

HOUSE BILL 565

Introduced by Pavlovich, et al.

2/03	Introduced
2/04	Referred to Local Government
2/06	Fiscal Note Requested
2/07	Rereferred to Business & Economic Development
2/09	Fiscal Note Received
2/11	Fiscal Note Printed
2/14	Hearing
2/21	Committee Report--Bill Passed as Amended
2/21	2nd Reading Do Pass Motion Failed

1 HOUSE BILL NO. 565
2 INTRODUCED BY *Carlton E. Larkin*
3 *Ed Halligan Daniel Ruff*
4 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING 50 PERCENT OF
5 THE FUNDS IN THE LOCAL IMPACT ACCOUNT TO BE USED FOR GRANTS
6 OR LOANS TO LOCAL GOVERNMENTS FOR PUBLIC WORKS PROJECTS; AND
7 AMENDING SECTIONS 90-6-201, 90-6-205, 90-6-206, AND
8 90-6-208, MCA."

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

11 NEW SECTION. **Section 1.** Definitions. As used in
12 [sections 1 through 3], the following definitions apply:

13 (1) "Local government" means any city, town, county,
14 or consolidated city-county.

15 (2) "Public works" means any facility constructed by a
16 local government for public use or service.

17 NEW SECTION. **Section 2.** Public works grant and loan
18 program -- funding -- limitations. (1) A local government
19 may apply to the board for a grant or loan to finance all or
20 part of a specific public works project. Grants or loans may
21 be used as matching funds for federal grants. Funding for
22 the grants and loans must come from 50% of the funds in the
23 local impact account established in 90-6-202.

24 (2) The board shall review all applications and award
25 grants and loans, subject to [section 3].

1 (3) Grants or loans for the 1990-91 biennium are
2 limited to \$100,000.

3 NEW SECTION. **Section 3.** Priority factors for public
4 works grants or loans. (1) Grants and loans must be awarded
5 on the basis of:

6 (a) need;
7 (b) the potential for promoting economic development;
8 and
9 (c) the availability of funds.

10 (2) In determining the availability of funds, the
11 board shall review all revenue sources available to a local
12 government for funding the project, taking into account
13 local economic conditions.

14 (3) In determining the potential for promoting
15 economic development, the board shall review:

16 (a) employment opportunities offered by the project,
17 both short-term and long-term;

18 (b) the number of communities served by the project;
19 and

20 (c) possibilities for the project attracting business
21 into the area.

22 **Section 4.** Section 90-6-201, MCA, is amended to read:
23 **"90-6-201. Purpose.** The purposes of this part are to
24 assist local governmental units which have been required to
25 expand the provision of public services as a consequence of

1 large-scale development of coal mines and coal-using energy
 2 complexes, to assist in the construction and reconstruction
 3 of designated portions of highways which serve the area
 4 affected by such large-scale development, to support county
 5 land planning, and to invest a portion of the tax revenue
 6 from coal mines in a permanent fund, the income from which
 7 shall be used for the support of public schools throughout
 8 the state, and to provide assistance to local governments in
 9 financing necessary public works projects designed to
 10 promote economic development."

11 **Section 5.** Section 90-6-205, MCA, is amended to read:

12 "90-6-205. Coal board -- general powers. The board
 13 may:

- 14 (1) retain professional consultants and advisors;
- 15 (2) adopt rules governing its proceedings;
- 16 (3) consider applications for grants from the local
 17 impact account;
- 18 (4) consider applications for loans from the local
 19 impact account for periods and interest rates to be
 20 determined by the board; and
- 21 (5) award grants and loans, subject to 90-6-207 and
 22 [section 3], from the local impact account:
- 23 (a) to local governmental units, state agencies, and
 24 governing bodies of federally recognized Indian tribes to
 25 assist local governmental units and federally recognized

1 Indian tribes in meeting the local impact of coal
 2 development by enabling them to adequately provide
 3 governmental services and facilities which are needed as a
 4 direct consequence of coal development; and

5 (b) notwithstanding the provisions of 90-6-207, to the
 6 department of highways established in 2-15-2501 to expedite
 7 the construction, repair, and maintenance of deficient
 8 sections of highway within the area designated in 90-6-210
 9 if the deficiency is the direct result of increased traffic
 10 accompanying the development of coal resources; and

11 (c) to local governments to assist in financing public
 12 works projects; and

13 (6) award a grant to a local government unit for the
 14 purpose of paying for part or all of the credit that the
 15 local government unit is obligated to give to a major new
 16 industrial facility that has prepaid property taxes under
 17 15-16-201. The board must award the grant in accordance with
 18 90-6-206."

19 **Section 6.** Section 90-6-206, MCA, is amended to read:

20 "90-6-206. Basis for awarding impact grants or loans.
 21 (1) Grants Local impact grants and loans shall be awarded on
 22 the basis of:

- 23 (a) need;
- 24 (b) degree of severity of impact from the coal
 25 development;

(c) availability of funds; and

(d) degree of local effort in meeting these needs.

(2) In determining the degree of local effort, the board shall review the millage rates levied for the present fiscal year in relation to the average millage rates levied during the 3 years immediately preceding coal development in that area or 1970, whichever is later, which impacts the local government unit applying for assistance.

(3) Millage rates for the present fiscal year which are lower than the average millage rate levied during the 3 years immediately preceding coal development in that area or 1970, whichever is later, shall be deemed by the board to indicate the lack of local effort. The application under such circumstances may be rejected.

(4) Further, in determining the degree of local effort, the board shall consider the possibility of requiring that local government unit to increase its bonded indebtedness to provide all or part of the governmental service or facility which is needed as a direct consequence of coal development.

(5) To the extent funds are needed to evaluate and plan for the impact needs caused by coal development, consideration of bond issues and millage levies may be waived.

(6) To the extent the applicant has no history of mill

levies, subsections (2) and (3) do not apply."

Section 7. Section 90-6-208, MCA, is amended to read:

"90-6-208. Applications for grants or loans. The governing body of a city, town, county, school district, any other local or state governmental unit or agency, or the governing body of a federally recognized Indian tribe may apply for a grant or a loan to enable it to provide governmental services which are needed as a direct consequence of coal development. The governing body of a local government may apply for a grant or a loan to finance a public works project. The coal board shall prescribe the form for applications. Applicants shall describe the nature of their proposed expenditures and the time involved."

NEW SECTION. Section 8. Extension of authority. Any existing authority to make rules on the subject of the provisions of [this act] is extended to the provisions of [this act].

NEW SECTION. Section 9. Codification instruction. [Sections 1 through 3] are intended to be codified as an integral part of Title 90, chapter 6, part 2, and the provisions of Title 90, chapter 6, part 2, apply to [sections 1 through 3].

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB565, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

HB565 would allow 50% of the funds in the local impact account to be used for grants or loans to local governments for public works projects.

ASSUMPTIONS:

1. Coal severance tax revenue estimates are \$52,884,000 for FY90 and \$45,683,000 for FY91 (REAC).
2. Starting July 1, 1989, the local impact account will receive 6.65% of the coal severance tax pursuant to 15-35-108, MCA, or \$3,516,786 in FY90 and \$3,037,920 in FY91.
3. The current law budget figures below are as requested by the Dept. of Commerce for the 1991 biennium.
4. The board would utilize 50% of the funds available for public works grants and loans and 50% for coal impact grants and loans.

FISCAL IMPACT:Expenditures:

	Current	FY90		Current	FY91	
	Law	Proposed		Law	Proposed	
		Law	Difference		Law	Difference
Dept. of Commerce, Coal Board						
Personal Services	\$ 87,326	\$ 87,326	\$ -0-	\$ 87,403	\$ 87,403	\$ -0-
Operating Expenses	69,592	69,592	-0-	69,478	69,478	-0-
Grants - Coal Impact	3,359,868	1,679,934	(1,679,934)	2,881,039	1,440,520	(1,440,519)
Grants - Public Works	-0-	1,679,934	1,679,934	-0-	1,440,519	1,440,519
Total	\$3,516,786	\$3,516,786	\$ -0-	\$3,037,920	\$3,037,920	\$ -0-

Funding:

Local Impact Account	\$3,516,786	\$3,516,786	\$ -0-	\$3,037,920	\$3,037,920	\$ -0-
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LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

Local governments statewide will gain grant and loan revenue for public works, while coal area local governments will continue to gain revenue, but at a reduced rate.

Technical Notes:

1. May coal area local governments apply for both coal impact grants and public works program grants?
2. New Section 2, page 1, states that public works funding must come from 50% of the funds in the local impact account. Does the board have discretion to award up to 50% for this purpose or is the intent to establish two subaccounts, one for public works and one for coal impact?



2/9/89

RAY SHACKLEFORD, BUDGET DIRECTOR
OFFICE OF BUDGET AND PROGRAM PLANNING



2/10/89

ROBERT J. PAVOLICH, PRIMARY SPONSOR
DATE

Fiscal Note for HB565, as introduced

HB 565

RE-REFERRED AND
APPROVED BY COMM. ON BUSINESS
AND ECONOMIC DEVELOPMENT
AS AMENDED

HOUSE BILL NO. 565

INTRODUCED BY PAVLOVICH, QUILICI, WILLIAMS,
WALKER, ECK, HALLIGAN, DRISCOLL, DARKO, NISBET,
HARRINGTON, STRIZICH, D. BROWN, MENAHAN

A BILL FOR AN ACT ENTITLED: "AN ACT ~~ALLOWING 50 PERCENT OF~~
~~THE FUNDS IN THE LOCAL IMPACT ACCOUNT~~ REVISING THE
ALLOCATION OF COAL SEVERANCE TAX COLLECTIONS AND PROVIDING A
PORTION TO BE USED FOR GRANTS OR LOANS TO LOCAL GOVERNMENTS
FOR PUBLIC WORKS PROJECTS; AND AMENDING SECTIONS 15-35-108,
90-6-201, 90-6-202, 90-6-205, 90-6-206, AND 90-6-208, AND
90-6-212, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

NEW SECTION. Section 1. Definitions. As used in
[sections 1 through 3], the following definitions apply:

(1) "Local government" means any city, town, county,
or consolidated city-county.

(2) "Public works" means any facility constructed by a
local government for public use or service.

NEW SECTION. Section 2. Public works grant and loan
program -- funding -- limitations. (1) A local government
may apply to the board for a grant or loan to finance all or
part of a specific public works project. Grants or loans may
be used as matching funds for federal grants. Funding for

the grants and loans must come from 50% of the funds in the
~~local--impact~~ PUBLIC WORKS GRANT AND LOAN PROGRAM account
established in 90-6-202.

(2) The board shall review all applications and award
grants and loans, subject to [section 3].

(3) Grants or loans for the 1990-91 biennium are
limited to \$100,000.

NEW SECTION. Section 3. Priority factors for public
works grants or loans. (1) Grants and loans must be awarded
on the basis of:

(a) need;

(b) the potential for promoting economic development;

and

(c) the availability of funds.

(2) In determining the availability of funds, the
board shall review all revenue sources available to a local
government for funding the project, taking into account
local economic conditions.

(3) In determining the potential for promoting
economic development, the board shall review:

(a) employment opportunities offered by the project,
both short-term and long-term;

(b) the number of communities served by the project;
and

(c) possibilities for the project attracting business

into the area.

Section 4. Section 90-6-201, MCA, is amended to read:

"90-6-201. Purpose. The purposes of this part are to assist local governmental units which have been required to expand the provision of public services as a consequence of large-scale development of coal mines and coal-using energy complexes, to assist in the construction and reconstruction of designated portions of highways which serve the area affected by such large-scale development, to support county land planning, and to invest a portion of the tax revenue from coal mines in a permanent fund, the income from which shall be used for the support of public schools throughout the state, and to provide assistance to local governments in financing necessary public works projects designed to promote economic development."

SECTION 5. SECTION 15-35-108, MCA, IS AMENDED TO READ:

"15-35-108. Disposal of severance taxes. Severance taxes collected under this chapter must be allocated according to the provisions in effect on the date the tax is due under 15-35-104. Severance taxes collected under the provisions of this chapter are allocated as follows:

(1) To the trust fund created by Article IX, section 5, of the Montana constitution, 50% of total coal severance tax collections. The trust fund moneys shall be deposited in the fund established under 17-6-203(5) and invested by

the board of investments as provided by law.

(2) Starting July 1, 1987, and ending June 30, 1993, 12% of coal severance tax collections are allocated to the highway reconstruction trust fund account in the state special revenue fund.

(3) Coal severance tax collections remaining after the allocations provided by subsections (1) and (2) are allocated in the following percentages of the remaining balance:

(a) 4 1/2% to the state special revenue fund to the credit of the alternative energy research development and demonstration account;

(b) (i) ~~4% until June 30, 1989, to the state special revenue fund to the credit of the local impact account and thereafter 20% to the state special revenue fund to the credit of the local impact and education trust fund account and 17.5%;~~

(ii) 8.75% to the credit of the local impact account; and

(iii) 8.75% to the credit of the public works grant and loan program account. Unencumbered funds remaining in the local impact account at the end of each biennium are allocated to the education trust fund account;

(c) 44.2% until June 30, 1989, and thereafter 10% to the state special revenue fund for state equalization aid to

public schools of the state;

(d) 1% to the state special revenue fund to the credit of the county land planning account;

(e) 1 1/4% to the credit of the renewable resource development bond fund;

(f) after June 30, 1989, 5% to a nonexpendable trust fund for the purpose of parks acquisition or management, protection of works of art in the state capitol, and other cultural and aesthetic projects. Income from this trust fund shall be appropriated as follows:

(i) 1/3 for protection of works of art in the state capitol and other cultural and aesthetic projects; and

(ii) 2/3 for the acquisition, development, operation, and maintenance of any sites and areas described in 23-1-102;

(g) 1% to the state special revenue fund to the credit of the state library commission for the purposes of providing basic library services for the residents of all counties through library federations and for payment of the costs of participating in regional and national networking;

(h) 1/2 of 1% to the state special revenue fund for conservation districts;

(i) 1 1/4% to the debt service fund type to the credit of the water development debt service fund;

(j) 2% to the state special revenue fund for the

Montana Growth Through Agriculture Act;

(k) all other revenues from severance taxes collected under the provisions of this chapter to the credit of the general fund of the state.

(4) Unencumbered funds remaining in the local impact account and the public works grant and loan program account at the end of each biennium are allocated to the education trust fund account."

SECTION 6. SECTION 90-6-202, MCA, IS AMENDED TO READ:

"90-6-202. Accounts established. (1) There is within the state special revenue fund a local impact account. ~~Moneys---are~~ Money is payable into this account under 15-35-108. ~~The state treasurer shall draw warrants from this account upon order of the coal board.~~

(2) There is within the state special revenue fund a coal area highway improvement account.

(3) There is within the state special revenue fund a public works grant and loan program account. Money is payable into this account under 15-35-108.

~~(3)(4)~~ There is within the nonexpendable trust fund an education trust fund account.

(5) The state treasurer shall draw warrants from the accounts established in subsections (1) and (3) upon order of the coal board."

Section 7. Section 90-6-205, MCA, is amended to read:

1 "90-6-205. Coal board -- general powers. The board
2 may:

3 (1) retain professional consultants and advisors;
4 (2) adopt rules governing its proceedings;
5 (3) consider applications for grants from the local
6 impact account;

7 (4) consider applications for loans from the local
8 impact account for periods and interest rates to be
9 determined by the board; and

10 (5) award grants and loans;

11 (A) subject to 90-6-207 ~~and--{section--3}~~, from the
12 local impact account;

13 ~~(a)(I)~~ to local governmental units, state agencies,
14 and governing bodies of federally recognized Indian tribes
15 to assist local governmental units and federally recognized
16 Indian tribes in meeting the local impact of coal
17 development by enabling them to adequately provide
18 governmental services and facilities which are needed as a
19 direct consequence of coal development; and AND

20 ~~(b)(II)~~ notwithstanding the provisions of 90-6-207, to
21 the department of highways established in 2-15-2501 to
22 expedite the construction, repair, and maintenance of
23 deficient sections of highway within the area designated in
24 90-6-210 if the deficiency is the direct result of increased
25 traffic accompanying the development of coal resources; and

1 ~~(e)(B)~~ SUBJECT TO [SECTION 3], FROM THE PUBLIC WORKS
2 GRANT AND LOAN PROGRAM ACCOUNT, to local governments to
3 assist in financing public works projects; and

4 (6) award a grant to a local government unit FROM THE
5 LOCAL IMPACT ACCOUNT for the purpose of paying for part or
6 all of the credit that the local government unit is
7 obligated to give to a major new industrial facility that
8 has prepaid property taxes under 15-16-201. The board must
9 award the grant in accordance with 90-6-206."

10 Section 8. Section 90-6-206, MCA, is amended to read:

11 "90-6-206. Basis for awarding impact grants or loans.

12 (1) Grants Local impact grants and loans shall be awarded on
13 the basis of:

14 (a) need;

15 (b) degree of severity of impact from the coal
16 development;

17 (c) availability of funds; and

18 (d) degree of local effort in meeting these needs.

19 (2) In determining the degree of local effort, the
20 board shall review the millage rates levied for the present
21 fiscal year in relation to the average millage rates levied
22 during the 3 years immediately preceding coal development in
23 that area or 1970, whichever is later, which impacts the
24 local government unit applying for assistance.

25 (3) Millage rates for the present fiscal year which

1 are lower than the average millage rate levied during the 3
2 years immediately preceding coal development in that area or
3 1970, whichever is later, shall be deemed by the board to
4 indicate the lack of local effort. The application under
5 such circumstances may be rejected.

6 (4) Further, in determining the degree of local
7 effort, the board shall consider the possibility of
8 requiring that local government unit to increase its bonded
9 indebtedness to provide all or part of the governmental
10 service or facility which is needed as a direct consequence
11 of coal development.

12 (5) To the extent funds are needed to evaluate and
13 plan for the impact needs caused by coal development,
14 consideration of bond issues and millage levies may be
15 waived.

16 (6) To the extent the applicant has no history of mill
17 levies, subsections (2) and (3) do not apply."

18 **Section 9.** Section 90-6-208, MCA, is amended to read:

19 **"90-6-208. Applications for grants or loans.** The
20 governing body of a city, town, county, school district, any
21 other local or state governmental unit or agency, or the
22 governing body of a federally recognized Indian tribe may
23 apply for a grant or a loan to enable it to provide
24 governmental services which are needed as a direct
25 consequence of coal development. The governing body of a

1 local government may apply for a grant or a loan UNDER
2 [SECTION 2] to finance a public works project. The coal
3 board shall prescribe the form for applications. Applicants
4 shall describe the nature of their proposed expenditures and
5 the time involved."

6 **SECTION 10.** SECTION 90-6-212, MCA, IS AMENDED TO READ:

7 **"90-6-212. Local impact account and public works grant**
8 **and loan program account -- disposition of loan repayments,**
9 **interest, and unexpended balances.** (1) The money derived
10 from loans made pursuant to this part:

11 (a) 90-6-206 through 90-6-209, including interest
12 thereon, must be deposited to the credit of the local impact
13 account created in 90-6-202; and

14 (b) [sections 2 and 3], including interest thereon,
15 must be deposited to the credit of the public works grant
16 and loan program account established in 90-6-202.

17 (2) The unexpended money in the local impact account
18 and the public works grant and loan program account must be
19 invested by the board of investments as provided by statute.
20 Interest and earnings must be deposited to the credit of the
21 education trust fund account.

22 (3) The unexpended balance in the local impact account
23 and the public works grant and loan program account at the
24 end of each biennium must be deposited to the credit of the
25 education trust fund account."

1 NEW SECTION. Section 11. Extension of authority. Any
2 existing authority to make rules on the subject of the
3 provisions of [this act] is extended to the provisions of
4 [this act].

5 NEW SECTION. Section 12. Codification instruction.
6 [Sections 1 through 3] are intended to be codified as an
7 integral part of Title 90, chapter 6, part 2, and the
8 provisions of Title 90, chapter 6, part 2, apply to
9 [sections 1 through 3].

10 NEW SECTION. SECTION 13. EFFECTIVE DATE. [THIS ACT]
11 IS EFFECTIVE JULY 1, 1989.

-End-