

HOUSE BILL NO. 227
INTRODUCED BY R. ERICKSON

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING A CARBON SEQUESTRATION REVOLVING LOAN ACCOUNT; DIRECTING THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION TO MAKE RULES FOR ADMINISTERING THE LOAN PROGRAM; REQUIRING OUTCOME MEASURES; PROVIDING FUNDING; AMENDING SECTION 15-35-108, MCA; AND PROVIDING AN EFFECTIVE DATE AND A TERMINATION DATE."

WHEREAS, climate change caused by carbon will negatively impact agriculture, forestry, and tourism while other industries, especially those that burn fossil fuels, stand to be negatively impacted by policies to control carbon; and

WHEREAS, it has been estimated that 20% or more of targeted carbon dioxide emission reductions could be met by agricultural soil carbon sequestration; and

WHEREAS, Montana is uniquely positioned to take advantage of market-based programs being developed to address climate change because landowners have enormous potential to store excess carbon on farmland and grazing pastures and in forests; and

WHEREAS, the encouragement of private carbon sequestration projects will provide a new source of revenue for landowners while providing the state's energy companies and other carbon emitters a cost-effective way to voluntarily address global climate change through carbon offsets.

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

NEW SECTION. **Section 1. Carbon sequestration revolving loan account.** (1) There is a special revenue account called the carbon sequestration revolving loan account to the credit of the department of natural resources and conservation.

(2) The carbon sequestration revolving loan account consists of money deposited into the account through June 30, 2010, from 15-35-108 and money from any other source. Any interest earned by the account and any interest that is generated from a loan repayment must be deposited into the account and used to sustain the carbon sequestration revolving loan program. Any appropriated funds in the account that are not loaned must remain in the account.

(3) Funds from the carbon sequestration revolving loan account may be used to provide loans to individuals, small businesses, units of local government, units of the university system, and nonprofit organizations for the purpose of terrestrial carbon sequestration.

(4) The amount of a loan may not exceed \$50,000, and the loan must be repaid within 10 years.

NEW SECTION. Section 2. Administration of revolving loan account -- rulemaking authority. (1)

The department of natural resources and conservation shall adopt rules establishing:

(a) eligibility criteria and other matters that the department considers necessary to ensure repayment of loans and to encourage maximum use of the account for terrestrial carbon sequestration uses;

(b) processes and procedures for disbursing loans, including the agencies or organizations that are allowed to process the loan application for the department; and

(c) terms and conditions for the loans, including repayment schedules and interest.

(2) The department shall solicit assistance in the development and operation of the carbon sequestration revolving loan program from individuals familiar with financial services and persons knowledgeable in terrestrial carbon sequestration systems.

(3) Administrative costs charged to the account may not exceed 10% of the total loans or \$25,000 a year, whichever is greater. Legal fees and costs associated with collection of debt on principal are not considered administrative costs.

(4) The loan repayment period may not exceed 10 years. The loans must be made at a low interest rate. The department may set the interest rate at an amount that will cover its administrative costs, but the rate may not be less than 1% a year. The department may seek recovery of the amount of principal loaned in the event of default.

NEW SECTION. Section 3. Outcome measures. The department of natural resources and conservation shall develop reasonable outcome measures by which the success of the carbon sequestration revolving loan program provided for in [sections 1 through 3] must be measured on an annual basis. Minimal outcome that must be measured includes:

(1) a loan loss ratio of under 5%;

(2) the types of terrestrial carbon sequestration systems that provided the best overall results; and

(3) an estimate of the amount of carbon emissions offset because of participation in the program.

Section 4. Section 15-35-108, MCA, is amended to read:

"15-35-108. (Temporary) Disposal of severance taxes. Severance taxes collected under this chapter must, in accordance with the provisions of 15-1-501, be allocated as follows:

(1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article IX, section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under 17-6-203(6) and invested by the board of investments as provided by law.

(2) The amount of 12% of coal severance tax collections is allocated to the long-range building program account established in 17-7-205.

(3) The amount of 5.46% must be credited to an account in the state special revenue fund to be allocated by the legislature for provision of basic library services for the residents of all counties through library federations and for payment of the costs of participating in regional and national networking, conservation districts, and the Montana Growth Through Agriculture Act. Expenditures of the allocation may be made only from this account. Money may not be transferred from this account to another account other than the general fund. Any unreserved fund balance at the end of each fiscal year must be deposited in the general fund.

(4) The amount of 1.27% must be allocated to a permanent fund account for the purpose of parks acquisition or management. Income from this permanent fund account, excluding unrealized gains and losses, must be appropriated for the acquisition, development, operation, and maintenance of any sites and areas described in 23-1-102.

(5) The amount of 0.95% must be allocated to the debt service fund type to the credit of the renewable resource loan debt service fund.

(6) The amount of 0.63% must be allocated to a trust fund for the purpose of protection of works of art in the capitol and for other cultural and aesthetic projects. Income from this trust fund account, excluding unrealized gains and losses, must be appropriated for protection of works of art in the state capitol and for other cultural and aesthetic projects.

(7) The amount of 2.9% must be credited to the oil, gas, and coal natural resource account established in 90-6-1001.

(8) (a) Subject to subsection (8)(b), all other revenue from severance taxes collected under the provisions of this chapter must be credited to the general fund of the state.

(b) The interest income from \$140 million of the coal severance tax permanent fund that is deposited in the general fund is statutorily appropriated, as provided in 17-7-502, on an annual basis as follows:

(i) \$65,000 to the cooperative development center;

(ii) \$1.25 million for the growth through agriculture program provided for in Title 90, chapter 9;

(iii) \$3.65 million to the research and commercialization state special revenue account created in 90-3-1002;

(iv) \$1 million to the carbon sequestration revolving loan account created in [section 1];

~~(iv)~~(v) to the department of commerce:

(A) \$125,000 for a small business development center;

(B) \$50,000 for a small business innovative research program;

(C) \$425,000 for certified regional development corporations;

(D) \$200,000 for the Montana manufacturing extension center at Montana state university-Bozeman;

and

(E) \$300,000 for export trade enhancement. (Terminates June 30, 2010--sec. 6, Ch. 481, L. 2003.)

15-35-108. (Effective July 1, 2010) Disposal of severance taxes. Severance taxes collected under this chapter must, in accordance with the provisions of 15-1-501, be allocated as follows:

(1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article IX, section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under 17-6-203(6) and invested by the board of investments as provided by law.

(2) The amount of 12% of coal severance tax collections is allocated to the long-range building program account established in 17-7-205.

(3) The amount of 5.46% must be credited to an account in the state special revenue fund to be allocated by the legislature for provision of basic library services for the residents of all counties through library federations and for payment of the costs of participating in regional and national networking, conservation districts, and the Montana Growth Through Agriculture Act. Expenditures of the allocation may be made only from this account. Money may not be transferred from this account to another account other than the general fund. Any unreserved fund balance at the end of each fiscal year must be deposited in the general fund.

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in the capitol and for other cultural and aesthetic projects. Income from this trust fund account, excluding unrealized gains and losses, must be appropriated for protection of works of art in the state capitol and for other cultural and aesthetic projects.

(7) The amount of 2.9% must be credited to the oil, gas, and coal natural resource account established in 90-6-1001.

(8) All other revenue from severance taxes collected under the provisions of this chapter must be credited to the general fund of the state."

NEW SECTION. **Section 5. Codification instruction.** [Sections 1 through 3] are intended to be codified as an integral part of Title 76, and the provisions of Title 76 apply to [sections 1 through 3].

NEW SECTION. **Section 6. Effective date.** [This act] is effective July 1, 2007.

NEW SECTION. **Section 7. Termination.** [Section 4] terminates June 30, 2010.

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