvency or collection  
 19 proceeding initiated by or against the applicant.

20 ~~(ii) The board shall conduct a hearing, with opportunity for public comment, to approve any surety or~~  
 21 ~~written undertaking proposed by the applicant, other than a surety bond, a cash deposit, an assignment of a~~  
 22 ~~certificate of deposit, or an irrevocable letter of credit.~~

23 ~~(e)(d)~~ If a licensee or permittee fails to post bond in accordance with subsection (3)(a), or (3)(b), or (3)(c)  
 24 in the required amounts by the required deadlines, the license or permit is suspended by operation of law and  
 25 the licensee or permittee shall immediately cease mining and exploration operations until the required bond is  
 26 posted with and approved by the department.

27 (4) A bond filed in accordance with the provisions of this part may not be released by the department  
 28 until the provisions of this part, the rules adopted pursuant to this part, and the permit have been fulfilled.

29 (5) A bond filed for an operating permit obtained under 82-4-335 may not be released or decreased until  
 30 the public has been provided an opportunity for a hearing and a hearing has been held if requested. The

1 department shall provide reasonable statewide and local notice of the opportunity for a hearing, including but  
2 not limited to publishing the notice in newspapers of general daily circulation.

3 (6) All bonds required in accordance with the provisions of this section must be based upon reasonably  
4 foreseeable activities that the applicant may conduct in order to comply with conditions of an operating permit  
5 or license. Bonds may be required only for anticipated activities as described in subsection (1). Only those  
6 activities that themselves or in conjunction with other activities have a reasonable possibility of occurring may  
7 be bonded. Bond calculations, including calculations for the initial bond or for subsequent bond reviews and  
8 adjustments, may not include amounts for any occurrence or contingency that is not a reasonably foreseeable  
9 result of any activity conducted by the applicant.

10 (7) At the applicant's discretion, bonding in addition to that required by this section may be posted.  
11 These unobligated bonds may, on the applicant's request, be applied to future bonds required by this section.

12 (8) (a) If the department determines that there exists at an area permitted or licensed under this part  
13 an imminent danger to public health, safety, or the environment caused by a violation of this part, the rules  
14 adopted pursuant to this part, or the permit or license and if the permittee or licensee fails or refuses to  
15 expeditiously abate the danger, the department may immediately suspend the permit or license, enter the site,  
16 and abate the danger. The department may thereafter institute proceedings to revoke the license or permit,  
17 declare the permittee or licensee in default, and forfeit a portion of the bond, not to exceed \$150,000 or 10% of  
18 the bond, whichever is less, to be used to abate the danger. The department shall notify the surety of the  
19 forfeiture and the forfeiture amount by certified mail, and the surety shall pay the forfeiture amount to the  
20 department within 30 days of receipt of the notice. The department shall, as a condition of any termination of the  
21 suspension and revocation proceedings, require that the permittee or licensee reimburse the surety, with  
22 interest, for any amount paid to and expended by the department pursuant to this subsection (8) and for the  
23 actual cost of the surety's expenses in responding to the department's forfeiture demand.

24 (b) If the department is unable to permanently abate the imminent danger using the amount forfeited  
25 under subsection (8)(a), the department may forfeit additional amounts under the procedure provided in  
26 subsection (8)(a).

27 (c) The department shall return to the surety any money received from the surety pursuant to this  
28 subsection and not used by the department to abate the imminent danger. The amount not returned to the surety  
29 must be credited to the surety and reduces the penal amount of the bond on a dollar-for-dollar basis.

30 (d) Any interest accrued on bond proceeds that is not required to abate the imminent danger determined

1 in subsection (8)(a) must be returned to the surety, unless otherwise agreed to in writing by the surety.

2 (9) If a bond is terminated as a result of the action or inaction of a licensee or permittee or is canceled  
3 or otherwise terminated by the surety issuing the bond and the licensee or permittee fails to post a new bond  
4 for the entire amount of the terminated bond within 30 days following the notice of termination provided to the  
5 department, then the license or permit must be immediately suspended without further action by the  
6 department."

7

8 NEW SECTION. **Section 2. Effective date.** [This act] is effective on passage and approval.

9

- END -