

HOUSE BILL NO. 8

INTRODUCED BY J. SESSO

BY REQUEST OF THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION AND THE OFFICE OF BUDGET AND PROGRAM PLANNING

A BILL FOR AN ACT ENTITLED: "AN ACT REAUTHORIZING RENEWABLE RESOURCE PROJECTS AUTHORIZED BY THE 61ST LEGISLATURE; APPROPRIATING MONEY TO THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION FOR LOANS UNDER THE RENEWABLE RESOURCE GRANT AND LOAN PROGRAM; AUTHORIZING THE ISSUANCE OF COAL SEVERANCE TAX BONDS; AUTHORIZING THE CREATION OF STATE DEBT AND APPROPRIATING COAL SEVERANCE TAXES FOR DEBT SERVICE; PLACING CERTAIN CONDITIONS ON LOANS; AND PROVIDING AN EFFECTIVE DATE."

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

NEW SECTION. Section 1. Projects not completing requirements -- projects reauthorized. (1) The

legislature finds that the following renewable resource projects that were approved by the 61st legislature in Chapter 372, Laws of 2009, may not complete the requirements necessary to obtain the loan funds prior to June 30, 2011. The projects described in this section are reauthorized. The department of natural resources and conservation is authorized to make loans to the political subdivisions of state government and local governments listed in subsections (2) and (3) in amounts not to exceed the loan amounts listed for each project from the proceeds of the bonds authorized in [section 3].

(2) The interest rate for the project in this group is 4.5% or the rate at which the state bonds are sold, whichever is lower, for up to 15 years.

Loan	Amount
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION - WATER RESOURCES DIVISION	
Ruby Dam Rehabilitation Project	\$2,000,000

(3) The interest rate for the project in this group is 3.0% or the rate at which the state bonds are sold, whichever is lower, for up to 20 years.

Loan	Amount
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION - CONSERVATION AND RESOURCE	



1 DEVELOPMENT DIVISION

2 Refinance Existing Debt or Rehabilitation of Water and Sewer Facilities \$2,859,000

3 (4) The interest rate for the project in this group is 4.5% or the rate at which the state bonds are sold,
4 whichever is lower, for up to 30 years.

5 Loan Amount

6 SUNSET IRRIGATION DISTRICT

7 Gravity Flow Irrigation Pipelines \$1,465,266

8

9 **NEW SECTION. Section 2. Coal severance tax bonds authorized.** (1) The legislature finds that Title
10 17, chapter 5, part 7, provides for the issuance of coal severance tax bonds for financing specific approved
11 renewable resource projects as part of the state renewable resource grant and loan program. Available funds
12 from previous sales of coal severance tax bonds, plus any additional principal amount on bonds as may be
13 necessary, pursuant to the conditions in 85-1-605, to fund emergency loans as authorized and approved in
14 accordance with 85-1-605(4), may also be used for the projects approved in [sections 1 through 6]. The board
15 of examiners is authorized to issue coal severance tax bonds in an amount not to exceed \$13,724,457, of which
16 \$6,324,266 is to be used to finance the projects approved in [section 1], \$5,610,044 is to be used to finance
17 additional loans in lieu of grants listed in House Bill No. 6, and up to \$1,790,147 is to be used to establish a
18 reserve for the bonds. Proceeds of the bonds are appropriated to the department of natural resources and
19 conservation for financing the projects identified in [section 1] and this section and may be used as authorized
20 in 85-1-605(4). Loans made under 85-1-605(4) must bear interest at the rate borne by the state bonds unless the
21 legislature in a subsequent session provides for a lower interest rate, in which case the rate must be reduced to
22 the rate specified by the legislature.

23 (2) In connection with the issuance of coal severance tax bonds, the board of examiners may pay the
24 principal and interest on the bonds when due from the debt service account and in all other respects manage and
25 use the funds within each special bond account for the benefit of the bonds. The board of examiners shall
26 exercise its discretion to enhance the marketability of the bonds and to secure the most advantageous financial
27 arrangements for the state.

28 (3) Earnings on bond proceeds prior to the completion of any loan must be allocated to the debt service
29 account to pay the debt service on the bonds during this period. Earnings in excess of debt service, if any, must
30 be allocated to the natural resources projects state special revenue account established in 15-38-302.

1 (4) Loan repayments from loans financed with coal severance tax bonds are pledged, dedicated, and
2 appropriated to the debt service account in the state treasury for the benefit of bonds approved for loans under
3 this section.

4
5 **NEW SECTION. Section 3. Conditions of loans.** (1) Disbursement of funds under [sections 1 and 2]
6 for loans is subject to the following conditions that must be met by project sponsors:

7 (a) approval of a scope of work and budget for the project by the department of natural resources and
8 conservation. Reductions in a scope of work or budget may not affect priority activities or improvements.

9 (b) documented commitment of other funds required for project completion;

10 (c) satisfactory completion of conditions described in the recommendations section of the project
11 narrative in the renewable resource grant and loan program project evaluations and recommendations report;

12 (d) execution of a loan agreement with the department; and

13 (e) accomplishment of other specific requirements considered necessary by the department to
14 accomplish the purpose of the loan as evidenced from the application to the department or from the proposal to
15 the legislature.

16 (2) Each sponsor authorized for a loan from coal severance tax bond proceeds may be required to pay
17 to the department a pro rata share of the bond issuance costs and the administrative costs incurred by the
18 department to complete the loan transaction.

19
20 **NEW SECTION. Section 4. Private and discount purchase of loans.** Loans to political subdivisions
21 and local government entities and bonds, warrants, and notes issued in evidence of the loans may be made,
22 purchased by, and sold to the department of natural resources and conservation at a discount and at a private
23 negotiated sale, notwithstanding the provisions of any other law applicable to political subdivisions or local
24 government entities.

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26 **NEW SECTION. Section 5. Appropriations established.** For any entity that receives a loan under
27 [sections 1 and 2], an appropriation is established for the amount of the loan upon award of the loan by the
28 department of natural resources and conservation.

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30 **NEW SECTION. Section 6. Creation of state debt -- appropriation of coal severance tax -- bonding**

1 **provisions.** (1) Because [section 2] authorizes the creation of a state debt, a vote of two-thirds of the members
2 of each house is required for enactment of [section 2].

3 (2) The legislature, through the enactment of [sections 1 through 6] by a vote of three-fourths of the
4 members of each house of the legislature, as required by Article IX, section 5, of the Montana constitution,
5 pledges, dedicates, and appropriates from the coal severance tax bond fund all money necessary for the payment
6 of principal and interest not otherwise provided for on the coal severance tax bonds authorized by [section 2] to
7 be issued pursuant to Title 17, chapter 5, part 7, and pursuant to the provisions of [sections 1 through 6] and the
8 general resolution for this bond program that has been adopted by the board of examiners under the authority
9 provided in Title 17, chapter 5, part 7.

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11 NEW SECTION. **Section 7. Notification to tribal governments.** The secretary of state shall send a
12 copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell
13 Chippewa tribe.

14
15 NEW SECTION. **Section 8. Severability.** If a part of [this act] is invalid, all valid parts that are severable
16 from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications, the part
17 remains in effect in all valid applications that are severable from the invalid applications.

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19 NEW SECTION. **Section 9. Effective date.** [This act] is effective July 1, 2011.

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