

HOUSE BILL NO. 19

INTRODUCED BY HARPER, MAZUREK, TOWE, JACOBSON,
COHEN, RANEY, SVRCEK, STRIZICH, VAN VALKENBURG, D. BROWN,
DRISCOLL, DOHERTY, DARKO, S. RICE, J. BROWN, MCCULLOCH,
O'KEEFE, BECKER, HARRINGTON, STANG, COCCHIARELLA,
WANZENRIED, KIMBERLEY, SCHYE, DOLEZAL, QUILICI, G. BECK,
CROMLEY, DOWELL, FORRESTER, L. NELSON, NISBET, ELLIOTT,
SCOTT, STICKNEY, RUSSELL, PAVLOVICH, SQUIRES, TOOLE,
LARSON, DAVIS, CONNELLY, BROOKE, BACHINI, GALVIN, WYATT,
REAM, J. DEBRUYCKER, BLAYLOCK, SOUTHWORTH, MADISON,
BRADLEY, J. JOHNSON, DAILY

IN THE HOUSE

JANUARY 9, 1992

INTRODUCED AND REFERRED TO COMMITTEE
ON BUSINESS & ECONOMIC DEVELOPMENT.

FIRST READING.

JANUARY 13, 1992

COMMITTEE RECOMMEND BILL
DO PASS AS AMENDED. REPORT ADOPTED.

PRINTING REPORT.

SECOND READING, DO PASS.

ENGROSSING REPORT.

THIRD READING, PASSED.
AYES, 61; NOES, 37.

JANUARY 14, 1992

TRANSMITTED TO SENATE.

IN THE SENATE

JANUARY 14, 1992

INTRODUCED AND REFERRED TO COMMITTEE
ON TAXATION.

FIRST READING.

JANUARY 15, 1992

COMMITTEE RECOMMEND BILL BE
CONCURRED IN AS AMENDED. REPORT
ADOPTED.

SECOND READING, CONCURRED IN.

THIRD READING, CONCURRED IN.
AYES, 32; NOES, 18.

RETURNED TO HOUSE WITH AMENDMENTS.

IN THE HOUSE

JANUARY 15, 1992

RECEIVED FROM SENATE.

SECOND READING, AMENDMENTS
CONCURRED IN.

THIRD READING, AMENDMENTS
CONCURRED IN.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 *Conroy* HOUSE BILL NO. 19
 2 INTRODUCED BY *Ray Maxymuk Dan*
 3
 4 A BILL FOR AN ACT ENTITLED: *Donaty Darke* AN ACT CREATING A TREASURE *J. Brown*
 5 STATE ENDOWMENT PROGRAM; CREATING THE TREASURE STATE
 6 ENDOWMENT FUND WITHIN THE COAL SEVERANCE TAX TRUST FUND;
 7 PROVIDING THAT ONE-HALF OF THE ANNUAL REVENUE THAT WOULD
 8 OTHERWISE BE DEPOSITED IN THE COAL SEVERANCE TAX PERMANENT
 9 FUND BE DEPOSITED IN THE ENDOWMENT FUND; AUTHORIZING THE USE *Connelly*
 10 OF INTEREST FROM THE ENDOWMENT FUND FOR GRANTS, DEBT
 11 RETIREMENT, AND LOANS TO LOCAL GOVERNMENTS; TRANSFERRING \$10
 12 MILLION FROM THE PERMANENT FUND TO THE ENDOWMENT FUND;
 13 EXPANDING THE COAL SEVERANCE TAX BOND PROGRAM; SUBMITTING
 14 THE CREATION OF THE PROGRAM TO THE QUALIFIED ELECTORS OF
 15 MONTANA; AND AMENDING SECTIONS 17-5-701 AND 17-5-703, MCA."
 16
 17 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

18 NEW SECTION. Section 1. Treasure state endowment
 19 program created -- definitions. (1) There is a treasure
 20 state endowment program that consists of:
 21 (a) the treasure state endowment fund established in
 22 17-5-703; and
 23 (b) the infrastructure portion of the coal severance
 24 tax bond program provided for in 17-5-701(2).
 25 (2) Interest from the treasure state endowment fund and

1 from proceeds of the sale of bonds under 17-5-701(2) may be
 2 used to provide financial assistance for local government
 3 infrastructure projects under [sections 1, 2, and 5 through
 4 9].

5 (3) As used in [sections 1, 2, and 5 through 9], the
 6 following definitions apply:

7 (a) "Treasure state endowment fund" means the coal
 8 severance tax infrastructure endowment fund established in
 9 17-5-703(1)(b).

10 (b) "Treasure state endowment program" means the local
 11 government infrastructure investment program established in
 12 subsection (1).

13 NEW SECTION. Section 2. Purpose. The purpose of the
 14 treasure state endowment program is to assist local
 15 governments in funding infrastructure projects that will:

- 16 (1) create jobs for Montana residents;
- 17 (2) promote economic growth in Montana by helping to
- 18 finance the necessary infrastructure;
- 19 (3) encourage local public facility improvements;
- 20 (4) create a partnership between the state and local
- 21 governments to make necessary public projects affordable;
- 22 (5) support long-term, stable economic growth in
- 23 Montana;
- 24 (6) protect future generations from undue fiscal
- 25 burdens caused by financing necessary public works;

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

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

5 **Section 3.** Section 17-5-701, MCA, is amended to read:

6 "17-5-701. State of Montana coal severance tax bonds.

7 This part provides for the issuance of state of Montana coal
8 severance tax bonds (also referred to as coal severance tax
9 bonds in this part) to:

10 (1) finance water resource development projects and
11 activities in the state designed to provide, during and
12 after extensive coal mining, a healthy economy, the
13 alleviation of social and economic impacts created by coal
14 development, and a clean and healthful environment for
15 present and future generations; and

16 (2) finance loans to local governments for
17 infrastructure projects under [sections 1, 2, and 5 through
18 9]."

19 **Section 4.** Section 17-5-703, MCA, is amended to read:

20 "17-5-703. Coal severance tax trust funds. (1) The
21 trust established under Article IX, section 5, of the
22 Montana constitution shall be composed of the following
23 funds:

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

1 tax shall be deposited;

2 (b) a treasure state endowment fund;

3 (c) a clean coal technology demonstration fund;

4 ~~(d)~~ a coal severance tax permanent fund; and

5 ~~(e)~~ a coal severance tax income fund.

6 (2) The state treasurer shall determine the amount
7 necessary to meet all principal and interest payments on
8 bonds payable from the coal severance tax bond fund on the
9 next two ensuing semiannual payment dates and retain that
10 amount in the coal severance tax bond fund.

11 (3) Beginning on July 1, 1991, and ending on June 30,
12 1997, the state treasurer shall from time to time transfer
13 from the excess amount in the coal severance tax bond fund
14 \$5 million a year to the clean coal technology demonstration
15 fund and, except as provided in subsection (4), shall
16 transfer any remaining amount to the coal severance tax
17 permanent fund.

18 (4) (a) Beginning on [the effective date of this act]
19 and ending on [June 30 of the 20th year following the
20 effective date of this act], the state treasurer shall:

21 (i) from time to time transfer to the treasure state
22 endowment fund all money in the coal severance tax bond fund
23 except the amount necessary to meet all principal and
24 interest payments on bonds payable from the coal severance
25 tax bond fund on the next two ensuing semiannual payment

1 dates; and

2 (ii) from time to time transfer to the coal severance
 3 tax permanent fund 50% of the principal transferred from the
 4 coal severance tax bond fund to the treasure state endowment
 5 fund in the preceding year.

6 (b) The state treasurer shall annually transfer to a
 7 treasure state endowment special revenue account the amount
 8 of interest earnings required to meet the obligations of the
 9 state that are payable from the account in accordance with
 10 [sections 6 and 7]. Interest earnings not transferred to the
 11 treasure state endowment special revenue account must be
 12 retained in the treasure state endowment fund."

13 NEW SECTION. Section 5. Types of financial assistance
 14 available. The legislature shall provide for and make
 15 available to local governments the following types of
 16 financial assistance under [sections 1, 2, and 5 through 9]:

17 (1) matching grants for local infrastructure projects;

18 (2) annual debt service subsidies on local
 19 infrastructure projects; and

20 (3) loans from the proceeds of coal severance tax bonds
 21 at a subsidized interest rate.

22 NEW SECTION. Section 6. Eligibility and priority of
 23 projects. The department of commerce shall determine those
 24 projects that are eligible for financial assistance under
 25 [sections 1, 2, and 5 through 9] and shall establish a list

1 of priorities for eligible projects.

2 NEW SECTION. Section 7. Project screening, review, and
 3 approval. (1) Each project must be individually screened and
 4 reviewed by the department of commerce and by the governor.

5 (2) After the screening and review required by
 6 subsection (1), the projects must be approved by the
 7 legislature.

8 NEW SECTION. Section 8. Infrastructure endowment fund
 9 to continue. The treasure state endowment fund created in
 10 17-5-703 must be maintained even though transfers to the
 11 fund from the coal severance tax bond fund cease on [June 30
 12 of the 20th year following the effective date of this act].
 13 Interest earnings from the treasure state endowment fund
 14 must continue to be paid annually to the treasure state
 15 endowment special revenue account as provided in
 16 17-5-703(4)(b).

17 NEW SECTION. Section 9. Coal severance tax trust fund
 18 to remain inviolate. [Sections 1, 2, and 5 through 11] do
 19 not authorize or permit the expenditure of any part of the
 20 coal severance tax trust fund created by Article IX, section
 21 5, of the Montana constitution.

22 NEW SECTION. Section 10. Legislative implementation
 23 required. (1) The legislature shall implement [this act] by
 24 amending or enacting all legislation necessary to carry out
 25 the intent of [this act].

1 (2) If the process required under [section 7(1)] has
2 occurred, the 53rd legislature may approve projects.

3 (3) The 53rd legislature may authorize the issuance of
4 bonds to be repaid from the interest from the treasure state
5 endowment fund in order to provide the maximum amount of
6 initial funding for the treasure state endowment program.

7 NEW SECTION. **Section 11. Transfer of coal severance**
8 **tax money to treasure state endowment fund.** On July 1, 1993,
9 \$10 million is transferred from the coal severance tax
10 permanent fund to the treasure state endowment fund and is
11 dedicated for the purposes provided in [this act].

12 NEW SECTION. **Section 12. Submission to electorate.** The
13 question of whether this act will become effective shall be
14 submitted to the qualified electors of Montana at the
15 primary election to be held in June 1992 by printing on the
16 ballot the full title of this act and the following:

17 FOR creating the treasure state endowment fund to
18 provide local governments coal severance tax trust
19 fund interest for water, sewer, solid waste, and
20 bridge projects.

21 AGAINST creating the treasure state endowment fund
22 to provide local governments coal severance tax
23 trust fund interest for water, sewer, solid waste,
24 and bridge projects.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0019, as introduced.


DESCRIPTION OF PROPOSED LEGISLATION:

An act creating a treasure state endowment program; creating the treasure state endowment fund within the coal severance tax trust fund; providing that one-half of the annual revenue that would otherwise be deposited in the coal severance tax permanent fund be deposited in the endowment fund; authorizing the use of interest from the endowment fund for grants, debt retirement, and loans to local governments; transferring \$10 million from the permanent fund to the endowment fund; expanding the coal severance tax bond program; submitting the creation of the program to the qualified electors of Montana.

ASSUMPTIONS:

1. The legislation would be effective October 1, 1992 if approved by the electorate in June, 1992. The Treasure State Endowment Program would begin in FY94 after implementation by the 53rd Legislature.
2. The Treasure State Endowment Program fund will start with a \$10 million transfer from the Permanent Trust in FY94.
3. For illustrative purposes, \$7.5 million will be deposited into the endowment fund from new severance tax receipts until the clean coal account is finished in FY97. From FY98 through FY2013, \$10 million will be deposited.
4. Interest on the Treasure State Endowment Program fund is calculated at 8% per year through the 20 year life of the program.
5. The program will generate \$1.4 million in FY94 and \$2.0 million in FY95 for a total \$3.4 million in the biennium (Interest earnings only).
6. The administrative budget is based on a grant and loan program of \$3.4 million for the biennium. The program would require 2.00 FTE in FY94 and 4.00 FYE in FY95. Personal services would be \$82,400 in FY94 and \$112,878 in FY95. Operating costs would be \$127,365 in FY94 and \$124,975 in FY95. Capital outlays would amount to \$24,500 in FY94 and \$14,500 in FY95.
7. Eight regional public hearings would be held on the proposed guidelines for the program. The hearings would be held before the 1993 regular session, and the cost would be absorbed by the department in FY93. The program guidelines would be reviewed through four regional public hearings held on a two year cycle thereafter.
8. Thirty applications are projected to be submitted for the first biennial cycle of the program.
9. Grant and loan applications would be due in May of the year prior to the legislative session. Program management training for new recipients would be conducted following Legislative approval of the proposed projects.
10. Department of Commerce staff would have lead responsibility for application review, development of funding recommendations, and approved project monitoring. Each project would be monitored on-site at least once. Staff from other appropriate state agencies would be utilized for application review whenever possible. When necessary, the program would contract with private consultants to review proposals requiring special expertise.
11. Funds would be advanced to the recipients only as approved project costs are incurred.
12. Progress reports and recommendations for any modifications to the program would be provided to the biennial sessions of the Legislature.


 STEVE YEAKEL, BUDGET DIRECTOR 1/13/92 DATE
 Office of Budget and Program Planning


 HAL HARPER, PRIMARY SPONSOR 1-13-92 DATE
 Fiscal Note for HB0019, as introduced HB 19

FISCAL IMPACT:

Revenues:

Coal Tax Permanent Trust Fund

	<u>FY 94</u>			<u>FY 95</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
Transfer	0	(10,000,000)	(10,000,000)			
Coal Tax Allocation	15,000,000	7,500,000	(7,500,000)	15,000,000	7,500,000	(7,500,000)
Lost Interest to General Fund			(1,400,000)			(2,000,000)

Expenditures:

Department of Commerce

	<u>FY 94</u>			<u>FY 95</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
F.T.E.	0	2.00	2.00	0	4.00	4.00
Personal Services	0	82,400	82,400	0	112,878	112,878
Operating Cost	0	127,365	127,365	0	124,975	124,975
Capital Outlays	0	24,500	24,500	0	14,500	14,500
Grants & Loans	0	1,165,735	1,165,735	0	1,747,647	1,747,647
Total	0	1,400,000	1,400,000	0	2,000,000	2,000,000

Funding:

State Special	0	1,400,000	1,400,000	0	2,000,000	2,000,000
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IMPACT ON LOCAL GOVERNMENTS:

The proposed legislation would create additional fiscal capacity for infrastructure improvements beginning with \$1.1 million in FY94 and growing to \$15.7 million in fiscal year 2013.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

In addition to the benefit to local governments, this legislation will remove coal tax trust fund interest to the state general fund starting in FY94 with \$1.2 million and closing in fiscal year 2013 at an accumulated amount of \$169,200,000.

TECHNICAL NOTE: (see next page)

HB 19

TECHNICAL NOTES:

The legislation does not provide for rulemaking authority for the Department of Commerce to establish project eligibility and priorities.

APPROVED BY COMM. ON BUSINESS
AND ECONOMIC DEVELOPMENT

HOUSE BILL NO. 19

INTRODUCED BY HARPER, MAZUREK, TOWE, JACOBSON,

COHEN, RANEY, SVRCEK, STRIZICH, VAN VALKENBURG, D. BROWN,

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LARSON, DAVIS, CONNELLY, BROOKE, BACHINI, GALVIN, WYATT,

REAM, J. DEBRUYCKER, BLAYLOCK, SOUTHWORTH, MADISON,

BRADLEY, J. JOHNSON, DAILY

A BILL FOR AN ACT ENTITLED: "AN ACT CREATING A TREASURE
STATE ENDOWMENT PROGRAM; CREATING THE TREASURE STATE
ENDOWMENT FUND WITHIN THE COAL SEVERANCE TAX TRUST FUND;
PROVIDING THAT ONE-HALF OF THE ANNUAL REVENUE THAT WOULD
OTHERWISE BE DEPOSITED IN THE COAL SEVERANCE TAX PERMANENT
FUND BE DEPOSITED IN THE ENDOWMENT FUND; AUTHORIZING THE USE
OF INTEREST FROM THE ENDOWMENT FUND FOR GRANTS, DEBT
RETIREMENT, AND LOANS TO LOCAL GOVERNMENTS; TRANSFERRING \$10
MILLION FROM THE PERMANENT FUND TO THE ENDOWMENT FUND;
EXPANDING THE COAL SEVERANCE TAX BOND PROGRAM; SUBMITTING
THE CREATION OF THE PROGRAM TO THE QUALIFIED ELECTORS OF
MONTANA; AND AMENDING SECTIONS 17-5-701 AND 17-5-703, MCA."

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

NEW SECTION. **Section 1. Treasure state endowment**

program created -- definitions. (1) There is a treasure
state endowment program that consists of:

(a) the treasure state endowment fund established in
17-5-703; and

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

(2) Interest from the treasure state endowment fund and
from proceeds of the sale of bonds under 17-5-701(2) may be
used to provide financial assistance for local government
infrastructure projects under [sections 1, 2, and 5 through
9 8].

(3) As used in [sections 1, 2, and 5 through 9 8], the
following definitions apply:

(A) "INFRASTRUCTURE PROJECTS" MEANS:

(I) DRINKING WATER SYSTEMS;

(II) WASTEWATER TREATMENT;

(III) SANITARY SEWER OR STORM SEWER SYSTEMS;

(IV) SOLID WASTE DISPOSAL AND SEPARATION SYSTEMS,

INCLUDING SITE ACQUISITION, PREPARATION, OR MONITORING; OR

(V) BRIDGES.

(B) "LOCAL GOVERNMENT" MEANS AN INCORPORATED CITY OR
TOWN, A COUNTY, OR A CONSOLIDATED LOCAL GOVERNMENT.

(C) "Treasure state endowment fund" means the coal

1 severance tax infrastructure endowment fund established in
2 17-5-703(1)(b).

3 ~~(b)~~(D) "Treasure state endowment program" means the
4 local government infrastructure investment program
5 established in subsection (1).

6 **NEW SECTION. Section 2. Purpose.** The purpose of the
7 treasure state endowment program is to assist local
8 governments in funding infrastructure projects that will:

- 9 (1) create jobs for Montana residents;
- 10 (2) promote economic growth in Montana by helping to
11 finance the necessary infrastructure;
- 12 (3) encourage local public facility improvements;
- 13 (4) create a partnership between the state and local
14 governments to make necessary public projects affordable;
- 15 (5) support long-term, stable economic growth in
16 Montana;
- 17 (6) protect future generations from undue fiscal
18 burdens caused by financing necessary public works;
- 19 (7) coordinate and improve infrastructure financing by
20 federal, state, local government, and private sources; and
- 21 (8) enhance the quality of life and protect the health,
22 safety, and welfare of Montana citizens.

23 **Section 3.** Section 17-5-701, MCA, is amended to read:

24 "17-5-701. State of Montana coal severance tax bonds.
25 This part provides for the issuance of state of Montana coal

1 severance tax bonds (also referred to as coal severance tax
2 bonds in this part) to:

- 3 (1) finance water resource development projects and
4 activities in the state designed to provide, during and
5 after extensive coal mining, a healthy economy, the
6 alleviation of social and economic impacts created by coal
7 development, and a clean and healthful environment for
8 present and future generations; and
- 9 (2) finance loans to local governments for
10 infrastructure projects under [sections 1, 2, and 5 through
11 9 8]."

12 **Section 4.** Section 17-5-703, MCA, is amended to read:

13 "17-5-703. Coal severance tax trust funds. (1) The
14 trust established under Article IX, section 5, of the
15 Montana constitution shall be composed of the following
16 funds:

- 17 (a) a coal severance tax bond fund into which the
18 constitutionally dedicated receipts from the coal severance
19 tax shall be deposited;
- 20 (b) a treasure state endowment fund;
- 21 (c) a clean coal technology demonstration fund;
- 22 ~~(e)~~(d) a coal severance tax permanent fund; and
- 23 ~~(d)~~(e) a coal severance tax income fund.

24 (2) The state treasurer shall determine the amount
25 necessary to meet all principal and interest payments on

1 bonds payable from the coal severance tax bond fund on the
 2 next two ensuing semiannual payment dates and retain that
 3 amount in the coal severance tax bond fund.

4 (3) Beginning on July 1, 1991, and ending on June 30,
 5 1997, the state treasurer shall from time to time transfer
 6 from the excess amount in the coal severance tax bond fund
 7 \$5 million a year to the clean coal technology demonstration
 8 fund and, except as provided in subsection (4), shall
 9 transfer any remaining amount to the coal severance tax
 10 permanent fund.

11 (4) (a) Beginning on {the-effective-date-of-this-act}
 12 JULY 1, 1993, and ending on {June 30 of--the--20th--year
 13 following--the--effective-date-of-this-act}, 2013, the state
 14 treasurer shall:

15 (i) from time to time transfer to the treasure state
 16 endowment fund all money in the coal severance tax bond fund
 17 except the amount necessary to meet all principal and
 18 interest payments on bonds payable from the coal severance
 19 tax bond fund on the next two ensuing semiannual payment
 20 dates; and

21 (ii) from time to time transfer to the coal severance
 22 tax permanent fund 50% of the principal transferred from the
 23 coal severance tax bond fund to the treasure state endowment
 24 fund in the preceding year.

25 (b) The state treasurer shall annually transfer to a

1 treasure state endowment special revenue account the amount
 2 of interest earnings required to meet the obligations of the
 3 state that are payable from the account in accordance with
 4 [sections SECTION 6 and--7]. Interest earnings not
 5 transferred to the treasure state endowment special revenue
 6 account must be retained in the treasure state endowment
 7 fund."

8 NEW SECTION. Section 5. Types of financial assistance
 9 available. The legislature shall provide for and make
 10 available to local governments the following types of
 11 financial assistance under [sections 1, 2, and 5 through 9
 12 8]:

- 13 (1) matching grants for local infrastructure projects;
- 14 (2) annual debt service subsidies on local
- 15 infrastructure projects; and
- 16 (3) loans from the proceeds of coal severance tax bonds
- 17 at a subsidized interest rate.

18 ~~NEW-SECTION--Section 6--Eligibility--and--priority--of--~~
 19 ~~projects--The-department-of-commerce-shall--determine--those~~
 20 ~~projects--that--are--eligible-for-financial-assistance-under~~
 21 ~~{sections-1, 2, and 5 through 9} and shall establish a list~~
 22 ~~of-priorities-for-eligible-projects;~~

23 ~~NEW-SECTION--Section 7--Project-screening, review, and--~~
 24 ~~approval--(1)--Each-project-must-be-individually-screened-and~~
 25 ~~reviewed-by-the-department-of-commerce-and-by-the-governor.~~

NEW SECTION. SECTION 6. PRIORITIES FOR PROJECTS --

PROCEDURE. (1) THE DEPARTMENT OF COMMERCE MUST RECEIVE PROPOSALS FOR PROJECTS FROM LOCAL GOVERNMENTS AS DEFINED IN [SECTION 1(3)(B)]. THE DEPARTMENT SHALL WORK WITH A LOCAL GOVERNMENT IN PREPARING COST ESTIMATES FOR A PROJECT. IN REVIEWING PROJECT PROPOSALS, THE DEPARTMENT MAY CONSULT WITH OTHER STATE AGENCIES WITH EXPERTISE PERTINENT TO THE PROPOSAL. THE DEPARTMENT SHALL PREPARE AND SUBMIT A LIST CONTAINING THE RECOMMENDED PROJECTS AND THE RECOMMENDED FORM OF FINANCIAL ASSISTANCE FOR EACH PROJECT TO THE GOVERNOR, PRIORITIZED PURSUANT TO SUBSECTION (2). THE GOVERNOR SHALL REVIEW THE PROJECTS RECOMMENDED BY THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION UNDER TITLE 85, CHAPTER 1, PART 6, AND SHALL SUBMIT A LIST OF RECOMMENDED PROJECTS AND THE RECOMMENDED FINANCIAL ASSISTANCE TO THE LEGISLATURE.

(2) IN PREPARING RECOMMENDATIONS UNDER SUBSECTION (1), PREFERENCE MUST BE GIVEN TO PROJECTS BASED ON THE FOLLOWING ORDER OF PRIORITY:

(A) PROJECTS THAT SOLVE URGENT AND SERIOUS PUBLIC HEALTH OR SAFETY PROBLEMS;

(B) PROJECTS THAT ENABLE LOCAL GOVERNMENTS TO MEET STATE OR FEDERAL HEALTH OR SAFETY STANDARDS;

(C) PROJECTS THAT ENABLE LOCAL GOVERNMENTS TO OBTAIN FUNDS FROM SOURCES OTHER THAN THE FUNDS PROVIDED UNDER [SECTIONS 1, 2, AND 5 THROUGH 8];

(D) PROJECTS THAT PROVIDE LONG-TERM, FULL-TIME JOB OPPORTUNITIES FOR MONTANANS;

(E) PROJECTS THAT PROVIDE PUBLIC FACILITIES NECESSARY FOR THE EXPANSION OF A BUSINESS THAT HAS A HIGH POTENTIAL FOR FINANCIAL SUCCESS;

(F) PROJECTS THAT RESULT IN A BENEFIT TO THE PUBLIC COMMENSURATE WITH THE AMOUNT OF FINANCIAL ASSISTANCE;

(G) PROJECTS THAT REFLECT GREATER NEED FOR FINANCIAL ASSISTANCE THAN OTHER PROJECTS;

(H) PROJECTS THAT MAINTAIN THE TAX BASE OR THAT DO NOT DISCOURAGE EXPANSION OF THE TAX BASE; AND

(I) PROJECTS THAT ARE HIGH LOCAL PRIORITIES AND HAVE STRONG COMMUNITY SUPPORT.

{2}{3} After the screening--and review required by subsection (1), the projects must be approved by the legislature.

NEW SECTION. Section 7. Infrastructure endowment fund to continue. The treasure state endowment fund created in 17-5-703 must be maintained even though transfers to the fund from the coal severance tax bond fund cease on {June 30 of the 20th year following the effective-date-of--this--act} INITIAL TRANSFER TO THE FUND, AS PROVIDED IN [SECTION 10]. Interest earnings from the treasure state endowment fund must continue to be paid annually to the treasure state endowment special revenue account as provided in

1 17-5-703(4)(b).

2 NEW SECTION. Section 8. Coal severance tax trust fund
 3 to remain inviolate. [Sections 1, 2, and 5 through ~~11~~ 10] do
 4 not authorize or permit the expenditure of any part of the
 5 coal severance tax trust fund created by Article IX, section
 6 5, of the Montana constitution.

7 NEW SECTION. Section 9. Legislative implementation
 8 required. (1) The legislature shall implement [this act] by
 9 amending or enacting all legislation necessary to carry out
 10 the intent of [this act].

11 (2) If the process required under [section ~~7~~ 6] has
 12 occurred, the 53rd legislature may approve projects.

13 (3) The 53rd legislature may authorize the issuance of
 14 bonds to be repaid from the interest from the treasure state
 15 endowment fund in order to provide the maximum amount of
 16 initial funding for the treasure state endowment program.

17 NEW SECTION. Section 10. Transfer of coal severance
 18 tax money to treasure state endowment fund. On July 1, 1993,
 19 \$10 million is transferred from the coal severance tax
 20 permanent fund to the treasure state endowment fund and is
 21 dedicated for the purposes provided in [this act].

22 NEW SECTION. Section 11. Submission to electorate. The
 23 question of whether this act will become effective shall be
 24 submitted to the qualified electors of Montana at the
 25 primary election to be held in June 1992 by printing on the

1 ballot the full title of this act and the following:

2 FOR creating the treasure state endowment fund to
 3 provide local governments coal severance tax trust
 4 fund interest for water, sewer, solid waste, and
 5 bridge projects.

6 AGAINST creating the treasure state endowment fund
 7 to provide local governments coal severance tax
 8 trust fund interest for water, sewer, solid waste,
 9 and bridge projects.

-End-

1 HOUSE BILL NO. 19

2 INTRODUCED BY HARPER, MAZUREK, TOWE, JACOBSON,

3 COHEN, RANEY, SVRCEK, STRIZICH, VAN VALKENBURG, D. BROWN,

4 DRISCOLL, DOHERTY, DARKO, S. RICE, J. BROWN, MCCULLOCH,

5 O'KEEFE, BECKER, HARRINGTON, STANG, COCCHIARELLA,

6 WANZENRIED, KIMBERLEY, SCHYE, DOLEZAL, QUILICI, G. BECK,

7 CROMLEY, DOWELL, FORRESTER, L. NELSON, NISBET, ELLIOTT,

8 SCOTT, STICKNEY, RUSSELL, PAVLOVICH, SQUIRES, ZOOK,

9 LARSON, DAVIS, CONNELLY, BROOKE, BACHINI, GALVIN, WYATT,

10 REAM, J. DEBRUYCKER, BLAYLOCK, SOUTHWORTH, MADISON,

11 BRADLEY, J. JOHNSON, DAILY

12
13 A BILL FOR AN ACT ENTITLED: "AN ACT CREATING A TREASURE
14 STATE ENDOWMENT PROGRAM; CREATING THE TREASURE STATE
15 ENDOWMENT FUND WITHIN THE COAL SEVERANCE TAX TRUST FUND;
16 PROVIDING THAT ONE-HALF OF THE ANNUAL REVENUE THAT WOULD
17 OTHERWISE BE DEPOSITED IN THE COAL SEVERANCE TAX PERMANENT
18 FUND BE DEPOSITED IN THE ENDOWMENT FUND; AUTHORIZING THE USE
19 OF INTEREST FROM THE ENDOWMENT FUND FOR GRANTS, DEBT
20 RETIREMENT, AND LOANS TO LOCAL GOVERNMENTS; TRANSFERRING \$10
21 MILLION FROM THE PERMANENT FUND TO THE ENDOWMENT FUND;
22 EXPANDING THE COAL SEVERANCE TAX BOND PROGRAM; SUBMITTING
23 THE CREATION OF THE PROGRAM TO THE QUALIFIED ELECTORS OF
24 MONTANA; AND AMENDING SECTIONS 17-5-701 AND 17-5-703, MCA."
25

There are no changes in this bill,
and will not be reprinted. Please
refer to yellow copy for complete
text.

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
January 15, 1992

MR. PRESIDENT:

We, your committee on Taxation having had under consideration House Bill No. 19 (third reading copy -- blue), respectfully report that House Bill No. 19 be amended and as so amended be concurred in:

1. Page 1, line 25.

Insert: "

STATEMENT OF INTENT

A statement of intent is necessary for [this act] because [section 6] delegates rulemaking authority to the department of natural resources and conservation and to the department of commerce. It is the intent of the legislature that in adopting rules to implement the prioritization of projects, the agencies shall use the rules established for determining priorities for water development projects as guidelines. The department of commerce should use its existing procedures for determining the local governments that are eligible for financing as a guide in adopting rules to implement the treasure state endowment program. In adopting rules to implement [this act], the departments shall take into consideration any coordination between [this act] and the coal severance tax school bond contingency loan fund."

2. Page 7, line 2.

Following: "PROCEDURE"

Insert: "-- rulemaking"

3. Page 8, line 17.

Following: line 16

Insert: "(4) The department of natural resources and conservation shall adopt rules to implement the prioritization and recommendation of projects to be financed pursuant to 17-5-701.

(5) Except as provided in subsection (4), the department of commerce shall adopt rules necessary to implement the treasure state endowment program."

4. Page 9, lines 14 and 15.

Following: "bonds"

Strike: "to be" on line 14 through "fund" on line 15

5. Page 9, line 16.

Following: "program"

Insert: "and shall take any action necessary to prevent a negative arbitrage consequence"

Signed: 

Mike Halligan, Chair

83 1-14
Sec. of Senate

1-1592
And. Coord.

SENATE

HB 19

HOUSE BILL NO. 19

INTRODUCED BY HARPER, MAZUREK, TOWE, JACOBSON,
COHEN, RANEY, SVRCEK, STRIZICH, VAN VALKENBURG, D. BROWN,
DRISCOLL, DOHERTY, DARKO, S. RICE, J. BROWN, MCCULLOCH,
O'KEEFE, BECKER, HARRINGTON, STANG, COCCHIARELLA,
WANZENRIED, KIMBERLEY, SCHYE, DOLEZAL, QUILICI, G. BECK,
CROMLEY, DOWELL, FORRESTER, L. NELSON, NISBET, ELLIOTT,
SCOTT, STICKNEY, RUSSELL, PAVLOVICH, SQUIRES, TOOLE,
LARSON, DAVIS, CONNELLY, BROOKE, BACHINI, GALVIN, WYATT,
REAM, J. DEBRUYCKER, BLAYLOCK, SOUTHWORTH, MADISON,
BRADLEY, J. JOHNSON, DAILY

A BILL FOR AN ACT ENTITLED: "AN ACT CREATING A TREASURE
STATE ENDOWMENT PROGRAM; CREATING THE TREASURE STATE
ENDOWMENT FUND WITHIN THE COAL SEVERANCE TAX TRUST FUND;
PROVIDING THAT ONE-HALF OF THE ANNUAL REVENUE THAT WOULD
OTHERWISE BE DEPOSITED IN THE COAL SEVERANCE TAX PERMANENT
FUND BE DEPOSITED IN THE ENDOWMENT FUND; AUTHORIZING THE USE
OF INTEREST FROM THE ENDOWMENT FUND FOR GRANTS, DEBT
RETIREMENT, AND LOANS TO LOCAL GOVERNMENTS; TRANSFERRING \$10
MILLION FROM THE PERMANENT FUND TO THE ENDOWMENT FUND;
EXPANDING THE COAL SEVERANCE TAX BOND PROGRAM; SUBMITTING
THE CREATION OF THE PROGRAM TO THE QUALIFIED ELECTORS OF
MONTANA; AND AMENDING SECTIONS 17-5-701 AND 17-5-703, MCA."

STATEMENT OF INTENT

A STATEMENT OF INTENT IS NECESSARY FOR [THIS ACT]
BECAUSE [SECTION 6] DELEGATES RULEMAKING AUTHORITY TO THE
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION AND TO THE
DEPARTMENT OF COMMERCE. IT IS THE INTENT OF THE LEGISLATURE
THAT IN ADOPTING RULES TO IMPLEMENT THE PRIORITIZATION OF
PROJECTS, THE AGENCIES SHALL USE THE RULES ESTABLISHED FOR
DETERMINING PRIORITIES FOR WATER DEVELOPMENT PROJECTS AS
GUIDELINES. THE DEPARTMENT OF COMMERCE SHOULD USE ITS
EXISTING PROCEDURES FOR DETERMINING THE LOCAL GOVERNMENTS
THAT ARE ELIGIBLE FOR FINANCING AS A GUIDE IN ADOPTING RULES
TO IMPLEMENT THE TREASURE STATE ENDOWMENT PROGRAM. IN
ADOPTING RULES TO IMPLEMENT [THIS ACT], THE DEPARTMENTS
SHALL TAKE INTO CONSIDERATION ANY COORDINATION BETWEEN [THIS
ACT] AND THE COAL SEVERANCE TAX SCHOOL BOND CONTINGENCY LOAN
FUND.

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

NEW SECTION. Section 1. Treasure state endowment
program created -- definitions. (1) There is a treasure
state endowment program that consists of:

- (a) the treasure state endowment fund established in 17-5-703; and
- (b) the infrastructure portion of the coal severance tax bond program provided for in 17-5-701(2).



1 (2) Interest from the treasure state endowment fund and
 2 from proceeds of the sale of bonds under 17-5-701(2) may be
 3 used to provide financial assistance for local government
 4 infrastructure projects under [sections 1, 2, and 5 through
 5 9 8].

6 (3) As used in [sections 1, 2, and 5 through 9 8], the
 7 following definitions apply:

8 (A) "INFRASTRUCTURE PROJECTS" MEANS:

9 (I) DRINKING WATER SYSTEMS;

10 (II) WASTEWATER TREATMENT;

11 (III) SANITARY SEWER OR STORM SEWER SYSTEMS;

12 (IV) SOLID WASTE DISPOSAL AND SEPARATION SYSTEMS,

13 INCLUDING SITE ACQUISITION, PREPARATION, OR MONITORING; OR

14 (V) BRIDGES.

15 (B) "LOCAL GOVERNMENT" MEANS AN INCORPORATED CITY OR
 16 TOWN, A COUNTY, OR A CONSOLIDATED LOCAL GOVERNMENT.

17 (a)(C) "Treasure state endowment fund" means the coal
 18 severance tax infrastructure endowment fund established in
 19 17-5-703(1)(b).

20 (b)(D) "Treasure state endowment program" means the
 21 local government infrastructure investment program
 22 established in subsection (1).

23 NEW SECTION. Section 2. Purpose. The purpose of the
 24 treasure state endowment program is to assist local
 25 governments in funding infrastructure projects that will:

1 (1) create jobs for Montana residents;

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

4 (3) encourage local public facility improvements;

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

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

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

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

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

15 **Section 3.** Section 17-5-701, MCA, is amended to read:

16 **"17-5-701. State of Montana coal severance tax bonds.**

17 This part provides for the issuance of state of Montana coal
 18 severance tax bonds (also referred to as coal severance tax
 19 bonds in this part) to:

20 (1) finance water resource development projects and
 21 activities in the state designed to provide, during and
 22 after extensive coal mining, a healthy economy, the
 23 alleviation of social and economic impacts created by coal
 24 development, and a clean and healthful environment for
 25 present and future generations; and

1 (2) finance loans to local governments for
2 infrastructure projects under [sections 1, 2, and 5 through
3 9 8]."

4 **Section 4.** Section 17-5-703, MCA, is amended to read:

5 *17-5-703. Coal severance tax trust funds. (1) The
6 trust established under Article IX, section 5, of the
7 Montana constitution shall be composed of the following
8 funds:

9 (a) a coal severance tax bond fund into which the
10 constitutionally dedicated receipts from the coal severance
11 tax shall be deposited;

12 (b) a treasure state endowment fund;

13 (c) a clean coal technology demonstration fund;

14 ~~(d)~~ a coal severance tax permanent fund; and

15 ~~(e)~~ a coal severance tax income fund.

16 (2) The state treasurer shall determine the amount
17 necessary to meet all principal and interest payments on
18 bonds payable from the coal severance tax bond fund on the
19 next two ensuing semiannual payment dates and retain that
20 amount in the coal severance tax bond fund.

21 (3) Beginning on July 1, 1991, and ending on June 30,
22 1997, the state treasurer shall from time to time transfer
23 from the excess amount in the coal severance tax bond fund
24 \$5 million a year to the clean coal technology demonstration
25 fund and, except as provided in subsection (4), shall

1 transfer any remaining amount to the coal severance tax
2 permanent fund.

3 (4) (a) Beginning on ~~[the effective date of this act]~~
4 JULY 1, 1993, and ending on ~~[June 30 of the 20th year~~
5 ~~following the effective date of this act], 2013, the state~~
6 treasurer shall:

7 (i) from time to time transfer to the treasure state
8 endowment fund all money in the coal severance tax bond fund
9 except the amount necessary to meet all principal and
10 interest payments on bonds payable from the coal severance
11 tax bond fund on the next two ensuing semiannual payment
12 dates; and

13 (ii) from time to time transfer to the coal severance
14 tax permanent fund 50% of the principal transferred from the
15 coal severance tax bond fund to the treasure state endowment
16 fund in the preceding year.

17 (b) The state treasurer shall annually transfer to a
18 treasure state endowment special revenue account the amount
19 of interest earnings required to meet the obligations of the
20 state that are payable from the account in accordance with
21 ~~[sections SECTION 6 and--7]. Interest earnings not~~
22 transferred to the treasure state endowment special revenue
23 account must be retained in the treasure state endowment
24 fund."

25 NEW SECTION. Section 5. Types of financial assistance

1 available. The legislature shall provide for and make
2 available to local governments the following types of
3 financial assistance under [sections 1, 2, and 5 through 9
4 8]:

- 5 (1) matching grants for local infrastructure projects;
- 6 (2) annual debt service subsidies on local
7 infrastructure projects; and
- 8 (3) loans from the proceeds of coal severance tax bonds
9 at a subsidized interest rate.

10 ~~NEW SECTION. --Section 6. Eligibility and priority of--~~
11 ~~projects.--The department of commerce shall determine those~~
12 ~~projects that are eligible for financial assistance under~~
13 ~~{sections 1, 2, and 5 through 9} and shall establish a list~~
14 ~~of priorities for eligible projects.~~

15 ~~NEW SECTION. --Section 7. Project screening, review, and--~~
16 ~~approval.--(1) Each project must be individually screened and~~
17 ~~reviewed by the department of commerce and by the governor.~~

18 NEW SECTION. SECTION 6. PRIORITIES FOR PROJECTS --
19 PROCEDURE -- RULEMAKING. (1) THE DEPARTMENT OF COMMERCE MUST
20 RECEIVE PROPOSALS FOR PROJECTS FROM LOCAL GOVERNMENTS AS
21 DEFINED IN [SECTION 1(3)(B)]. THE DEPARTMENT SHALL WORK WITH
22 A LOCAL GOVERNMENT IN PREPARING COST ESTIMATES FOR A
23 PROJECT. IN REVIEWING PROJECT PROPOSALS, THE DEPARTMENT MAY
24 CONSULT WITH OTHER STATE AGENCIES WITH EXPERTISE PERTINENT
25 TO THE PROPOSAL. THE DEPARTMENT SHALL PREPARE AND SUBMIT A

1 LIST CONTAINING THE RECOMMENDED PROJECTS AND THE RECOMMENDED
2 FORM OF FINANCIAL ASSISTANCE FOR EACH PROJECT TO THE
3 GOVERNOR, PRIORITIZED PURSUANT TO SUBSECTION (2). THE
4 GOVERNOR SHALL REVIEW THE PROJECTS RECOMMENDED BY THE
5 DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION UNDER TITLE
6 85, CHAPTER 1, PART 6, AND SHALL SUBMIT A LIST OF
7 RECOMMENDED PROJECTS AND THE RECOMMENDED FINANCIAL
8 ASSISTANCE TO THE LEGISLATURE.

9 (2) IN PREPARING RECOMMENDATIONS UNDER SUBSECTION (1),
10 PREFERENCE MUST BE GIVEN TO PROJECTS BASED ON THE FOLLOWING
11 ORDER OF PRIORITY:

12 (A) PROJECTS THAT SOLVE URGENT AND SERIOUS PUBLIC
13 HEALTH OR SAFETY PROBLEMS;

14 (B) PROJECTS THAT ENABLE LOCAL GOVERNMENTS TO MEET
15 STATE OR FEDERAL HEALTH OR SAFETY STANDARDS;

16 (C) PROJECTS THAT ENABLE LOCAL GOVERNMENTS TO OBTAIN
17 FUNDS FROM SOURCES OTHER THAN THE FUNDS PROVIDED UNDER
18 [SECTIONS 1, 2, AND 5 THROUGH 8];

19 (D) PROJECTS THAT PROVIDE LONG-TERM, FULL-TIME JOB
20 OPPORTUNITIES FOR MONTANANS;

21 (E) PROJECTS THAT PROVIDE PUBLIC FACILITIES NECESSARY
22 FOR THE EXPANSION OF A BUSINESS THAT HAS A HIGH POTENTIAL
23 FOR FINANCIAL SUCCESS;

24 (F) PROJECTS THAT RESULT IN A BENEFIT TO THE PUBLIC
25 COMMENSURATE WITH THE AMOUNT OF FINANCIAL ASSISTANCE;

1 (G) PROJECTS THAT REFLECT GREATER NEED FOR FINANCIAL
2 ASSISTANCE THAN OTHER PROJECTS;

3 (H) PROJECTS THAT MAINTAIN THE TAX BASE OR THAT DO NOT
4 DISCOURAGE EXPANSION OF THE TAX BASE; AND

5 (I) PROJECTS THAT ARE HIGH LOCAL PRIORITIES AND HAVE
6 STRONG COMMUNITY SUPPORT.

7 ~~†2†~~(3) After the ~~screening--and~~ review required by
8 subsection (1), the projects must be approved by the
9 legislature.

10 (4) THE DEPARTMENT OF NATURAL RESOURCES AND
11 CONSERVATION SHALL ADOPT RULES TO IMPLEMENT THE
12 PRIORITIZATION AND RECOMMENDATION OF PROJECTS TO BE FINANCED
13 PURSUANT TO 17-5-701.

14 (5) EXCEPT AS PROVIDED IN SUBSECTION (4), THE
15 DEPARTMENT OF COMMERCE SHALL ADOPT RULES NECESSARY TO
16 IMPLEMENT THE TREASURE STATE ENDOWMENT PROGRAM.

17 NEW SECTION. Section 7. Infrastructure endowment fund
18 to continue. The treasure state endowment fund created in
19 17-5-703 must be maintained even though transfers to the
20 fund from the coal severance tax bond fund cease on {June 30
21 of the 20th year following the ~~effective-date-of--this--act†~~
22 INITIAL TRANSFER TO THE FUND, AS PROVIDED IN [SECTION 10].
23 Interest earnings from the treasure state endowment fund
24 must continue to be paid annually to the treasure state
25 endowment special revenue account as provided in

1 17-5-703(4)(b).

2 NEW SECTION. Section 8. Coal severance tax trust fund
3 to remain inviolate. [Sections 1, 2, and 5 through ~~††~~ 10] do
4 not authorize or permit the expenditure of any part of the
5 coal severance tax trust fund created by Article IX, section
6 5, of the Montana constitution.

7 NEW SECTION. Section 9. Legislative implementation
8 required. (1) The legislature shall implement [this act] by
9 amending or enacting all legislation necessary to carry out
10 the intent of [this act].

11 (2) If the process required under [section ~~†††~~ 6] has
12 occurred, the 53rd legislature may approve projects.

13 (3) The 53rd legislature may authorize the issuance of
14 ~~bonds to-be-repaid-from-the-interest-from-the-treasure-state~~
15 ~~endowment-fund~~ in order to provide the maximum amount of
16 initial funding for the treasure state endowment program AND
17 SHALL TAKE ANY ACTION NECESSARY TO PREVENT A NEGATIVE
18 ARBITRAGE CONSEQUENCE.

19 NEW SECTION. Section 10. Transfer of coal severance
20 tax money to treasure state endowment fund. On July 1, 1993,
21 \$10 million is transferred from the coal severance tax
22 permanent fund to the treasure state endowment fund and is
23 dedicated for the purposes provided in [this act].

24 NEW SECTION. Section 11. Submission to electorate. The
25 question of whether this act will become effective shall be

1 submitted to the qualified electors of Montana at the
2 primary election to be held in June 1992 by printing on the
3 ballot the full title of this act and the following:

4 FOR creating the treasure state endowment fund to
5 provide local governments coal severance tax trust
6 fund interest for water, sewer, solid waste, and
7 bridge projects.

8 AGAINST creating the treasure state endowment fund
9 to provide local governments coal severance tax
10 trust fund interest for water, sewer, solid waste,
11 and bridge projects.

-End-