

HOUSE BILL NO. 885

INTRODUCED BY JACOBSEN, THOFT, BENGTSON, UNDERDAL,  
SHAW, KOLSTAD, SPAETH, BACHINI, AKLESTAD, KEYSER, DEVLIN,  
LANE, E. SMITH, LEE, TVEIT, HAGER, STEPHENS, DOVER,  
OCHSNER, STIMATZ, ABRAMS, HARP, C. SMITH, KOEHNKE,  
PECK, PISTORIA, O'CONNELL, BLISS, MUELLER, SALES,  
SWIFT, MANUEL, SAUNDERS, SCHYE, J. HAMMOND

IN THE HOUSE

February 16, 1983	Introduced and referred to Committee on State Administration.
February 18, 1983	On motion by Chief Sponsor, Representatives Koehnke, Peck, et al., were added as sponsors to the bill.  Committee recommend bill do pass as amended. Report adopted.
February 19, 1983	Bill printed and placed on members' desks.
February 21, 1983	On motion taken from second reading and referred to Committee on Appropriations.
March 28, 1983	Committee recommend bill do pass as amended. Report adopted.  Bill printed and placed on members' desks.  Second reading, do pass as amended.  Third reading, passed. Transmitted to Senate.

IN THE SENATE

April 5, 1983                    Introduced and referred to  
   Committee on Finance and  
   Claims.

April 14, 1983                    Committee recommend bill be  
   concurred in as amended.  
   Report adopted.

   Second reading, concurred in  
   as amended.

April 15, 1983                    Third reading, concurred in.  
   Ayes, 48; Noes, 0.

IN THE HOUSE

April 16, 1983                    Returned to House with  
   amendments.

April 18, 1983                    Second reading, amendments not  
   concurred in.

   On motion, Conference  
   Committee requested and  
   appointed.

April 20, 1983                    Conference Committee  
   dissolved.

   On motion, Free Conference  
   Committee requested and  
   appointed.

April 21, 1983                    Free Conference Committee  
   reported.

   Second reading, Free  
   Conference Committee report  
   adopted.

   Third reading, Free Conference  
   Committee report adopted.  
   Ayes, 93; Noes, 5.

April 21, 1983

Free Conference Committee  
report adopted by Senate.

Sent to enrolling.

Reported correctly enrolled.

1 *House* BILL NO. *885*  
 2 INTRODUCED BY *James Jeff Bergman*  
 3 *Spaldt Dickson Keyser* LANE E. Smith  
 4 A BILL FOR AN ACT ENTITLED "AN ACT TO APPROVE THE ISSUANCE  
 5 OF STATE OF MONTANA COAL SEVERANCE TAX BONDS TO FINANCE THE  
 6 DEVELOPMENT OF CERTAIN STATE HYDROELECTRIC PROJECTS, THE  
 7 REHABILITATION AND REPAIR OF CERTAIN STATE PROJECTS, AND  
 8 LOANS TO POLITICAL SUBDIVISIONS AND LOCAL GOVERNMENTS FOR  
 9 CERTAIN APPROVED WATER DEVELOPMENT PROJECTS; TO APPROPRIATE  
 10 COAL SEVERANCE TAX TRUST PROCEEDS FOR DEBT SERVICE; TO  
 11 AUTHORIZE THE CREATION OF A STATE DEBT; TO ALLOW THE PRIVATE  
 12 SALE OF MUNICIPAL REVENUE BONDS TO THE STATE OF MONTANA;  
 13 AMENDING SECTION 7-7-4433, MCA; AND PROVIDING AN IMMEDIATE  
 14 EFFECTIVE DATE."

15  
 16 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
 17 NEW SECTION. Section 1. Purpose and policy. (1) The  
 18 legislature recognizes that it is the policy of the state of  
 19 Montana to promote the conservation, development, and  
 20 beneficial use of the state's water resources to secure  
 21 maximum economic and social prosperity for its citizens.  
 22 (2) The legislature recognizes that the development  
 23 and use of water resources and the efficient, economic  
 24 distribution thereof are vital to protect existing uses and  
 25 to assure adequate future supplies for domestic, industrial,

1 agricultural, and other beneficial uses.  
 2 (3) The legislature reaffirms its previous declaration  
 3 that the public interest requires the construction,  
 4 operation, and maintenance of a system of works for the  
 5 conservation, development, storage, distribution, and use of  
 6 water, which construction, operation, and maintenance is a  
 7 single objective which is in all respects for the welfare  
 8 and benefit of the people of this state.  
 9 (4) The legislature finds that the 1981 legislature,  
 10 in Chapter 505, Laws of 1981, established a state water  
 11 development program to provide financial and administrative  
 12 assistance to private, local, and state entities for water  
 13 resources development projects and activities.  
 14 (5) The legislature finds that 85-1-601 declares that  
 15 the water development program is an integral part of the  
 16 implementation and development of the comprehensive,  
 17 coordinated, multiple-use water resources plan known as the  
 18 state water plan and that Title 17, chapter 5, part 7,  
 19 provides for the issuance of coal severance tax bonds for  
 20 financing specific approved water resource development  
 21 projects and activities as part of the state water  
 22 development program.  
 23 (6) The legislature finds that the following water  
 24 development projects approved in [sections 3, 4, and 5] will  
 25 implement the state's policy of full use, conservation, and

1 protection of its water resources:

2 (a) Department of natural resources and conservation

3 hydroelectric development at Painted Rocks Dam, Broadwater

4 Dam, and Cooney Dam;

5 (b) Department of natural resources and conservation

6 repair and rehabilitation at Yellow Water Dam, Cottonwood

7 Dam, and Martinsdale Dam and Reservoir;

8 (c) Three Forks water system improvement;

9 (d) Manhattan wastewater treatment system improvement;

10 (e) Manhattan water system capital improvements;

11 (f) Roosevelt County rural water system construction;

12 (g) Culbertson water supply and treatment facility

13 construction;

14 (h) Geraldine rural water system construction;

15 (i) South Kremlin-Gilford rural water system

16 construction;

17 (j) Huntley project irrigation district

18 rehabilitation;

19 (k) Lower Birch Creek watershed plan;

20 (l) Ennis sewage treatment construction;

21 (m) East Bench gravity flow irrigation project;

22 (n) Bitterroot irrigation district Three Mile farm

23 irrigation measure.

24 NEW SECTION. Section 2. Appropriation and creation of

25 debt for coal severance tax bonds. (1) The legislature,

1 through the enactment of this section by a vote of

2 three-fourths of the members of each house of the

3 legislature as required by Article IX, section 5, of the

4 Montana constitution, pledges, dedicates, and appropriates

5 from the coal severance tax bond subfund all money necessary

6 for the payment of principal and interest not otherwise

7 provided for on the state of Montana coal severance tax

8 bonds authorized by this act to be issued pursuant to Title

9 17, chapter 5, part 7, and pursuant to the further

10 provisions of [this act].

11 (2) The legislature, through the enactment of this

12 section, in accordance with Article VIII, section 8, of the

13 Montana constitution authorizes the creation of a state debt

14 in an amount not to exceed \$45.35 million for the

15 development of the state hydroelectric projects approved in

16 [section 3], in an amount not to exceed \$551,900 for the

17 rehabilitation of state water projects approved in [section

18 4], and in an amount not to exceed \$12,982,281 for loans to

19 local government entities for water development projects

20 approved in [section 5], all for the issuance of state of

21 Montana coal severance tax bonds authorized by [this act].

22 NEW SECTION. Section 3. Approval of coal severance

23 tax bonds for state hydroelectric projects -- repayment

24 provisions. (1) The board of examiners may issue state of

25 Montana coal severance tax bonds:

1 (a) to a maximum amount of \$12.9 million for the  
 2 development of the hydropower potential at the department of  
 3 natural resources and conservation's Painted Rocks Dam under  
 4 the authorization granted by the federal energy regulatory  
 5 commission for project number 4657;

6 (b) to a maximum amount of \$28.6 million for the  
 7 development of the hydropower potential at the department of  
 8 natural resources and conservation's Broadwater Dam under  
 9 authorization pending before the federal energy regulatory  
 10 commission for project number 2835; and

11 (c) to a maximum amount of \$3.85 million for the  
 12 development of the hydropower potential at the department of  
 13 natural resources and conservation's Cooney Dam under an  
 14 authorization from the federal energy regulatory commission  
 15 to be applied for pursuant to the preliminary permit issued  
 16 for project number 4700.

17 (2) Bonds approved in this section may not be issued  
 18 by the board of examiners until the board of natural  
 19 resources and conservation has determined that a project is  
 20 feasible and has otherwise complied with the requirements of  
 21 Title 85, chapter 1, part 5, for the development of  
 22 hydropower at water projects under the control of the  
 23 department.

24 (3) The hydropower revenues from each project are  
 25 pledged, dedicated, and appropriated to a special bond

1 account created for that specific project in the sinking  
 2 fund of the state treasury for the benefit of the bonds  
 3 approved for that specific project. The board of examiners  
 4 may allocate a portion of the bond proceeds for a specific  
 5 project from the bond proceeds and insurance clearance fund  
 6 account to the special sinking account for that specific  
 7 project for the payment of interest on the bonds during  
 8 construction, for the establishment of necessary reserves,  
 9 and for the operation and maintenance of the hydropower  
 10 facilities.

11 (4) In connection with the issuance of bonds, the  
 12 board of examiners may provide for the operation and  
 13 maintenance of the hydropower facilities, pay the principal  
 14 and interest on the bonds when due from each special bond  
 15 account, create and maintain necessary reserves within each  
 16 special bond account, and in all other respects manage and  
 17 use the funds within each special bond account for the  
 18 benefit of the bonds for the particular hydropower project.

19 (5) The board of examiners shall exercise its  
 20 discretion to enhance the marketability of the bonds, to  
 21 secure the most advantageous financial arrangements for the  
 22 state, and to provide to the extent possible that all costs,  
 23 including operation and maintenance and debt service, are  
 24 paid out of project revenues and bond proceeds.

25 (6) Excess funds in any special sinking account as

1 determined by the board of examiners must be allocated to  
2 the water development earmarked account to be used for the  
3 purposes set forth in 85-1-604(3)(b).

4 ~~NEW\_SECTION.~~ Section 4. Approval of coal severance  
5 tax bonds for rehabilitation and repair of state water  
6 projects -- repayment provisions. (1) The board of examiners  
7 may issue state of Montana coal severance tax bonds:

8 (a) to a maximum amount of \$92,000 for repair and  
9 rehabilitation of the department of natural resources and  
10 conservation's Yellow Water Dam in Petroleum County;

11 (b) a maximum amount of \$201,000 for the repair of the  
12 department of natural resources and conservation's  
13 Cottonwood Dam in Park County; and

14 (c) to a maximum amount of \$257,000 for the repair and  
15 rehabilitation of the department of natural resources and  
16 conservation's Martinsdale Dam and Reservoir in Meagher and  
17 Wheatland Counties.

18 (2) Bonds may be issued by the board of examiners  
19 after the water users for each project have entered into  
20 contractual agreements providing for the repayment of the  
21 cost of repair and rehabilitation at a 2% interest rate.  
22 The repayment money from each project is pledged, dedicated,  
23 and appropriated to a special bond account in the sinking  
24 fund of the state treasury for the benefit of the bonds  
25 approved for such project.

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

9 (4) Earnings on bond proceeds prior to the completion  
10 of any loan shall be allocated to the special bond account  
11 to pay interest on the bonds during this period. Earnings  
12 in excess of bond interest, if any, shall be allocated to  
13 the water development earmarked account and may be used for  
14 the purposes allowed under 85-1-604(3)(b).

15 ~~NEW\_SECTION.~~ Section 5. Authorization of coal  
16 severance tax bond loans to government entities. The board  
17 of examiners may issue state of Montana coal severance tax  
18 bonds in an amount not to exceed \$12,982,281 or the total  
19 cost of the projects described in [section 6] for the  
20 purpose of making the loans set forth in [section 6] from  
21 the bond proceeds to political subdivisions and local  
22 government entities and for the purpose of paying the cost  
23 of issuance of the bonds.

24 ~~NEW\_SECTION.~~ Section 6. Political subdivision  
25 projects. (1) The bonds authorized under [section 5] may be

1 issued as follows:

2 (a) (i) Bonds to a maximum amount of \$1,100,000 may be  
3 issued for a loan to the city of Three Forks for the purpose  
4 of financing improvements in the city's water system.

5 (ii) The project, which will rehabilitate existing  
6 components of the city water system and change the source of  
7 the water supply from the Madison River drainage to the  
8 Jefferson River drainage, is needed to resolve the health  
9 hazard in the city's existing water supply caused by  
10 excessive levels of arsenic.

11 (iii) The loan must be repaid at a 2% interest rate.

12 (b) (i) Bonds to a maximum amount of \$130,000 may be  
13 issued for a loan to the city of Manhattan for the purpose  
14 of financing improvements in the city's wastewater treatment  
15 system.

16 (ii) The project is needed because the existing city  
17 wastewater stabilization ponds provide inadequate treatment  
18 to meet future effluent limitations.

19 (iii) The loan must be repaid at a 2% interest rate.

20 (c) (i) Bonds to a maximum amount of \$170,000 may be  
21 used for a loan to the city of Manhattan for the purpose of  
22 financing capital improvements in the city's water system.

23 (ii) The project is needed for promotion of  
24 conservation of water by encouraging city water customers to  
25 use less water and for rehabilitation of the water system.

1 (iii) The loan must be repaid at a 2% interest rate.

2 (d) (i) Bonds to a maximum amount of \$1,790,000 may be  
3 issued for a loan to the Roosevelt County rural water  
4 district for the purpose of financing construction of a  
5 proposed water distribution system for domestic and stock  
6 use for eastern Roosevelt County.

7 (ii) The project is needed to supply water to those  
8 residents of the county who must haul water because of poor  
9 quality ground water and to prevent health problems caused  
10 by consumption of poor quality water.

11 (iii) The loan must be repaid at a 2% interest rate.

12 (e) (i) Bonds to a maximum amount of \$704,000 may be  
13 issued for a loan to the town of Culbertson for the purpose  
14 of financing the construction of a water supply and  
15 treatment facility for the town.

16 (ii) The project is needed to prevent health problems  
17 associated with poor water quality through the use of more  
18 sophisticated water treatment methods and to increase the  
19 town's capacity to service present and future users with  
20 safe, potable water.

21 (iii) The loan must be repaid at a 2% interest rate.

22 (f) (i) Bonds to a maximum amount of \$1,733,200 may be  
23 issued for a loan to the Geraldine rural county water  
24 district for the purpose of the development of a rural water  
25 system in the Geraldine area.



1 (ii) The project is needed to alleviate the situation  
2 caused by poor quality ground water in the area. The  
3 majority of the area's residents must haul both domestic and  
4 stock water.

5 (iii) The loan must be repaid at a 2% interest rate.

6 (g) (i) Bonds to a maximum amount of \$336,035 may be  
7 issued for a loan to the South Kremlin-Gildford water  
8 district for the purpose of the development of a rural water  
9 system in an area where ground water is of insufficient  
10 quantity and quality.

11 (ii) The project is needed to alleviate the health and  
12 economic problems caused by the lack of potable ground  
13 water. At present most residents must haul both domestic  
14 and stock water.

15 (iii) The loan must be repaid at a 2% interest rate.

16 (h) (i) Bonds to a maximum amount of \$162,000 may be  
17 issued for a loan to the Huntley project irrigation district  
18 for the purpose of rehabilitation of the project.

19 (ii) The project is needed to improve the performance  
20 of the water supply system and to ensure the availability of  
21 sufficient water for irrigation.

22 (iii) The loan must be repaid at a 2% interest rate.

23 (i) (i) Bonds to a maximum amount of \$555,000 may be  
24 issued for a loan to the Pondera soil conservation district  
25 for the purpose of partial financing of the Lower Birch

1 Creek watershed plan.

2 (ii) The watershed plan is needed to solve the area's  
3 irrigation water shortage problem by stabilizing and  
4 improving the major supply features of the system and to  
5 ensure an adequate water supply to the nearby city of  
6 Conrad.

7 (iii) The loan must be repaid at a 2% interest rate.

8 (j) (i) Bonds to a maximum amount of \$180,000 may be  
9 issued for a loan to the city of Ennis for the purpose of  
10 financing in part, sewage treatment construction.

11 (ii) The project is needed to build an additional  
12 sewage settling cell in the city of Ennis because the  
13 present sewage treatment system is inadequate to meet the  
14 demands of the city's rising population and is not in  
15 compliance with federal standards.

16 (iii) The loan must be repaid at a 2% interest rate.

17 (k) (i) Bonds may be issued for the purpose of a loan  
18 to the East Bench gravity flow project to provide financing  
19 to the project in accordance with subsection (ii) or (iii)  
20 of this subsection (k).

21 (ii) If the application for federal aid for the East  
22 Bench gravity flow project is not approved by August 1,  
23 1983, bonds may be issued in an amount not to exceed  
24 \$3,230,000 to finance a loan to the East Bench gravity  
25 company. This loan must be repaid at a 2% interest rate.

1 (iii) If the application for federal aid for the East  
 2 Bench gravity flow project is approved by August 1, 1983,  
 3 bonds may be issued for the difference between a total  
 4 project cost of \$4,383,000 and the total amount of federal  
 5 aid received by the project to finance a loan to the East  
 6 Bench gravity company. This loan must be repaid at a 2%  
 7 interest rate.

8 (iv) This project is needed to alleviate low pressure  
 9 problems at the lower end of the project and to eliminate  
 10 pumping costs.

11 (1) (i) Bonds to a maximum amount of \$1,180,000 may be  
 12 issued for a loan to the Bitterroot irrigation district for  
 13 the purpose of financing, in part, the Three Mile farm  
 14 irrigation measure, involving conversion of the irrigation  
 15 system serving the area from pumped to gravity sprinkler  
 16 irrigation.

17 (ii) This project is needed to alleviate present water  
 18 shortages to reduce the cost of irrigation and to conserve  
 19 water.

20 (iii) The loan must be repaid at a 2% interest rate.

21 (2) Loan repayments, both principal and interest, are  
 22 pledged, dedicated, and appropriated to a special bond  
 23 account in the sinking fund of the state treasury for the  
 24 benefit of bonds approved for loans under this section.

25 (3) In connection with the issuance of bonds, the

1 board of examiners may pay the principal and interest on the  
 2 bonds when due from the special bond account and in all  
 3 other respects manage and use the funds within the special  
 4 bond account for the benefit of the bonds. The board of  
 5 examiners shall exercise its discretion to enhance the  
 6 marketability of the bonds and to secure the most  
 7 advantageous financial arrangements for the state.

8 (4) Earnings on bond proceeds prior to the completion  
 9 of any loan must be allocated to the special bond account to  
 10 pay interest on the bonds during this period. Earnings in  
 11 excess of bond interest, if any, must be allocated to the  
 12 water development earmarked account and may be used for the  
 13 purposes allowed under 85-1-604(3)(c).

14 (5) (a) The legislature's approval of loans for  
 15 projects listed in this section is subject to the  
 16 recipient's provision to the board of examiners of  
 17 information and material necessary for the purposes of  
 18 completion of contractual agreements and for bond sale  
 19 purposes. This information and material must be provided on  
 20 a schedule that will allow bond sale schedules to be met.  
 21 The loans are conditioned upon compliance with the  
 22 requirements of this subsection (5) meeting the approval of  
 23 the board of examiners and upon such other conditions the  
 24 board of examiners may impose that are necessary for the  
 25 completion of contractual agreements and for bond sale

1 purposes.

2 (b) Loans for projects listed in this section are  
3 subject to the approval of the governing body of the  
4 political subdivision.

5 Section 7. Section 7-7-4433, MCA, is amended to read:

6 "7-7-4433. Sale of bonds. (1) Bonds authorized to be  
7 issued under this part shall be sold at not less than par.

8 (2) (a) ~~Said bonds may be sold at private sale to the~~  
9 ~~United States or the state of Montana or any agency,~~  
10 ~~instrumentality, or corporation thereof.~~

11 (b) ~~Unless sold to the United States or the state of~~  
12 ~~Montana or an agency, instrumentality, or corporation~~  
13 ~~thereof, said bonds shall be sold at public sale after~~  
14 ~~notice of such sale."~~

15 ~~NEW SECTION. Section 8. Severability. If a part of~~  
16 ~~this act is invalid, all valid parts that are severable from~~  
17 ~~the invalid part remain in effect. If a part of this act is~~  
18 ~~invalid in one or more of its applications, the part remains~~  
19 ~~in effect in all valid applications that are severable from~~  
20 ~~the invalid applications.~~

21 ~~NEW SECTION. Section 9. Effective date. This act is~~  
22 ~~effective on passage and approval.~~

~~--End--~~

STATE OF MONTANA

REQUEST NO. 482-83

FISCAL NOTE

Form BD-15

In compliance with a written request received February 18, 19 83, there is hereby submitted a Fiscal Note for House Bill 855 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

FISCAL NOTE 15:FF/1

House Bill 855 revises Montana's probate code with respect to renunciation of succession; revises the alternate valuation for inheritance and estate taxes; revises the statutes relating to deferred payment of inheritance and estate taxes; revises the apportionment of estate and inheritance taxes; and provides an applicability date.

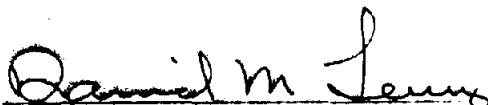
FISCAL IMPACT:

It is not possible to reliably estimate the fiscal impact from House Bill 855 because of the variability in deaths, the size of estates, the number of heirs, and relationship of heirs to estate, etc.

COMMENTS:

House Bill 855 establishes additional criteria for qualified heirs. The bill essentially extends the definition of a qualified heir to certain individuals (through renunciation) with no direct blood relationship to the deceased. House Bill 855 will affect only a small percentage of total estates subject to probate taxes, however, the dollar amount of these estates will be large in proportion to the total inheritance tax collections.

If, for example, an individual meeting the criteria of House Bill 855 inherits an estate worth \$1.2 million, and a taxable value worth \$925,000, that individual would pay \$282,000 in inheritance tax under current law since the individual is not a lineal descendent of the deceased. Under the proposed law, the individual will be classified as a qualified heir and be exempt from taxation. The loss, on this single estate therefore, is \$282,000.



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-22-83

Rereferred and  
Approved by Comm.  
on Appropriations

HOUSE BILL NO. 885

INTRODUCED BY JACOBSEN, THOFT, BENGTON, UNDERDAL,  
SHAN, KOLSTAD, SPAETH, BACHINI, AKLESTAD, KEYSER, DEVLIN,  
LANE, E. SMITH, LEE, TVEIT, HAGER, STEPHENS, DOVER,  
DECHNER, STIMATZ, ABRAMS, HARP, C. SMITH, KOEHNKE,  
PECK, PISTORIA, O'CONNELL, BLISS, MUELLER, SALES,  
SWIFT, MANUEL, SAUNDERS, SCHYE, J. HAMMOND

A BILL FOR AN ACT ENTITLED: "AN ACT TO APPROVE THE ISSUANCE  
OF STATE OF MONTANA COAL SEVERANCE TAX BONDS TO FINANCE THE  
DEVELOPMENT OF CERTAIN STATE HYDROELECTRIC PROJECTS, THE  
REHABILITATION AND REPAIR OF CERTAIN STATE PROJECTS, AND  
LOANS TO POLITICAL SUBDIVISIONS AND LOCAL GOVERNMENTS FOR  
CERTAIN APPROVED WATER DEVELOPMENT PROJECTS; TO APPROPRIATE  
COAL SEVERANCE TAX TRUST PROCEEDS FOR DEBT SERVICE; TO  
AUTHORIZE THE CREATION OF A STATE DEBT; TO ALLOW THE PRIVATE  
SALE OF MUNICIPAL REVENUE BONDS TO THE STATE OF MONTANA;  
AMENDING SECTION 7-7-4433, MCA; AND PROVIDING AN IMMEDIATE  
EFFECTIVE DATE."

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

~~NEW SECTION.~~ Section 1. Purpose and policy. (1) The  
legislature recognizes that it is the policy of the state of  
Montana to promote the conservation, development, and  
beneficial use of the state's water resources to secure

maximum economic and social prosperity for its citizens.

(2) The legislature recognizes that the development  
and use of water resources and the efficient, economic  
distribution thereof are vital to protect existing uses and  
to assure adequate future supplies for domestic, industrial,  
agricultural, and other beneficial uses.

(3) The legislature reaffirms its previous declaration  
that the public interest requires the construction,  
operation, and maintenance of a system of works for the  
conservation, development, storage, distribution, and use of  
water, which construction, operation, and maintenance is a  
single objective which is in all respects for the welfare  
and benefit of the people of this state.

(4) The legislature finds that the 1981 legislature,  
in Chapter 505, Laws of 1981, established a state water  
development program to provide financial and administrative  
assistance to private, local, and state entities for water  
resources development projects and activities.

(5) The legislature finds that 85-1-601 declares that  
the water development program is an integral part of the  
implementation and development of the comprehensive,  
coordinated, multiple-use water resources plan known as the  
state water plan and that Title 17, chapter 5, part 7,  
provides for the issuance of coal severance tax bonds for  
financing specific approved water resource development

1 projects and activities as part of the state water  
2 development program.

3 (6) The legislature finds that the following water  
4 development projects approved in [sections 3, 4, and 5] will  
5 implement the state's policy of full use, conservation, and  
6 protection of its water resources:

7 (a) Department of natural resources and conservation  
8 hydroelectric development at Painted Rocks Dam, Broadwater  
9 Dam, and Cooney Dam;

10 (b) Department of natural resources and conservation  
11 repair and rehabilitation at Yellow Water Dam, Cottonwood  
12 Dam, and Martinsdale Dam and Reservoir;

13 ~~(c) Three-Forks-water-system-improvements~~

14 ~~(d) Manhattan-wastewater-treatment-system-improvements~~

15 ~~(e) Manhattan-water-system-capitol-improvements~~

16 ~~(f)(1) Roosevelt County rural water system~~  
17 ~~construction;~~

18 ~~(g)(1) Culbertson water supply and treatment facility~~  
19 ~~construction;~~

20 ~~(h)(1) Geraldine rural water system construction;~~

21 ~~(i)(1) South Kremlin-Gildford rural water system~~  
22 ~~construction;~~

23 ~~(j)(1) Huntley project irrigation district~~  
24 ~~rehabilitation;~~

25 ~~(k)(1) Lower Birch Creek watershed plan;~~

1 ~~(j) Ennis-sewage-treatment-construction;~~

2 ~~(m)(1) East Bench gravity flow irrigation project;~~

3 ~~(n)(1) Bitterroot irrigation district Three Mile farm~~  
4 ~~irrigation measure;~~

5 ~~(K) NOXON RURAL WATER SYSTEM IMPROVEMENT.~~

6 ~~NEW SECTION.~~ Section 2. Appropriation and creation of  
7 debt for coal severance tax bonds. (1) The legislature,  
8 through the enactment of this section by a vote of  
9 three-fourths of the members of each house of the  
10 legislature as required by Article IX, section 5, of the  
11 Montana constitution, pledges, dedicates, and appropriates  
12 from the coal severance tax bond subfund all money necessary  
13 for the payment of principal and interest not otherwise  
14 provided for on the state of Montana coal severance tax  
15 bonds authorized by this act to be issued pursuant to Title  
16 17, chapter 5, part 7, and pursuant to the further  
17 provisions of [this act].

18 (2) The legislature, through the enactment of this  
19 section, in accordance with Article VIII, section 8, of the  
20 Montana constitution authorizes the creation of a state debt  
21 in an amount not to exceed \$45.35 million for the  
22 development of the state hydroelectric projects approved in  
23 [section 3], in an amount not to exceed \$551,900 for the  
24 rehabilitation of state water projects approved in [section  
25 4], and in an amount not to exceed \$12,982,281 for loans to

1 local government entities for water development projects  
2 approved in [section 5], all for the issuance of state of  
3 Montana coal severance tax bonds authorized by [this act].

4 NEW SECTION. Section 3. Approval of coal severance  
5 tax bonds for state hydroelectric projects -- repayment  
6 provisions. (1) The board of examiners may issue state of  
7 Montana coal severance tax bonds:

8 (a) to a maximum amount of \$12.9 million for the  
9 development of the hydropower potential at the department of  
10 natural resources and conservation's Painted Rocks Dam under  
11 the authorization granted by the federal energy regulatory  
12 commission for project number 4657;

13 (b) to a maximum amount of \$28.6 million for the  
14 development of the hydropower potential at the department of  
15 natural resources and conservation's Broadwater Dam under  
16 authorization pending before the federal energy regulatory  
17 commission for project number ~~2935~~ 2852; and

18 (c) to a maximum amount of \$3.85 million for the  
19 development of the hydropower potential at the department of  
20 natural resources and conservation's Cooney Dam under an  
21 authorization from the federal energy regulatory commission  
22 to be applied for pursuant to the preliminary permit issued  
23 for project number 4700.

24 (2) Bonds approved in this section may not be issued  
25 by the board of examiners until the board of natural

1 resources and conservation has determined that a project is  
2 feasible and has otherwise complied with the requirements of  
3 Title 85, chapter 1, part 5, for the development of  
4 hydropower at water projects under the control of the  
5 department.

6 (3) The hydropower revenues from each project are  
7 pledged, dedicated, and appropriated to a special bond  
8 account created for that specific project in the sinking  
9 fund of the state treasury for the benefit of the bonds  
10 approved for that specific project. The board of examiners  
11 may allocate a portion of the bond proceeds for a specific  
12 project from the bond proceeds and insurance clearance fund  
13 account to the special sinking account for that specific  
14 project for the payment of interest on the bonds during  
15 construction, for the establishment of necessary reserves,  
16 and for the operation and maintenance of the hydropower  
17 facilities.

18 (4) In connection with the issuance of bonds, the  
19 board of examiners may provide for the operation and  
20 maintenance of the hydropower facilities, pay the principal  
21 and interest on the bonds when due from each special bond  
22 account, create and maintain necessary reserves within each  
23 special bond account, and in all other respects manage and  
24 use the funds within each special bond account for the  
25 benefit of the bonds for the particular hydropower project.

1 (5) The board of examiners shall exercise its  
2 discretion to enhance the marketability of the bonds, to  
3 secure the most advantageous financial arrangements for the  
4 state, and to provide to the extent possible that all costs,  
5 including operation and maintenance and debt service, are  
6 paid out of project revenues and bond proceeds.

7 (6) Excess funds in any special sinking account as  
8 determined by the board of examiners must be allocated to  
9 the water development earmarked account to be used for the  
10 purposes set forth in 85-1-604(3)(b).

11 NEW SECTION. Section 4. Approval of coal severance  
12 tax bonds for rehabilitation and repair of state water  
13 projects -- repayment provisions. (1) The board of examiners  
14 may issue state of Montana coal severance tax bonds:

15 (a) to a maximum amount of \$92,000 for repair and  
16 rehabilitation of the department of natural resources and  
17 conservation's Yellow Water Dam in Petroleum County;

18 (b) a maximum amount of \$201,000 for the repair of the  
19 department of natural resources and conservation's  
20 Cottonwood Dam in Park County; and

21 (c) to a maximum amount of \$257,000 for the repair and  
22 rehabilitation of the department of natural resources and  
23 conservation's Martinsdale Dam and Reservoir in Meagher and  
24 Wheatland Counties.

25 (2) Bonds may be issued by the board of examiners

1 after the water users for each project have entered into  
2 contractual agreements providing for the repayment of the  
3 cost of repair and rehabilitation at a ~~2% interest rate~~ RATE  
4 OR INTEREST EQUAL TO THAT WHICH MUST BE PAID ON BONDS ISSUED  
5 PURSUANT TO [THIS SECTION]. The repayment money from each  
6 project is pledged, dedicated, and appropriated to a special  
7 bond account in the sinking fund of the state treasury for  
8 the benefit of the bonds approved for such project.

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

17 (4) Earnings on bond proceeds prior to the completion  
18 of any loan shall be allocated to the special bond account  
19 to pay interest on the bonds during this period. Earnings  
20 in excess of bond interest, if any, shall be allocated to  
21 the water development earmarked account and may be used for  
22 the purposes allowed under 85-1-604(3)(b).

23 NEW SECTION. Section 5. Authorization of coal  
24 severance tax bond loans to government entities. The board  
25 of examiners may issue state of Montana coal severance tax



1 bonds in an amount not to exceed ~~\$12,982,281~~ \$11,524,281 or  
2 the total cost of the projects described in [section 6] for  
3 the purpose of making the loans set forth in [section 6]  
4 from the bond proceeds to political subdivisions and local  
5 government entities and for the purpose of paying the cost  
6 of issuance of the bonds.

7 ~~NEW SECTION.~~ Section 6. Political subdivision  
8 projects. (1) The bonds authorized under [section 5] may be  
9 issued as follows:

10 ~~(a) (i) Bonds to a maximum amount of \$17,000,000 may be~~  
11 ~~issued for a loan to the city of Three Forks for the purpose~~  
12 ~~of financing improvements in the city's water system.~~

13 ~~(ii) The project which will rehabilitate existing~~  
14 ~~components of the city water system and change the source of~~  
15 ~~the water supply from the Madison River drainage to the~~  
16 ~~Jefferson River drainage is needed to resolve the health~~  
17 ~~hazard in the city's existing water supply caused by~~  
18 ~~excessive levels of arsenic.~~

19 ~~(iii) The loan must be repaid at a 2% interest rate.~~

20 ~~(b) (i) Bonds to a maximum amount of \$130,000 may be~~  
21 ~~issued for a loan to the city of Manhattan for the purpose~~  
22 ~~of financing improvements in the city's wastewater treatment~~  
23 ~~systems.~~

24 ~~(ii) The project is needed because the existing city~~  
25 ~~wastewater stabilization ponds provide inadequate treatment~~

1 to meet future effluent limitations.

2 (iii) The loan must be repaid at a 2% interest rate.

3 (c) (i) Bonds to a maximum amount of ~~\$170,000~~ may be  
4 used for a loan to the city of Manhattan for the purpose of  
5 financing capital improvements in the city's water system.

6 (ii) The project is needed for promotion of  
7 conservation of water by encouraging city water customers to  
8 use less water and for rehabilitation of the water system.

9 (iii) The loan must be repaid at a 2% interest rate.

10 (d) (A) (i) Bonds to a maximum amount of \$1,790,000 may  
11 be issued for a loan to the Roosevelt County rural water  
12 district for the purpose of financing construction of a  
13 proposed water distribution system for domestic and stock  
14 use for eastern Roosevelt County.

15 (ii) The project is needed to supply water to those  
16 residents of the county who must haul water because of poor  
17 quality ground water and to prevent health problems caused  
18 by consumption of poor quality water.

19 (iii) The loan must be repaid at a 2% ~~5.1/2%~~ interest  
20 rate.

21 (e) (B) (i) Bonds to a maximum amount of \$704,000 may  
22 be issued for a loan to the town of Culbertson for the  
23 purpose of financing the construction of a water supply and  
24 treatment facility for the town.

25 (ii) The project is needed to prevent health problems

1 associated with poor water quality through the use of more  
 2 sophisticated water treatment methods and to increase the  
 3 town's capacity to service present and future users with  
 4 safe, potable water.

5 (iii) The loan must be repaid at a 2% ~~5%~~ interest rate.

6 ~~f77(L)~~ (i) Bonds to a maximum amount of \$1,733,200 may  
 7 be issued for a loan to the Geraldine rural county water  
 8 district for the purpose of the development of a rural water  
 9 system in the Geraldine area.

10 (ii) The project is needed to alleviate the situation  
 11 caused by poor quality ground water in the area. The  
 12 majority of the area's residents must haul both domestic and  
 13 stock water.

14 (iii) The loan must be repaid at a 2% ~~6.1/2%~~ interest  
 15 rate.

16 ~~f77(D)~~ (i) Bonds to a maximum amount of \$336,035 may  
 17 be issued for a loan to the South Kremlin-Gildford water  
 18 district for the purpose of the development of a rural water  
 19 system in an area where ground water is of insufficient  
 20 quantity and quality.

21 (ii) The project is needed to alleviate the health and  
 22 economic problems caused by the lack of potable ground  
 23 water. At present most residents must haul both domestic  
 24 and stock water.

25 (iii) The loan must be repaid at a 2% ~~6.1/2%~~ interest

1 rate.

2 ~~f77(E)~~ (i) Bonds to a maximum amount of \$162,000 may  
 3 be issued for a loan to the Huntley project irrigation  
 4 district for the purpose of rehabilitation of the project.

5 (ii) The project is needed to improve the performance  
 6 of the water supply system and to ensure the availability of  
 7 sufficient water for irrigation.

8 (iii) The loan must be repaid at a 2% ~~6%~~ interest rate.

9 ~~f77(E)~~ (i) Bonds to a maximum amount of \$555,000 may  
 10 be issued for a loan to the Pondera soil conservation  
 11 district for the purpose of partial financing of the Lower  
 12 Birch Creek watershed plan.

13 (ii) The watershed plan is needed to solve the area's  
 14 irrigation water shortage problem by stabilizing and  
 15 improving the major supply features of the system and to  
 16 ensure an adequate water supply to the nearby city of  
 17 Conrad.

18 (iii) The loan must be repaid at a 2% ~~6%~~ interest rate.

19 ~~f77--(F)--Bonds--to--a--maximum--amount--of--\$100,000--may--be~~  
 20 ~~issued--for--a--loan--to--the--city--of--Ennis--for--the--purpose--of~~  
 21 ~~financing--in--part--sewage--treatment--construction~~

22 ~~(F)--The--project--is--needed--to--build--an--additional~~  
 23 ~~sewage--settling--cell--in--the--city--of--Ennis--because--the~~  
 24 ~~present--sewage--treatment--system--is--inadequate--to--meet--the~~  
 25 ~~demands--of--the--city's--rising--population--and--is--not--in~~

1 ~~compliance with federal standards.~~

2 ~~++++The loan must be repaid at a 2% interest rate.~~

3 ~~++)(G)~~ (i) Bonds may be issued for the purpose of a  
4 loan to the East Bench gravity flow project to provide  
5 financing to the project in accordance with subsection (ii)  
6 or (iii) of this subsection ~~++)(G)~~.

7 (ii) If the application for federal aid for the East  
8 Bench gravity flow project is not approved by August 1,  
9 1983, bonds may be issued in an amount not to exceed  
10 \$3,237,000 to finance a loan to the East Bench gravity  
11 company. This loan must be repaid at a 2% ~~3%~~ interest rate.

12 (iii) If the application for federal aid for the East  
13 Bench gravity flow project is approved by August 1, 1983,  
14 bonds may be issued for the difference between a total  
15 project cost of \$4,383,000 and the total amount of federal  
16 aid received by the project to finance a loan to the East  
17 Bench gravity company. This loan must be repaid at a 2% ~~3%~~  
18 interest rate.

19 (iv) This project is needed to alleviate low pressure  
20 problems at the lower end of the project and to eliminate  
21 pumping costs.

22 ~~++)(H)~~ (i) Bonds to a maximum amount of \$1,180,000 may  
23 be issued for a loan to the Bitterroot irrigation district  
24 for the purpose of financing, in part, the Three Mile farm  
25 irrigation measure, involving conversion of the irrigation

1 system serving the area from pumped to gravity sprinkler  
2 irrigation.

3 (ii) This project is needed to alleviate present water  
4 shortages to reduce the cost of irrigation and to conserve  
5 water.

6 (iii) The loan must be repaid at a 2% ~~3%~~ interest rate.

7 ~~(I) (I) BONDS TO A MAXIMUM OF \$122,000 MAY BE ISSUED~~  
8 ~~FOR A LOAN TO THE NOXON RURAL IMPROVEMENT DISTRICT FOR THE~~  
9 ~~PURPOSE OF FINANCING REHABILITATION OF THE COMMUNITY'S WATER~~  
10 ~~SYSTEM.~~

11 ~~(II) THE PROJECT IS NEEDED BECAUSE THE PRESENT WOODEN~~  
12 ~~LINES HAVE LEAKAGE PROBLEMS AND CONTAMINATION IS BEING DRAWN~~  
13 ~~INTO THE DISTRIBUTION SYSTEM CAUSING A HEALTH HAZARD.~~

14 ~~(III) THE LOAN MUST BE REPAYED AT A 5% INTEREST RATE.~~

15 (2) Loan repayments, both principal and interest, are  
16 pledged, dedicated, and appropriated to a special bond  
17 account in the sinking fund of the state treasury for the  
18 benefit of bonds approved for loans under this section. ~~THE~~  
19 ~~INTEREST RATES APPLICABLE TO ANY OF THE PROJECTS LISTED IN~~  
20 ~~(THIS SECTION) SHALL BE THE LOWER OF THE SPECIFIED RATE~~  
21 ~~CITED FOR EACH PROJECT OR THE RATE THAT MUST BE PAID ON~~  
22 ~~BONDS ISSUED PURSUANT TO (SECTION 5).~~

23 (3) In connection with the issuance of bonds, the  
24 board of examiners may pay the principal and interest on the  
25 bonds when due from the special bond account and in all

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

6 (4) Earnings on bond proceeds prior to the completion  
 7 of any loan must be allocated to the special bond account to  
 8 pay interest on the bonds during this period. Earnings in  
 9 excess of bond interest, if any, must be allocated to the  
 10 water development earmarked account and may be used for the  
 11 purposes allowed under 85-1-604(3)(c).

12 (5) (a) The legislature's approval of loans for  
 13 projects listed in this section is subject to the  
 14 recipient's provision to the board of examiners of  
 15 information and material necessary for the purposes of  
 16 completion of contractual agreements and for bond sale  
 17 purposes. This information and material must be provided on  
 18 a schedule that will allow bond sale schedules to be met.  
 19 The loans are conditioned upon compliance with the  
 20 requirements of this subsection (5) meeting the approval of  
 21 the board of examiners and upon such other conditions the  
 22 board of examiners may impose that are necessary for the  
 23 completion of contractual agreements and for bond sale  
 24 purposes.

25 (b) Loans for projects listed in this section are

1 subject to the approval of the governing body of the  
 2 political subdivision.

3 Section 7. Section 7-7-4433, MCA, is amended to read:

4 "7-7-4433. Sale of bonds. (1) Bonds authorized to be  
 5 issued under this part shall be sold at not less than par.

6 (2) (a) Said bonds may be sold at private sale to the  
 7 United States ~~or the state of Montana~~ or any agency,  
 8 instrumentality, or corporation thereof.

9 (b) Unless sold to the United States ~~or the state of~~  
 10 ~~Montana~~ or an agency, instrumentality, or corporation  
 11 thereof, said bonds shall be sold at public sale after  
 12 notice of such sale."

13 ~~NEW SECTION.~~ Section 8. Severability. If a part of  
 14 this act is invalid, all valid parts that are severable from  
 15 the invalid part remain in effect. If a part of this act is  
 16 invalid in one or more of its applications, the part remains  
 17 in effect in all valid applications that are severable from  
 18 the invalid applications.

19 ~~NEW SECTION.~~ Section 9. Effective date. This act is  
 20 effective on passage and approval.

-End-

## HOUSE BILL NO. 885

INTRODUCED BY JACOBSEN, THOFT, BENGTSON, UNDERDAL,  
 SHAW, KOLSTAD, SPAETH, BACHINI, AKLESTAD, KEYSER, DEVLIN,  
 LANE, E. SMITH, LEE, TYEIT, HAGER, STEPHENS, DOVER,  
 OCHSNER, STIMATZ, ABRAMS, HARP, C. SMITH, KOEHNKE,  
 PECK, PISTORIA, O'CONNELL, BLISS, MUELLER, SALES,  
 SHIFT, MANUEL, SAUNDERS, SCHYE, J. HAMMOND

A BILL FOR AN ACT ENTITLED: "AN ACT TO APPROVE THE ISSUANCE  
 OF STATE OF MONTANA COAL SEVERANCE TAX BONDS TO FINANCE THE  
 DEVELOPMENT OF CERTAIN STATE HYDROELECTRIC PROJECTS, THE  
 REHABILITATION AND REPAIR OF CERTAIN STATE PROJECTS, AND  
 LOANS TO POLITICAL SUBDIVISIONS AND LOCAL GOVERNMENTS FOR  
 CERTAIN APPROVED WATER DEVELOPMENT PROJECTS; TO APPROPRIATE  
 COAL SEVERANCE TAX TRUST PROCEEDS FOR DEBT SERVICE; TO  
 AUTHORIZE THE CREATION OF A STATE DEBT; TO ALLOW THE PRIVATE  
 SALE OF MUNICIPAL REVENUE BONDS TO THE STATE OF MONTANA;  
 AMENDING SECTION 7-7-4433, MCA; AND PROVIDING AN IMMEDIATE  
 EFFECTIVE DATE."

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

NEW SECTION. Section 1. Purpose and policy. (1) The  
 legislature recognizes that it is the policy of the state of  
 Montana to promote the conservation, development, and  
 beneficial use of the state's water resources to secure

maximum economic and social prosperity for its citizens.

(2) The legislature recognizes that the development  
 and use of water resources and the efficient, economic  
 distribution thereof are vital to protect existing uses and  
 to assure adequate future supplies for domestic, industrial,  
 agricultural, and other beneficial uses.

(3) The legislature reaffirms its previous declaration  
 that the public interest requires the construction,  
 operation, and maintenance of a system of works for the  
 conservation, development, storage, distribution, and use of  
 water, which construction, operation, and maintenance is a  
 single objective which is in all respects for the welfare  
 and benefit of the people of this state.

(4) The legislature finds that the 1981 legislature,  
 in Chapter 505, Laws of 1981, established a state water  
 development program to provide financial and administrative  
 assistance to private, local, and state entities for water  
 resources development projects and activities.

(5) The legislature finds that 85-1-601 declares that  
 the water development program is an integral part of the  
 implementation and development of the comprehensive,  
 coordinated, multiple-use water resources plan known as the  
 state water plan and that Title 17, chapter 5, part 7,  
 provides for the issuance of coal severance tax bonds for  
 financing specific approved water resource development

1 projects and activities as part of the state water  
2 development program.

3 (6) The legislature finds that the following water  
4 development projects approved in [sections 3, 4, and 5] will  
5 implement the state's policy of full use, conservation, and  
6 protection of its water resources:

7 (a) Department of natural resources and conservation  
8 hydroelectric development at Painted Rocks Dam, Broadwater  
9 Dam, and Cooney Dam;

10 (b) Department of natural resources and conservation  
11 repair and rehabilitation at Yellow Water Dam, Cottonwood  
12 Dam, and Martinsdale Dam and Reservoir;

13 ~~(c) Three Forks water system improvement;~~

14 ~~(d) Manhattan wastewater treatment system improvement;~~

15 ~~(e) Manhattan water system capital improvement;~~

16 ~~(f)(1) Roosevelt County rural water system~~  
17 ~~construction;~~

18 ~~(g)(1) Culbertson water supply and treatment facility~~  
19 ~~construction;~~

20 ~~(h)(1) Geraldine rural water system construction;~~

21 ~~(i)(1) South Kremlin-Gildford rural water system~~  
22 ~~construction;~~

23 ~~(j)(1) Huntley project irrigation district~~  
24 ~~rehabilitation;~~

25 ~~(k)(1) Lower Birch Creek watershed plan;~~

1 ~~(l) Ennis sewage treatment construction;~~  
2 ~~(m)(1) East Bench gravity flow irrigation project;~~  
3 ~~(n)(1) Bitterroot irrigation district Three Mile farm~~  
4 ~~irrigation measure;~~

5 (k) NOXON RURAL WATER SYSTEM IMPROVEMENT.  
6 NEW SECTION. Section 2. Appropriation and creation of

7 debt for coal severance tax bonds. (1) The legislature,  
8 through the enactment of this section by a vote of  
9 three-fourths of the members of each house of the  
10 legislature as required by Article IX, section 5, of the  
11 Montana constitution, pledges, dedicates, and appropriates  
12 from the coal severance tax bond subfund all money necessary  
13 for the payment of principal and interest not otherwise  
14 provided for on the state of Montana coal severance tax  
15 bonds authorized by this act to be issued pursuant to Title  
16 17, chapter 5, part 7, and pursuant to the further  
17 provisions of [this act].

18 (2) The legislature, through the enactment of this  
19 section, in accordance with Article VIII, section 5, of the  
20 Montana constitution authorizes the creation of a state debt  
21 in an amount not to exceed \$45.35 million for the  
22 development of the state hydroelectric projects approved in  
23 [section 3], in an amount not to exceed \$551,900 for the  
24 rehabilitation of state water projects approved in [section  
25 4], and in an amount not to exceed \$12,982,281 for loans to

1 local government entities for water development projects  
2 approved in [section 5], all for the issuance of state of  
3 Montana coal severance tax bonds authorized by [this act].

4 NEW SECTION. Section 3. Approval of coal severance  
5 tax bonds for state hydroelectric projects -- repayment  
6 provisions. (1) The board of examiners may issue state of  
7 Montana coal severance tax bonds:

8 (a) to a maximum amount of \$12.9 million for the  
9 development of the hydropower potential at the department of  
10 natural resources and conservation's Painted Rocks Dam under  
11 the authorization granted by the federal energy regulatory  
12 commission for project number 4657;

13 (b) to a maximum amount of \$28.6 million for the  
14 development of the hydropower potential at the department of  
15 natural resources and conservation's Broadwater Dam under  
16 authorization pending before the federal energy regulatory  
17 commission for project number 2035 2853; and

18 (c) to a maximum amount of \$3.85 million for the  
19 development of the hydropower potential at the department of  
20 natural resources and conservation's Cooney Dam under an  
21 authorization from the federal energy regulatory commission  
22 to be applied for pursuant to the preliminary permit issued  
23 for project number 4700.

24 (2) Bonds approved in this section may not be issued  
25 by the board of examiners until the board of natural

1 resources and conservation has determined that a project is  
2 feasible and has otherwise complied with the requirements of  
3 Title 85, chapter 1, part 5, for the development of  
4 hydropower at water projects under the control of the  
5 department.

6 (3) The hydropower revenues from each project are  
7 pledged, dedicated, and appropriated to a special bond  
8 account created for that specific project in the sinking  
9 fund of the state treasury for the benefit of the bonds  
10 approved for that specific project. The board of examiners  
11 may allocate a portion of the bond proceeds for a specific  
12 project from the bond proceeds and insurance clearance fund  
13 account to the special sinking account for that specific  
14 project for the payment of interest on the bonds during  
15 construction, for the establishment of necessary reserves,  
16 and for the operation and maintenance of the hydropower  
17 facilities.

18 (4) In connection with the issuance of bonds, the  
19 board of examiners may provide for the operation and  
20 maintenance of the hydropower facilities, pay the principal  
21 and interest on the bonds when due from each special bond  
22 account, create and maintain necessary reserves within each  
23 special bond account, and in all other respects manage and  
24 use the funds within each special bond account for the  
25 benefit of the bonds for the particular hydropower project.

1 (5) The board of examiners shall exercise its  
2 discretion to enhance the marketability of the bonds, to  
3 secure the most advantageous financial arrangements for the  
4 state, and to provide to the extent possible that all costs,  
5 including operation and maintenance and debt service, are  
6 paid out of project revenues and bond proceeds.

7 (6) Excess funds in any special sinking account as  
8 determined by the board of examiners must be allocated to  
9 the water development earmarked account to be used for the  
10 purposes set forth in 85-1-604(3)(b).

11 ~~NEW SECTION.~~ Section 4. Approval of coal severance  
12 tax bonds for rehabilitation and repair of state water  
13 projects -- repayment provisions. (1) The board of examiners  
14 may issue state of Montana coal severance tax bonds:

15 (a) to a maximum amount of \$92,000 for repair and  
16 rehabilitation of the department of natural resources and  
17 conservation's Yellow Water Dam in Petroleum County;

18 (b) a maximum amount of \$201,000 for the repair of the  
19 department of natural resources and conservation's  
20 Cottonwood Dam in Park County; and

21 (c) to a maximum amount of \$257,000 for the repair and  
22 rehabilitation of the department of natural resources and  
23 conservation's Martinsdale Dam and Reservoir in Neagher and  
24 Wheatland Counties.

25 (2) Bonds may be issued by the board of examiners

1 after the water users for each project have entered into  
2 contractual agreements providing for the repayment of the  
3 cost of repair and rehabilitation at a ~~2% interest rate RATE~~  
4 ~~OF INTEREST EQUAL TO THAT WHICH MUST BE PAID ON BONDS ISSUED~~  
5 ~~PURSUANT TO [THIS SECTION]~~. The repayment money from each  
6 project is pledged, dedicated, and appropriated to a special  
7 bond account in the sinking fund of the state treasury for  
8 the benefit of the bonds approved for such project.

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

17 (4) Earnings on bond proceeds prior to the completion  
18 of any loan shall be allocated to the special bond account  
19 to pay interest on the bonds during this period. Earnings  
20 in excess of bond interest, if any, shall be allocated to  
21 the water development earmarked account and may be used for  
22 the purposes allowed under 85-1-604(3)(b).

23 ~~NEW SECTION.~~ Section 5. Authorization of coal  
24 severance tax bond loans to government entities. The board  
25 of examiners may issue state of Montana coal severance tax



1 bonds in an amount not to exceed ~~\$12,902,201~~ \$11,524,281 or  
 2 the total cost of the projects described in [section 6] for  
 3 the purpose of making the loans set forth in [section 6]  
 4 from the bond proceeds to political subdivisions and local  
 5 government entities and for the purpose of paying the cost  
 6 of issuance of the bonds.

7 NEW SECTION. Section 6. Political subdivision  
 8 projects. (1) The bonds authorized under [section 5] may be  
 9 issued as follows:

10 ~~(a) (i) Bonds to a maximum amount of \$1,100,000 may be~~  
 11 ~~issued for a loan to the city of Three Forks for the purpose~~  
 12 ~~of financing improvements in the city's water systems~~

13 ~~(ii) The project which will rehabilitate existing~~  
 14 ~~components of the city water system and change the source of~~  
 15 ~~the water supply from the Madison River drainage to the~~  
 16 ~~Jefferson River drainage is needed to resolve the health~~  
 17 ~~hazard in the city's existing water supply caused by~~  
 18 ~~excessive levels of arsenic~~

19 ~~(iii) The loan must be repaid at a 2% interest rate~~

20 ~~(b) (i) Bonds to a maximum amount of \$130,000 may be~~  
 21 ~~issued for a loan to the city of Manhattan for the purpose~~  
 22 ~~of financing improvements in the city's wastewater treatment~~  
 23 ~~systems~~

24 ~~(ii) The project is needed because the existing city~~  
 25 ~~wastewater stabilization ponds provide inadequate treatment~~

1 ~~to meet future effluent limitations~~

2 ~~(iii) The loan must be repaid at a 2% interest rate~~

3 ~~(c) (i) Bonds to a maximum amount of \$170,000 may be~~  
 4 ~~used for a loan to the city of Manhattan for the purpose of~~  
 5 ~~financing capital improvements in the city's water systems~~

6 ~~(ii) The project is needed for promotion of~~  
 7 ~~conservation of water by encouraging city water customers to~~  
 8 ~~use less water and for rehabilitation of the water systems~~

9 ~~(iii) The loan must be repaid at a 2% interest rate~~

10 ~~(d) (A) (i) Bonds to a maximum amount of \$1,790,000 may~~  
 11 ~~be issued for a loan to the Roosevelt County rural water~~  
 12 ~~district for the purpose of financing construction of a~~  
 13 ~~proposed water distribution system for domestic and stock~~  
 14 ~~use for eastern Roosevelt County.~~

15 ~~(ii) The project is needed to supply water to those~~  
 16 ~~residents of the county who must haul water because of poor~~  
 17 ~~quality ground water and to prevent health problems caused~~  
 18 ~~by consumption of poor quality water.~~

19 ~~(iii) The loan must be repaid at a 2% 6.1/2% interest~~  
 20 ~~rate.~~

21 ~~(e) (B) (i) Bonds to a maximum amount of \$704,000 may~~  
 22 ~~be issued for a loan to the town of Culbertson for the~~  
 23 ~~purpose of financing the construction of a water supply and~~  
 24 ~~treatment facility for the town.~~

25 ~~(ii) The project is needed to prevent health problems~~

1 associated with poor water quality through the use of more  
 2 sophisticated water treatment methods and to increase the  
 3 town's capacity to service present and future users with  
 4 safe, potable water.

5 (iii) The loan must be repaid at a 2% ~~5%~~ interest rate.

6 ~~f)(E)~~ (i) Bonds to a maximum amount of \$1,733,200 may  
 7 be issued for a loan to the Geraldine rural county water  
 8 district for the purpose of the development of a rural water  
 9 system in the Geraldine area.

10 (ii) The project is needed to alleviate the situation  
 11 caused by poor quality ground water in the area. The  
 12 majority of the area's residents must haul both domestic and  
 13 stock water.

14 (iii) The loan must be repaid at a 2% ~~5.1/2%~~ interest  
 15 rate.

16 ~~f)(D)~~ (i) Bonds to a maximum amount of \$336,035 may  
 17 be issued for a loan to the South Kremlin-Gildford water  
 18 district for the purpose of the development of a rural water  
 19 system in an area where ground water is of insufficient  
 20 quantity and quality.

21 (ii) The project is needed to alleviate the health and  
 22 economic problems caused by the lack of potable ground  
 23 water. At present most residents must haul both domestic  
 24 and stock water.

25 (iii) The loan must be repaid at a 2% ~~5.1/2%~~ interest

1 rate.

2 ~~f)(E)~~ (i) Bonds to a maximum amount of \$162,000 may  
 3 be issued for a loan to the Huntley project irrigation  
 4 district for the purpose of rehabilitation of the project.

5 (ii) The project is needed to improve the performance  
 6 of the water supply system and to ensure the availability of  
 7 sufficient water for irrigation.

8 (iii) The loan must be repaid at a 2% ~~6%~~ interest rate.

9 ~~f)(E)~~ (i) Bonds to a maximum amount of \$555,000 may  
 10 be issued for a loan to the Pondera soil conservation  
 11 district for the purpose of partial financing of the Lower  
 12 Birch Creek watershed plan.

13 (ii) The watershed plan is needed to solve the area's  
 14 irrigation water shortage problem by stabilizing and  
 15 improving the major supply features of the system and to  
 16 ensure an adequate water supply to the nearby city of  
 17 Conrad.

18 (iii) The loan must be repaid at a 2% ~~6%~~ interest rate.

19 ~~f)(E)~~ ~~(i) Bonds to a maximum amount of \$180,000 may be~~  
 20 ~~issued for a loan to the city of Ennis for the purpose of~~  
 21 ~~financing in part sewage treatment construction.~~

22 ~~(ii) The project is needed to build an additional~~  
 23 ~~sewage settling cell in the city of Ennis because the~~  
 24 ~~present sewage treatment system is inadequate to meet the~~  
 25 ~~demands of the city's rising population and is not in~~

1 ~~compliance with federal standards~~

2 ~~(iii) The loan must be repaid at a 2% interest rate~~

3 ~~(k)(G) (i) Bonds may be issued for the purpose of a~~  
 4 ~~loan to the East Bench gravity flow project to provide~~  
 5 ~~financing to the project in accordance with subsection (ii)~~  
 6 ~~or (iii) of this subsection (k) (G).~~

7 (ii) If the application for federal aid for the East  
 8 Bench gravity flow project is not approved by August 1,  
 9 1983, bonds may be issued in an amount not to exceed  
 10 \$3,230,000 to finance a loan to the East Bench gravity  
 11 company. This loan must be repaid at a 2% 3% interest rate.

12 (iii) If the application for federal aid for the East  
 13 Bench gravity flow project is approved by August 1, 1983,  
 14 bonds may be issued for the difference between a total  
 15 project cost of \$4,383,000 and the total amount of federal  
 16 aid received by the project to finance a loan to the East  
 17 Bench gravity company. This loan must be repaid at a 2% 3%  
 18 interest rate.

19 (iv) This project is needed to alleviate low pressure  
 20 problems at the lower end of the project and to eliminate  
 21 pumping costs.

22 (V) REMAINING FUNDS FROM THE APPROPRIATION IN HOUSE  
 23 BILL 709 OF THE 47TH LEGISLATURE FOR THE EAST BENCH  
 24 IRRIGATION PROJECT ARE REAPPROPRIATED FOR THE PROJECT FOR  
 25 THE BIENNIAL ENDING JUNE 30, 1985.

1 ~~(i) Bonds to a maximum amount of \$1,180,000 may~~  
 2 ~~be issued for a loan to the Bitterroot irrigation district~~  
 3 ~~for the purpose of financing, in part, the Three Mile farm~~  
 4 ~~irrigation measure, involving conversion of the irrigation~~  
 5 ~~system serving the area from pumped to gravity sprinkler~~  
 6 ~~irrigation.~~

7 (ii) This project is needed to alleviate present water  
 8 shortages to reduce the cost of irrigation and to conserve  
 9 water.

10 (iii) The loan must be repaid at a 2% 3% interest rate.

11 (II) (I) BONDS TO A MAXIMUM OF \$122,000 MAY BE ISSUED  
 12 FOR A LOAN TO THE NOXON RURAL IMPROVEMENT DISTRICT FOR THE  
 13 PURPOSE OF FINANCING REHABILITATION OF THE COMMUNITY'S WATER  
 14 SYSTEM.

15 (II) THE PROJECT IS NEEDED BECAUSE THE PRESENT WOODEN  
 16 LINES HAVE LEAKAGE PROBLEMS AND CONTAMINATION IS BEING DRAWN  
 17 INTO THE DISTRIBUTION SYSTEM CAUSING A HEALTH HAZARD.

18 (III) THE LOAN MUST BE REPAYED AT A 3% INTEREST RATE.

19 (2) Loan repayments, both principal and interest, are  
 20 pledged, dedicated, and appropriated to a special bond  
 21 account in the sinking fund of the state treasury for the  
 22 benefit of bonds approved for loans under this section. THE  
 23 INTEREST RATES APPLICABLE TO ANY OF THE PROJECTS LISTED IN  
 24 (THIS SECTION) SHALL BE THE LOWER OF THE SPECIFIED RATE  
 25 CITED FOR EACH PROJECT OR THE RATE THAT MUST BE PAID ON

BONDS ISSUED PURSUANT TO SECTION 5.

(3) In connection with the issuance of bonds, the board of examiners may pay the principal and interest on the bonds when due from the special bond account and in all other respects manage and use the funds within the special bond account for the benefit of the bonds. The board of examiners shall exercise its discretion to enhance the marketability of the bonds and to secure the most advantageous financial arrangements for the state.

(4) Earnings on bond proceeds prior to the completion of any loan must be allocated to the special bond account to pay interest on the bonds during this period. Earnings in excess of bond interest, if any, must be allocated to the water development earmarked account and may be used for the purposes allowed under 85-1-604(3)(c).

(5) (a) The legislature's approval of loans for projects listed in this section is subject to the recipient's provision to the board of examiners of information and material necessary for the purposes of completion of contractual agreements and for bond sale purposes. This information and material must be provided on a schedule that will allow bond sale schedules to be met. The loans are conditioned upon compliance with the requirements of this subsection (5) meeting the approval of the board of examiners and upon such other conditions the

board of examiners may impose that are necessary for the completion of contractual agreements and for bond sale purposes.

(b) Loans for projects listed in this section are subject to the approval of the governing body of the political subdivision.

Section 7. Section 7-7-4433, MCA, is amended to read:

"7-7-4433. Sale of bonds. (1) Bonds authorized to be issued under this part shall be sold at not less than per.

(2) (a) Said bonds may be sold at private sale to the United States ~~or the state of Montana~~ or any agency, instrumentality, or corporation thereof.

(b) Unless sold to the United States ~~or the state of Montana~~ or an agency, instrumentality, or corporation thereof, said bonds shall be sold at public sale after notice of such sale."

~~NEW SECTION.~~ Section 8. Severability. If a part of this act is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of this act is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

~~NEW SECTION.~~ Section 9. Effective date. This act is effective on passage and approval.

-End-

April 14, 1983

SENATE STANDING COMMITTEE REPORT  
(Finance & Claims)

SENATE STANDING COMMITTEE REPORT  
Finance & Claims - House Bill No. 885  
April 14, 1983  
Page 2

That House Bill No. 885 be amended as follows:

1. Page 3, line 16.  
Following: line 15.  
Insert: "(c) Three Forks water system improvement;  
(d) Manhattan waste water treatment system improvement;  
(e) Manhattan water system capital improvements; "  
Renumber: subsequent subsections.
2. Page 4, line 2.  
Following: line 1.  
Insert: "(1) Ennis sewage treatment construction; "  
Renumber: subsequent subsections.
3. Page 4, line 6.  
Following: line 5  
Insert: "(p) Belgrade water system improvements;  
(q) Whitefish sewer system improvements;  
(r) Columbia Falls water and sewer system improvements;  
(s) Conrad water system improvements;  
(t) Sage Creek water district;  
(u) Shelby sewer system improvements;  
(v) Hot Springs sewer system improvements;  
(w) Power-Teton County sewer system improvements;  
(x) Libby sewer system improvements;  
(Y) Bigfork sewer system improvements;
4. Page 9, line 1.  
Strike: "\$11,524,281"  
Insert: "\$18,981,781"
5. Page 10, line 10.  
Following: line 9.  
Insert: "(a) (i) Bonds to a maximum amount of \$1,100,000 may be issued for a loan to the city of Three Forks for the purpose of financing improvements in the city's water system.  
  
(ii) The project, which will rehabilitate existing components of the city water system and change the source of the water supply from the Madison River drainage to the Jefferson River drainage, is needed to resolve the health hazard in the city's existing water supply caused by excessive levels of arsenic.  
  
(iii) The loan must be repaid at a 6% interest rate.  
(b) (i) Bonds to a maximum amount of \$130,000 may be issued for a loan to the city of Manhattan for the purpose of financing improvements in the city's wastewater treatment system.  
  
(ii) The project is needed because the existing city wastewater stabilization ponds provide inadequate treatment to meet future effluent limitations.

(iii) The loan must be repaid at a 6% interest rate.

(c) (i) Bonds to a maximum amount of \$170,000 may be used for a loan to the city of Manhattan for the purpose of financing capital improvements in the city's water system.

(ii) The project is needed for promotion of conservation of water by encouraging city water customers to use less water and for rehabilitation of the water system.

(iii) The loan must be repaid at a 6% interest rate."  
Renumber: subsequent subsections.

6. Page 13, line 3.  
Following: line 2.  
Insert: "(j) (i) Bonds to a maximum amount of \$180,000 may be issued for a loan to the city of Ennis for the purpose of financing, in part, sewage treatment construction.

(ii) The project is needed to build an additional sewage settling cell in the city of Ennis because the present sewage treatment system is inadequate to meet the demands of the city's rising population and is not in compliance with federal standards.

(iii) The loan must be repaid at a 6% interest rate."  
Renumber: subsequent subsections.

7. Page 14, line 19.  
Following: line 18.  
Insert: "(n) (i) Bonds to a maximum amount of \$1,235,000 may be issued for a loan to the city of Belgrade for the purpose of financing improvements in the city's water system.

(ii) The project, which will rehabilitate existing components of the city water system, construct an additional well to supply the water system, and install residence meters, is needed to meet the demands of the city's growing population and to conserve the available water for future use.

(iii) The loan must be repaid at a 6% interest rate.

(o) (i) Bonds to a maximum amount of \$1,500,000 may be issued for a loan to the Whitefish county water and sewer district for the purpose of engineering design and construction of sewage main collectors and interceptors in the Whitefish Basin, the design to follow feasibility studies which are part of a water quality management plan in progress. Design and construction may start by July 1, 1984.

(ii) The loan must be repaid at a 6% interest rate.

(p) (i) Bonds to a maximum amount of \$200,000 may be issued for a loan to the City of Columbia Falls for the purpose of partially financing improvements to city water and sewer lines.

(ii) The project is needed to replace existing water and sewer lines with new larger lines and because of the reconstruction of highway 2 in the area where the lines are located.

(iii) The loan must be repaid at a 6% interest rate.

(q) (i) Bonds to a maximum amount of \$500,000 may be issued for a loan to the city of Conrad for the purpose of financing improvements in the city's water system.

(ii) The project, which will replace a transmission line from the existing treatment plant to the distribution system, is needed because the existing steel pipe transmission has numerous breaks and has deteriorated to the extent that it cannot provide a reliable supply of water to the city.

(iii) The loan must be repaid at a 6% interest rate.

(r) (i) Bonds to a maximum amount of \$750,000 may be issued for a loan to the Sage Creek water district, if that district is formed prior to the sale of bonds pursuant to this (act), for the purpose of financing construction of a rural water supply system for northern Liberty and Hill counties.

(ii) The project is needed because residents of the area now must haul domestic water because of the scarcity and poor quality of ground water, and it is probable that they will have to haul stock water in the future.

(iii) The loan must be repaid at a 6% interest rate.

(s) (i) Bonds to a maximum amount of \$592,000 may be issued for a loan to the city of Shelby for the purpose of partially financing rehabilitation of the city's sewer system.

(ii) The project is needed to replace pipes that have deteriorated because of age and that are inadequate in size to serve the population of Shelby.

(iii) The loan must be repaid at a 6% interest rate.

(t) (i) Bonds to a maximum amount of \$182,000 may be issued for a loan to the town of Hot Springs for the purpose of sewer system improvements.

(ii) The loan must be repaid at a 6% interest rate.

(u) (i) Bonds to a maximum amount of \$200,000 may be issued for a loan to the Power-Teton water and sewer district for the purpose of partially financing improvements to the town of Power's sewer system.

(ii) The project is needed to install a collection and treatment facility to address the present health hazard and pollution problem.

(iii) The loan must be repaid at a 2% interest rate.

(v) (i) Bonds to a maximum amount of \$590,500 may be issued for a loan to the city of Libby for the purpose of partially financing construction of a secondary sewage treatment plant for the city.

(ii) The project is needed because the city's present sewage treatment system is not in compliance with public health standards.

(iii) The loan must be repaid at a 6% interest rate.

(w) (i) Bonds to a maximum amount of \$250,000 may be issued for a loan to the city of Bigfork for the purpose of partially financing rehabilitation of the city's sewage treatment plant.

(ii) The project is needed because the existing treatment plan is inadequate to meet the needs of the city and, as a result, poor quality effluent is being discharged by the system.

(iii) The loan must be repaid at a 6% interest rate."

8. Page 15, line 23.

Following: "met." on line 22

Insert: "Prior to the issuance of the bonds, the department of natural resources and conservation shall review the projects to determine their technical and financial feasibility and report to the board of examiners."

April 14, 1983

SENATE COMMITTEE OF THE WHOLE AMENDMENT

That House Bill No. 885 be amended as follows:

1. Page 6.

Following: line 5

Insert: "(3) The maximum amount of bond revenue for each project approved in this section shall also include all and any relocation, reconstruction, remuneration or other costs that effect existing irrigation systems, private lands, utility lines, mines, roads, highways and railroads that are subsequently affected by the development of a respective hydroelectric project."

ReNUMBER: subsequent subsections.

HOUSE BILL NO. 885

INTRODUCED BY JACOBSEN, THOFT, BENGTSON, UNDERDAL, SHAW, KOLSTAD, SPAETH, BACHINI, AKLESTAD, KEYSER, DEVLIN, LANF, E. SMITH, LEE, TVEIT, HAGER, STEPHENS, DOVER, OCHSNER, STIMATZ, ABRAMS, HARP, C. SMITH, KOEHNKE, PECK, PISTORIA, O'CONNELL, BLISS, MUELLER, SALES, SWIFT, MANUEL, SAUNDERS, SCHYE, J. HAMMOND

A BILL FOR AN ACT ENTITLED: "AN ACT TO APPROVE THE ISSUANCE OF STATE OF MONTANA COAL SEVERANCE TAX BONDS TO FINANCE THE DEVELOPMENT OF CERTAIN STATE HYDROELECTRIC PROJECTS, THE REHABILITATION AND REPAIR OF CERTAIN STATE PROJECTS, AND LOANS TO POLITICAL SUBDIVISIONS AND LOCAL GOVERNMENTS FOR CERTAIN APPROVED WATER DEVELOPMENT PROJECTS; TO APPROPRIATE COAL SEVERANCE TAX TRUST PROCEEDS FOR DEBT SERVICE; TO AUTHORIZE THE CREATION OF A STATE DEBT; TO ALLOW THE PRIVATE SALE OF MUNICIPAL REVENUE BONDS TO THE STATE OF MONTANA; AMENDING SECTION 7-7-4433, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

NEW SECTION. Section 1. Purpose and policy. (1) The legislature recognizes that it is the policy of the state of Montana to promote the conservation, development, and beneficial use of the state's water resources to secure

maximum economic and social prosperity for its citizens.

(2) The legislature recognizes that the development and use of water resources and the efficient, economic distribution thereof are vital to protect existing uses and to assure adequate future supplies for domestic, industrial, agricultural, and other beneficial uses.

(3) The legislature reaffirms its previous declaration that the public interest requires the construction, operation, and maintenance of a system of works for the conservation, development, storage, distribution, and use of water, which construction, operation, and maintenance is a single objective which is in all respects for the welfare and benefit of the people of this state.

(4) The legislature finds that the 1981 legislature, in Chapter 505, Laws of 1981, established a state water development program to provide financial and administrative assistance to private, local, and state entities for water resources development projects and activities.

(5) The legislature finds that 85-1-601 declares that the water development program is an integral part of the implementation and development of the comprehensive, coordinated, multiple-use water resources plan known as the state water plan and that Title 17, chapter 5, part 7, provides for the issuance of coal severance tax bonds for financing specific approved water resource development



1 projects and activities as part of the state water  
2 development program.

3 (6) The legislature finds that the following water  
4 development projects approved in [sections 3, 4, and 5] will  
5 implement the state's policy of full use, conservation, and  
6 protection of its water resources:

7 (a) Department of natural resources and conservation  
8 hydroelectric development at Painted Rocks Dam, Broadwater  
9 Dam, and Cooney Dam;

10 (b) Department of natural resources and conservation  
11 repair and rehabilitation at Yellow Water Dam, Cottonwood  
12 Dam, and Martinsdale Dam and Reservoir;

13 ~~(c) Three-Forks water system improvement;~~

14 ~~(d) Manhattan wastewater treatment system improvement;~~

15 ~~(e) Manhattan water system capital improvement;~~

16 (G) THREE FORKS WATER SYSTEM IMPROVEMENT;

17 (D) MANHATTAN WASTEWATER TREATMENT SYSTEM IMPROVEMENT;

18 (E) MANHATTAN WATER SYSTEM CAPITAL IMPROVEMENTS;

19 ~~(f) (E)(F)~~ Roosevelt County rural water system  
20 construction;

21 ~~(g) (B)(G)~~ Culbertson water supply and treatment  
22 facility construction;

23 ~~(h) (E)(H)~~ Geraldine rural water system construction;

24 ~~(i) (E)(I)~~ South Kremlin-Gildford rural water system  
25 construction;

1 ~~(j) (G)(L)~~ Huntley project irrigation district  
2 rehabilitation;

3 ~~(k) (H)(K)~~ Lower Birch Creek watershed plan;

4 ~~(l) Ennis sewage treatment construction;~~

5 (L) ENNIS SEWAGE TREATMENT CONSTRUCTION;

6 ~~(m) (I)(M)~~ East Bench gravity flow irrigation project;

7 ~~(n) (J)(N)~~ Bitterroot irrigation district Three Mile  
8 farm irrigation measure;

9 (I) NOXON RURAL WATER SYSTEM IMPROVEMENT;

10 (P) BELGRADE WATER SYSTEM IMPROVEMENTS;

11 (Q) WHITEISH SEWER SYSTEM IMPROVEMENTS;

12 (R) COLUMBIA FALLS WATER AND SEWER SYSTEM  
13 IMPROVEMENTS;

14 (S) CONRAD WATER SYSTEM IMPROVEMENTS;

15 (I) SAGE CREEK WATER DISTRICT;

16 (U) SHELBY SEWER SYSTEM IMPROVEMENTS;

17 (V) HOT SPRINGS SEWER SYSTEM IMPROVEMENTS;

18 (W) POWER-TETON COUNTY SEWER SYSTEM IMPROVEMENTS;

19 (X) LIBBY SEWER SYSTEM IMPROVEMENTS;

20 (Y) BIG FORK SEWER SYSTEM IMPROVEMENTS.

21 NEW SECTION. Section 2. Appropriation and creation of  
22 debt for coal severance tax bonds. (1) The legislature,  
23 through the enactment of this section by a vote of  
24 three-fourths of the members of each house of the  
25 legislature as required by Article IX, section 5, of the

1 Montana constitution, pledges, dedicates, and appropriates  
 2 from the coal severance tax bond subfund all money necessary  
 3 for the payment of principal and interest not otherwise  
 4 provided for on the state of Montana coal severance tax  
 5 bonds authorized by this act to be issued pursuant to Title  
 6 17, chapter 5, part 7, and pursuant to the further  
 7 provisions of [this act].

8 (2) The legislature, through the enactment of this  
 9 section, in accordance with Article VIII, section 8, of the  
 10 Montana constitution authorizes the creation of a state debt  
 11 in an amount not to exceed \$45.35 million for the  
 12 development of the state hydroelectric projects approved in  
 13 [section 3], in an amount not to exceed \$551,900 for the  
 14 rehabilitation of state water projects approved in [section  
 15 4], and in an amount not to exceed \$12,982,281 for loans to  
 16 local government entities for water development projects  
 17 approved in [section 5], all for the issuance of state of  
 18 Montana coal severance tax bonds authorized by [this act].

19 ~~NEW SECTION.~~ Section 3. Approval of coal severance  
 20 tax bonds for state hydroelectric projects -- repayment  
 21 provisions. (1) The board of examiners may issue state of  
 22 Montana coal severance tax bonds:

23 (a) to a maximum amount of \$12.9 million for the  
 24 development of the hydropower potential at the department of  
 25 natural resources and conservation's Painted Rocks Dam under

1 the authorization granted by the federal energy regulatory  
 2 commission for project number 4657;

3 (b) to a maximum amount of \$28.6 million for the  
 4 development of the hydropower potential at the department of  
 5 natural resources and conservation's Broadwater Dam under  
 6 authorization pending before the federal energy regulatory  
 7 commission for project number ~~2935~~ 2853; and

8 (c) to a maximum amount of \$3.85 million for the  
 9 development of the hydropower potential at the department of  
 10 natural resources and conservation's Cooney Dam under an  
 11 authorization from the federal energy regulatory commission  
 12 to be applied for pursuant to the preliminary permit issued  
 13 for project number 4700.

14 (2) Bonds approved in this section may not be issued  
 15 by the board of examiners until the board of natural  
 16 resources and conservation has determined that a project is  
 17 feasible and has otherwise complied with the requirements of  
 18 Title 85, chapter 1, part 5, for the development of  
 19 hydropower at water projects under the control of the  
 20 department.

21 ~~(3) THE MAXIMUM AMOUNT OF BOND REVENUE FOR EACH~~  
 22 ~~PROJECT APPROVED IN THIS SECTION SHALL ALSO INCLUDE ALL AND~~  
 23 ~~ANY RELOCATION, RECONSTRUCTION, REMUNERATION, OR OTHER COSTS~~  
 24 ~~THAT AFFECT EXISTING IRRIGATION SYSTEMS, PRIVATE LANDS,~~  
 25 ~~UTILITY LINES, MINES, ROADS, HIGHWAYS, AND RAILROADS THAT~~

1 ~~ARE SUBSEQUENTLY AFFECTED BY THE DEVELOPMENT OF A RESPECTIVE~~  
 2 ~~HYDROELECTRIC PROJECT.~~

3 ~~f3)(4)~~ The hydropower revenues from each project are  
 4 pledged, dedicated, and appropriated to a special bond  
 5 account created for that specific project in the sinking  
 6 fund of the state treasury for the benefit of the bonds  
 7 approved for that specific project. The board of examiners  
 8 may allocate a portion of the bond proceeds for a specific  
 9 project from the bond proceeds and insurance clearance fund  
 10 account to the special sinking account for that specific  
 11 project for the payment of interest on the bonds during  
 12 construction, for the establishment of necessary reserves,  
 13 and for the operation and maintenance of the hydropower  
 14 facilities.

15 ~~f4)(5)~~ In connection with the issuance of bonds, the  
 16 board of examiners may provide for the operation and  
 17 maintenance of the hydropower facilities, pay the principal  
 18 and interest on the bonds when due from each special bond  
 19 account, create and maintain necessary reserves within each  
 20 special bond account, and in all other respects manage and  
 21 use the funds within each special bond account for the  
 22 benefit of the bonds for the particular hydropower project.

23 ~~f5)(6)~~ The board of examiners shall exercise its  
 24 discretion to enhance the marketability of the bonds, to  
 25 secure the most advantageous financial arrangements for the

1 state, and to provide to the extent possible that all costs,  
 2 including operation and maintenance and debt service, are  
 3 paid out of project revenues and bond proceeds.

4 ~~f6)(7)~~ Excess funds in any special sinking account as  
 5 determined by the board of examiners must be allocated to  
 6 the water development earmarked account to be used for the  
 7 purposes set forth in 85-1-604(3)(b).

8 ~~NEW SECTION.~~ Section 4. Approval of coal severance  
 9 tax bonds for rehabilitation and repair of state water  
 10 projects -- repayment provisions. (1) The board of examiners  
 11 may issue state of Montana coal severance tax bonds:

12 (a) to a maximum amount of \$92,000 for repair and  
 13 rehabilitation of the department of natural resources and  
 14 conservation's Yellow Water Dam in Petroleum County;

15 (b) a maximum amount of \$201,000 for the repair of the  
 16 department of natural resources and conservation's  
 17 Cottonwood Dam in Park County; and

18 (c) to a maximum amount of \$257,000 for the repair and  
 19 rehabilitation of the department of natural resources and  
 20 conservation's Martinsdale Dam and Reservoir in Meagher and  
 21 Wheatland Counties.

22 (2) Bonds may be issued by the board of examiners  
 23 after the water users for each project have entered into  
 24 contractual agreements providing for the repayment of the  
 25 cost of repair and rehabilitation at a ~~2%~~ interest rate ~~BAIE~~

1 ~~OF INTEREST EQUAL TO THAT WHICH MUST BE PAID ON BONDS ISSUED~~  
 2 ~~PURSUANT TO [THIS SECTION]~~. The repayment money from each  
 3 project is pledged, dedicated, and appropriated to a special  
 4 bond account in the sinking fund of the state treasury for  
 5 the benefit of the bonds approved for such project.

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

14 (4) Earnings on bond proceeds prior to the completion  
 15 of any loan shall be allocated to the special bond account  
 16 to pay interest on the bonds during this period. Earnings  
 17 in excess of bond interest, if any, shall be allocated to  
 18 the water development earmarked account and may be used for  
 19 the purposes allowed under 85-1-604(3)(b).

20 ~~NEW SECTION.~~ Section 5. Authorization of coal  
 21 severance tax bond loans to government entities. The board  
 22 of examiners may issue state of Montana coal severance tax  
 23 bonds in an amount not to exceed ~~\$12,982,281~~ ~~\$11,524,281~~  
 24 ~~\$18,981,781~~ ~~or the total cost of the projects described in~~  
 25 ~~[section 6]~~ for the purpose of making the loans set forth in

1 [section 6] from the bond proceeds to political subdivisions  
 2 and local government entities and for the purpose of paying  
 3 the cost of issuance of the bonds.

4 ~~NEW SECTION.~~ Section 6. Political subdivision  
 5 projects. (1) The bonds authorized under [section 5] may be  
 6 issued as follows:

7 ~~(a) -- (i) Bonds to a maximum amount of \$17,000,000 may be~~  
 8 ~~issued for a loan to the city of Three Forks for the purpose~~  
 9 ~~of financing improvements in the city's water system.~~

10 ~~(ii) The project which will rehabilitate existing~~  
 11 ~~components of the city water system and change the source of~~  
 12 ~~the water supply from the Madison River drainage to the~~  
 13 ~~Jefferson River drainage is needed to resolve the health~~  
 14 ~~hazard in the city's existing water supply caused by~~  
 15 ~~excessive levels of arsenic.~~

16 ~~(iii) The loan must be repaid at a 2% interest rate.~~

17 ~~(b) -- (i) Bonds to a maximum amount of \$10,000,000 may be~~  
 18 ~~issued for a loan to the city of Manhattan for the purpose~~  
 19 ~~of financing improvements in the city's wastewater treatment~~  
 20 ~~system.~~

21 ~~(ii) The project is needed because the existing city~~  
 22 ~~wastewater stabilization ponds provide inadequate treatment~~  
 23 ~~to meet future effluent limitations.~~

24 ~~(iii) The loan must be repaid at a 2% interest rate.~~

25 ~~(c) -- (i) Bonds to a maximum amount of \$10,000,000 may be~~

1 used for a loan to the city of Manhattan for the purpose of  
 2 financing capital improvements in the city's water system  
 3 (ii) The project is needed for promotion of  
 4 conservation of water by encouraging city water customers to  
 5 use less water and for rehabilitation of the water system  
 6 (iii) The loan must be repaid at a 2% interest rate.

7 (A) (i) BONDS TO A MAXIMUM AMOUNT OF \$1,100,000 MAY BE  
 8 ISSUED FOR A LOAN TO THE CITY OF THREE FORKS FOR THE PURPOSE  
 9 OF FINANCING IMPROVEMENTS IN THE CITY'S WATER SYSTEM.

10 (ii) THE PROJECT, WHICH WILL REHABILITATE EXISTING  
 11 COMPONENTS OF THE CITY WATER SYSTEM AND CHANGE THE SOURCE OF  
 12 THE WATER SUPPLY FROM THE MADISON RIVER DRAINAGE TO THE  
 13 JEFFERSON RIVER DRAINAGE, IS NEEDED TO RESOLVE THE HEALTH  
 14 HAZARD IN THE CITY'S EXISTING WATER SUPPLY CAUSED BY  
 15 EXCESSIVE LEVELS OF ARSENIC.

16 (iii) THE LOAN MUST BE REPAYED AT A 6% INTEREST RATE.

17 (B) (i) BONDS TO A MAXIMUM AMOUNT OF \$130,000 MAY BE  
 18 ISSUED FOR A LOAN TO THE CITY OF MANHATTAN FOR THE PURPOSE  
 19 OF FINANCING IMPROVEMENTS IN THE CITY'S WASTEWATER TREATMENT  
 20 SYSTEM.

21 (ii) THE PROJECT IS NEEDED BECAUSE THE EXISTING CITY  
 22 WASTEWATER STABILIZATION PONDS PROVIDE INADEQUATE TREATMENT  
 23 TO MEET FUTURE EFFLUENT LIMITATIONS.

24 (iii) THE LOAN MUST BE REPAYED AT A 6% INTEREST RATE.

25 (C) (i) BONDS TO A MAXIMUM AMOUNT OF \$10,000 MAY BE

1 USED FOR A LOAN TO THE CITY OF MANHATTAN FOR THE PURPOSE OF  
 2 FINANCING CAPITAL IMPROVEMENTS IN THE CITY'S WATER SYSTEM.  
 3 (iii) THE PROJECT IS NEEDED FOR PROMOTION OF  
 4 CONSERVATION OF WATER BY ENCOURAGING CITY WATER CUSTOMERS TO  
 5 USE LESS WATER AND FOR REHABILITATION OF THE WATER SYSTEM.  
 6 (iii) THE LOAN MUST BE REPAYED AT A 6% INTEREST RATE.

7 (i) Bonds to a maximum amount of \$1,790,000  
 8 may be issued for a loan to the Roosevelt County rural water  
 9 district for the purpose of financing construction of a  
 10 proposed water distribution system for domestic and stock  
 11 use for eastern Roosevelt County.

12 (ii) The project is needed to supply water to those  
 13 residents of the county who must haul water because of poor  
 14 quality ground water and to prevent health problems caused  
 15 by consumption of poor quality water.

16 (iii) The loan must be repaid at a 2% ~~6 1/2%~~ interest  
 17 rate.

18 (i) Bonds to a maximum amount of \$704,000  
 19 may be issued for a loan to the town of Culbertson for the  
 20 purpose of financing the construction of a water supply and  
 21 treatment facility for the town.

22 (ii) The project is needed to prevent health problems  
 23 associated with poor water quality through the use of more  
 24 sophisticated water treatment methods and to increase the  
 25 town's capacity to service present and future users with

1 safe, potable water.

2 (iii) The loan must be repaid at a 2% ~~5%~~ interest rate.

3 ~~fgtfgt(E)~~ (i) Bonds to a maximum amount of \$1,733,200  
4 may be issued for a loan to the Geraldine rural county water  
5 district for the purpose of the development of a rural water  
6 system in the Geraldine area.

7 (ii) The project is needed to alleviate the situation  
8 caused by poor quality ground water in the area. The  
9 majority of the area's residents must haul both domestic and  
10 stock water.

11 (iii) The loan must be repaid at a 2% ~~6-1/2%~~ interest  
12 rate.

13 ~~fgtfgt(G)~~ (i) Bonds to a maximum amount of \$336,035  
14 may be issued for a loan to the South Kremlin-Gildford water  
15 district for the purpose of the development of a rural water  
16 system in an area where ground water is of insufficient  
17 quantity and quality.

18 (ii) The project is needed to alleviate the health and  
19 economic problems caused by the lack of potable ground  
20 water. At present most residents must haul both domestic  
21 and stock water.

22 (iii) The loan must be repaid at a 2% ~~6-1/2%~~ interest  
23 rate.

24 ~~fgtfgt(H)~~ (i) Bonds to a maximum amount of \$162,000  
25 may be issued for a loan to the Huntley project irrigation

1 district for the purpose of rehabilitation of the project.

2 (ii) The project is needed to improve the performance  
3 of the water supply system and to ensure the availability of  
4 sufficient water for irrigation.

5 (iii) The loan must be repaid at a 2% ~~5%~~ interest rate.

6 ~~fgtfgt(I)~~ (i) Bonds to a maximum amount of \$555,000  
7 may be issued for a loan to the Pondera soil conservation  
8 district for the purpose of partial financing of the Lower  
9 Birch Creek watershed plan.

10 (ii) The watershed plan is needed to solve the area's  
11 irrigation water shortage problem by stabilizing and  
12 improving the major supply features of the system and to  
13 ensure an adequate water supply to the nearby city of  
14 Conrad.

15 (iii) The loan must be repaid at a 2% ~~6%~~ interest rate.

16 ~~fgtfgt(J)~~ Bonds to a maximum amount of \$100,000 may be  
17 issued for a loan to the city of Ennis for the purpose of  
18 financing, in part, sewage treatment construction.

19 ~~fgtfgt(K)~~ The project is needed to build an additional  
20 sewage settling tank in the city of Ennis because the  
21 present sewage treatment system is inadequate to meet the  
22 demands of the city's rising population and is not in  
23 compliance with federal standards.

24 ~~fgtfgt(L)~~ The loan must be repaid at a 2% interest rate.

25 (J) (i) BONDS TO A MAXIMUM AMOUNT OF \$100,000 MAY BE

1 ISSUED FOR A LOAN TO THE CITY OF ENNIS FOR THE PURPOSE OF  
 2 FINANCING, IN PART, SEWAGE TREATMENT CONSTRUCTION.

3 (II) THE PROJECT IS NEEDED TO BUILD AN ADDITIONAL  
 4 SEWAGE SETTLING CELL IN THE CITY OF ENNIS BECAUSE THE  
 5 PRESENT SEWAGE TREATMENT SYSTEM IS INADEQUATE TO MEET THE  
 6 DEMANDS OF THE CITY'S RISING POPULATION AND IS NOT IN  
 7 COMPLIANCE WITH FEDERAL STANDARDS.

8 (III) THE LOAN MUST BE REPAYED AT A 6% INTEREST RATE.

9 ~~(\*) (K)~~ (i) Bonds may be issued for the purpose of a  
 10 loan to the East Bench gravity flow project to provide  
 11 financing to the project in accordance with subsection (ii)  
 12 or (iii) of this subsection ~~(\*) (K)~~.

13 (ii) If the application for federal aid for the East  
 14 Bench gravity flow project is not approved by August 1,  
 15 1983, bonds may be issued in an amount not to exceed  
 16 \$3,230,000 to finance a loan to the East Bench gravity  
 17 company. This loan must be repaid at a 2% 3% interest rate.

18 (iii) If the application for federal aid for the East  
 19 Bench gravity flow project is approved by August 1, 1983,  
 20 bonds may be issued for the difference between a total  
 21 project cost of \$4,383,000 and the total amount of federal  
 22 aid received by the project to finance a loan to the East  
 23 Bench gravity company. This loan must be repaid at a 2% 3%  
 24 interest rate.

25 (iv) This project is needed to alleviate low pressure

1 problems at the lower end of the project and to eliminate  
 2 pumping costs.

3 (VI) REMAINING FUNDS FROM THE APPROPRIATION IN HOUSE  
 4 BILL 709 OF THE 47TH LEGISLATURE FOR THE EAST BENCH  
 5 IRRIGATION PROJECT ARE REAPPROPRIATED FOR THE PROJECT FOR  
 6 THE BIENNIUM ENDING JUNE 30, 1985.

7 ~~(\*) (H)(I)~~ (I) Bonds to a maximum amount of \$1,160,000  
 8 may be issued for a loan to the Bitterroot irrigation  
 9 district for the purpose of financing, in part, the Three  
 10 Mile farm irrigation measure, involving conversion of the  
 11 irrigation system serving the area from pumped to gravity  
 12 sprinkler irrigation.

13 (ii) This project is needed to alleviate present water  
 14 shortages to reduce the cost of irrigation and to conserve  
 15 water.

16 (iii) The loan must be repaid at a 2% 3% interest rate.

17 ~~(\*) (I)~~ (I) BONDS TO A MAXIMUM OF \$122,000 MAY BE  
 18 ISSUED FOR A LOAN TO THE MOXON RURAL IMPROVEMENT DISTRICT  
 19 FOR THE PURPOSE OF FINANCING REHABILITATION OF THE  
 20 COMMUNITY'S WATER SYSTEM.

21 (II) THE PROJECT IS NEEDED BECAUSE THE PRESENT WOODEN  
 22 LINES HAVE LEAKAGE PROBLEMS AND CONTAMINATION IS BEING DRAWN  
 23 INTO THE DISTRIBUTION SYSTEM CAUSING A HEALTH HAZARD.

24 (III) THE LOAN MUST BE REPAYED AT A 5% INTEREST RATE.

25 ~~(\*) (I)~~ BONDS TO A MAXIMUM AMOUNT OF \$1,235,000 MAY BE

1 ISSUED FOR A LOAN TO THE CITY OF BELGRADE FOR THE PURPOSE OF  
2 FINANCING IMPROVEMENTS IN THE CITY'S WATER SYSTEM.

3 (II) THE PROJECT, WHICH WILL REHABILITATE EXISTING  
4 COMPONENTS OF THE CITY WATER SYSTEM, CONSTRUCT AN ADDITIONAL  
5 WELL TO SUPPLY THE WATER SYSTEM, AND INSTALL RESIDENCE  
6 METERS, IS NEEDED TO MEET THE DEMANDS OF THE CITY'S GROWING  
7 POPULATION AND TO CONSERVE THE AVAILABLE WATER FOR FUTURE  
8 USE.

9 (III) THE LOAN MUST BE REPAYED AT A 6% INTEREST RATE.

10 (D) (1) BONDS TO A MAXIMUM AMOUNT OF \$1,500,000 MAY BE  
11 ISSUED FOR A LOAN TO THE WHITEFISH COUNTY WATER AND SEWER  
12 DISTRICT FOR THE PURPOSE OF ENGINEERING DESIGN AND  
13 CONSTRUCTION OF SEWAGE MAIN COLLECTORS AND INTERCEPTORS IN  
14 THE WHITEFISH BASIN. THE DESIGN TO FOLLOW FEASIBILITY  
15 STUDIES WHICH ARE PART OF A WATER QUALITY MANAGEMENT PLAN IN  
16 PROGRESS. DESIGN AND CONSTRUCTION MAY START BY JULY 1,  
17 1984.

18 (II) THE LOAN MUST BE REPAYED AT A 6% INTEREST RATE.

19 (P) (1) BONDS TO A MAXIMUM AMOUNT OF \$200,000 MAY BE  
20 ISSUED FOR A LOAN TO THE CITY OF COLUMBIA FALLS FOR THE  
21 PURPOSE OF PARTIALLY FINANCING IMPROVEMENTS TO CITY WATER  
22 AND SEWER LINES.

23 (III) THE PROJECT IS NEEDED TO REPLACE EXISTING WATER  
24 AND SEWER LINES WITH NEW LARGER LINES AND BECAUSE OF THE  
25 RECONSTRUCTION OF HIGHWAY 2 IN THE AREA WHERE THE LINES ARE

1 LOCATED.

2 (III) THE LOAN MUST BE REPAYED AT A 6% INTEREST RATE.

3 (Q) (1) BONDS TO A MAXIMUM AMOUNT OF \$500,000 MAY BE  
4 ISSUED FOR A LOAN TO THE CITY OF CONRAD FOR THE PURPOSE OF  
5 FINANCING IMPROVEMENTS IN THE CITY'S WATER SYSTEM. (III) THE  
6 PROJECT, WHICH WILL REPLACE A TRANSMISSION LINE FROM THE  
7 EXISTING TREATMENT PLANT TO THE DISTRIBUTION SYSTEM, IS  
8 NEEDED BECAUSE THE EXISTING STEEL PIPE TRANSMISSION HAS  
9 NUMEROUS BREAKS AND HAS DETERIORATED TO THE EXTENT THAT IT  
10 CANNOT PROVIDE A RELIABLE SUPPLY OF WATER TO THE CITY.

11 (III) THE LOAN MUST BE REPAYED AT A 6% INTEREST RATE.

12 (R) (1) BONDS TO A MAXIMUM AMOUNT OF \$750,000 MAY BE  
13 ISSUED FOR A LOAN TO THE SAGE CREEK WATER DISTRICT, IF THAT  
14 DISTRICT IS FORMED PRIOR TO THE SALE OF BONDS PURSUANT TO  
15 THIS ACT, FOR THE PURPOSE OF FINANCING CONSTRUCTION OF A  
16 RURAL WATER SUPPLY SYSTEM FOR NORTHERN LIBERTY AND HILL  
17 COUNTIES.

18 (III) THE PROJECT IS NEEDED BECAUSE RESIDENTS OF THE  
19 AREA NOW MUST HAUL DOMESTIC WATER BECAUSE OF THE SCARCITY  
20 AND POOR QUALITY OF GROUND WATER, AND IT IS PROBABLE THAT  
21 THEY WILL HAVE TO HAUL STOCK WATER IN THE FUTURE.

22 (III) THE LOAN MUST BE REPAYED AT A 6% INTEREST RATE.

23 (S) (1) BONDS TO A MAXIMUM AMOUNT OF \$520,000 MAY BE  
24 ISSUED FOR A LOAN TO THE CITY OF SHELBY FOR THE PURPOSE OF  
25 PARTIALLY FINANCING REHABILITATION OF THE CITY'S SEWER



1 SYSTEM.

2 (II) THE PROJECT IS NEEDED TO REPLACE PIPES THAT HAVE

3 DETERIORATED BECAUSE OF AGE AND THAT ARE INADEQUATE IN SIZE

4 TO SERVE THE POPULATION OF SHELBY.

5 (III) THE LOAN MUST BE REPAYED AT A 6% INTEREST RATE.

6 (I) (II) BONDS TO A MAXIMUM AMOUNT OF \$182,000 MAY BE

7 ISSUED FOR A LOAN TO THE TOWN OF HOT SPRINGS FOR THE PURPOSE

8 OF SEWER SYSTEM IMPROVEMENTS.

9 (III) THE LOAN MUST BE REPAYED AT A 6% INTEREST RATE.

10 (VI) (II) BONDS TO A MAXIMUM AMOUNT OF \$200,000 MAY BE

11 ISSUED FOR A LOAN TO THE POWER-TOWN WATER AND SEWER

12 DISTRICT FOR THE PURPOSE OF PARTIALLY FINANCING IMPROVEMENTS

13 TO THE TOWN OF POWER'S SEWER SYSTEM.

14 (III) THE PROJECT IS NEEDED TO INSTALL A COLLECTION AND

15 TREATMENT FACILITY TO ADDRESS THE PRESENT HEALTH HAZARD AND

16 POLLUTION PROBLEM.

17 (III) THE LOAN MUST BE REPAYED AT A 2% INTEREST RATE.

18 (VI) (II) BONDS TO A MAXIMUM AMOUNT OF \$590,500 MAY BE

19 ISSUED FOR A LOAN TO THE CITY OF LIBBY FOR THE PURPOSE OF

20 PARTIALLY FINANCING CONSTRUCTION OF A SECONDARY SEWAGE

21 TREATMENT PLANT FOR THE CITY.

22 (III) THE PROJECT IS NEEDED BECAUSE THE CITY'S PRESENT

23 SEWAGE TREATMENT SYSTEM IS NOT IN COMPLIANCE WITH PUBLIC

24 HEALTH STANDARDS.

25 (III) THE LOAN MUST BE REPAYED AT A 6% INTEREST RATE.

1 (VI) (II) BONDS TO A MAXIMUM AMOUNT OF \$250,000 MAY BE

2 ISSUED FOR A LOAN TO THE CITY OF BIG FORK FOR THE PURPOSE OF

3 PARTIALLY FINANCING REHABILITATION OF THE CITY'S SEWAGE

4 TREATMENT PLANT.

5 (III) THE PROJECT IS NEEDED BECAUSE THE EXISTING

6 TREATMENT PLANT IS INADEQUATE TO MEET THE NEEDS OF THE CITY

7 AND AS A RESULT, POOR QUALITY EFFLUENT IS BEING DISCHARGED

8 BY THE SYSTEM.

9 (III) THE LOAN MUST BE REPAYED AT A 6% INTEREST RATE.

10 (2) Loan repayments, both principal and interest, are

11 pledged, dedicated, and appropriated to a special bond

12 account in the sinking fund of the state treasury for the

13 benefit of bonds approved for loans under this section. THE

14 INTEREST RATES APPLICABLE TO ANY OF THE PROJECTS LISTED IN

15 [THIS SECTION] SHALL BE THE LOWER OF THE SPECIFIED RATE

16 CITED FOR EACH PROJECT OR THE RATE THAT MUST BE PAID ON

17 BONDS ISSUED PURSUANT TO [SECTION 5].

18 (3) In connection with the issuance of bonds, the

19 board of examiners may pay the principal and interest on the

20 bonds when due from the special bond account and in all

21 other respects manage and use the funds within the special

22 bond account for the benefit of the bonds. The board of

23 examiners shall exercise its discretion to enhance the

24 marketability of the bonds and to secure the most

25 advantageous financial arrangements for the state.

1 (4) Earnings on bond proceeds prior to the completion  
 2 of any loan must be allocated to the special bond account to  
 3 pay interest on the bonds during this period. Earnings in  
 4 excess of bond interest, if any, must be allocated to the  
 5 water development earmarked account and may be used for the  
 6 purposes allowed under 85-1-604(3)(c).

7 (5) (a) The legislature's approval of loans for  
 8 projects listed in this section is subject to the  
 9 recipient's provision to the board of examiners of  
 10 information and material necessary for the purposes of  
 11 completion of contractual agreements and for bond sale  
 12 purposes. This information and material must be provided on  
 13 a schedule that will allow bond sale schedules to be met.  
 14 ~~PRIOR TO THE ISSUANCE OF THE BONDS, THE DEPARTMENT OF~~  
 15 ~~NATURAL RESOURCES AND CONSERVATION SHALL REVIEW THE PROJECTS~~  
 16 ~~TO DETERMINE THEIR TECHNICAL AND FINANCIAL FEASIBILITY AND~~  
 17 ~~REPORT TO THE BOARD OF EXAMINERS.~~ The loans are conditioned  
 18 upon compliance with the requirements of this subsection (5)  
 19 meeting the approval of the board of examiners and upon such  
 20 other conditions the board of examiners may impose that are  
 21 necessary for the completion of contractual agreements and  
 22 for bond sale purposes.

23 (b) Loans for projects listed in this section are  
 24 subject to the approval of the governing body of the  
 25 political subdivision.

1 Section 7. Section 7-7-4433, MCA, is amended to read:  
 2 "7-7-4433. Sale of bonds. (1) Bonds authorized to be  
 3 issued under this part shall be sold at not less than par.  
 4 (2) (a) Said bonds may be sold at private sale to the  
 5 United States ~~or the state of Montana~~ or any agency,  
 6 instrumentality, or corporation thereof.

7 (b) Unless sold to the United States ~~or the state of~~  
 8 ~~Montana~~ or an agency, instrumentality, or corporation  
 9 thereof, said bonds shall be sold at public sale after  
 10 notice of such sale."

11 ~~NEW SECTION.~~ Section 8. Severability. If a part of  
 12 this act is invalid, all valid parts that are severable from  
 13 the invalid part remain in effect. If a part of this act is  
 14 invalid in one or more of its applications, the part remains  
 15 in effect in all valid applications that are severable from  
 16 the invalid applications.

17 ~~NEW SECTION.~~ Section 9. Effective date. This act is  
 18 effective on passage and approval.

-End-

FREE CONFERENCE COMMITTEE  
HOUSE BILL 885  
(Report No. 1, April 21, 1983)

Mr. President:

We, your Free Conference Committee on House Bill 885, met on April 21, 1983 and considered:

House Bill 885, third reading copy (Blue);  
Senate Standing Committee (Finance and Claims) Report of April 14, 1983 amendment numbers 1 through 8; and  
Senate Committee of the Whole Amendment of April 14, 1983.

We respectfully recommend as follows:

That the House accede to Senate Standing Committee amendment numbers 1, 2 and 8;

That the House accede to Senate Standing Committee amendment numbers 3, 4, 5, 6, and 7, as amended in Clerical Instructions 1, 2, 4-8, and 10-19;

That the House accede to Senate Committee of the whole amendment number 1;

That House Bill 885 be further amended as specified in the Clerical Instructions 3, 5, 9, 20 and 21; and

That this Free Conference Committee report be adopted.

CLERICAL INSTRUCTIONS FOR REFERENCE COPY (SALMON)

1) Page 4, line 11  
Strike: "(G) WHITEFISH SEWER SYSTEM IMPROVEMENTS;  
Reletter subsequent subsections.

2) Page 5, line 15  
Strike: "\$12,982,281"  
Insert: "\$17,044,735"

3) Page 6, line 23  
Following: "~~COSTS~~"  
Insert: "for which the department is legally liable"

4) Page 9, line 24  
Strike: "\$18,981,781"  
Insert: "\$17,044,735"

5) Page 11, line 16  
Strike: "~~6 1/2~~ INTEREST RATE"  
Insert: "7% interest rate for the first 5 years following loan issuance and at the full bond rate thereafter"  
Following: "RATE."  
Insert: "A pro rata share, based on the amount of the loan, of the incurred administrative costs must be repaid."

6) Page 11, line 24  
Strike: "~~6 1/2~~ INTEREST RATE"  
Insert: "7% interest rate for the first 5 years following loan issuance and at the full bond rate thereafter"  
Following: "RATE."  
Insert: "A pro rata share, based on the amount of the loan, of the incurred administrative costs must be repaid."

7) Page 12, line 6  
Strike: "~~6 1/2~~ INTEREST RATE"  
Insert: "7% interest rate for the first 5 years following loan issuance and at the full bond rate thereafter"  
Following: "RATE."  
Insert: "A pro rata share, based on the amount of the loan, of the incurred administrative costs must be repaid."

8) Page 15, line 8  
Strike: "~~6 1/2~~ INTEREST RATE"  
Insert: "7% interest rate for the first 5 years following loan issuance and at the full bond rate thereafter"  
Following: "RATE."  
Insert: "A pro rata share, based on the amount of the loan, of the incurred administrative costs must be repaid."

9) Page 15, lines 16 and 17  
Following: "Bench"  
Strike: "gravity company"  
Insert: "Irrigation District"

10) Page 17, line 9  
Strike: "~~6 1/2~~ INTEREST RATE"  
Insert: "7 1/2 interest rate for the first 5 years following loan issuance and at the full bond rate thereafter"  
Following: "RATE."  
Insert: "A pro rata share, based on the amount of the loan, of the incurred administrative costs must be repaid."

11) Page 17, lines 10 through 18  
Strike: subsection "(Q)" in its entirety.  
Reletter subsequent subsections.

12) Page 18, line 2  
Strike: "~~6 1/2~~ INTEREST RATE"  
Insert: "7 1/2 interest rate for the first 5 years following loan issuance and at the full bond rate thereafter"  
Following: "RATE."  
Insert: "A pro rata share, based on the amount of the loan, of the incurred administrative costs must be repaid."

13) Page 18, line 11  
Strike: "~~6 1/2~~ INTEREST RATE"  
Insert: "7 1/2 interest rate for the first 5 years following loan issuance and at the full bond rate thereafter"  
Following: "RATE."  
Insert: "A pro rata share, based on the amount of the loan, of the incurred administrative costs must be repaid."

14) Page 18, line 22  
Strike: "~~6 1/2~~ INTEREST RATE"  
Insert: "7 1/2 interest rate for the first 5 years following loan issuance and at the full bond rate thereafter"  
Following: "RATE."  
Insert: "A pro rata share, based on the amount of the loan, of the incurred administrative costs must be repaid."

15) Page 19, line 5  
Strike: "~~6 1/2~~ INTEREST RATE"  
Insert: "7 1/2 interest rate for the first 5 years following loan issuance and at the full bond rate thereafter"  
Following: "RATE."  
Insert: "A pro rata share, based on the amount of the loan, of the incurred administrative costs must be repaid."

16) Page 19, line 9  
Strike: "~~6 1/2~~ INTEREST RATE"  
Insert: "7 1/2 interest rate for the first 5 years following loan issuance and at the full bond rate thereafter"  
Following: "RATE."  
Insert: "A pro rata share, based on the amount of the loan, of the incurred administrative costs must be repaid."

17) Page 19, line 17  
Strike: "2 1/2"  
Insert: "7 1/2"  
Following: "RATE."  
Insert: "A pro rata share, based on the amount of the loan, of the incurred administrative costs must be repaid."

18) Page 19, line 25  
Strike: "~~6 1/2~~ INTEREST RATE"  
Insert: "7 1/2 interest rate for the first 5 years following loan issuance and at the full bond rate thereafter"  
Following: "RATE."  
Insert: "A pro rata share, based on the amount of the loan, of the incurred administrative costs must be repaid."

19) Page 20, line 9  
Strike: "~~6 1/2~~ INTEREST RATE"  
Insert: "7 1/2 interest rate for the first 5 years following loan issuance and at the full bond rate thereafter"  
Following: "RATE."  
Insert: "A pro rata share, based on the amount of the loan, of the incurred administrative costs must be repaid."

20) Page 20, line 10  
Following: "both"  
Insert: "loan"  
Following: "principal"  
Insert: ", fixed bond sale costs,"


21) Page 20, line 13  
Following: "section."  
Insert: "Repayment, both principal and interest, of incurred administrative cost must be made to the water development earmarked account created in 85-1-604 to be reused for the administration of the water development loan and grant program."


FOR THE HOUSE


FOR THE SENATE

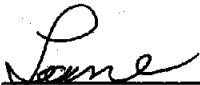
  
\_\_\_\_\_  
SPAETH, CHAIR

  
\_\_\_\_\_  
AKLESTAD, CHAIR

  
\_\_\_\_\_  
LORY

  
\_\_\_\_\_  
KOLSTAD

  
\_\_\_\_\_  
JACOBSEN

  
\_\_\_\_\_  
LANE

## HOUSE BILL NO. 885

INTRODUCED BY JACOBSEN, THOFT, BENGTSON, UNDERDAL,  
 SHAW, KJLSTAD, SPAETH, BACHINI, AKLESTAD, KEYSER, DEVLIN,  
 LANE, E. SMITH, LEE, TVEIT, HAGER, STEPHENS, DOVER,  
 OCHSNER, STIMATZ, ABRAMS, HARP, C. SMITH, KOEHNKE,  
 PECK, PISTORIA, D. ONNELL, BLISS, MUELLER, SALES,  
 SWIFT, MANUEL, SAUNDERS, SCHYE, J. HAMMOND

A BILL FOR AN ACT ENTITLED: "AN ACT TO APPROVE THE ISSUANCE  
 OF STATE OF MONTANA COAL SEVERANCE TAX BONDS TO FINANCE THE  
 DEVELOPMENT OF CERTAIN STATE HYDROELECTRIC PROJECTS, THE  
 REHABILITATION AND REPAIR OF CERTAIN STATE PROJECTS, AND  
 LOANS TO POLITICAL SUBDIVISIONS AND LOCAL GOVERNMENTS FOR  
 CERTAIN APPROVED WATER DEVELOPMENT PROJECTS; TO APPROPRIATE  
 COAL SEVERANCE TAX TRUST PROCEEDS FOR DEBT SERVICE; TO  
 AUTHORIZE THE CREATION OF A STATE DEBT; TO ALLOW THE PRIVATE  
 SALE OF MUNICIPAL REVENUE BONDS TO THE STATE OF MONTANA;  
 AMENDING SECTION 7-7-4433, MCA; AND PROVIDING AN IMMEDIATE  
 EFFECTIVE DATE."

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

NEW SECTION. Section 1. Purpose and policy. (1) The  
 legislature recognizes that it is the policy of the state of  
 Montana to promote the conservation, development, and  
 beneficial use of the state's water resources to secure

maximum economic and social prosperity for its citizens.

(2) The legislature recognizes that the development  
 and use of water resources and the efficient, economic  
 distribution thereof are vital to protect existing uses and  
 to assure adequate future supplies for domestic, industrial,  
 agricultural, and other beneficial uses.

(3) The legislature reaffirms its previous declaration  
 that the public interest requires the construction,  
 operation, and maintenance of a system of works for the  
 conservation, development, storage, distribution, and use of  
 water, which construction, operation, and maintenance is a  
 single objective which is in all respects for the welfare  
 and benefit of the people of this state.

(4) The legislature finds that the 1981 legislature,  
 in Chapter 505, Laws of 1981, established a state water  
 development program to provide financial and administrative  
 assistance to private, local, and state entities for water  
 resources development projects and activities.

(5) The legislature finds that 85-1-601 declares that  
 the water development program is an integral part of the  
 implementation and development of the comprehensive,  
 coordinated, multiple-use water resources plan known as the  
 state water plan and that Title 17, chapter 5, part 7,  
 provides for the issuance of coal severance tax bonds for  
 financing specific approved water resource development

1 projects and activities as part of the state water  
2 development program.

3 (b) The legislature finds that the following water  
4 development projects approved in [sections 3, 4, and 5] will  
5 implement the state's policy of full use, conservation, and  
6 protection of its water resources:

7 (a) Department of natural resources and conservation  
8 hydroelectric development at Painted Rocks Dam, Broadwater  
9 Dam, and Cooney Dam;

10 (b) Department of natural resources and conservation  
11 repair and rehabilitation at Yellow Water Dam, Cottonwood  
12 Dam, and Martinsdale Dam and Reservoir;

13 ~~(c) Three Forks water system improvement;~~

14 ~~(d) Manhattan wastewater treatment system improvement;~~

15 ~~(e) Manhattan water system capital improvements;~~

16 (C) THREE FORKS WATER SYSTEM IMPROVEMENT;

17 (D) MANHATTAN WASTEWATER TREATMENT SYSTEM IMPROVEMENT;

18 (E) MANHATTAN WATER SYSTEM CAPITAL IMPROVEMENTS;

19 ~~(f)(1) Roosevelt County rural water system~~  
20 ~~construction;~~

21 ~~(g)(2) Culbertson water supply and treatment~~  
22 ~~facility construction;~~

23 ~~(h)(3) Geraldine rural water system construction;~~

24 ~~(i)(4) South Kremlin-Gildford rural water system~~  
25 ~~construction;~~

1 ~~(j)(5) Huntley project irrigation district~~  
2 ~~rehabilitation;~~

3 ~~(k)(6) Lower Birch Creek watershed plan;~~

4 ~~(l) Ennis sewage treatment construction;~~

5 (L) ENNIS SEWAGE TREATMENT CONSTRUCTION;

6 ~~(m)(7) East Bench gravity flow irrigation project;~~

7 ~~(n)(8) Bitterroot irrigation district Three Mile~~  
8 ~~farm irrigation measure;~~

9 ~~(o)(9) NOXON RURAL WATER SYSTEM IMPROVEMENT;~~

10 (P) BELGRADE WATER SYSTEM IMPROVEMENTS;

11 ~~(q)(10) WHITEFISH SEWER SYSTEM IMPROVEMENTS;~~

12 ~~(r)(11) COLUMBIA FALLS WATER AND SEWER SYSTEM~~  
13 ~~IMPROVEMENTS;~~

14 ~~(s)(12) CONRAD WATER SYSTEM IMPROVEMENTS;~~

15 ~~(t)(13) SAGE CREEK WATER DISTRICT;~~

16 ~~(u)(14) SHELBY SEWER SYSTEM IMPROVEMENTS;~~

17 ~~(v)(15) HOT SPRINGS SEWER SYSTEM IMPROVEMENTS;~~

18 ~~(w)(16) POWER-TETON COUNTY SEWER SYSTEM IMPROVEMENTS;~~

19 ~~(x)(17) LIBBY SEWER SYSTEM IMPROVEMENTS;~~

20 ~~(y)(18) BIG FORK SEWER SYSTEM IMPROVEMENTS.~~

21 NEW SECTION. Section 2. Appropriation and creation of  
22 debt for coal severance tax bonds. (1) The legislature,  
23 through the enactment of this section by a vote of  
24 three-fourths of the members of each house of the  
25 legislature as required by Article IX, section 5, of the

1 Montana constitution, pledges, dedicates, and appropriates  
 2 from the coal severance tax bond subfund all money necessary  
 3 for the payment of principal and interest not otherwise  
 4 provided for on the state of Montana coal severance tax  
 5 bonds authorized by this act to be issued pursuant to Title  
 6 17, chapter 5, part 7, and pursuant to the further  
 7 provisions of [this act].

8 (2) The legislature, through the enactment of this  
 9 section, in accordance with Article VIII, section 8, of the  
 10 Montana constitution authorizes the creation of a state debt  
 11 in an amount not to exceed \$45.35 million for the  
 12 development of the state hydroelectric projects approved in  
 13 [section 3], in an amount not to exceed \$551,900 for the  
 14 rehabilitation of state water projects approved in [section  
 15 4], and in an amount not to exceed ~~\$12,982,281~~ \$17,044,735  
 16 for loans to local government entities for water development  
 17 projects approved in [section 5], all for the issuance of  
 18 state of Montana coal severance tax bonds authorized by  
 19 [this act].

20 NEW SECTION. Section 3. Approval of coal severance  
 21 tax bonds for state hydroelectric projects -- repayment  
 22 provisions. (1) The board of examiners may issue state of  
 23 Montana coal severance tax bonds:

24 (a) to a maximum amount of \$12.9 million for the  
 25 development of the hydropower potential at the department of

1 natural resources and conservation's Painted Rocks Dam under  
 2 the authorization granted by the federal energy regulatory  
 3 commission for project number 4657;

4 (b) to a maximum amount of \$28.6 million for the  
 5 development of the hydropower potential at the department of  
 6 natural resources and conservation's Broadwater Dam under  
 7 authorization pending before the federal energy regulatory  
 8 commission for project number ~~2895~~ 2853; and

9 (c) to a maximum amount of \$3.85 million for the  
 10 development of the hydropower potential at the department of  
 11 natural resources and conservation's Cooney Dam under an  
 12 authorization from the federal energy regulatory commission  
 13 to be applied for pursuant to the preliminary permit issued  
 14 for project number 4700.

15 (2) Bonds approved in this section may not be issued  
 16 by the board of examiners until the board of natural  
 17 resources and conservation has determined that a project is  
 18 feasible and has otherwise complied with the requirements of  
 19 Title 85, chapter 1, part 5, for the development of  
 20 hydropower at water projects under the control of the  
 21 department.

22 (3) THE MAXIMUM AMOUNT OF BOND REVENUE FOR EACH  
 23 PROJECT APPROVED IN THIS SECTION SHALL ALSO INCLUDE ALL AND  
 24 ANY RELOCATION, RECONSTRUCTION, REMUNERATION, OR OTHER COSTS  
 25 FOR WHICH THE DEPARTMENT IS LEGALLY LIABLE THAT AFFECT



1 EXISTING IRRIGATION SYSTEMS, PRIVATE LANDS, UTILITY LINES,  
 2 MINES, ROADS, HIGHWAYS, AND RAILROADS THAT ARE SUBSEQUENTLY  
 3 AFFECTED BY THE DEVELOPMENT OF A RESPECTIVE HYDROELECTRIC  
 4 PROJECT.

5 ~~(3)(4)~~ The hydropower revenues from each project are  
 6 pledged, dedicated, and appropriated to a special bond  
 7 account created for that specific project in the sinking  
 8 fund of the state treasury for the benefit of the bonds  
 9 approved for that specific project. The board of examiners  
 10 may allocate a portion of the bond proceeds for a specific  
 11 project from the bond proceeds and insurance clearance fund  
 12 account to the special sinking account for that specific  
 13 project for the payment of interest on the bonds during  
 14 construction, for the establishment of necessary reserves,  
 15 and for the operation and maintenance of the hydropower  
 16 facilities.

17 ~~(4)(5)~~ In connection with the issuance of bonds, the  
 18 board of examiners may provide for the operation and  
 19 maintenance of the hydropower facilities, pay the principal  
 20 and interest on the bonds when due from each special bond  
 21 account, create and maintain necessary reserves within each  
 22 special bond account, and in all other respects manage and  
 23 use the funds within each special bond account for the  
 24 benefit of the bonds for the particular hydropower project.

25 ~~(5)(6)~~ The board of examiners shall exercise its

1 discretion to enhance the marketability of the bonds, to  
 2 secure the most advantageous financial arrangements for the  
 3 state, and to provide to the extent possible that all costs,  
 4 including operation and maintenance and debt service, are  
 5 paid out of project revenues and bond proceeds.

6 ~~(6)(7)~~ Excess funds in any special sinking account as  
 7 determined by the board of examiners must be allocated to  
 8 the water development earmarked account to be used for the  
 9 purposes set forth in 85-1-604(3)(b).

10 NEW SECTION. Section 4. Approval of coal severance  
 11 tax bonds for rehabilitation and repair of state water  
 12 projects -- repayment provisions. (1) The board of examiners  
 13 may issue state of Montana coal severance tax bonds:

14 (a) to a maximum amount of \$92,000 for repair and  
 15 rehabilitation of the department of natural resources and  
 16 conservation's Yellow Water Dam in Petroleum County;

17 (b) a maximum amount of \$201,000 for the repair of the  
 18 department of natural resources and conservation's  
 19 Cottonwood Dam in Park County; and

20 (c) to a maximum amount of \$257,000 for the repair and  
 21 rehabilitation of the department of natural resources and  
 22 conservation's Martinsdale Dam and Reservoir in Meagher and  
 23 Wheatland Counties.

24 (2) Bonds may be issued by the board of examiners  
 25 after the water users for each project have entered into

1 contractual agreements providing for the repayment of the  
 2 cost of repair and rehabilitation at a 2% interest rate ~~BAIE~~  
 3 ~~JE INTEREST EQUAL TO THAT WHICH MUST BE PAID ON BONDS ISSUED~~  
 4 ~~PURSUANT TO [THIS SECTION]~~. The repayment money from each  
 5 project is pledged, dedicated, and appropriated to a special  
 6 bond account in the sinking fund of the state treasury for  
 7 the benefit of the bonds approved for such project.

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

16 (4) Earnings on bond proceeds prior to the completion  
 17 of any loan shall be allocated to the special bond account  
 18 to pay interest on the bonds during this period. Earnings  
 19 in excess of bond interest, if any, shall be allocated to  
 20 the water development earmarked account and may be used for  
 21 the purposes allowed under 85-1-604(3)(b).

22 ~~NEW SECTION.~~ Section 5. Authorization of coal  
 23 severance tax bond loans to government entities. The board  
 24 of examiners may issue state of Montana coal severance tax  
 25 bonds in an amount not to exceed ~~\$12,992,201~~ ~~\$11,524,201~~

1 ~~\$19,981,781~~ ~~\$17,044,735~~ or the total cost of the projects  
 2 described in [section 6] for the purpose of making the loans  
 3 set forth in [section 6] from the bond proceeds to political  
 4 subdivisions and local government entities and for the  
 5 purpose of paying the cost of issuance of the bonds.

6 ~~NEW SECTION.~~ Section 6. Political subdivision  
 7 projects. (1) The bonds authorized under [section 5] may be  
 8 issued as follows:

9 ~~(a) (i) bonds to a maximum amount of \$1,100,000 may be~~  
 10 ~~issued for a loan to the city of Three Forks for the purpose~~  
 11 ~~of financing improvements in the city's water systems~~

12 ~~(ii) The project which will rehabilitate existing~~  
 13 ~~components of the city water system and change the source of~~  
 14 ~~the water supply from the Madison River drainage to the~~  
 15 ~~Jefferson River drainage is needed to resolve the health~~  
 16 ~~hazard in the city's existing water supply caused by~~  
 17 ~~excessive levels of arsenic~~

18 ~~(iii) The loan must be repaid at a 2% interest rate~~

19 ~~(b) (i) bonds to a maximum amount of \$130,000 may be~~  
 20 ~~issued for a loan to the city of Manhattan for the purpose~~  
 21 ~~of financing improvements in the city's wastewater treatment~~  
 22 ~~system~~

23 ~~(ii) The project is needed because the existing city~~  
 24 ~~wastewater stabilization ponds provide inadequate treatment~~  
 25 ~~to meet future effluent limitations~~

1 ~~(iii) The loan must be repaid at a 2% interest rate~~  
2 ~~(iv) (i) Bonds to a maximum amount of \$170,000 may be~~  
3 ~~used for a loan to the city of Manhattan for the purpose of~~  
4 ~~financing capital improvements in the city's water system~~  
5 ~~(ii) The project is needed for promotion of~~  
6 ~~conservation of water by encouraging city water customers to~~  
7 ~~use less water and for rehabilitation of the water system~~  
8 ~~(iii) The loan must be repaid at a 2% interest rate~~  
9 (A) (i) BONDS TO A MAXIMUM AMOUNT OF \$1,100,000 MAY BE  
10 ISSUED FOR A LOAN TO THE CITY OF THREE FORKS FOR THE PURPOSE  
11 OF FINANCING IMPROVEMENTS IN THE CITY'S WATER SYSTEM.  
12 (ii) THE PROJECT, WHICH WILL REHABILITATE EXISTING  
13 COMPONENTS OF THE CITY WATER SYSTEM AND CHANGE THE SOURCE OF  
14 THE WATER SUPPLY FROM THE MADISON RIVER DRAINAGE TO THE  
15 JEFFERSON RIVER DRAINAGE, IS NEEDED TO RESOLVE THE HEALTH  
16 HAZARD IN THE CITY'S EXISTING WATER SUPPLY CAUSED BY  
17 EXCESSIVE LEVELS OF ARSENIC.  
18 (iii) THE LOAN MUST BE REPAYED AT A 6% INTEREST RATE 7%  
19 INTEREST RATE FOR THE FIRST 5 YEARS FOLLOWING LOAN ISSUANCE  
20 AND AT THE FULL BOND RATE THEREAFTER, A PRO RATA SHARE,  
21 BASED ON THE AMOUNT OF THE LOAN, OF THE INCURRED  
22 ADMINISTRATIVE COSTS MUST BE REPAYED.  
23 (B) (i) BONDS TO A MAXIMUM AMOUNT OF \$130,000 MAY BE  
24 ISSUED FOR A LOAN TO THE CITY OF MANHATTAN FOR THE PURPOSE  
25 OF FINANCING IMPROVEMENTS IN THE CITY'S WASTEWATER TREATMENT

1 SYSTEM.  
2 (iii) THE PROJECT IS NEEDED BECAUSE THE EXISTING CITY  
3 WASTEWATER STABILIZATION PONDS PROVIDE INADEQUATE TREATMENT  
4 TO MEET FUTURE EFFLUENT LIMITATIONS.  
5 (iii) THE LOAN MUST BE REPAYED AT A 6% INTEREST RATE 7%  
6 INTEREST RATE FOR THE FIRST 5 YEARS FOLLOWING LOAN ISSUANCE  
7 AND AT THE FULL BOND RATE THEREAFTER, A PRO RATA SHARE,  
8 BASED ON THE AMOUNT OF THE LOAN, OF THE INCURRED  
9 ADMINISTRATIVE COSTS MUST BE REPAYED.  
10 (C) (i) BONDS TO A MAXIMUM AMOUNT OF \$170,000 MAY BE  
11 USED FOR A LOAN TO THE CITY OF MANHATTAN FOR THE PURPOSE OF  
12 FINANCING CAPITAL IMPROVEMENTS IN THE CITY'S WATER SYSTEM.  
13 (ii) THE PROJECT IS NEEDED FOR PROMOTION OF  
14 CONSERVATION OF WATER BY ENCOURAGING CITY WATER CUSTOMERS TO  
15 USE LESS WATER AND FOR REHABILITATION OF THE WATER SYSTEM.  
16 (iii) THE LOAN MUST BE REPAYED AT A 6% INTEREST RATE 7%  
17 INTEREST RATE FOR THE FIRST 5 YEARS FOLLOWING LOAN ISSUANCE  
18 AND AT THE FULL BOND RATE THEREAFTER, A PRO RATA SHARE,  
19 BASED ON THE AMOUNT OF THE LOAN, OF THE INCURRED  
20 ADMINISTRATIVE COSTS MUST BE REPAYED.  
21 ~~(iv) (i)~~ (i) Bonds to a maximum amount of \$1,790,000  
22 may be issued for a loan to the Roosevelt County rural water  
23 district for the purpose of financing construction of a  
24 proposed water distribution system for domestic and stock  
25 use for eastern Roosevelt County.

1 (ii) The project is needed to supply water to those  
 2 residents of the county who must haul water because of poor  
 3 quality ground water and to prevent health problems caused  
 4 by consumption of poor quality water.

5 (iii) The loan must be repaid at a 2% 6 1/2% interest  
 6 rate.

7 ~~(f)(B)(E)~~ (i) Bonds to a maximum amount of \$704,000  
 8 may be issued for a loan to the town of Culbertson for the  
 9 purpose of financing the construction of a water supply and  
 10 treatment facility for the town.

11 (ii) The project is needed to prevent health problems  
 12 associated with poor water quality through the use of more  
 13 sophisticated water treatment methods and to increase the  
 14 town's capacity to service present and future users with  
 15 safe, potable water.

16 (iii) The loan must be repaid at a 2% 5% interest rate.

17 ~~(f)(E)(E)~~ (i) Bonds to a maximum amount of \$1,733,200  
 18 may be issued for a loan to the Geraldine rural county water  
 19 district for the purpose of the development of a rural water  
 20 system in the Geraldine area.

21 (ii) The project is needed to alleviate the situation  
 22 caused by poor quality ground water in the area. The  
 23 majority of the area's residents must haul both domestic and  
 24 stock water.

25 (iii) The loan must be repaid at a 2% 6 1/2% interest

1 rate.

2 ~~(g)(B)(G)~~ (i) Bonds to a maximum amount of \$336,235  
 3 may be issued for a loan to the South Kremlin-Gildford water  
 4 district for the purpose of the development of a rural water  
 5 system in an area where ground water is of insufficient  
 6 quantity and quality.

7 (ii) The project is needed to alleviate the health and  
 8 economic problems caused by the lack of potable ground  
 9 water. At present most residents must haul both domestic  
 10 and stock water.

11 (iii) The loan must be repaid at a 2% 6 1/2% interest  
 12 rate.

13 ~~(h)(E)(H)~~ (i) Bonds to a maximum amount of \$162,000  
 14 may be issued for a loan to the Huntley project irrigation  
 15 district for the purpose of rehabilitation of the project.

16 (ii) The project is needed to improve the performance  
 17 of the water supply system and to ensure the availability of  
 18 sufficient water for irrigation.

19 (iii) The loan must be repaid at a 2% 5% interest rate.

20 ~~(i)(E)(I)~~ (i) Bonds to a maximum amount of \$555,000  
 21 may be issued for a loan to the Pondera soil conservation  
 22 District for the purpose of partial financing of the Lower  
 23 Birch Creek watershed plan.

24 (ii) The watershed plan is needed to solve the area's  
 25 irrigation water shortage problem by stabilizing and

1 improving the major supply features of the system and to  
 2 ensure an adequate water supply to the nearby city of  
 3 Conrad.

4 (iii) The loan must be repaid at a 2% ~~6%~~ interest rate.

5 ~~(j) --(i) Bonds to a maximum amount of \$180,000 may be~~  
 6 ~~issued for a loan to the city of Ennis for the purpose of~~  
 7 ~~financing in part sewage treatment construction.~~

8 ~~(ii) The project is needed to build an additional~~  
 9 ~~sewage settling cell in the city of Ennis because the~~  
 10 ~~present sewage treatment system is inadequate to meet the~~  
 11 ~~demands of the city's rising population and is not in~~  
 12 ~~compliance with federal standards.~~

13 ~~(iii) The loan must be repaid at a 2% interest rate.~~

14 (J) (I) BONDS TO A MAXIMUM AMOUNT OF \$180,000 MAY BE  
 15 ISSUED FOR A LOAN TO THE CITY OF ENNIS FOR THE PURPOSE OF  
 16 FINANCING, IN PART, SEWAGE TREATMENT CONSTRUCTION.

17 (II) THE PROJECT IS NEEDED TO BUILD AN ADDITIONAL  
 18 SEWAGE SETTLING CELL IN THE CITY OF ENNIS BECAUSE THE  
 19 PRESENT SEWAGE TREATMENT SYSTEM IS INADEQUATE TO MEET THE  
 20 DEMANDS OF THE CITY'S RISING POPULATION AND IS NOT IN  
 21 COMPLIANCE WITH FEDERAL STANDARDS.

22 (III) THE LOAN MUST BE REPAYED AT A 6% INTEREST RATE 7%  
 23 INTEREST RATE FOR THE FIRST 5 YEARS FOLLOWING LOAN ISSUANCE  
 24 AND AT THE FULL BOND RATE THEREAFTER. A PRO RATA SHARE,  
 25 BASED ON THE AMOUNT OF THE LOAN, OF THE INCURRED

1 ADMINISTRATIVE COSTS MUST BE REPAYED.

2 ~~(k) (G) (K) (i) Bonds may be issued for the purpose of a~~  
 3 ~~loan to the East Bench gravity flow project to provide~~  
 4 ~~financing to the project in accordance with subsection (ii)~~  
 5 ~~or (iii) of this subsection (k) (G) (K).~~

6 (ii) If the application for federal aid for the East  
 7 Bench gravity flow project is not approved by August 1,  
 8 1983, bonds may be issued in an amount not to exceed  
 9 \$3,230,000 to finance a loan to the East Bench gravity  
 10 company IRRIGATION DISTRICT. This loan must be repaid at a  
 11 2% ~~3%~~ interest rate.

12 (iii) If the application for federal aid for the East  
 13 Bench gravity flow project is approved by August 1, 1983,  
 14 bonds may be issued for the difference between a total  
 15 project cost of \$4,383,000 and the total amount of federal  
 16 aid received by the project to finance a loan to the East  
 17 Bench gravity company. This loan must be repaid at a 2% ~~3%~~  
 18 interest rate.

19 (iv) This project is needed to alleviate low pressure  
 20 problems at the lower end of the project and to eliminate  
 21 pumping costs.

22 (V) REMAINING FUNDS FROM THE APPROPRIATION IN HOUSE  
 23 BILL 709 OF THE 47TH LEGISLATURE FOR THE EAST BENCH  
 24 IRRIGATION PROJECT ARE REAPPROPRIATED FOR THE PROJECT FOR  
 25 THE BIENNIUM ENDING JUNE 30, 1985.

1 ~~(i)~~(H)(L) (i) Bonds to a maximum amount of \$1,180,000  
 2 may be issued for a loan to the Bitterroot irrigation  
 3 district for the purpose of financing, in part, the Three  
 4 Mile farm irrigation measure, involving conversion of the  
 5 irrigation system serving the area from pumped to gravity  
 6 sprinkler irrigation.

7 (ii) This project is needed to alleviate present water  
 8 shortages to reduce the cost of irrigation and to conserve  
 9 water.

10 (iii) The loan must be repaid at a 2% ~~1/2~~ interest rate.

11 ~~(i)(M)~~ (I) BONDS TO A MAXIMUM OF \$122,000 MAY BE  
 12 ISSUED FOR A LOAN TO THE NOXON RURAL IMPROVEMENT DISTRICT  
 13 FOR THE PURPOSE OF FINANCING REHABILITATION OF THE  
 14 COMMUNITY'S WATER SYSTEM.

15 (II) THE PROJECT IS NEEDED BECAUSE THE PRESENT WOODEN  
 16 LINES HAVE LEAKAGE PROBLEMS AND CONTAMINATION IS BEING DRAWN  
 17 INTO THE DISTRIBUTION SYSTEM CAUSING A HEALTH HAZARD.

18 (III) THE LOAN MUST BE REPAYED AT A 5% INTEREST RATE.

19 (N) (I) BONDS TO A MAXIMUM AMOUNT OF \$1,235,000 MAY BE  
 20 ISSUED FOR A LOAN TO THE CITY OF BELGRADE FOR THE PURPOSE OF  
 21 FINANCING IMPROVEMENTS IN THE CITY'S WATER SYSTEM.

22 (II) THE PROJECT, WHICH WILL REHABILITATE EXISTING  
 23 COMPONENTS OF THE CITY WATER SYSTEM, CONSTRUCT AN ADDITIONAL  
 24 WELL TO SUPPLY THE WATER SYSTEM, AND INSTALL RESIDENCE  
 25 MEIERS, IS NEEDED TO MEET THE DEMANDS OF THE CITY'S GROWING

1 POPULATION AND TO CONSERVE THE AVAILABLE WATER FOR FUTURE  
 2 USE.

3 (III) THE LOAN MUST BE REPAYED AT A 6% INTEREST RATE 7%  
 4 INTEREST RATE FOR THE FIRST 5 YEARS FOLLOWING LOAN ISSUANCE  
 5 AND AT THE FULL BOND RATE THEREAFTER. A PRO RATA SHARE,  
 6 BASED ON THE AMOUNT OF THE LOAN, OF THE INCURRED  
 7 ADMINISTRATIVE COSTS MUST BE REPAYED.

8 ~~(I) (I) BONDS TO A MAXIMUM AMOUNT OF \$1,500,000 MAY BE~~  
 9 ~~ISSUED FOR A LOAN TO THE WHITEFISH COUNTY WATER AND SEWER~~  
 10 ~~DISTRICT FOR THE PURPOSE OF ENGINEERING DESIGN AND~~  
 11 ~~CONSTRUCTION OF SEWER MAIN COLLECTORS AND INTERCEPTORS IN~~  
 12 ~~THE WHITEFISH BASIN. THE DESIGN TO FOLLOW FEASIBILITY~~  
 13 ~~STUDIES WHICH ARE PART OF A WATER QUALITY MANAGEMENT PLAN IN~~  
 14 ~~PROGRESS. DESIGN AND CONSTRUCTION MAY START BY JULY 1,~~  
 15 ~~1984.~~

16 ~~(II) THE LOAN MUST BE REPAYED AT A 6% INTEREST RATE.~~  
 17 ~~(I) (I) BONDS TO A MAXIMUM AMOUNT OF \$200,000 MAY~~  
 18 ~~BE ISSUED FOR A LOAN TO THE CITY OF COLUMBIA FALLS FOR THE~~  
 19 ~~PURPOSE OF PARTIALLY FINANCING IMPROVEMENTS TO CITY WATER~~  
 20 ~~AND SEWER LINES.~~

21 (III) THE PROJECT IS NEEDED TO REPLACE EXISTING WATER  
 22 AND SEWER LINES WITH NEW LARGER LINES AND BECAUSE OF THE  
 23 RECONSTRUCTION OF HIGHWAY 2 IN THE AREA WHERE THE LINES ARE  
 24 LOCATED.

25 (III) THE LOAN MUST BE REPAYED AT A 6% INTEREST RATE 7%

1 INTEREST RATE FOR THE FIRST 5 YEARS FOLLOWING LOAN ISSUANCE  
 2 AND AT THE FULL BOND RATE THEREAFTER, A PRO RATA SHARE,  
 3 BASED ON THE AMOUNT OF THE LOAN, OF THE INCURRED  
 4 ADMINISTRATIVE COSTS MUST BE REPAYED.

5 §(P) (I) BONDS TO A MAXIMUM AMOUNT OF \$500,000 MAY  
 6 BE ISSUED FOR A LOAN TO THE CITY OF CONRAD FOR THE PURPOSE  
 7 OF FINANCING IMPROVEMENTS IN THE CITY'S WATER SYSTEM.

8 (II) THE PROJECT, WHICH WILL REPLACE A TRANSMISSION  
 9 LINE FROM THE EXISTING TREATMENT PLANT TO THE DISTRIBUTION  
 10 SYSTEM, IS NEEDED BECAUSE THE EXISTING STEEL PIPE  
 11 TRANSMISSION HAS NUMEROUS BREAKS AND HAS DETERIORATED TO THE  
 12 EXTENT THAT IT CANNOT PROVIDE A RELIABLE SUPPLY OF WATER TO  
 13 THE CITY.

14 (III) THE LOAN MUST BE REPAYED AT A 6%-INTEREST-RATE 7%  
 15 INTEREST RATE FOR THE FIRST 5 YEARS FOLLOWING LOAN ISSUANCE  
 16 AND AT THE FULL BOND RATE THEREAFTER, A PRO RATA SHARE,  
 17 BASED ON THE AMOUNT OF THE LOAN, OF THE INCURRED  
 18 ADMINISTRATIVE COSTS MUST BE REPAYED.

19 §(Q) (I) BONDS TO A MAXIMUM AMOUNT OF \$750,000 MAY  
 20 BE ISSUED FOR A LOAN TO THE SAGE CREEK WATER DISTRICT, IF  
 21 THAT DISTRICT IS FORMED PRIOR TO THE SALE OF BONDS PURSUANT  
 22 TO THIS ACT, FOR THE PURPOSE OF FINANCING CONSTRUCTION OF A  
 23 RURAL WATER SUPPLY SYSTEM FOR NORTHERN LIBERTY AND HILL  
 24 COUNTIES.

25 (II) THE PROJECT IS NEEDED BECAUSE RESIDENTS OF THE

1 AREA NOW MUST HAUL DOMESTIC WATER BECAUSE OF THE SCARCITY  
 2 AND POOR QUALITY OF GROUND WATER, AND IT IS PROBABLE THAT  
 3 THEY WILL HAVE TO HAUL STOCK WATER IN THE FUTURE.

4 (III) THE LOAN MUST BE REPAYED AT A 6%-INTEREST-RATE 7%  
 5 INTEREST RATE FOR THE FIRST 5 YEARS FOLLOWING LOAN ISSUANCE  
 6 AND AT THE FULL BOND RATE THEREAFTER, A PRO RATA SHARE,  
 7 BASED ON THE AMOUNT OF THE LOAN, OF THE INCURRED  
 8 ADMINISTRATIVE COSTS MUST BE REPAYED.

9 §(R) (I) BONDS TO A MAXIMUM AMOUNT OF \$292,000 MAY  
 10 BE ISSUED FOR A LOAN TO THE CITY OF SHELBY FOR THE PURPOSE  
 11 OF PARTIALLY FINANCING REHABILITATION OF THE CITY'S SEWER  
 12 SYSTEM.

13 (II) THE PROJECT IS NEEDED TO REPLACE PIPES THAT HAVE  
 14 DETERIORATED BECAUSE OF AGE AND THAT ARE INADEQUATE IN SIZE  
 15 TO SERVE THE POPULATION OF SHELBY.

16 (III) THE LOAN MUST BE REPAYED AT A 6%-INTEREST-RATE 7%  
 17 INTEREST RATE FOR THE FIRST 5 YEARS FOLLOWING LOAN ISSUANCE  
 18 AND AT THE FULL BOND RATE THEREAFTER, A PRO RATA SHARE,  
 19 BASED ON THE AMOUNT OF THE LOAN, OF THE INCURRED  
 20 ADMINISTRATIVE COSTS MUST BE REPAYED.

21 §(S) (I) BONDS TO A MAXIMUM AMOUNT OF \$12,000 MAY  
 22 BE ISSUED FOR A LOAN TO THE TOWN OF HOT SPRINGS FOR THE  
 23 PURPOSE OF SEWER SYSTEM IMPROVEMENTS.

24 (II) THE LOAN MUST BE REPAYED AT A 6%-INTEREST-RATE 7%  
 25 INTEREST RATE FOR THE FIRST 5 YEARS FOLLOWING LOAN ISSUANCE

1 AND AT THE FULL BOND RATE THEREAFTER, A PRO RATA SHARE,  
2 BASED ON THE AMOUNT OF THE LOAN, OF THE INCURRED  
3 ADMINISTRATIVE COSTS MUST BE REPAID.

4 ~~##(I)~~ (II) BONDS TO A MAXIMUM AMOUNT OF \$200,000 MAY  
5 BE ISSUED FOR A LOAN TO THE POWER-TION WATER AND SEWER  
6 DISTRICT FOR THE PURPOSE OF PARTIALLY FINANCING IMPROVEMENTS  
7 TO THE TOWN OF POWER'S SEWER SYSTEM.

8 (III) THE PROJECT IS NEEDED TO INSTALL A COLLECTION AND  
9 TREATMENT FACILITY TO ADDRESS THE PRESENT HEALTH HAZARD AND  
10 POLLUTION PROBLEM.

11 (III) THE LOAN MUST BE REPAID AT A ~~2 1/2~~ 7% INTEREST RATE,  
12 A PRO RATA SHARE, BASED ON THE AMOUNT OF THE LOAN, OF THE  
13 INCURRED ADMINISTRATIVE COSTS MUST BE REPAID.

14 ~~##(IV)~~ (II) BONDS TO A MAXIMUM AMOUNT OF \$590,500 MAY  
15 BE ISSUED FOR A LOAN TO THE CITY OF LIBBY FOR THE PURPOSE OF  
16 PARTIALLY FINANCING CONSTRUCTION OF A SECONDARY SEWAGE  
17 TREATMENT PLANT FOR THE CITY.

18 (III) THE PROJECT IS NEEDED BECAUSE THE CITY'S PRESENT  
19 SEWAGE TREATMENT SYSTEM IS NOT IN COMPLIANCE WITH PUBLIC  
20 HEALTH STANDARDS.

21 (III) THE LOAN MUST BE REPAID AT A ~~6~~ INTEREST RATE 7%  
22 INTEREST RATE FOR THE FIRST 5 YEARS FOLLOWING LOAN ISSUANCE  
23 AND AT THE FULL BOND RATE THEREAFTER, A PRO RATA SHARE,  
24 BASED ON THE AMOUNT OF THE LOAN, OF THE INCURRED  
25 ADMINISTRATIVE COSTS MUST BE REPAID.

1 ~~##(V)~~ (II) BONDS TO A MAXIMUM AMOUNT OF \$250,000 MAY  
2 BE ISSUED FOR A LOAN TO THE CITY OF BIG FORK FOR THE PURPOSE  
3 OF PARTIALLY FINANCING REHABILITATION OF THE CITY'S SEWAGE  
4 TREATMENT PLANT.

5 (III) THE PROJECT IS NEEDED BECAUSE THE EXISTING  
6 TREATMENT PLANT IS INADEQUATE TO MEET THE NEEDS OF THE CITY  
7 AND, AS A RESULT, POOR QUALITY EFFLUENT IS BEING DISCHARGED  
8 BY THE SYSTEM.

9 (III) THE LOAN MUST BE REPAID AT A ~~6~~ INTEREST RATE 7%  
10 INTEREST RATE FOR THE FIRST 5 YEARS FOLLOWING LOAN ISSUANCE  
11 AND AT THE FULL BOND RATE THEREAFTER, A PRO RATA SHARE,  
12 BASED ON THE AMOUNT OF THE LOAN, OF THE INCURRED  
13 ADMINISTRATIVE COSTS MUST BE REPAID.

14 (2) Loan repayments, both LOAN principal, FIXED BOND  
15 SALE COSTS, and interest, are pledged, dedicated, and  
16 appropriated to a special bond account in the sinking fund  
17 of the state treasury for the benefit of bonds approved for  
18 loans under this section. REPAYMENT, BOTH PRINCIPAL AND  
19 INTEREST, OF INCURRED ADMINISTRATIVE COST MUST BE MADE TO  
20 THE WATER DEVELOPMENT EARMARKED ACCOUNT CREATED IN 85-1-609  
21 TO BE REUSED FOR THE ADMINISTRATION OF THE WATER DEVELOPMENT  
22 LOAN AND GRANT PROGRAM. THE INTEREST RATES APPLICABLE TO ANY  
23 OF THE PROJECTS LISTED IN (THIS SECTION) SHALL BE THE LOWER  
24 OF THE SPECIFIED RATE CITED FOR EACH PROJECT OR THE RATE  
25 THAT MUST BE PAID ON BONDS ISSUED PURSUANT TO [SECTION 5].



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

9 (4) Earnings on bond proceeds prior to the completion  
 10 of any loan must be allocated to the special bond account to  
 11 pay interest on the bonds during this period. Earnings in  
 12 excess of bond interest, if any, must be allocated to the  
 13 water development earmarked account and may be used for the  
 14 purposes allowed under 85-1-604(3)(c).

15 (5) (a) The legislature's approval of loans for  
 16 projects listed in this section is subject to the  
 17 recipient's provision to the board of examiners of  
 18 information and material necessary for the purposes of  
 19 completion of contractual agreements and for bond sale  
 20 purposes. This information and material must be provided on  
 21 a schedule that will allow bond sale schedules to be met.  
 22 ~~PRIOR TO THE ISSUANCE OF THE BONDS, THE DEPARTMENT OF~~  
 23 ~~NATURAL RESOURCES AND CONSERVATION SHALL REVIEW THE PROJECTS~~  
 24 ~~TO DETERMINE THEIR TECHNICAL AND FINANCIAL FEASIBILITY AND~~  
 25 ~~REPORT TO THE BOARD OF EXAMINERS.~~ The loans are conditioned

1 upon compliance with the requirements of this subsection (5)  
 2 meeting the approval of the board of examiners and upon such  
 3 other conditions the board of examiners may impose that are  
 4 necessary for the completion of contractual agreements and  
 5 for bond sale purposes.

6 (b) Loans for projects listed in this section are  
 7 subject to the approval of the governing body of the  
 8 political subdivision.

9 Section 7. Section 7-7-4433, MCA, is amended to read:

10 "7-7-4433. Sale of bonds. (1) Bonds authorized to be  
 11 issued under this part shall be sold at not less than par.

12 (2) (a) Said bonds may be sold at private sale to the  
 13 United States ~~or the state of Montana~~ or any agency,  
 14 instrumentality, or corporation thereof.

15 (b) Unless sold to the United States ~~or the state of~~  
 16 ~~Montana~~ or an agency, instrumentality, or corporation  
 17 thereof, said bonds shall be sold at public sale after  
 18 notice of such sale."

19 ~~NEW SECTION.~~ Section 8. Severability. If a part of  
 20 this act is invalid, all valid parts that are severable from  
 21 the invalid part remain in effect. If a part of this act is  
 22 invalid in one or more of its applications, the part remains  
 23 in effect in all valid applications that are severable from  
 24 the invalid applications.

25 ~~NEW SECTION.~~ Section 9. Effective date. This act is

HB 0885/06

1 effective on passage and approval.

-End-