

HOUSE BILL NO. 778
INTRODUCED BY CONNELLY
BY REQUEST OF THE LONG-RANGE BUILDING SUBCOMMITTEE

IN THE HOUSE

MARCH 14, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON APPROPRIATIONS.
MARCH 15, 1989	FIRST READING.
MARCH 17, 1989	COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.
MARCH 18, 1989	PRINTING REPORT.
MARCH 22, 1989	SECOND READING, DO PASS.
MARCH 23, 1989	ENGROSSING REPORT.
	THIRD READING, PASSED. AYES, 92; NOES, 6.
	TRANSMITTED TO SENATE.

IN THE SENATE

MARCH 27, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON FINANCE & CLAIMS.
	FIRST READING.
APRIL 10, 1989	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
APRIL 11, 1989	SECOND READING, CONCURRED IN.
APRIL 13, 1989	THIRD READING, CONCURRED IN. AYES, 47; NOES, 1.
	RETURNED TO HOUSE.

IN THE HOUSE

APRIL 14, 1989	RECEIVED FROM SENATE.
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SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 House BILL NO. 778
2 INTRODUCED BY Council
3 BY REQUEST OF THE LONG-RANGE BUILDING SUBCOMMITTEE
4
5 A BILL FOR AN ACT ENTITLED: "AN ACT TO APPROPRIATE MONEY TO
6 THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION FOR
7 LOANS UNDER THE WATER DEVELOPMENT PROGRAM; TO APPROVE THE
8 ISSUANCE OF COAL SEVERANCE TAX BONDS TO PROVIDE FUNDS FOR
9 LOANS TO POLITICAL SUBDIVISIONS AND LOCAL GOVERNMENTS FOR
10 CERTAIN APPROVED WATER DEVELOPMENT PROJECTS; TO REAUTHORIZE
11 COAL SEVERANCE TAX BONDS FOR CERTAIN PROJECTS APPROVED BY
12 THE 50TH LEGISLATURE; TO APPROPRIATE COAL SEVERANCE TAX
13 INCOME FOR DEBT SERVICE; TO AUTHORIZE THE CREATION OF A
14 STATE DEBT; TO PLACE CERTAIN CONDITIONS UPON LOANS; AND
15 PROVIDING AN IMMEDIATE EFFECTIVE DATE."
16
17 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
18 NEW SECTION. Section 1. Coal severance tax bonds
19 authorized. (1) The legislature finds that Title 17, chapter
20 5, part 7, provides for the issuance of coal severance tax
21 bonds for financing specific approved water resource
22 development projects and activities as part of the state
23 water development program. Available funds from previous
24 sales of coal severance tax bonds may also be used for the
25 projects approved in [this act]. The legislature finds that

1 the water development projects in [this act] meet the
2 provisions of 17-5-702. The board of examiners may issue
3 coal severance tax bonds in an amount not to exceed
4 \$25,619,784 for the purpose of making loans and financing
5 state projects, establishing a reserve for the bonds, and
6 paying the costs of issuance. Funds are appropriated for
7 these costs of issuance to a maximum of 4% of the amount of
8 each bond sale.

9 (2) The board of examiners may issue coal severance
10 tax bonds for loans to political subdivisions and local
11 government entities not to exceed the loan amount listed for
12 the project.

13 GROUP A Notwithstanding the conditions set forth in
14 [section 6], the interest rate for the project in this group
15 must be 4% over a 30-year term or 3% if the lower interest
16 rate is necessary to secure the federal loan.

17 Loan Amount

18 EAST BENCH IRRIGATION DISTRICT

19 Gravity Sprinkler Irrigation No. 3 \$431,000

20 GROUP B Notwithstanding the conditions set forth in
21 [section 6], the interest rate for projects in this group
22 may be 3% below the long-term bond rate at which the state
23 bond is sold for the first 5 years of an anticipated 20-year
24 term and must be at the rate at which the state bond is sold
25 for the remaining 15 years.

	<u>Loan Amount</u>
1 LAKE COUNTY/BIG ARM SEWER DISTRICT	
2 Big Arm Sewer	\$2,283,893
3 SOMERS COUNTY WATER AND SEWER DISTRICT	
4 Somers Sewer	3,151,960
5 <u>GROUP C</u> Notwithstanding the conditions set forth in	
6 [section 6], the interest rate for projects in this group	
7 may be 2% below the long-term bond rate at which the state	
8 bond is sold for the first 5 years of an anticipated 20-year	
9 term and must be at the rate at which the state bond is sold	
10 for the remaining 15 years.	
11	
12	<u>Loan Amount</u>
13 CITY OF BOZEMAN	
14 Lyman Creek Water System Improvement	\$ 386,893
15 CITY OF GLENDIVE	
16 Water Treatment Plant	4,075,000
17 NOXON COMMUNITY	
18 Gravity Water Company Water System	
19 Improvement--Phase I	222,550
20 CITY OF WHITEFISH	
21 Water Treatment and Distribution	6,035,800
22 TOWN OF WIBAUX	
23 Water Storage Reservoir/Transmission	
24 Line	250,000
25 SUN PRAIRIE VILLAGE	

1 Water and Sewer District Wastewater	
2 System Improvements	584,014
3 <u>GROUP D</u> Notwithstanding the conditions set forth in	
4 [section 6], the interest rate for projects in this group	
5 may be 1% below the long-term bond rate at which the state	
6 bond is sold for the first 5 years of an anticipated 20-year	
7 term and must be at the rate at which the state bond is sold	
8 for the remaining 15 years.	
9	<u>Loan Amount</u>
10 TOWN OF FAIRVIEW	
11 Water Treatment Facility Improvements	\$ 258,250
12 CITY OF MILES CITY	
13 Water Treatment/Presedimentation Basin	1,532,910
14 PARK COUNTY WATER DISTRICT/GARDINER	
15 Jardine Pressure Zone Improvements	360,500
16 <u>GROUP E</u> Notwithstanding the conditions set forth in	
17 [section 6], the interest rate for projects in this group	
18 must be sold at the rate at which the state bond is sold for	
19 20 years.	
20	<u>Loan Amount</u>
21 TOWN OF BROWNING	
22 Sewage Treatment Facility Improvements	\$447,014
23 ANACONDA/DEER LODGE COUNTY	
24 Wastewater Treatment Plant Effluent	
25 Disposal	500,000

(3) (a) The legislature finds that the following state water project for rehabilitation and repair for which coal severance tax bonds were authorized by the 50th legislature in House Bill No. 7, Laws of 1987, has not been completed. The board of examiners is authorized to issue coal severance tax bonds for this project to a maximum amount listed in this section. The state bond rate must be paid on this loan.

Loan Amount

MIDDLE CREEK DAM REHABILITATION \$5,100,000

(b) Bonds may be issued by the board of examiners after the water users for this project have entered into contractual agreements providing for the repayment of the cost of repair and rehabilitation at a rate of interest equal to that which must be paid on bonds issued pursuant to this section. The repayment money from this project is pledged, dedicated, and appropriated to the special debt service bond account established in the state treasury for the benefit of the bonds approved for such projects.

NEW SECTION. Section 2. Extension of first semiannual payment due for Lakeside County sewer district's wastewater collection treatment and disposal facilities from September 1988. The 20-year loan term is extended to 30 years at the same interest rate as approved by the 49th legislature.

NEW SECTION. Section 3. Appropriation -- creation of

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

(2) The legislature, through the enactment of this section, in accordance with Article VIII, section 8, of the Montana constitution, authorizes the creation of a state debt in an amount not to exceed \$5,100,000 for the rehabilitation of state water projects approved in [this act] and an amount not to exceed \$20,519,784 for loans to political subdivisions and local government entities for water development projects approved in [this act], all for the issuance of up to \$25,619,784 in coal severance tax bonds authorized by [this act].

(3) In connection with the operation of the Broadwater hydroelectric project, the department of natural resources

1 and conservation may pay an amount not to exceed \$10,000
 2 from the 1987 Series A irrigation subaccount revenues
 3 required by the agreement dated July 24, 1987, between the
 4 department and the Broadwater-Missouri water users
 5 association. The department may also expend revenues in an
 6 amount not to exceed \$168,000 from the 1987 Series A
 7 replacement and renewal subaccount for replacement and
 8 renewal of Broadwater hydropower project equipment and
 9 facilities.

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

18 (5) Earnings on bonds proceeds prior to the completion
 19 of any loan must be allocated to the debt service account to
 20 pay the debt service on the bonds during this period.
 21 Earnings in excess of debt service, if any, must be
 22 allocated to the water development state special revenue
 23 account and may be used for the purposes allowed under
 24 85-1-604(3)(b).

25 (6) Loan repayments from loans financed with coal

1 severance tax bonds, loan principal, interest, and bond
 2 issuance fees borrowed from bond proceeds are pledged,
 3 dedicated, and appropriated to the debt service account in
 4 the state treasury for the benefit of bonds approved for
 5 loans under this section.

6 NEW SECTION. **Section 4.** Projects not completing
 7 requirements -- loans reauthorized. The legislature finds
 8 that the following water development projects for which coal
 9 severance tax bonds were authorized to be issued by the 50th
 10 legislature in House Bill No. 7, Laws of 1987, may not
 11 complete the requirements necessary for the loan transaction
 12 prior to June 30, 1989. Coal severance tax bonds for the
 13 projects described in this section are reauthorized in the
 14 amounts listed at the interest rates authorized by the 50th
 15 legislature in House Bill No. 7, Laws of 1987, and
 16 described in this section to enable financing during the
 17 1990-91 biennium, if necessary.

18 GROUP A Notwithstanding the conditions set forth in
 19 [section 6], the interest rate for the project in this group
 20 may be 4% below the long-term bond rate at which the state
 21 bond is sold for the first 5 years of an anticipated 20-year
 22 term and must be at the rate at which the state bond is sold
 23 for the remaining 15 years.

24 Loan Amount
 25 DUTTON

1 Water Supply Construction \$150,000
 2 GROUP B Notwithstanding the conditions set forth in
 3 [section 6], the interest rate for the project in this group
 4 may be 3% below the long-term bond rate at which the state
 5 bond is sold for the first 5 years of an anticipated 20-year
 6 term and must be at the rate at which the state bond is sold
 7 for the remaining 15 years.
 8 Loan Amount
 9 EVERGREEN WATER AND SEWER DISTRICT
 10 Wastewater Facilities \$3,226,900
 11 GROUP C Notwithstanding the conditions set forth in
 12 [section 6], the interest rate for projects in this group
 13 may be 2% below the long-term bond rate at which the state
 14 bond is sold for the first 5 years of an anticipated 20-year
 15 term and must be at the rate at which the state bond is sold
 16 for the remaining 15 years.
 17 Loan Amount
 18 EAST GLACIER
 19 Water System \$484,270
 20 PONDERA CONSERVATION DISTRICT
 21 Irrigation System Rehabilitation 750,000
 22 NEW SECTION. Section 5. Conditions of loans. (1)
 23 Disbursement of funds under [this act] for loans is subject
 24 to the following conditions that must be met by project
 25 sponsors:

1 (a) approval of a scope of work and budget for the
 2 project by the department of natural resources and
 3 conservation. Reductions in a scope of work or budget may
 4 not affect priority activities or improvements.
 5 (b) documented commitment of other funds required for
 6 project completion;
 7 (c) satisfactory completion of conditions described in
 8 the recommendation section of the project narrative in the
 9 renewable resource and water development program project
 10 evaluations and recommendations report for the 1990-91
 11 biennium or, in the case of emergency applications,
 12 conditions specified at the time of written notification of
 13 approved loan authority;
 14 (d) execution of a loan agreement with the department
 15 of natural resources and conservation; and
 16 (e) accomplishment of other specific requirements
 17 considered necessary by the department to accomplish the
 18 purpose of the loan as evidenced from the application to the
 19 department or from the proposal to the legislature.
 20 (2) Each sponsor authorized for a loan from coal
 21 severance tax bond proceeds may be required to pay to the
 22 department a pro rata share of the bond issuance costs and
 23 the administrative costs incurred by the department to
 24 complete the loan transaction.
 25 NEW SECTION. Section 6. Interest rates on loans.

1 Loans made from proceeds of coal severance tax bonds must be
 2 at interest rates specified in [section 1], except that when
 3 loan requests are reduced, interest rates must be
 4 recalculated based on the methodology described in the
 5 renewable resource and water development program project
 6 evaluations and recommendations report for the 1990-91
 7 biennium. If the bonds or notes bear interest at an
 8 adjustable rate, the department of natural resources and
 9 conservation shall establish, at the time of the sale of
 10 each bond, an assured rate of interest thereon as if the
 11 bond bore interest at a fixed rate. The assured rate of
 12 interest so established must be the rate of interest on the
 13 bonds for the purpose of calculating the interest rates on
 14 the loans pursuant to [section 1].

15 NEW SECTION. Section 7. Private and discount purchase
 16 of loans. Loans to political subdivisions and local
 17 government entities and bonds, warrants, and notes issued in
 18 evidence of the loans may be made and purchased by and sold
 19 to the department of natural resources and conservation at a
 20 discount and at private negotiated sale, notwithstanding the
 21 provisions of any other law applicable to such political
 22 subdivisions or local government entities.

23 NEW SECTION. Section 8. Appropriations established.
 24 For any entity of state government that receives a loan
 25 under [this act], an appropriation is established for the

1 amount of the loan upon award of the loan by the department
 2 of natural resources and conservation.

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

9 NEW SECTION. Section 10. Requirements for approval of
 10 state debt. Because [section 3] authorizes the creation of a
 11 state debt, a vote of two-thirds of the members of each
 12 house is required for enactment of [section 3].

13 NEW SECTION. Section 11. Effective date. [This act]
 14 is effective on passage and approval.

-End-

APPROVED BY COMMITTEE
ON APPROPRIATIONSHouse BILL NO. 778INTRODUCED BY Council
BY REQUEST OF THE LONG-RANGE BUILDING SUBCOMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT TO APPROPRIATE MONEY TO THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION FOR LOANS UNDER THE WATER DEVELOPMENT PROGRAM; TO APPROVE THE ISSUANCE OF COAL SEVERANCE TAX BONDS TO PROVIDE FUNDS FOR LOANS TO POLITICAL SUBDIVISIONS AND LOCAL GOVERNMENTS FOR CERTAIN APPROVED WATER DEVELOPMENT PROJECTS; TO REAUTHORIZE COAL SEVERANCE TAX BONDS FOR CERTAIN PROJECTS APPROVED BY THE 50TH LEGISLATURE; TO APPROPRIATE COAL SEVERANCE TAX INCOME FOR DEBT SERVICE; TO AUTHORIZE THE CREATION OF A STATE DEBT; TO PLACE CERTAIN CONDITIONS UPON LOANS; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

NEW SECTION. **Section 1.** Coal severance tax bonds authorized. (1) The legislature finds that Title 17, chapter 5, part 7, provides for the issuance of coal severance tax bonds for financing specific approved water resource development projects and activities as part of the state water development program. Available funds from previous sales of coal severance tax bonds may also be used for the projects approved in [this act]. The legislature finds that

the water development projects in [this act] meet the provisions of 17-5-702. The board of examiners may issue coal severance tax bonds in an amount not to exceed \$25,619,784 for the purpose of making loans and financing state projects, establishing a reserve for the bonds, and paying the costs of issuance. Funds are appropriated for these costs of issuance to a maximum of 4% of the amount of each bond sale.

(2) The board of examiners may issue coal severance tax bonds for loans to political subdivisions and local government entities not to exceed the loan amount listed for the project.

GROUP A Notwithstanding the conditions set forth in [section 6], the interest rate for the project in this group must be 4% over a 30-year term or 3% if the lower interest rate is necessary to secure the federal loan.

Loan Amount

EAST BENCH IRRIGATION DISTRICT

Gravity Sprinkler Irrigation No. 3 \$431,000

GROUP B Notwithstanding the conditions set forth in [section 6], the interest rate for projects in this group may be 3% below the long-term bond rate at which the state bond is sold for the first 5 years of an anticipated 20-year term and must be at the rate at which the state bond is sold for the remaining 15 years.

	<u>Loan Amount</u>
1 LAKE COUNTY/BIG ARM SEWER DISTRICT	
2 Big Arm Sewer	\$2,283,893
3 SOMERS COUNTY WATER AND SEWER DISTRICT	
4 Somers Sewer	3,151,960
5 <u>GROUP C</u> Notwithstanding the conditions set forth in	
6 [section 6], the interest rate for projects in this group	
7 may be 2% below the long-term bond rate at which the state	
8 bond is sold for the first 5 years of an anticipated 20-year	
9 term and must be at the rate at which the state bond is sold	
10 for the remaining 15 years.	
11	
12 <u>Loan Amount</u>	
13 CITY OF BOZEMAN	
14 Lyman Creek Water System Improvement	\$ 386,893
15 CITY OF GLENDIVE	
16 Water Treatment Plant	4,075,000
17 NOXON COMMUNITY	
18 Gravity Water Company Water System	
19 Improvement--Phase I	222,550
20 CITY OF WHITEFISH	
21 Water Treatment and Distribution	6,035,800
22 TOWN OF WIBAUX	
23 Water Storage Reservoir/Transmission	
24 Line	250,000
25 SUN PRAIRIE VILLAGE	

1 Water and Sewer District Wastewater	
2 System Improvements	584,014
3 <u>GROUP D</u> Notwithstanding the conditions set forth in	
4 [section 6], the interest rate for projects in this group	
5 may be 1% below the long-term bond rate at which the state	
6 bond is sold for the first 5 years of an anticipated 20-year	
7 term and must be at the rate at which the state bond is sold	
8 for the remaining 15 years.	
9 <u>Loan Amount</u>	
10 TOWN OF FAIRVIEW	
11 Water Treatment Facility Improvements	\$ 258,250
12 CITY OF MILES CITY	
13 Water Treatment/Presedimentation Basin	1,532,910
14 PARK COUNTY WATER DISTRICT/GARDINER	
15 Jardine Pressure Zone Improvements	360,500
16 <u>GROUP E</u> Notwithstanding the conditions set forth in	
17 [section 6], the interest rate for projects in this group	
18 must be sold at the rate at which the state bond is sold for	
19 20 years.	
20 <u>Loan Amount</u>	
21 TOWN OF BROWNING	
22 Sewage Treatment Facility Improvements	\$447,014
23 ANACONDA/DEER LODGE COUNTY	
24 Wastewater Treatment Plant Effluent	
25 Disposal	500,000

(3) (a) The legislature finds that the following state water project for rehabilitation and repair for which coal severance tax bonds were authorized by the 50th legislature in House Bill No. 7, Laws of 1987, has not been completed. The board of examiners is authorized to issue coal severance tax bonds for this project to a maximum amount listed in this section. The state bond rate must be paid on this loan.

	<u>Loan Amount</u>
MIDDLE CREEK DAM REHABILITATION	\$5,100,000

(b) Bonds may be issued by the board of examiners after the water users for this project have entered into contractual agreements providing for the repayment of the cost of repair and rehabilitation at a rate of interest equal to that which must be paid on bonds issued pursuant to this section. The repayment money from this project is pledged, dedicated, and appropriated to the special debt service bond account established in the state treasury for the benefit of the bonds approved for such projects.

NEW SECTION. **Section 2.** Extension of first semiannual payment due for Lakeside County sewer district's wastewater collection treatment and disposal facilities from September 1988. The 20-year loan term is extended to 30 years at the same interest rate as approved by the 49th legislature.

NEW SECTION. **Section 3.** Appropriation -- creation of

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

(2) The legislature, through the enactment of this section, in accordance with Article VIII, section 8, of the Montana constitution, authorizes the creation of a state debt in an amount not to exceed \$5,100,000 for the rehabilitation of state water projects approved in [this act] and an amount not to exceed \$20,519,784 for loans to political subdivisions and local government entities for water development projects approved in [this act], all for the issuance of up to \$25,619,784 in coal severance tax bonds authorized by [this act].

(3) In connection with the operation of the Broadwater hydroelectric project, the department of natural resources

1 and conservation may pay an amount not to exceed \$10,000
 2 from the 1987 Series A irrigation subaccount revenues
 3 required by the agreement dated July 24, 1987, between the
 4 department and the Broadwater-Missouri water users
 5 association. The department may also expend revenues in an
 6 amount not to exceed \$168,000 from the 1987 Series A
 7 replacement and renewal subaccount for replacement and
 8 renewal of Broadwater hydropower project equipment and
 9 facilities.

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

18 (5) Earnings on bonds proceeds prior to the completion
 19 of any loan must be allocated to the debt service account to
 20 pay the debt service on the bonds during this period.
 21 Earnings in excess of debt service, if any, must be
 22 allocated to the water development state special revenue
 23 account and may be used for the purposes allowed under
 24 85-1-604(3)(b).

25 (6) Loan repayments from loans financed with coal

1 severance tax bonds, loan principal, interest, and bond
 2 issuance fees borrowed from bond proceeds are pledged,
 3 dedicated, and appropriated to the debt service account in
 4 the state treasury for the benefit of bonds approved for
 5 loans under this section.

6 NEW SECTION. **Section 4.** Projects not completing
 7 requirements -- loans reauthorized. The legislature finds
 8 that the following water development projects for which coal
 9 severance tax bonds were authorized to be issued by the 50th
 10 legislature in House Bill No. 7, Laws of 1987, may not
 11 complete the requirements necessary for the loan transaction
 12 prior to June 30, 1989. Coal severance tax bonds for the
 13 projects described in this section are reauthorized in the
 14 amounts listed at the interest rates authorized by the 50th
 15 legislature in House Bill No. 7, Laws of 1987, and
 16 described in this section to enable financing during the
 17 1990-91 biennium, if necessary.

18 GROUP A Notwithstanding the conditions set forth in
 19 [section 6], the interest rate for the project in this group
 20 may be 4% below the long-term bond rate at which the state
 21 bond is sold for the first 5 years of an anticipated 20-year
 22 term and must be at the rate at which the state bond is sold
 23 for the remaining 15 years.

24 Loan Amount
 25 DUTTON

1 Water Supply Construction \$150,000
 2 GROUP B Notwithstanding the conditions set forth in
 3 [section 6], the interest rate for the project in this group
 4 may be 3% below the long-term bond rate at which the state
 5 bond is sold for the first 5 years of an anticipated 20-year
 6 term and must be at the rate at which the state bond is sold
 7 for the remaining 15 years.

8 Loan Amount

9 EVERGREEN WATER AND SEWER DISTRICT

10 Wastewater Facilities \$3,226,900

11 GROUP C Notwithstanding the conditions set forth in
 12 [section 6], the interest rate for projects in this group
 13 may be 2% below the long-term bond rate at which the state
 14 bond is sold for the first 5 years of an anticipated 20-year
 15 term and must be at the rate at which the state bond is sold
 16 for the remaining 15 years.

17 Loan Amount

18 EAST GLACIER

19 Water System \$484,270

20 PONDERA CONSERVATION DISTRICT

21 Irrigation System Rehabilitation 750,000

22 NEW SECTION. Section 5. Conditions of loans. (1)
 23 Disbursement of funds under [this act] for loans is subject
 24 to the following conditions that must be met by project
 25 sponsors:

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

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

7 (c) satisfactory completion of conditions described in
 8 the recommendation section of the project narrative in the
 9 renewable resource and water development program project
 10 evaluations and recommendations report for the 1990-91
 11 biennium or, in the case of emergency applications,
 12 conditions specified at the time of written notification of
 13 approved loan authority;

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

16 (e) accomplishment of other specific requirements
 17 considered necessary by the department to accomplish the
 18 purpose of the loan as evidenced from the application to the
 19 department or from the proposal to the legislature.

20 (2) Each sponsor authorized for a loan from coal
 21 severance tax bond proceeds may be required to pay to the
 22 department a pro rata share of the bond issuance costs and
 23 the administrative costs incurred by the department to
 24 complete the loan transaction.

25 NEW SECTION. Section 6. Interest rates on loans.

1 Loans made from proceeds of coal severance tax bonds must be
 2 at interest rates specified in [section 1], except that when
 3 loan requests are reduced, interest rates must be
 4 recalculated based on the methodology described in the
 5 renewable resource and water development program project
 6 evaluations and recommendations report for the 1990-91
 7 biennium. If the bonds or notes bear interest at an
 8 adjustable rate, the department of natural resources and
 9 conservation shall establish, at the time of the sale of
 10 each bond, an assured rate of interest thereon as if the
 11 bond bore interest at a fixed rate. The assured rate of
 12 interest so established must be the rate of interest on the
 13 bonds for the purpose of calculating the interest rates on
 14 the loans pursuant to [section 1].

15 NEW SECTION. Section 7. Private and discount purchase
 16 of loans. Loans to political subdivisions and local
 17 government entities and bonds, warrants, and notes issued in
 18 evidence of the loans may be made and purchased by and sold
 19 to the department of natural resources and conservation at a
 20 discount and at private negotiated sale, notwithstanding the
 21 provisions of any other law applicable to such political
 22 subdivisions or local government entities.

23 NEW SECTION. Section 8. Appropriations established.
 24 For any entity of state government that receives a loan
 25 under [this act], an appropriation is established for the

1 amount of the loan upon award of the loan by the department
 2 of natural resources and conservation.

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

9 NEW SECTION. Section 10. Requirements for approval of
 10 state debt. Because [section 3] authorizes the creation of a
 11 state debt, a vote of two-thirds of the members of each
 12 house is required for enactment of [section 3].

13 NEW SECTION. Section 11. Effective date. [This act]
 14 is effective on passage and approval.

-End-

House BILL NO. 778

INTRODUCED BY Cromley
BY REQUEST OF THE LONG-RANGE BUILDING SUBCOMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT TO APPROPRIATE MONEY TO THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION FOR LOANS UNDER THE WATER DEVELOPMENT PROGRAM; TO APPROVE THE ISSUANCE OF COAL SEVERANCE TAX BONDS TO PROVIDE FUNDS FOR LOANS TO POLITICAL SUBDIVISIONS AND LOCAL GOVERNMENTS FOR CERTAIN APPROVED WATER DEVELOPMENT PROJECTS; TO REAUTHORIZE COAL SEVERANCE TAX BONDS FOR CERTAIN PROJECTS APPROVED BY THE 50TH LEGISLATURE; TO APPROPRIATE COAL SEVERANCE TAX INCOME FOR DEBT SERVICE; TO AUTHORIZE THE CREATION OF A STATE DEBT; TO PLACE CERTAIN CONDITIONS UPON LOANS; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

NEW SECTION. Section 1. Coal severance tax bonds authorized. (1) The legislature finds that Title 17, chapter 5, part 7, provides for the issuance of coal severance tax bonds for financing specific approved water resource development projects and activities as part of the state water development program. Available funds from previous sales of coal severance tax bonds may also be used for the projects approved in [this act]. The legislature finds that

the water development projects in [this act] meet the provisions of 17-5-702. The board of examiners may issue coal severance tax bonds in an amount not to exceed \$25,619,784 for the purpose of making loans and financing state projects, establishing a reserve for the bonds, and paying the costs of issuance. Funds are appropriated for these costs of issuance to a maximum of 4% of the amount of each bond sale.

(2) The board of examiners may issue coal severance tax bonds for loans to political subdivisions and local government entities not to exceed the loan amount listed for the project.

GROUP A Notwithstanding the conditions set forth in [section 6], the interest rate for the project in this group must be 4% over a 30-year term or 3% if the lower interest rate is necessary to secure the federal loan.

Loan Amount

EAST BENCH IRRIGATION DISTRICT

Gravity Sprinkler Irrigation No. 3 \$431,000

GROUP B Notwithstanding the conditions set forth in [section 6], the interest rate for projects in this group may be 3% below the long-term bond rate at which the state bond is sold for the first 5 years of an anticipated 20-year term and must be at the rate at which the state bond is sold for the remaining 15 years.

LC 1784/01

1		<u>Loan Amount</u>
2	LAKE COUNTY/BIG ARM SEWER DISTRICT	
3	Big Arm Sewer	\$2,283,893
4	SOMERS COUNTY WATER AND SEWER DISTRICT	
5	Somers Sewer	3,151,960
6	GROUP C Notwithstanding the conditions set forth in	
7	[section 6], the interest rate for projects in this group	
8	may be 2% below the long-term bond rate at which the state	
9	bond is sold for the first 5 years of an anticipated 20-year	
10	term and must be at the rate at which the state bond is sold	
11	for the remaining 15 years.	
12		<u>Loan Amount</u>
13	CITY OF BOZEMAN	
14	Lyman Creek Water System Improvement	\$ 386,893
15	CITY OF GLENDAVE	
16	Water Treatment Plant	4,075,000
17	NOXON COMMUNITY	
18	Gravity Water Company Water System	
19	Improvement--Phase I	222,550
20	CITY OF WHITEFISH	
21	Water Treatment and Distribution	6,035,800
22	TOWN OF WIBAUX	
23	Water Storage Reservoir/Transmission	
24	Line	250,000
25	SUN PRAIRIE VILLAGE	

LC 1784/01

1	Water and Sewer District Wastewater	
2	System Improvements	584,014
3	GROUP D Notwithstanding the conditions set forth in	
4	[section 6], the interest rate for projects in this group	
5	may be 1% below the long-term bond rate at which the state	
6	bond is sold for the first 5 years of an anticipated 20-year	
7	term and must be at the rate at which the state bond is sold	
8	for the remaining 15 years.	
9		<u>Loan Amount</u>
10	TOWN OF FAIRVIEW	
11	Water Treatment Facility Improvements	\$ 258,250
12	CITY OF MILES CITY	
13	Water Treatment/Presedimentation Basin	1,532,910
14	PARK COUNTY WATER DISTRICT/GARDINER	
15	Jardine Pressure Zone Improvements	360,500
16	GROUP E Notwithstanding the conditions set forth in	
17	[section 6], the interest rate for projects in this group	
18	must be sold at the rate at which the state bond is sold for	
19	20 years.	
20		<u>Loan Amount</u>
21	TOWN OF BROWNING	
22	Sewage Treatment Facility Improvements	\$447,014
23	ANACONDA/DEER LODGE COUNTY	
24	Wastewater Treatment Plant Effluent	
25	Disposal	500,000

1 (3) (a) The legislature finds that the following state
 2 water project for rehabilitation and repair for which coal
 3 severance tax bonds were authorized by the 50th legislature
 4 in House Bill No. 7, Laws of 1987, has not been completed.
 5 The board of examiners is authorized to issue coal severance
 6 tax bonds for this project to a maximum amount listed in
 7 this section. The state bond rate must be paid on this
 8 loan.

9 Loan Amount

10 MIDDLE CREEK DAM REHABILITATION \$5,100,000

11 (b) Bonds may be issued by the board of examiners
 12 after the water users for this project have entered into
 13 contractual agreements providing for the repayment of the
 14 cost of repair and rehabilitation at a rate of interest
 15 equal to that which must be paid on bonds issued pursuant to
 16 this section. The repayment money from this project is
 17 pledged, dedicated, and appropriated to the special debt
 18 service bond account established in the state treasury for
 19 the benefit of the bonds approved for such projects.

20 NEW SECTION. Section 2. Extension of first semiannual
 21 payment due for Lakeside County sewer district's wastewater
 22 collection treatment and disposal facilities from September
 23 1988. The 20-year loan term is extended to 30 years at the
 24 same interest rate as approved by the 49th legislature.

25 NEW SECTION. Section 3. Appropriation -- creation of

1 debt for coal severance tax bonds. (1) The legislature,
 2 through the enactment of this section by a vote of
 3 three-fourths of the members of each house of the
 4 legislature as required by Article IX, section 5, of the
 5 Montana constitution, pledges, dedicates, and appropriates
 6 from the coal severance tax bond subfund all money necessary
 7 for the payment of principal and interest not otherwise
 8 provided for on the coal severance tax bonds authorized by
 9 [this act] to be issued pursuant to Title 17, chapter 5,
 10 part 7, and pursuant to the provisions of [this act] and the
 11 general resolution for this bond program that has been
 12 adopted by the board of examiners under the authority
 13 provided in Title 17, chapter 5, part 7.

14 (2) The legislature, through the enactment of this
 15 section, in accordance with Article VIII, section 8, of the
 16 Montana constitution, authorizes the creation of a state
 17 debt in an amount not to exceed \$5,100,000 for the
 18 rehabilitation of state water projects approved in [this
 19 act] and an amount not to exceed \$20,519,784 for loans to
 20 political subdivisions and local government entities for
 21 water development projects approved in [this act], all for
 22 the issuance of up to \$25,619,784 in coal severance tax
 23 bonds authorized by [this act].

24 (3) In connection with the operation of the Broadwater
 25 hydroelectric project, the department of natural resources

and conservation may pay an amount not to exceed \$10,000 from the 1987 Series A irrigation subaccount revenues required by the agreement dated July 24, 1987, between the department and the Broadwater-Missouri water users association. The department may also expend revenues in an amount not to exceed \$168,000 from the 1987 Series A replacement and renewal subaccount for replacement and renewal of Broadwater hydropower project equipment and facilities.

(4) In connection with the issuance of coal severance tax bonds, the board of examiners may pay the principal and interest on the bonds when due from the debt service account and in all other respects manage and use the funds within each 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.

(5) Earnings on bonds proceeds prior to the completion of any loan must be allocated to the debt service account to pay the debt service on the bonds during this period. Earnings in excess of debt service, if any, must be allocated to the water development state special revenue account and may be used for the purposes allowed under 85-1-604(3)(b).

(6) Loan repayments from loans financed with coal

severance tax bonds, loan principal, interest, and bond issuance fees borrowed from bond proceeds are pledged, dedicated, and appropriated to the debt service account in the state treasury for the benefit of bonds approved for loans under this section.

NEW SECTION. Section 4. Projects not completing requirements -- loans reauthorized. The legislature finds that the following water development projects for which coal severance tax bonds were authorized to be issued by the 50th legislature in House Bill No. 7, Laws of 1987, may not complete the requirements necessary for the loan transaction prior to June 30, 1989. Coal severance tax bonds for the projects described in this section are reauthorized in the amounts listed at the interest rates authorized by the 50th legislature in House Bill No. 7, Laws of 1987, and described in this section to enable financing during the 1990-91 biennium, if necessary.

GROUP A Notwithstanding the conditions set forth in [section 6], the interest rate for the project in this group may be 4% below the long-term bond rate at which the state bond is sold for the first 5 years of an anticipated 20-year term and must be at the rate at which the state bond is sold for the remaining 15 years.

Loan Amount

DUTTON

1 Water Supply Construction \$150,000
 2 GROUP B Notwithstanding the conditions set forth in
 3 [section 6], the interest rate for the project in this group
 4 may be 3% below the long-term bond rate at which the state
 5 bond is sold for the first 5 years of an anticipated 20-year
 6 term and must be at the rate at which the state bond is sold
 7 for the remaining 15 years.

8 Loan Amount

9 EVERGREEN WATER AND SEWER DISTRICT

10 Wastewater Facilities \$3,226,900
 11 GROUP C Notwithstanding the conditions set forth in
 12 [section 6], the interest rate for projects in this group
 13 may be 2% below the long-term bond rate at which the state
 14 bond is sold for the first 5 years of an anticipated 20-year
 15 term and must be at the rate at which the state bond is sold
 16 for the remaining 15 years.

17 Loan Amount

18 EAST GLACIER

19 Water System \$484,270

20 PONDERA CONSERVATION DISTRICT

21 Irrigation System Rehabilitation 750,000

22 NEW SECTION. Section 5. Conditions of loans. (1)
 23 Disbursement of funds under [this act] for loans is subject
 24 to the following conditions that must be met by project
 25 sponsors:

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

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

7 (c) satisfactory completion of conditions described in
 8 the recommendation section of the project narrative in the
 9 renewable resource and water development program project
 10 evaluations and recommendations report for the 1990-91
 11 biennium or, in the case of emergency applications,
 12 conditions specified at the time of written notification of
 13 approved loan authority;

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

16 (e) accomplishment of other specific requirements
 17 considered necessary by the department to accomplish the
 18 purpose of the loan as evidenced from the application to the
 19 department or from the proposal to the legislature.

20 (2) Each sponsor authorized for a loan from coal
 21 severance tax bond proceeds may be required to pay to the
 22 department a pro rata share of the bond issuance costs and
 23 the administrative costs incurred by the department to
 24 complete the loan transaction.

25 NEW SECTION. Section 6. Interest rates on loans.

1 Loans made from proceeds of coal severance tax bonds must be
 2 at interest rates specified in [section 1], except that when
 3 loan requests are reduced, interest rates must be
 4 recalculated based on the methodology described in the
 5 renewable resource and water development program project
 6 evaluations and recommendations report for the 1990-91
 7 biennium. If the bonds or notes bear interest at an
 8 adjustable rate, the department of natural resources and
 9 conservation shall establish, at the time of the sale of
 10 each bond, an assured rate of interest thereon as if the
 11 bond bore interest at a fixed rate. The assured rate of
 12 interest so established must be the rate of interest on the
 13 bonds for the purpose of calculating the interest rates on
 14 the loans pursuant to [section 1].

15 NEW SECTION. Section 7. Private and discount purchase
 16 of loans. Loans to political subdivisions and local
 17 government entities and bonds, warrants, and notes issued in
 18 evidence of the loans may be made and purchased by and sold
 19 to the department of natural resources and conservation at a
 20 discount and at private negotiated sale, notwithstanding the
 21 provisions of any other law applicable to such political
 22 subdivisions or local government entities.

23 NEW SECTION. Section 8. Appropriations established.
 24 For any entity of state government that receives a loan
 25 under [this act], an appropriation is established for the

1 amount of the loan upon award of the loan by the department
 2 of natural resources and conservation.

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

9 NEW SECTION. Section 10. Requirements for approval of
 10 state debt. Because [section 3] authorizes the creation of a
 11 state debt, a vote of two-thirds of the members of each
 12 house is required for enactment of [section 3].

13 NEW SECTION. Section 11. Effective date. [This act]
 14 is effective on passage and approval.

-End-

HOUSE BILL NO. 778

INTRODUCED BY CONNELLY

BY REQUEST OF THE LONG-RANGE BUILDING SUBCOMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT TO APPROPRIATE MONEY TO THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION FOR LOANS UNDER THE WATER DEVELOPMENT PROGRAM; TO APPROVE THE ISSUANCE OF COAL SEVERANCE TAX BONDS TO PROVIDE FUNDS FOR LOANS TO POLITICAL SUBDIVISIONS AND LOCAL GOVERNMENTS FOR CERTAIN APPROVED WATER DEVELOPMENT PROJECTS; TO REAUTHORIZE COAL SEVERANCE TAX BONDS FOR CERTAIN PROJECTS APPROVED BY THE 50TH LEGISLATURE; TO APPROPRIATE COAL SEVERANCE TAX INCOME FOR DEBT SERVICE; TO AUTHORIZE THE CREATION OF A STATE DEBT; TO PLACE CERTAIN CONDITIONS UPON LOANS; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

NEW SECTION. **Section 1.** Coal severance tax bonds authorized. (1) The legislature finds that Title 17, chapter 5, part 7, provides for the issuance of coal severance tax bonds for financing specific approved water resource development projects and activities as part of the state water development program. Available funds from previous sales of coal severance tax bonds may also be used for the projects approved in [this act]. The legislature finds that

the water development projects in [this act] meet the provisions of 17-5-702. The board of examiners may issue coal severance tax bonds in an amount not to exceed \$25,619,784 for the purpose of making loans and financing state projects, establishing a reserve for the bonds, and paying the costs of issuance. Funds are appropriated for these costs of issuance to a maximum of 4% of the amount of each bond sale.

(2) The board of examiners may issue coal severance tax bonds for loans to political subdivisions and local government entities not to exceed the loan amount listed for the project.

GROUP A Notwithstanding the conditions set forth in [section 6], the interest rate for the project in this group must be 4% over a 30-year term or 3% if the lower interest rate is necessary to secure the federal loan.

Loan Amount

EAST BENCH IRRIGATION DISTRICT

Gravity Sprinkler Irrigation No. 3	\$431,000
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GROUP B Notwithstanding the conditions set forth in [section 6], the interest rate for projects in this group may be 3% below the long-term bond rate at which the state bond is sold for the first 5 years of an anticipated 20-year term and must be at the rate at which the state bond is sold for the remaining 15 years.

1		<u>Loan Amount</u>
2	LAKE COUNTY/BIG ARM SEWER DISTRICT	
3	Big Arm Sewer	\$2,283,893
4	SOMERS COUNTY WATER AND SEWER DISTRICT	
5	Somers Sewer	3,151,960
6	GROUP C Notwithstanding the conditions set forth in	
7	[section 6], the interest rate for projects in this group	
8	may be 2% below the long-term bond rate at which the state	
9	bond is sold for the first 5 years of an anticipated 20-year	
10	term and must be at the rate at which the state bond is sold	
11	for the remaining 15 years.	
12		<u>Loan Amount</u>
13	CITY OF BOZEMAN	
14	Lyman Creek Water System Improvement	\$ 386,893
15	CITY OF GLENDIVE	
16	Water Treatment Plant	4,075,000
17	NOXON COMMUNITY	
18	Gravity Water Company Water System	
19	Improvement--Phase I	222,550
20	CITY OF WHITEFISH	
21	Water Treatment and Distribution	6,035,800
22	TOWN OF WIBAUX	
23	Water Storage Reservoir/Transmission	
24	Line	250,000
25	SUN PRAIRIE VILLAGE	

1	Water and Sewer District Wastewater	
2	System Improvements	584,014
3	GROUP D Notwithstanding the conditions set forth in	
4	[section 6], the interest rate for projects in this group	
5	may be 1% below the long-term bond rate at which the state	
6	bond is sold for the first 5 years of an anticipated 20-year	
7	term and must be at the rate at which the state bond is sold	
8	for the remaining 15 years.	
9		<u>Loan Amount</u>
10	TOWN OF FAIRVIEW	
11	Water Treatment Facility Improvements	\$ 258,250
12	CITY OF MILES CITY	
13	Water Treatment/Presedimentation Basin	1,532,910
14	PARK COUNTY WATER DISTRICT/GARDINER	
15	Jardine Pressure Zone Improvements	360,500
16	GROUP E Notwithstanding the conditions set forth in	
17	[section 6], the interest rate for projects in this group	
18	must be sold at the rate at which the state bond is sold for	
19	20 years.	
20		<u>Loan Amount</u>
21	TOWN OF BROWNING	
22	Sewage Treatment Facility Improvements	\$447,014
23	ANACONDA/DEER LODGE COUNTY	
24	Wastewater Treatment Plant Effluent	
25	Disposal	500,000

(3) (a) The legislature finds that the following state water project for rehabilitation and repair for which coal severance tax bonds were authorized by the 50th legislature in House Bill No. 7, Laws of 1987, has not been completed. The board of examiners is authorized to issue coal severance tax bonds for this project to a maximum amount listed in this section. The state bond rate must be paid on this loan.

Loan Amount

MIDDLE CREEK DAM REHABILITATION \$5,100,000

(b) Bonds may be issued by the board of examiners after the water users for this project have entered into contractual agreements providing for the repayment of the cost of repair and rehabilitation at a rate of interest equal to that which must be paid on bonds issued pursuant to this section. The repayment money from this project is pledged, dedicated, and appropriated to the special debt service bond account established in the state treasury for the benefit of the bonds approved for such projects.

NEW SECTION. **Section 2.** Extension of first semiannual payment due for Lakeside County sewer district's wastewater collection treatment and disposal facilities from September 1988. The 20-year loan term is extended to 30 years at the same interest rate as approved by the 49th legislature.

NEW SECTION. **Section 3.** Appropriation -- creation of

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

(2) The legislature, through the enactment of this section, in accordance with Article VIII, section 8, of the Montana constitution, authorizes the creation of a state debt in an amount not to exceed \$5,100,000 for the rehabilitation of state water projects approved in [this act] and an amount not to exceed \$20,519,784 for loans to political subdivisions and local government entities for water development projects approved in [this act], all for the issuance of up to \$25,619,784 in coal severance tax bonds authorized by [this act].

(3) In connection with the operation of the Broadwater hydroelectric project, the department of natural resources

and conservation may pay an amount not to exceed \$10,000 from the 1987 Series A irrigation subaccount revenues required by the agreement dated July 24, 1987, between the department and the Broadwater-Missouri water users association. The department may also expend revenues in an amount not to exceed \$168,000 from the 1987 Series A replacement and renewal subaccount for replacement and renewal of Broadwater hydropower project equipment and facilities.

(4) In connection with the issuance of coal severance tax bonds, the board of examiners may pay the principal and interest on the bonds when due from the debt service account and in all other respects manage and use the funds within each 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.

(5) Earnings on bonds proceeds prior to the completion of any loan must be allocated to the debt service account to pay the debt service on the bonds during this period. Earnings in excess of debt service, if any, must be allocated to the water development state special revenue account and may be used for the purposes allowed under 85-1-604(3)(b).

(6) Loan repayments from loans financed with coal

severance tax bonds, loan principal, interest, and bond issuance fees borrowed from bond proceeds are pledged, dedicated, and appropriated to the debt service account in the state treasury for the benefit of bonds approved for loans under this section.

NEW SECTION. **Section 4.** Projects not completing requirements -- loans reauthorized. The legislature finds that the following water development projects for which coal severance tax bonds were authorized to be issued by the 50th legislature in House Bill No. 7, Laws of 1987, may not complete the requirements necessary for the loan transaction prior to June 30, 1989. Coal severance tax bonds for the projects described in this section are reauthorized in the amounts listed at the interest rates authorized by the 50th legislature in House Bill No. 7, Laws of 1987, and described in this section to enable financing during the 1990-91 biennium, if necessary.

GROUP A Notwithstanding the conditions set forth in [section 6], the interest rate for the project in this group may be 4% below the long-term bond rate at which the state bond is sold for the first 5 years of an anticipated 20-year term and must be at the rate at which the state bond is sold for the remaining 15 years.

Loan Amount

DUTTON

1 Water Supply Construction \$150,000
 2 GROUP B Notwithstanding the conditions set forth in
 3 [section 6], the interest rate for the project in this group
 4 may be 3% below the long-term bond rate at which the state
 5 bond is sold for the first 5 years of an anticipated 20-year
 6 term and must be at the rate at which the state bond is sold
 7 for the remaining 15 years.

8 Loan Amount

9 EVERGREEN WATER AND SEWER DISTRICT

10 Wastewater Facilities \$3,226,900

11 GROUP C Notwithstanding the conditions set forth in
 12 [section 6], the interest rate for projects in this group
 13 may be 2% below the long-term bond rate at which the state
 14 bond is sold for the first 5 years of an anticipated 20-year
 15 term and must be at the rate at which the state bond is sold
 16 for the remaining 15 years.

17 Loan Amount

18 EAST GLACIER

19 Water System \$484,270

20 PONDERA CONSERVATION DISTRICT

21 Irrigation System Rehabilitation 750,000

22 NEW SECTION. Section 5. Conditions of loans. (1)
 23 Disbursement of funds under [this act] for loans is subject
 24 to the following conditions that must be met by project
 25 sponsors:

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

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

7 (c) satisfactory completion of conditions described in
 8 the recommendation section of the project narrative in the
 9 renewable resource and water development program project
 10 evaluations and recommendations report for the 1990-91
 11 biennium or, in the case of emergency applications,
 12 conditions specified at the time of written notification of
 13 approved loan authority;

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

16 (e) accomplishment of other specific requirements
 17 considered necessary by the department to accomplish the
 18 purpose of the loan as evidenced from the application to the
 19 department or from the proposal to the legislature.

20 (2) Each sponsor authorized for a loan from coal
 21 severance tax bond proceeds may be required to pay to the
 22 department a pro rata share of the bond issuance costs and
 23 the administrative costs incurred by the department to
 24 complete the loan transaction.

25 NEW SECTION. Section 6. Interest rates on loans.

1 Loans made from proceeds of coal severance tax bonds must be
 2 at interest rates specified in [section 1], except that when
 3 loan requests are reduced, interest rates must be
 4 recalculated based on the methodology described in the
 5 renewable resource and water development program project
 6 evaluations and recommendations report for the 1990-91
 7 biennium. If the bonds or notes bear interest at an
 8 adjustable rate, the department of natural resources and
 9 conservation shall establish, at the time of the sale of
 10 each bond, an assured rate of interest thereon as if the
 11 bond bore interest at a fixed rate. The assured rate of
 12 interest so established must be the rate of interest on the
 13 bonds for the purpose of calculating the interest rates on
 14 the loans pursuant to [section 1].

15 NEW SECTION. Section 7. Private and discount purchase
 16 of loans. Loans to political subdivisions and local
 17 government entities and bonds, warrants, and notes issued in
 18 evidence of the loans may be made and purchased by and sold
 19 to the department of natural resources and conservation at a
 20 discount and at private negotiated sale, notwithstanding the
 21 provisions of any other law applicable to such political
 22 subdivisions or local government entities.

23 NEW SECTION. Section 8. Appropriations established.
 24 For any entity of state government that receives a loan
 25 under [this act], an appropriation is established for the

1 amount of the loan upon award of the loan by the department
 2 of natural resources and conservation.

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

9 NEW SECTION. Section 10. Requirements for approval of
 10 state debt. Because [section 3] authorizes the creation of a
 11 state debt, a vote of two-thirds of the members of each
 12 house is required for enactment of [section 3].

13 NEW SECTION. Section 11. Effective date. [This act]
 14 is effective on passage and approval.

-End-