

1 HOUSE BILL NO. 8
2 INTRODUCED BY M. HOPKINS, J. FITZPATRICK
3 BY REQUEST OF THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION, OFFICE OF
4 BUDGET AND PROGRAM PLANNING

5
6 A BILL FOR AN ACT ENTITLED: "AN ACT APPROVING RENEWABLE RESOURCE PROJECTS AND
7 AUTHORIZING LOANS; APPROPRIATING MONEY TO THE DEPARTMENT OF NATURAL RESOURCES
8 AND CONSERVATION FOR LOANS UNDER THE RENEWABLE RESOURCE GRANT AND LOAN
9 PROGRAM; AUTHORIZING THE ISSUANCE OF COAL SEVERANCE TAX BONDS; CREATING STATE
10 DEBT; PLACING CERTAIN CONDITIONS ON LOANS; AND PROVIDING AN EFFECTIVE DATE."

11
12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13
14 NEW SECTION. **Section 1. Authorization to provide loans.** (1) The legislature finds that the
15 renewable resource projects listed in this section meet the provisions of 17-5-702. The department of natural
16 resources and conservation is authorized to make loans to the political subdivisions of state government and
17 local governments listed in subsection (2) in amounts not to exceed the loan amounts listed for each project
18 from the proceeds of the bonds authorized in [section 3 4].

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

Loan	Amount
Greenfields Irrigation District	
Hydro Development	\$1,500,000
East Fork	
Dam Rehabilitation	\$10,000,000 <u>\$16,900,000</u>
Painted Rocks	
 Dam Rehabilitation	\$6,000,000

Amendment - 1st Reading/2nd House-blue - Requested by: Mike Lang - (S) Finance and Claims

- 2023

68th Legislature 2023

Drafter: Katy Callon, 406-444-4421

HB0008.002.001

1

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

3 The legislature finds that the following renewable resource projects that were approved by the 67th legislature
4 in Chapter 463, Laws of 2021, may not complete the requirements necessary to obtain the loan funds prior to
5 June 30, 2022. The projects described in this section are reauthorized. The department of natural resources
6 and conservation is authorized to make loans to political subdivisions of state government and local
7 governments listed in subsections (2) through (4) in amounts not to exceed the loan amounts listed for each
8 project from the proceeds of bonds authorized in [section 3 4].

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

11	Loan	Amount
12	Department of Natural Resources and Conservation—Conservation and Resource Development	
13	Division	
14	Refinance Existing Debt or Rehabilitation of Infrastructure Facilities	
15		\$8,000,000

16 (3) The interest rate for the projects in this group is 3.0% or the rate at which the state bonds are
17 sold, whichever is lower, for up to 30 years:

18	Loan	Amount
19	Central Montana Regional Water Authority	
20	Local Match for Central Montana Regional Water Authority	\$5,000,000
21	Dry-Redwater Regional Water Authority	
22	Local Match for Dry-Redwater Regional Water Authority	\$5,000,000
23	Dry Prairie Regional Water Authority	
24	Local Match for Dry Prairie Projects	\$5,000,000
25	North Central Regional Water Authority	
26	Local Match for North Central Projects	\$5,000,000
27	Lower Willow Creek Irrigation District	

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1	Right Subdrain Repair Project	\$200,000
2	Huntley Irrigation District Reauthorization	
3	Tunnel 2 and Canal System	\$3,500,000
4	Lockwood Irrigation District	
5	Box Elder Siphon, Pump Station, and Pump 3	\$750,000 <u>\$1,550,000</u>

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

8	Loan	Amount
9	St. Mary's Diversion Project Local Share	\$40,000,000

- 10 (b) The loan in this subsection (4) is contingent on the following:
- 11 (i) the federal government entering into an agreement with the state that designates the federal
12 and state share of the total project cost;
 - 13 (ii) the forming of a water users' association of Montana users of the waters flowing from the Milk
14 River that includes cities, towns, districts, water users' associations, and other unassociated individuals and
15 entities; and
 - 16 (iii) the water users' association demonstrating to the satisfaction of the department of natural
17 resources and conservation its financial capacity, through water user fees or other available sources of funding,
18 to pay the annual costs of the loan repayment over the term of the loan.

19
20 NEW SECTION. SECTION 3. AUTHORIZATION TO PROVIDE LOAN. (1) THE INTEREST RATE FOR THE PROJECT
21 IN THIS GROUP IS 3.0% OR THE RATE AT WHICH THE STATE BONDS ARE SOLD, WHICHEVER IS LOWER, FOR UP TO 30
22 YEARS:

23	<u>LOAN</u>	<u>AMOUNT</u>
24	<u>ST. MARY'S SIPHON REPLACEMENT PROJECTS LOCAL SHARE</u>	<u>\$26,000,000</u>

25 (2) THE LOAN IN THIS SECTION IS CONTINGENT ON THE FOLLOWING:

26 (A) THE FEDERAL GOVERNMENT ENTERING INTO AN AGREEMENT WITH THE STATE THAT DESIGNATES THE
27 FEDERAL AND STATE SHARE OF THE TOTAL PROJECT COST;

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1 ~~(B) THE FORMING OF A WATER USERS' ASSOCIATION OF MONTANA USERS OF THE WATERS FLOWING FROM~~
2 ~~THE MILK RIVER THAT INCLUDES CITIES, TOWNS, DISTRICTS, WATER USERS' ASSOCIATIONS, AND OTHER UNASSOCIATED~~
3 ~~INDIVIDUALS AND ENTITIES; AND~~

4 ~~(C) THE WATER USERS' ASSOCIATION DEMONSTRATING TO THE SATISFACTION OF THE DEPARTMENT OF~~
5 ~~NATURAL RESOURCES AND CONSERVATION ITS FINANCIAL CAPACITY, THROUGH WATER USER FEES OR OTHER AVAILABLE~~
6 ~~SOURCES OF FUNDING, TO PAY THE ANNUAL COSTS OF THE LOAN REPAYMENT OVER THE TERM OF THE LOAN.~~

7 ~~(a) the receipt of federal cost share that addresses the financial capability of the Milk River project~~
8 ~~contracting entities as cited in the Milk River project ability-to-pay study by the U.S. department of the interior,~~
9 ~~bureau of reclamation, dated September 2022, or the budget director adopting a repair plan from the water~~
10 ~~users' association formed in subsection (2)(b). The department of natural resources and conservation shall~~
11 ~~develop the required contents of the repair plan. The Milk River joint board of control shall submit its repair plan~~
12 ~~to the department of natural resources and conservation. If the budget director does not adopt the repair plan,~~
13 ~~the Milk River joint board of control may resubmit a revised repair plan to the department.~~

14 ~~(b) the Milk River joint board of control demonstrating to the satisfaction of the department of~~
15 ~~natural resources and conservation its technical, managerial, and financial capacity, through water user fees or~~
16 ~~other available sources of funding, to pay the annual costs of the loan repayment over the term of the loan.~~

17
18 NEW SECTION. Section 4. Coal severance tax bonds authorized. (1) The legislature finds that
19 Title 17, chapter 5, part 7, provides for the issuance of coal severance tax bonds for financing specific approved
20 renewable resource projects as part of the state renewable resource grant and loan program. Available funds
21 from previous sales of coal severance tax bonds, plus any additional principal amount on bonds as may be
22 necessary, pursuant to the conditions in 85-1-605, to fund emergency loans, as authorized and approved in
23 accordance with 85-1-605(4), may also be used for the projects approved in [sections 1 through 7 8]. The board
24 of examiners is authorized to issue coal severance tax bonds in an amount not to exceed ~~\$89,950,000~~
25 \$129,415,000 in the biennium beginning July 1, 2023, of which up to ~~\$8,995,000~~ \$11,765,000 is to be used to
26 establish a reserve for the bonds. Proceeds of the bonds are appropriated to the department of natural
27 resources and conservation for financing the projects identified in [sections 1 and 2 THROUGH 3] and may be

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1 used as authorized in 85-1-605(4). Loans made under 85-1-605(4) must bear interest at the rate borne by the
2 state bonds unless the legislature in a subsequent session provides for a lower interest rate, in which case the
3 rate must be reduced to the rate specified by the legislature.

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

9 (3) Earnings on the bond proceeds prior to the completion of any loan must be allocated to the
10 debt service account to pay the debt service on the bonds during this period. Earnings in excess of debt
11 service, if any, must be allocated to the natural resources projects state special revenue account established in
12 15-38-302.

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

16
17 **NEW SECTION. Section 5. Conditions of loans.** (1) Disbursement of funds under ~~[sections 1 and 2]~~
18 ~~[SECTIONS 1 THROUGH 3]~~ for loans is subject to the following conditions that must be met by project sponsors:

- 19 (a) approval of a scope of work and budget for the project by the department of natural resources
20 and conservation. Reductions in a scope of work or budget may not affect priority activities or improvements.
- 21 (b) documented commitment of other funds required for project completion;
- 22 (c) satisfactory completion of conditions described in the recommendations section of the project
23 narrative in the renewable resource grant and loan program project evaluations and recommendations report;
- 24 (d) execution of a loan agreement with the department of natural resources and conservation; and
- 25 (e) accomplishment of other specific requirements considered necessary by the department of
26 natural resources and conservation to accomplish the purpose of the loan as evidenced from the application to
27 the department or from the proposal to the legislature.

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

5 NEW SECTION. Section 6. Private and discount purchase of loans. Loans to political subdivisions
6 and local government entities pursuant to ~~[sections 1 and 2]~~ [SECTIONS 1 THROUGH 3] AND bonds, warrants, and
7 notes issued in evidence of those loans may be made, purchased by, and sold to the department of natural
8 resources and conservation at a discount and at a private negotiated sale, notwithstanding the provisions of
9 any other law applicable to political subdivisions or local government entities.
10

11 NEW SECTION. Section 7. Appropriations established. For any entity of state government that
12 receives a loan under ~~[section 1 and 2]~~ [SECTIONS 1 THROUGH 3], an appropriation is established for the amount
13 of the loan upon award of the loan by the department of natural resources and conservation for the biennium
14 beginning July 1, 2023.
15

16 NEW SECTION. Section 8. Creation of state debt -- two-thirds vote required -- appropriation of
17 coal severance tax -- three-fourths vote required -- bonding provisions. (1) Because ~~[section 3]~~ [SECTION
18 4] authorizes the creation of state debt, Article VIII, section 8, of the Montana constitution requires a vote of
19 two-thirds of the members of each house of the legislature for passage.
20

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

