

HOUSE BILL NO. 8

INTRODUCED BY M. HOPKINS

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

A BILL FOR AN ACT ENTITLED: "AN ACT APPROVING RENEWABLE RESOURCE PROJECTS AND AUTHORIZING LOANS; 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; CREATING 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. Authorization to provide loans.** (1) The legislature finds that the renewable resource projects listed in this section meet 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 subsections (2) through (4) 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 Infrastructure Facilities	\$8,000,000

(3) The interest rate for the projects 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
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1	Central Montana Regional Water Authority	
2	Local Match for Central Montana Regional Water System	\$3,000,000 <u>\$10,000,000</u>
3	Dry-Redwater Regional Water Authority	
4	Local Match for Dry-Redwater Regional Water Projects	\$3,000,000 <u>\$10,000,000</u>

5

6 (4) The interest rate for the project in this group is 3.0% or the rate at which the state bonds are sold,
7 whichever is lower, for up to 30 years:

8	Loan	Amount
9	Lower Willow Creek Irrigation District	
10	Right Subdrain Repair Project	\$200,000

11

12 **NEW SECTION. Section 2. Projects not completing requirements -- projects reauthorized. (1)**

13 The legislature finds that the following renewable resource projects that were approved by the 64th legislature
14 in Chapter 447, Laws of 2015, may not complete the requirements necessary to obtain the loan funds prior to
15 June 30, 2021. The projects described in this section are reauthorized. The department of natural resources
16 and conservation is authorized to make loans to the political subdivisions of state government and local
17 governments listed in subsections (2) through (4) in amounts not to exceed the loan amounts listed for each
18 project from the proceeds of the bonds authorized in [section 3].

19 (2) The interest rate for the projects in this group is 3.0% or the rate at which the state bonds are sold,
20 whichever is lower, for up to 30 years.

21	Loan	Amount
22	Dry Prairie Regional Water Authority	
23		
24	Local Match for Dry Prairie Projects	\$3,000,000 <u>\$10,000,000</u>
25	North Central Regional Water Authority	
26		
27	Local Match for North Central Projects	\$10,000,000

28 (3) The interest rate for the projects in this group is 3.0% or the rate at which the state bonds are sold,

1 whichever is lower, for up to 30 years:

2 Loan	3 Amount
4 Huntley Irrigation District Reauthorization	
5 Tunnel 2 and Canal System	6 \$3,500,000
7 Lockwood Irrigation District	
8 Box Elder Siphon, Pump Station, and Pump 3	9 \$750,000

10 (4) (a) The interest rate for the project in this group is 3.0% or the rate at which the state bonds are
 11 sold, whichever is lower, for up to 30 years:

12 Loan	13 Amount
14 St. Mary's Diversion Project Local Share	15 \$40,000,000

16 (b) The loan in this subsection (4) is contingent on the following:

17 (i) the federal government entering into an agreement with the state that designates the federal and
 18 state share of the total project cost;

19 (ii) the forming of a water users' association of Montana users of the waters flowing from the Milk River
 20 that includes cities, towns, districts, water users' associations, and other unassociated individuals and entities;

21 and

22 (iii) the water users' association demonstrating to the satisfaction of the department of natural
 23 resources and conservation its financial capacity, through water user fees or other available sources of funding,
 24 to pay the annual costs of the loan repayment over the term of the loan.

25 **NEW SECTION. Section 3. Coal severance tax bonds authorized.** (1) The legislature finds that
 26 Title 17, chapter 5, part 7, provides for the issuance of coal severance tax bonds for financing specific approved
 27 renewable resource projects as part of the state renewable resource grant and loan program. Available funds
 28 from previous sales of coal severance tax bonds, plus any additional principal amount on bonds as may be
 necessary, pursuant to the conditions in 85-1-605, to fund emergency loans, as authorized and approved in
 accordance with 85-1-605(4), may also be used for the projects approved in [sections 1 through 7]. The board

1 of examiners is authorized to issue coal severance tax bonds in an amount not to exceed ~~\$78,595,000~~
2 \$101,695,000 in the biennium beginning July 1, 2021, of which up to ~~\$7,145,000~~ \$9,245,000 is to be used to
3 establish a reserve for the bonds. Proceeds of the bonds are appropriated to the department of natural
4 resources and conservation for financing the projects identified in [sections 1 and 2] and may be used as
5 authorized in 85-1-605(4). Loans made under 85-1-605(4) must bear interest at the rate borne by the state
6 bonds unless the legislature in a subsequent session provides for a lower interest rate, in which case the rate
7 must be reduced to the rate specified by the legislature.

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

13 (3) Earnings on bond proceeds prior to the completion of any loan must be allocated to the debt
14 service account to pay the debt service on the bonds during this period. Earnings in excess of debt service, if
15 any, must be allocated to the natural resources projects state special revenue account established in 15-38-
16 302.

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

20
21 **NEW SECTION. Section 4. Condition of loans.** (1) Disbursement of funds under [sections 1 and 2]
22 for loans is subject to the following conditions that must be met by project sponsors:

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

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

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

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

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

4 (2) Each sponsor authorized for a loan from coal severance tax bond proceeds may be required to
5 pay to the department of natural resources and conservation a pro rata share of the bond issuance costs and
6 the administrative costs incurred by the department to complete the loan transaction.

7
8 **NEW SECTION. Section 5. Private and discount purchase of loans.** Loans to political subdivisions
9 and local government entities pursuant to [sections 1 and 2] and bonds, warrants, and notes issued in evidence
10 of those loans may be made, purchased by, and sold to the department of natural resources and conservation
11 at a discount and at a private negotiated sale, notwithstanding the provisions of any other law applicable to
12 political subdivisions or local government entities.

13
14 **NEW SECTION. Section 6. Appropriations established.** For any entity of state government that
15 receives a loan under [section 1 or 2], an appropriation is established for the amount of the loan upon award of
16 the loan by the department of natural resources and conservation for the biennium beginning July 1, 2021.

17
18 **NEW SECTION. Section 7. Creation of state debt -- two-thirds vote required -- appropriation of**
19 **coal severance tax -- three-fourths vote required -- bonding provisions.** (1) Because [section 3] authorizes
20 the creation of state debt, Article VIII, section 8, of the Montana constitution requires a vote of two-thirds of the
21 members of each house of the legislature for passage.

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

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2 NEW SECTION. **Section 8. Notification to tribal governments.** The secretary of state shall send a
3 copy of [this act] to each federally recognized tribal government in Montana.

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5 NEW SECTION. **Section 9. Severability.** If a part of [this act] is invalid, all valid parts that are
6 severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications,
7 the part remains in effect in all valid applications that are severable from the invalid applications.

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9 NEW SECTION. **Section 10. Effective date.** [This act] is effective July 1, 2021.

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