

HOUSE BILL NO. 8

INTRODUCED BY R. COOK

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 APPROVING RENEWABLE RESOURCE PROJECTS AND AUTHORIZING LOANS; REAUTHORIZING RENEWABLE RESOURCE PROJECTS AUTHORIZED BY THE 62ND 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 A STATE DEBT AND APPROPRIATING COAL SEVERANCE TAXES FOR DEBT SERVICE; PLACING CERTAIN CONDITIONS UPON LOANS; AND PROVIDING AN EFFECTIVE DATE."

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

NEW SECTION. Section 1. Approval of renewable resource projects and authorization to provide loans. (1) The legislature finds that the renewable resource project listed in this section meets the provisions of 17-5-702. The department of natural resources and conservation is authorized to make loans to the political subdivisions of state government and local governments listed in subsection (2) 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 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 DEVELOPMENT DIVISION | |

| | |
|--|-------------|
| Refinance Existing Debt or Rehabilitation of | |
| Water and Sewer Facilities | \$3,000,000 |

NEW SECTION. Section 2. Projects not completing requirements -- projects reauthorized. (1) The legislature finds that the following renewable resource projects that were approved by the 62nd legislature in



1 Chapter 366, Laws of 2011, may not complete the requirements necessary to obtain the loan funds prior to June
 2 30, 2013. The projects described in this section are reauthorized. The department of natural resources and
 3 conservation is authorized to make loans to the political subdivisions of state government and local governments
 4 listed in subsections (2) and (3) in amounts not to exceed the loan amounts listed for each project from the
 5 proceeds of the bonds authorized in [section 3].

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

| 8 Loan | Amount |
|---|-------------|
| 9 DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION - WATER RESOURCES DIVISION | |
| 10 Ruby Dam Rehabilitation Project - Phase 2 | \$2,000,000 |

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

| 13 Loan | Amount |
|--------------------------------------|-------------|
| 14 SUNSET IRRIGATION DISTRICT | |
| 15 Gravity Flow Irrigation Pipelines | \$1,465,266 |

16
 17 **NEW SECTION. Section 3. Coal severance tax bonds authorized.** (1) The legislature finds that Title
 18 17, chapter 5, part 7, provides for the issuance of coal severance tax bonds for financing specific approved
 19 renewable resource projects as part of the state renewable resource grant and loan program. Available funds
 20 from previous sales of coal severance tax bonds, plus any additional principal amount on bonds as may be
 21 necessary, pursuant to the conditions in 85-1-605, to fund emergency loans, as authorized and approved in
 22 accordance with 85-1-605(4), may also be used for the projects approved in [sections 1 through 7]. The board
 23 of examiners is authorized to issue coal severance tax bonds in an amount not to exceed \$10,346,964, of which
 24 up to \$1,349,604 is to be used to establish a reserve for the bonds. Proceeds of the bonds are appropriated to
 25 the department of natural resources and conservation for financing the projects identified in [sections 1 and 2]
 26 and may be used as authorized in 85-1-605(4). Loans made under 85-1-605(4) must bear interest at the rate
 27 borne by the state bonds unless the legislature in a subsequent session provides for a lower interest rate, in
 28 which case the rate must be reduced to the rate specified by the legislature.

29 (2) In connection with the issuance of coal severance tax bonds, the board of examiners may pay the
 30 principal and interest on the bonds when due from the debt service account and in all other respects manage and

1 use the funds within each special bond account for the benefit of the bonds. The board of examiners shall
2 exercise its discretion to enhance the marketability of the bonds and to secure the most advantageous financial
3 arrangements for the state.

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

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

10
11 **NEW SECTION. Section 4. Conditions of loans.** (1) Disbursement of funds under [sections 1 and 2]
12 for loans is subject to the following conditions that must be met by project sponsors:

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

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

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

18 (d) execution of a loan agreement with the department of natural resources and conservation; and

19 (e) accomplishment of other specific requirements considered necessary by the department of natural
20 resources and conservation to accomplish the purpose of the loan as evidenced from the application to the
21 department or from the proposal to the legislature.

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

25
26 **NEW SECTION. Section 5. Private and discount purchase of loans.** Loans to political subdivisions
27 and local government entities and bonds, warrants, and notes issued in evidence of the loans may be made,
28 purchased by, and sold to the department of natural resources and conservation at a discount and at a private
29 negotiated sale, notwithstanding the provisions of any other law applicable to political subdivisions or local
30 government entities.

