_____ BILL NO. _____

INTRODUCED BY _____

A BILL FOR AN ACT ENTITLED: "AN ACT RENAMING THE MONTANA COAL ENDOWMENT PROGRAM AND FUND TO THE COMMUNITY OPPORTUNITY ASSISTANCE LEGACY (COAL) PROGRAM AND FUND; AND AMENDING SECTIONS 17-5-703, 17-7-111, 22-3-1306, 90-6-701, 90-6-702, 90-6-710, AND 90-6-715, MCA."

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

Section 1. Section 17-5-703, MCA, is amended to read:

"**17-5-703. (Temporary) Coal severance tax trust funds.** (1) The trust established under Article IX, section 5, of the Montana constitution is composed of the following funds:

(a) a coal severance tax bond fund into which the constitutionally dedicated receipts from the coal severance tax must be deposited;

(b) a ~~Montana coal endowment~~ community opportunity assistance legacy (COAL) fund;

(c) a ~~Montana coal endowment~~ community opportunity assistance legacy (COAL) regional water system fund;

(d) a coal severance tax permanent fund;

(e) a coal severance tax income fund;

(f) a big sky economic development fund;

(g) a school facilities fund;

(h) a conservation district fund; and

(i) a coal board fund.

(2) (a) The state treasurer shall determine, on July 1 of each year, the amount necessary to meet all principal and interest payments on bonds payable from the coal severance tax bond fund during the next 12 months and retain that amount in the coal severance tax bond fund.

(b) The amount in the coal severance tax bond fund in excess of the amount required in

subsection (2)(a) must be transferred from that fund as provided in subsections (4) through (6).

(3) (a) The state treasurer shall monthly transfer from the ~~Montana coal endowment~~ COAL fund to the ~~Montana coal endowment~~ community opportunity assistance legacy (COAL) special revenue account the amount of earnings, excluding unrealized gains and losses, required to meet the obligations of the state that are payable from the account in accordance with 90-6-710. Earnings not transferred to the ~~Montana coal endowment~~ COAL special revenue account must be retained in the ~~Montana coal endowment~~ COAL fund.

(b) The state treasurer shall monthly transfer from the ~~Montana coal endowment~~ COAL regional water system fund to the ~~Montana coal endowment~~ COAL regional water system special revenue account the amount of earnings, excluding unrealized gains and losses, required to meet the obligations of the state that are payable from the account for regional water systems authorized under 90-6-715. Earnings not transferred to the ~~Montana coal endowment~~ COAL regional water system special revenue account must be retained in the ~~Montana coal endowment~~ COAL regional water system fund.

(4) (a) Starting July 1, 2023, the state treasurer shall quarterly transfer to the school facilities fund provided for in 20-9-380(1) 10% of the amount in the coal severance tax bond fund in excess of the amount that is specified in subsection (2) to be retained in the fund. The budget director shall certify to the state treasurer when the balance of the school facilities fund is $300 million. Beginning with the quarter following this certification, the state treasurer shall instead transfer to the coal severance tax permanent fund 10% of the amount in the coal severance tax bond fund that exceeds the amount that is specified in subsection (2) to be retained in the fund.

(b) The state treasurer shall annually transfer on May 15 or the Monday following from the school facilities fund to the account established in 20-9-516 the amount of earnings, excluding unrealized gains and losses, required to meet the obligations of the state that are payable from the account. Earnings not transferred to the account established in 20-9-516 must be retained in the school facilities fund.

(5) (a) Starting July 1, 2023, the state treasurer shall quarterly transfer to the conservation district fund provided for in 76-15-108 65% of the amount in the coal severance tax bond fund in excess of the amount that is specified in subsection (2) to be retained in the fund. The budget director shall certify to the state treasurer when the balance of the conservation district fund is $100 million. Beginning with the quarter following this certification, the state treasurer shall instead transfer to the coal board fund 65% of the amount in the coal

severance tax bond fund that exceeds the amount that is specified in subsection (2) to be retained in the fund. The budget director shall certify to the state treasurer when the balance of the coal board fund reaches $150 million. Beginning with the quarter following this certification, the state treasurer shall instead transfer to the ~~Montana coal endowment~~ COAL fund 65% of the amount in the coal severance tax bond fund that exceeds the amount that is specified in subsection (2) to be retained in the fund.

(b) The state treasurer shall monthly transfer from the conservation district fund to the account established in 76-15-106 the amount of earnings, excluding unrealized gains and losses, required to meet the obligations of the state that are payable from the account. Earnings not transferred to the account established in 76-15-106 must be retained in the conservation district fund.

(c) The state treasurer shall monthly transfer from the coal board fund to the account established in 90-6-1001(2) the amount of earnings, excluding unrealized gains and losses, required to meet the obligations of the state that are payable from the account. Earnings not transferred to the account established in 90-6-1001(2) must be retained in the coal board fund.

(6) (a) From July 1, 2005, through June 30, 2035, the state treasurer shall quarterly transfer to the big sky economic development fund 25% of the amount in the coal severance tax bond fund in excess of the amount that is specified in subsection (2) to be retained in the fund.

(b) The state treasurer shall monthly transfer from the big sky economic development fund to the economic development special revenue account, provided for in 90-1-205, the amount of earnings, excluding unrealized gains and losses, required to meet the obligations of the state that are payable from the account in accordance with 90-1-204. Earnings not transferred to the economic development special revenue account must be retained in the big sky economic development fund.

(7) Any amount in the coal severance tax bond fund in excess of the amount that is specified in subsection (2)(a) to be retained in the fund and that is not otherwise allocated under this section must be deposited in the coal severance tax permanent fund. (Terminates June 30, 2031--secs. 1 through 3, Ch. 305, L. 2015.)

17-5-703. (Effective July 1, 2031) Coal severance tax trust funds. (1) The trust established under Article IX, section 5, of the Montana constitution is composed of the following funds:

(a) a coal severance tax bond fund into which the constitutionally dedicated receipts from the coal

severance tax must be deposited;

(b) a ~~Montana coal endowment~~ community opportunity assistance legacy (COAL) fund;

(c) a coal severance tax permanent fund;

(d) a coal severance tax income fund;

(e) a big sky economic development fund;

(f) a school facilities fund;

(g) a conservation district fund; and

(h) a coal board fund.

(2) (a) The state treasurer shall determine, on July 1 of each year, the amount necessary to meet all principal and interest payments on bonds payable from the coal severance tax bond fund during the next 12 months and retain that amount in the coal severance tax bond fund.

(b) The amount in the coal severance tax bond fund in excess of the amount required in subsection (2)(a) must be transferred from that fund as provided in subsections (4) through (6).

(3) The state treasurer shall monthly transfer from the ~~Montana coal endowment~~ COAL fund to the ~~Montana coal endowment~~ community opportunity assistance legacy (COAL) special revenue account the amount of earnings, excluding unrealized gains and losses, required to meet the obligations of the state that are payable from the account in accordance with 90-6-710. Earnings not transferred to the ~~Montana coal endowment~~ COAL special revenue account must be retained in the ~~Montana coal endowment~~ COAL fund.

(4) (a) Starting July 1, 2023, the state treasurer shall quarterly transfer to the school facilities fund provided for in 20-9-380(1) 10% of the amount in the coal severance tax bond fund in excess of the amount that is specified in subsection (2) to be retained in the fund. The budget director shall certify to the state treasurer when the balance of the school facilities fund is $300 million. Beginning with the quarter following this certification, the state treasurer shall instead transfer to the coal severance tax permanent fund 10% of the amount in the coal severance tax bond fund that exceeds the amount that is specified in subsection (2) to be retained in the fund.

(b) The state treasurer shall annually transfer on May 15 or the Monday following from the school facilities fund to the account established in 20-9-516 the amount of earnings, excluding unrealized gains and losses, required to meet the obligations of the state that are payable from the account. Earnings not transferred

to the account established in 20-9-516 must be retained in the school facilities fund.

(5) (a) Starting July 1, 2023, the state treasurer shall quarterly transfer to the conservation district fund provided for in 76-15-108 65% of the amount in the coal severance tax bond fund in excess of the amount that is specified in subsection (2) to be retained in the fund. The budget director shall certify to the state treasurer when the balance of the conservation district fund is $100 million. Beginning with the quarter following this certification, the state treasurer shall instead transfer to the coal board fund 65% of the amount in the coal severance tax bond fund that exceeds the amount that is specified in subsection (2) to be retained in the fund. The budget director shall certify to the state treasurer when the balance of the coal board fund reaches $150 million. Beginning with the quarter following this certification, the state treasurer shall instead transfer to the ~~Montana coal endowment~~ COAL fund 65% of the amount in the coal severance tax bond fund that exceeds the amount that is specified in subsection (2) to be retained in the fund.

(b) The state treasurer shall monthly transfer from the conservation district fund to the account established in 76-15-106 the amount of earnings, excluding unrealized gains and losses, required to meet the obligations of the state that are payable from the account. Earnings not transferred to the account established in 76-15-106 must be retained in the conservation district fund.

(c) The state treasurer shall monthly transfer from the coal board fund to the account established in 90-6-1001(2) the amount of earnings, excluding unrealized gains and losses, required to meet the obligations of the state that are payable from the account. Earnings not transferred to the account established in 90-6-1001(2) must be retained in the coal board fund.

(6) (a) From July 1, 2005, through June 30, 2035, the state treasurer shall quarterly transfer to the big sky economic development fund 25% of the amount in the coal severance tax bond fund in excess of the amount that is specified in subsection (2) to be retained in the fund.

(b) The state treasurer shall monthly transfer from the big sky economic development fund to the economic development special revenue account, provided for in 90-1-205, the amount of earnings, excluding unrealized gains and losses, required to meet the obligations of the state that are payable from the account in accordance with 90-1-204. Earnings not transferred to the economic development special revenue account must be retained in the big sky economic development fund.

(7) Any amount in the coal severance tax bond fund in excess of the amount that is specified in

subsection (2)(a) to be retained in the fund and that is not otherwise allocated under this section must be deposited in the coal severance tax permanent fund."

Section 2. Section 17-7-111, MCA, is amended to read:

"**17-7-111. Preparation of state budget -- agency program budgets -- form distribution and contents.** (1) (a) To prepare a state budget, the executive branch, the legislature, and the citizens of the state need information that is consistent and accurate. Necessary information includes detailed disbursements by fund type for each agency and program for the appropriate time period, recommendations for creating a balanced budget, and recommended disbursements and estimated receipts by fund type and fund category.

(b) Subject to the requirements of this chapter, the budget director and the legislative fiscal analyst shall by agreement:

(i) establish necessary standards, formats, and other matters necessary to share information between the agencies and to ensure that information is consistent and accurate for the preparation of the state's budget; and

(ii) provide for the collection and provision of budgetary and financial information that is in addition to or different from the information otherwise required to be provided pursuant to this section.

(2) In the preparation of a state budget, the budget director shall, not later than the date specified in 17-7-112(1), distribute to all agencies the proper forms and instructions necessary for the preparation of budget estimates by the budget director. These forms must be prescribed by the budget director to procure the information required by subsection (3). The forms must be submitted to the budget director by the date provided in 17-7-112(2), or the agency's budget is subject to preparation based upon estimates as provided in 17-7-112(5). The budget director may refuse to accept forms that do not comply with the provisions of this section or the instructions given for completing the forms.

(3) The agency budget request must set forth a balanced financial plan for the agency completing the forms for each fiscal year of the ensuing biennium. The plan must consist of:

(a) a consolidated agency budget summary of funds subject to appropriation, as provided in 17-8-101, for the current base budget expenditures, including statutory appropriations, and for each present law adjustment and new proposal request setting forth the aggregate figures of the full-time equivalent personnel

positions (FTE) and the budget, showing a balance between the total proposed disbursements and the total anticipated receipts, together with the other means of financing the budget for each fiscal year of the ensuing biennium, contrasted with the corresponding figures for the last-completed fiscal year and the fiscal year in progress;

(b) a schedule of the actual and projected receipts, disbursements, and solvency of each fund for the current biennium and estimated for the subsequent biennium;

(c) a statement of the agency mission and a statement of goals and objectives for each program of the agency. The goals and objectives must include, in a concise form, sufficient specific information and quantifiable information to enable the legislature to formulate an appropriations policy regarding the agency and its programs and to allow a determination, at some future date, on whether the agency has succeeded in attaining its goals and objectives. An agency that has complied with the requirements provided in Title 2, chapter 12, part 1, is exempt from the provision of this subsection (3)(c).

(d) actual FTE and disbursements for the completed fiscal year of the current biennium, estimated FTE and disbursements for the current fiscal year, and the agency's request for the ensuing biennium, by program;

(e) actual disbursements for the completed fiscal year of the current biennium, estimated disbursements for the current fiscal year, and the agency's recommendations for the ensuing biennium, by disbursement category;

(f) for agencies with more than 20 FTE, a plan to reduce the proposed base budget for the general appropriations act and the proposed state pay plan to 95% of the current base budget or lower if directed by the budget director. Each agency plan must include base budget reductions that reflect the required percentage reduction by fund type for the general fund and state special revenue fund types. Exempt from the calculations of the 5% target amounts are legislative audit costs, administratively attached entities that hire their own staff under 2-15-121, and state special revenue accounts that do not transfer their investment earnings or fund balances to the general fund. The plan must include:

(i) a prioritized list of services that would be eliminated or reduced;

(ii) for each service included in the prioritized list, the savings that would result from the elimination or reduction; and

(iii) the consequences or impacts of the proposed elimination or reduction of each service.

(g) a reference for each new information technology proposal stating whether the new proposal is included in the approved agency information technology plan as required in 2-17-523;

(h) energy cost saving information as required by 90-4-616; and

(i) other information the budget director feels is necessary for the preparation of a budget.

(4) The budget director shall prepare and submit to the legislative fiscal analyst in accordance with 17-7-112:

(a) detailed recommendations for capital developments for:

(i) local infrastructure projects;

(ii) funding for energy development-impacted areas; and

(iii) the state long-range building program. Each recommendation for the capital developments long-range building program must be presented by institution, agency, or branch, by funding source, with a description of each proposed project.

(b) a statewide project budget summary as provided in 2-17-526;

(c) the proposed pay plan schedule for all executive branch employees at the program level by fund, with the specific cost and funding recommendations for each agency. Submission of a pay plan schedule under this subsection is not an unfair labor practice under 39-31-401.

(d) agency proposals for the use of cultural and aesthetic project grants under Title 22, chapter 2, part 3, the renewable resource grant and loan program under Title 85, chapter 1, part 6, the reclamation and development grants program under Title 90, chapter 2, part 11, and the ~~Montana coal endowment~~ community opportunity assistance legacy (COAL) program under Title 90, chapter 6, part 7.

(5) The board of regents shall submit, with its budget request for each university unit in accordance with 17-7-112, a report on the university system bonded indebtedness and related finances as provided in this subsection (5). The report must include the following information for each year of the biennium, contrasted with the same information for the last-completed fiscal year and the fiscal year in progress:

(a) a schedule of estimated total bonded indebtedness for each university unit by bond indenture;

(b) a schedule of estimated revenue, expenditures, and fund balances by fiscal year for each outstanding bond indenture, clearly delineating the accounts relating to each indenture and the minimum legal

funding requirements for each bond indenture; and

(c) a schedule showing the total funds available from each bond indenture and its associated accounts, with a list of commitments and planned expenditures from the accounts, itemized by revenue source and project for each year of the current and ensuing bienniums.

(6) (a) The department of revenue shall make Montana individual income tax information available by removing names, addresses, and social security numbers and substituting in their place a state accounting record identifier number. Except for the purposes of complying with federal law, the department may not alter the data in any other way.

(b) The department of revenue shall provide the name and address of a taxpayer on written request of the budget director when the values on the requested return, including estimated payments, are considered necessary by the budget director to properly analyze state revenue and are of a sufficient magnitude to materially affect the analysis and when the identity of the taxpayer is necessary to evaluate the effect of the return or payments on the analysis being performed.

(7) The following provisions apply to the development of the budget request for the department of public health and human services:

(a) Adjustments to the present law base must be separated by each category described in 17-7-102(11) in order for the legislature to determine the changes that are attributable to legally mandated workload, caseload, or enrollment increases or decreases, constitutional or statutory schedules or formulas, inflationary or deflationary adjustments, and elimination of nonrecurring appropriations.

(b) Inflation adjustments to the present law base for the institutions or services described in subsection (7)(c) must be based on a reliable national index for the particular service or a similar service or the consumer price index for urban wage earners and workers. An inflation adjustment that is greater than the applicable national index or consumer price index must be presented as a new proposal.

(c) Subsection (7)(b) applies to inflation adjustments for:

(i) the department-operated institutions described in 53-1-602; and

(ii) services provided by private sector businesses and other entities that provide direct services to beneficiaries in medicaid programs that are administered by the department divisions responsible for overseeing services for the elderly and for persons with mental illness, physical disabilities, or developmental

disabilities."

Section 3. Section 22-3-1306, MCA, is amended to read:

"**22-3-1306. Priorities for funding -- rulemaking.** (1) The department of commerce shall make recommendations for grants awarded under the historic preservation grant program to eligible entities for the preservation of historic sites, historical societies, or history museums in the state.

(2) Projects funded under this section must provide that a significant portion of the facility be open to public access and use. Projects that confer a limited public benefit are not eligible.

(3) The recommendations must be based on competitive criteria created by the department, as guided by the legislature. The criteria may include:

(a) the degree to which the project will protect:

(i) the building envelope, consisting of the structure's walls, roof, doors and windows, and foundation; and

(ii) its internal utility systems, including electricity, plumbing, and heat;

(b) the degree of economic stimulus or economic activity, including job creation and work creation for Montana contractors and service workers;

(c) the purpose of the project, including whether it provides features that establish or enhance security, climate control, or fire protection for museums or address infrastructure, maintenance, or building code issues at historic sites;

(d) the timing of the project, including access to matching funds, if needed, and approval of permits so that work can be completed without delay;

(e) the historic or heritage value related to the state of Montana;

(f) the successful track record or experience of the organization directing the project;

(g) the anticipated public benefit, including the extent the site or building will be open to the public and the degree of immediate facility use after project completion; and

(h) the degree of local contribution to the project. For-profit entities must provide a match equal to $1 for every $1 of grant funding received.

(4) The department of commerce shall adopt rules necessary to implement the historic

preservation grant program. In adopting rules, the department shall look to the rules adopted for the ~~Montana coal endowment~~ community opportunity assistance legacy (COAL) program, the cultural and aesthetic grant program, and other similar state programs. To the extent feasible, the department shall make the rules compatible with those other programs.

(5) Government applicants shall comply with Article II, sections 8 and 9, of the Montana constitution and with Title 2, chapter 3, parts 1 and 2, and Title 7. Nongovernment applicants are exempt from this provision."

Section 4. Section 90-6-701, MCA, is amended to read:

"**90-6-701. ~~Montana coal endowment~~Community opportunity assistance legacy (COAL) program created -- definitions.** (1) (a) There is a ~~Montana coal endowment~~ community opportunity assistance legacy (COAL) program that consists of:

(i) the ~~Montana coal~~ community opportunity assistance legacy (COAL) ~~endowment~~ fund established in 17-5-703;

(ii) the infrastructure portion of the coal severance tax bond program provided for in 17-5-701(2).

(b) The ~~Montana coal endowment~~ COAL program may borrow from the board of investments to provide additional financial assistance for local government infrastructure projects under this part, provided that no part of the loan may be made from retirement funds.

(2) Interest from the ~~Montana coal endowment~~ COAL fund and from proceeds of the sale of bonds under 17-5-701(2) may be used to provide financial assistance for local government infrastructure projects under this part, to provide funding to the department of commerce for the administrative costs of the ~~Montana coal endowment~~ COAL program, and to repay loans from the board of investments.

(3) As used in this part, the following definitions apply:

(a) "Infrastructure projects" means:

(i) drinking water systems;

(ii) wastewater treatment;

(iii) sanitary sewer or storm sewer systems;

(iv) solid waste disposal and separation systems, including site acquisition, preparation, or

monitoring; or

(v) bridges.

(b) "Local government" means an incorporated city or town, a county, a consolidated local government, a tribal government, a county or multicounty water, sewer, or solid waste district, or an authority as defined in 75-6-304.

(c) "~~Montana coal endowment fund~~ Community opportunity assistance legacy (COAL) fund" means the coal severance tax infrastructure endowment fund established in 17-5-703(1)(b).

(d) "~~Montana coal endowment~~ Community opportunity assistance legacy (COAL) program" means the local government infrastructure investment program established in subsection (1).

(e) "Tribal government" means a federally recognized Indian tribe within the state of Montana."

Section 5. Section 90-6-702, MCA, is amended to read:

"**90-6-702. Purpose.** The purpose of the ~~Montana coal endowment~~ community opportunity assistance legacy (COAL) program is to assist local governments in funding infrastructure projects that will:

(1) create jobs for Montana residents;

(2) promote economic growth in Montana by helping to finance the necessary infrastructure;

(3) encourage local public facility improvements;

(4) create a partnership between the state and local governments to make necessary public projects affordable;

(5) support long-term, stable economic growth in Montana;

(6) protect future generations from undue fiscal burdens caused by financing necessary public works;

(7) coordinate and improve infrastructure financing by federal, state, local government, and private sources; and

(8) enhance the quality of life and protect the health, safety, and welfare of Montana citizens."

Section 6. Section 90-6-710, MCA, is amended to read:

"**90-6-710. Priorities for projects -- procedure -- rulemaking.** (1) The department of commerce

must receive proposals for infrastructure projects from local governments on a continual basis. The department shall work with a local government in preparing cost estimates for a project. In reviewing project proposals, the department may consult with other state agencies with expertise pertinent to the proposal. For the projects under 90-6-703(1)(a), the department shall prepare and submit two lists containing the recommended projects and the recommended form and amount of financial assistance for each project to the governor, prioritized pursuant to subsection (2) and this subsection. One list must contain the ranked and recommended bridge projects, and the other list must contain the remaining ranked and recommended infrastructure projects referred to in 90-6-701(3)(a). Each list must be prioritized pursuant to subsection (2) of this section, but the department may recommend up to 20% of the interest earnings anticipated to be deposited into the ~~Montana coal endowment~~ community opportunity assistance legacy (COAL) fund established in 17-5-703 during the following biennium for bridge projects. Before making recommendations to the governor, the department may adjust the ranking of projects by giving priority to urgent and serious public health or safety problems. The governor shall review the projects recommended by the department and shall submit the lists of recommended projects and the recommended financial assistance to the legislature.

(2) (a) In preparing recommendations under subsection (1), preference must be given to infrastructure projects based on the following order of priority:

(i) projects that solve urgent and serious public health or safety problems or that enable local governments to meet state or federal health or safety standards;

(ii) projects that reflect greater need for financial assistance than other projects;

(iii) projects that incorporate appropriate, cost-effective technical design and that provide thorough, long-term solutions to community public facility needs;

(iv) projects that reflect substantial past efforts to ensure sound, effective, long-term planning and management of public facilities and that attempt to resolve the infrastructure problem with local resources;

(v) projects that enable local governments to obtain funds from sources other than the funds provided under this part;

(vi) projects that provide long-term, full-time job opportunities for Montanans, that provide public facilities necessary for the expansion of a business that has a high potential for financial success, or that maintain the tax base or that encourage expansion of the tax base; and

(vii) projects that are high local priorities and have strong community support.

(b) (i) The department may not recommend or prioritize projects submitted by a local government that is in violation of 2-1-602 pursuant to the provisions of 2-1-605.

(ii) For the purposes of this subsection (2)(b), "local government" has the meaning provided in 2-1-601.

(3) After the review required by subsection (1), the projects must be approved by the legislature.

(4) The department shall adopt rules necessary to implement the ~~Montana coal endowment~~ community opportunity assistance legacy (COAL) program.

(5) The department shall, in accordance with 5-11-210, report to the legislature the status of all projects that have not been completed in order for the legislature to review each project's status and determine whether the authorized grant should be withdrawn.

(6) A local government may begin construction of the proposed infrastructure project after submitting an application to the department and prior to legislative approval of a grant award, if the local government:

(a) has secured the firm commitment of all funding necessary to finance the proposed project;

(b) assumes all risk, liability, and financing for the proposed project; and

(c) acknowledges that any project expenses incurred prior to legislative approval of a grant award may be rendered ineligible by the department if the local government fails to meet any program requirements set forth in this part or the rules adopted by the department pursuant to subsection (4)."

Section 7. Section 90-6-715, MCA, is amended to read:

"**90-6-715. (Temporary) Special revenue account -- use.** (1) (a) The ~~Montana coal endowment~~ community opportunity assistance legacy (COAL) regional water system special revenue account may be used to:

(i) provide matching funds to plan and construct regional drinking water systems in Montana;

(ii) pay the debt service for regional water system bond issues;

(iii) provide funding of administrative expenses for state and local entities associated with regional drinking water systems; and

(iv) pay the costs of eligible projects on an interim basis pending the receipt of grant and loan funds by those systems or entities.

(b) Except for the debt service administrative expenses and payment of the costs of eligible projects on an interim basis provided for in subsection (1)(a), each state dollar must be matched equally by local funds. Federal and state grants may not be used as a local match.

(2) Up to 25% of the local matching funds required under subsection (1) for the ~~Montana coal endowment~~ COAL regional water system may be in the form of debt that was incurred by local government entities included in the regional water system to construct individual drinking water systems before the individual systems were connected to the regional system. However, the amount of an individual entity's debt that may be used for matching funds is limited to the amount necessary to allow the entity to maintain its water service charges below the hardship standard established by the department through administrative rules adopted under 90-6-710.

(3) The funds in the account are further restricted to be used to finance regional drinking water systems that supply water to large geographical areas and serve multiple local governments, such as projects in north central Montana, from the waters of the Tiber reservoir, that will provide water for domestic use, industrial use, and stock water for communities and rural residences that lie south of the Canadian border, west of Havre, north of Dutton, and east of Cut Bank and in northeastern Montana, from the waters of the Missouri River, that will provide water for domestic use, industrial use, and stock water for communities and rural residences that lie south of the Canadian border, west of the North Dakota border, north of the Missouri River, and east of range 39.

(4) The funds must be administered by the department of natural resources and conservation for eligible projects. (Terminates June 30, 2031--secs. 1 through 3, Ch. 305, L. 2015.)"

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