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House BILL NO. 599

INTRODUCED BY

MERCER Van Valkenburg Forbes - Frankley
Simon OHS BY REQUEST OF THE GOVERNOR *Eric L. Brown*
WISSEMAN *ERIC L. BROWN*

A BILL FOR AN ACT ENTITLED: "AN ACT STIMULATING ECONOMIC PROSPERITY IN MONTANA THROUGH RESEARCH AND DEVELOPMENT, INFRASTRUCTURE DEVELOPMENT, AND HISTORIC PRESERVATION; APPROPRIATING COAL SEVERANCE TAX PERMANENT FUNDS TO SUPPORT RESEARCH AND DEVELOPMENT CENTERS AND TO BE USED AS MATCHING FUNDS FOR RESEARCH AND DEVELOPMENT PROJECTS; PROVIDING FOR MATCHING GRANTS TO LOCAL GOVERNMENTS FOR INFRASTRUCTURE PROJECTS; EXPANDING THE TYPES OF PROJECTS AND LOCAL GOVERNMENTS ELIGIBLE TO PARTICIPATE IN THE TREASURE STATE ENDOWMENT PROGRAM; AUTHORIZING A COAL SEVERANCE TAX LOAN FOR SPECIFIED HISTORIC PRESERVATION INFRASTRUCTURE PROJECTS; TRANSFERRING COAL SEVERANCE TAX FUNDS FROM THE PERMANENT FUND TO THE TREASURE STATE ENDOWMENT FUND; APPROPRIATING COAL SEVERANCE TAX FUNDS TO THE GENERAL FUND TO REPLACE LOST INTEREST INCOME; AMENDING SECTIONS 17-5-703, 17-7-502, 90-6-701, 90-6-703, AND 90-6-710, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

NEW SECTION. **Section 1. Purpose -- definitions.** (1) The purpose of the research and development special revenue account established in [section 2] and the endowment fund established in 17-5-703 is to provide a predictable, long-term source of funding for research and development projects to be conducted by research and development centers located in Montana. The state is encouraging a diversified, technology-based economic sector. The investment in research and development projects will assist in diversifying Montana's economy, provide employment opportunities for future generations, and enhance educational opportunities for Montanans.

- (2) As used in [sections 2 and 3] and this section, the following definitions apply:
 - (a) "Board" means the research and development board provided for in [section 4].
 - (b) "Program" means the research and development and endowment program provided for in [sections 2 and 3].



1 (c) "Research and development center" means the university of Montana or Montana state
2 university. A private, nonprofit laboratory, research project, or research center may contract with a
3 Montana public university to conduct a research project.

4
5 **NEW SECTION. Section 2. Research and development account -- use.** (1) There is a research and
6 development special revenue account. On July 1, 2015, the balance in the account reverts to the coal
7 severance tax permanent fund. If the program is ended pursuant to [section 3(1)(c)], the balance in the
8 account reverts to the coal severance tax permanent fund. The interest income and earnings on the account
9 are statutorily appropriated, as provided in 17-7-502, to the board for the purposes provided in this section.

10 (2) The establishment of the research and development special revenue account in this section and
11 the endowment fund in 17-5-703 and the pledge and appropriation of funds from the coal severance tax
12 permanent trust fund constitute a valid and binding obligation of the state to provide the money for a period
13 of 20 years, provided that both research and development centers enter into contracts with the state,
14 agreeing to undertake research and redevelopment projects and to make contributions to the endowment
15 fund as required in [sections 1 through 3].

16 (3) The research and development special revenue account may be used only for matching funds
17 for grants from nonstate sources for research and development projects to be conducted at research and
18 development centers located in Montana. An amount allocated for matching funds must be matched by
19 at least a 1-to-1 ratio.

20 (4) The board shall establish policies, procedures, and criteria for the awarding of grants. The
21 criteria must include:

22 (a) the project's potential to diversify or add value to a basic industry of the state's economy;

23 (b) whether the project demonstrates a clear path to commercial development of the research
24 results within the state;

25 (c) whether the project employs or otherwise takes advantage of existing research and
26 development strengths within the state's public university and private research establishments;

27 (d) whether the project involves a realistic and achievable research project design;

28 (e) whether the project develops or employs an innovative technology;

29 (f) verification that the project activity is located within the state; and

30 (g) whether the project's research team possesses sufficient expertise in the appropriate technology

1 area to complete the research objectives of the project.

2 (5) The board shall direct the state treasurer to distribute funds for approved proposals to the
3 research and development center for administration of the grant project.

4

5 **NEW SECTION. Section 3. Endowment fund -- accounts -- uses.** (1) (a) There is within the coal
6 severance tax trust fund an endowment fund. The purpose of the endowment fund is to establish a
7 permanent source of funding for research and development projects. The endowment fund must accept
8 contributions as described in subsection (1)(b) and contributions from other sources. Interest earned on
9 the endowment principal must be capitalized to the endowment until June 30, 2015, or to an earlier time
10 that may occur pursuant to subsection (1)(c). Beginning July 1, 2015, interest earned on the endowment
11 fund must be available to support research and development efforts at research and development centers.

12 (b) Contributions by the research and development centers to the endowment fund must begin in
13 fiscal year 1996. The contribution in fiscal year 1996 must be no less than 5% of the total pro rata share
14 of each research and development center's grant award plus the research and development center's pro
15 rata share of the \$1 million transferred to the endowment fund each year. In each succeeding fiscal year,
16 the minimum contribution rate is increased by 1% until fiscal year 2015. The endowment fund may receive
17 contributions from other sources. The endowment fund must contain accounts for each research and
18 development center.

19 (c) At the end of each fiscal year, the research and development centers may jointly decide to
20 discontinue participation in the program and shall notify the board that no future grant proposals will be
21 submitted. If a research and development center does not make the required annual contribution to the
22 endowment fund, the board may recommend to the governor that the state's participation in the
23 endowment fund for that research and development center terminate. The governor shall make the final
24 determination to terminate a research and development center's participation.

25 (d) If the program ends pursuant to subsection (1)(c), the annual contribution and interest on the
26 contributions must be returned to the coal severance tax permanent fund. The research and development
27 center's contributions and interest on the contributions must revert to the research and development center.

28 (2) Unallocated interest and earnings from the research and development fund must be deposited
29 in the endowment fund. The endowment fund must be invested by the board of investments. After June
30 30, 2015, earnings on the endowment fund must be deposited in the research and development special

1 revenue account for distribution pursuant to [section 2(3)].

2

3 NEW SECTION. **Section 4. Research and development board.** (1) The governor shall appoint 11
4 people to a research and development board to review and approve grant proposals. The board is attached
5 to the office of the governor for administrative purposes only. The board consists of one member of the
6 house of representatives, appointed by the speaker, and one member of the senate, appointed by the
7 committee on committees. The legislative members must be from different political parties. The remaining
8 members must be representative of the following:

- 9 (a) mineral extraction and processing;
10 (b) forestry and wood processing;
11 (c) agriculture;
12 (d) energy resources;
13 (e) biotechnology;
14 (f) communications and manufacturing processes;
15 (g) investment and financial services;
16 (h) environmental engineering; and
17 (i) the governor's staff.

18 (2) Board members serve for no salary. Board members are entitled to travel, meals, and lodging
19 expenses as provided for in 2-18-501 through 2-18-503.

20

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

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

- 24 (a) a coal severance tax bond fund into which the constitutionally dedicated receipts from the coal
25 severance tax must be deposited;
26 (b) a treasure state endowment fund;
27 (c) a coal severance tax permanent fund;
28 (d) a coal severance tax income fund; ~~and~~
29 (e) a coal severance tax school bond contingency loan fund; and
30 (f) an endowment fund.

1 (2) (a) The state treasurer shall determine, on July 1 of each year, the amount necessary to meet
2 all principal and interest payments on bonds payable from the coal severance tax bond fund during the next
3 12 months and retain that amount in the coal severance tax bond fund.

4 (b) The amount in the coal severance tax bond fund in excess of the amount required in subsection
5 (2)(a) must be transferred from that fund as provided in subsections (3) through ~~(5)~~ (6).

6 (3) (a) On January 21, 1992, and continuing as long as any school district bonds secured by state
7 loans under 20-9-466 are outstanding, the state treasurer shall from time to time and as provided in
8 subsection (3)(b) transfer from the coal severance tax bond fund to the coal severance tax school bond
9 contingency loan fund any amount in the coal severance tax bond fund in excess of the amount that is
10 specified in subsection (2) to be retained in the fund.

11 (b) The state treasurer shall transfer the amount referred to in subsection (3)(a) until and unless
12 the balance in the coal severance tax school bond contingency loan fund is equal to the amount due as
13 principal of and interest on the school district bonds secured by state loans under 20-9-466 during the next
14 following 12 months.

15 (4) (a) Beginning July 1, 1993, and ending June 30, 2013, the state treasurer shall quarterly
16 transfer to the treasure state endowment fund 50% of the amount in the coal severance tax bond fund in
17 excess of the amount that is specified in subsection (2) to be retained in the fund and in excess of amounts
18 that are transferred pursuant to subsection (3).

19 (b) The state treasurer shall monthly transfer from the treasure state endowment fund to the
20 treasure state endowment special revenue account the amount of earnings required to meet the obligations
21 of the state that are payable from the account in accordance with ~~90-6-710~~ on the fund. Earnings not
22 transferred to the treasure state endowment special revenue account must be retained in the treasure state
23 endowment fund.

24 (5) Any amount in the coal severance tax bond fund in excess of the amount that is specified in
25 subsection (2)(a) to be retained in the fund and that is not otherwise allocated under this section must be
26 deposited in the coal severance tax permanent fund.

27 (6) There is statutorily appropriated, as provided in 17-7-502, on an annual basis to the state
28 general fund, up to \$2.4 million of the deposits to the coal severance tax permanent fund. The statutory
29 appropriation commences July 1, 1995, and terminates June 30, 2015.

30 (7) There is statutorily appropriated, as provided in 17-7-502, on an annual basis to the research

1 and development special revenue account, the lesser of 20% or \$4 million from the deposits to the coal
 2 severance tax permanent fund, to be used as provided in [section 2]. The statutory appropriation
 3 commences July 1, 1995, and terminates June 30, 2015.

4 (8) There is statutorily appropriated, as provided in 17-7-502, on an annual basis to the endowment
 5 fund, \$1 million from the research and development special revenue account, to be used as provided in
 6 [section 3]. The statutory appropriation commences July 1, 1995, and terminates June 30, 2015.

7 (9) There is statutorily appropriated, as provided in 17-7-502, on an annual basis, the lesser of \$6
 8 million or 30% of the deposits to the coal severance tax permanent fund to the treasure state endowment
 9 special revenue account provided for in subsection (4)(b). The statutory appropriation commences July 1,
 10 1995, and terminates June 30, 2015."

11
 12 **Section 6.** Section 17-7-502, MCA, is amended to read:

13 **"17-7-502. Statutory appropriations -- definition -- requisites for validity.** (1) A statutory
 14 appropriation is an appropriation made by permanent law that authorizes spending by a state agency
 15 without the need for a biennial legislative appropriation or budget amendment.

16 (2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply
 17 with both of the following provisions:

18 (a) The law containing the statutory authority must be listed in subsection (3).

19 (b) The law or portion of the law making a statutory appropriation must specifically state that a
 20 statutory appropriation is made as provided in this section.

21 (3) The following laws are the only laws containing statutory appropriations: 2-9-202; 2-17-105;
 22 2-18-812; 3-5-901; 5-13-403; 10-3-203; 10-3-312; 10-3-314; 10-4-301; 15-1-111; 15-23-706;
 23 15-25-123; 15-31-702; 15-36-112; 15-37-117; 15-38-202; 15-65-121; 15-70-101; 16-1-404; 16-1-410;
 24 16-1-411; 17-3-106; 17-3-212; 17-5-404; 17-5-424; 17-5-703; 17-5-704; 17-5-804; 17-6-101; 17-6-201;
 25 17-6-409; 17-7-304; 18-11-112; 19-2-502; 19-6-709; 19-9-1007; 19-15-101; 19-17-301; 19-18-512;
 26 19-18-513; 19-18-606; 19-19-205; 19-19-305; 19-19-506; 20-4-109; 20-8-111; 20-9-361; [section 2];
 27 20-26-1403; 20-26-1503; 23-2-823; 23-5-136; 23-5-306; 23-5-409; 23-5-610; 23-5-612; 23-5-631;
 28 23-7-301; 23-7-402; 27-12-206; 32-1-537; 37-43-204; 37-51-501; 39-71-503; 39-71-907; 39-71-2321;
 29 39-71-2504; 44-12-206; 44-13-102; 50-5-232; 50-40-206; 53-6-150; 53-24-206; 60-2-220; 61-2-107;
 30 67-3-205; 75-1-1101; 75-5-507; 75-5-1108; 75-11-313; 76-12-123; 77-1-808; 80-2-103; 80-2-222;

1 80-4-416; 80-11-310; 81-5-111; 82-11-136; 82-11-161; 85-1-220; 85-20-402; 90-3-301; 90-4-215;
 2 90-6-331; 90-7-220; 90-9-306; and 90-14-107.

3 (4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing,
 4 paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued
 5 pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of
 6 Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as
 7 determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the
 8 bonds or notes have statutory appropriation authority for the payments. (In subsection (3): pursuant to sec.
 9 7, Ch. 567, L. 1991, the inclusion of 19-6-709 terminates upon death of last recipient eligible for
 10 supplemental benefit; and pursuant to sec. 15, Ch. 534, L. 1993, the inclusion of 90-14-107 terminates
 11 July 1, 1995.)"

12

13 **Section 7.** Section 90-6-701, MCA, is amended to read:

14 **"90-6-701. Treasure state endowment program created -- definitions.** (1) ~~{a}~~ There is a treasure
 15 state endowment program that consists of:

16 ~~{i}~~(a) the treasure state endowment fund established in 17-5-703;

17 ~~{ii}~~(b) the infrastructure portion of the coal severance tax bond program provided for in
 18 17-5-701(2).

19 ~~(b) The treasure state endowment program may borrow from the board of investments to provide~~
 20 ~~additional financial assistance for local government infrastructure projects under this part, provided that no~~
 21 ~~part of the loan may be made from retirement funds.~~

22 (2) Interest from the treasure state endowment fund and from proceeds of the sale of bonds under
 23 17-5-701(2) may be used to fund historic preservation projects and to provide financial assistance for local
 24 government infrastructure projects under this part and to repay loans from the board of investments.

25 (3) As used in this part, the following definitions apply:

26 (a) "Infrastructure projects" means:

27 (i) drinking water systems;

28 (ii) wastewater treatment;

29 (iii) sanitary sewer or storm sewer systems;

30 (iv) solid waste disposal and separation systems, including site acquisition, preparation, or

1 monitoring; or

2 (v) bridges;

3 (vi) construction or renovation of public safety facilities, including but not limited to jails, detention
4 facilities, law enforcement centers, and fire protection facilities;

5 (vii) access to public facilities for people with disabilities;

6 (viii) infrastructure for housing development by public or nonprofit entities;

7 (ix) street and road construction and reconstruction; and

8 (x) acquisition, preservation, restoration, and adaptive reuse of historic sites and their contents.

9 (b) "Local government" means an incorporated city or town, a county, a consolidated local
10 government, a rural fire district or fire service area, or a county or multicounty water, sewer, or solid waste
11 district.

12 (c) "Treasure state endowment fund" means the coal severance tax infrastructure endowment fund
13 established in 17-5-703(1)(b).

14 (d) "Treasure state endowment program" means the local government infrastructure investment
15 program established in subsection (1)."

16

17 **Section 8.** Section 90-6-703, MCA, is amended to read:

18 **"90-6-703. Types of financial assistance available.** (1) The legislature shall provide for and make
19 available to local governments the following types of financial assistance under this part:

20 (a) matching grants for local infrastructure projects;

21 (b) annual debt service subsidies on local infrastructure projects; and

22 (c) loans from the proceeds of coal severance tax bonds at a subsidized interest rate.

23 (2) The department of natural resources and conservation and the department of commerce:

24 (a) may adopt rules to commit to interest rate subsidies for local infrastructure projects and may
25 allow the subsidies to be paid over the life of the loan or bonding period; and

26 (b) may make deferred loans to local governments for preliminary engineering study costs. The
27 applicant shall repay the loans whether or not the applicant succeeds in obtaining financing for the full
28 project. Repayment may be postponed until the overall construction financing is arranged.

29 (3) The amount of a grant for an infrastructure project may not exceed \$500,000. A local
30 government shall provide funds for an infrastructure project on at least a one-to-one matching basis.

1 (4) One million dollars a year of the money deposited to the treasure state endowment fund must
 2 be transferred to a separate account to be used for projects provided for in 90-6-701(3)(a)(x). The amount
 3 available under this subsection may be used for debt service or grants."

4
 5 **Section 9.** Section 90-6-710, MCA, is amended to read:

6 "**90-6-710. Priorities for projects -- procedure -- rulemaking.** (1) ~~The~~ Except as provided in [section
 7 10], the department of commerce must receive proposals for projects from local governments as defined
 8 in 90-6-701(3)(b). The department shall work with a local government in preparing cost estimates for a
 9 project. In reviewing project proposals, the department may consult with other state agencies with expertise
 10 pertinent to the proposal. The department shall prepare and submit a list containing the recommended
 11 projects and the recommended form and amount of financial assistance for each project to the governor,
 12 prioritized pursuant to subsection (2). The governor shall review the projects recommended by the
 13 department and shall submit a list of recommended projects and the recommended financial assistance to
 14 the legislature.

15 (2) In preparing recommendations under subsection (1), preference must be given to projects based
 16 on the following order of priority:

17 (a) projects that solve urgent and serious public health or safety problems or that enable local
 18 governments to meet state or federal health or safety standards;

19 (b) projects that ~~enable local governments to meet state or federal health or safety standards~~ reflect
 20 a greater need for financial assistance than other projects;

21 (c) projects that incorporate appropriate, cost-effective technical design and that provide thorough,
 22 long-term solutions to ~~community~~ public facility needs;

23 (d) projects that ~~result in a benefit to the public commensurate with the amount of financial~~
 24 ~~assistance. However, the benefit to the public may not be measured by population alone.~~ reflect substantial
 25 past efforts to ensure effective long-term management of the facility or system and to resolve the
 26 infrastructure problem with local resources;

27 (e) ~~projects that reflect greater need for financial assistance than other projects;~~

28 ~~(f)~~ (f) projects that enable local governments to ~~obtain~~ leverage funds from sources other than the
 29 funds provided under this part;

30 ~~(g)~~ (f) projects that provide long-term, full-time job opportunities for Montanans;

1 ~~(h)~~ projects or that provide public facilities necessary for the expansion of a business that has a
2 high potential for financial success;

3 ~~((g))~~ projects that maintain ~~the tax base~~ or ~~that do not discourage~~ encourage expansion of the tax
4 base; and

5 ~~((h))~~ projects that are high local priorities and ~~have~~ that demonstrate strong community support.

6 (3) After the review required by subsection (1), the projects must be approved by the legislature.

7 (4) The department shall adopt rules necessary to implement the treasure state endowment
8 program."

9

10 **NEW SECTION. Section 10. Grant procedures -- bonds.** (1) Applications for grants provided for
11 projects funded pursuant to 90-6-701(3)(a)(x) and 90-6-703(4) must be submitted to the Montana historical
12 society. The Montana historical society shall adopt procedures for the review and award of grants. The
13 grants must be recommended by the Montana historical society to the governor, who shall review the
14 recommendations and submit a prioritized list of recommendations to the legislature for approval.

15 (2) The Montana historical society may recommend that a project be funded by the issuance of
16 bonds.

17

18 **NEW SECTION. Section 11. Preservation and maintenance of historic sites loan.** (1) There is
19 loaned from the coal severance tax permanent fund to the Montana historical society \$4 million for historic
20 infrastructure projects. The loan must be used:

21 (a) subject to [section 10], for acquisition of Nevada City for an amount not to exceed the
22 appraised value or \$3 million, whichever is lower; and

23 (b) for a grant not to exceed \$1 million to the Great Falls convention and visitors bureau for the
24 Lewis and Clark national historic trail interpretive center.

25 (2) The loan must be repaid over a 10-year period from amounts allocated for historic infrastructure
26 projects pursuant to 90-6-703(4).

27

28 **NEW SECTION. Section 12. Administration of Nevada City -- lease or sell -- conditions for**
29 **acquisition.** (1) The Montana historical society is authorized to take title of Nevada City pursuant to [section
30 11] and shall, subject to subsection (2) of this section, oversee the administration of the property, including

1 all of the buildings, facilities, and artifacts. The Montana historical society may lease or sell the property
2 to a local nonprofit corporation.

3 (2) The Montana historical society may not take title under subsection (1) until it receives a
4 contract from a local, nonprofit corporation agreeing to assume full responsibility for the management,
5 maintenance, and operational costs of Nevada City and associated personal property and agreeing that
6 major changes or modifications to the property will be done only upon approval by the Montana historical
7 society.

8

9 **NEW SECTION. Section 13. Codification instructions.** (1) [Sections 1 through 3] are intended to
10 be codified as an integral part of Title 20, chapter 25, part 4, and the provisions of Title 20, chapter 25,
11 part 4, apply to [sections 1 through 3].

12 (2) [Section 4] is intended to be codified as an integral part of Title 2, chapter 15, part 2, and the
13 provisions of Title 2, chapter 15, part 2, apply to [section 4].

14 (3) [Section 10] is intended to be codified as an integral part of Title 90, chapter 6, part 7, and the
15 provisions of Title 90, chapter 6, part 7, apply to [section 10].

16

17 **NEW SECTION. Section 14. Three-fourths vote required.** Because this bill statutorily appropriates
18 money from the coal severance tax trust fund, Article IX, section 5, of the Montana constitution requires
19 a vote of three-fourths of the members of each house of the legislature for passage.

20

21

22 **NEW SECTION. Section 15. Effective date.** [This act] is effective on passage and approval.

23

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0599, Second Reading

DESCRIPTION OF PROPOSED LEGISLATION: AN ACT STIMULATING ECONOMIC PROSPERITY IN MONTANA THROUGH RESEARCH AND DEVELOPMENT, INFRASTRUCTURE DEVELOPMENT, AND HISTORIC PRESERVATION; APPROPRIATING COAL SEVERANCE TAX PERMANENT FUNDS TO SUPPORT RESEARCH AND DEVELOPMENT CENTERS AND TO BE USED AS MATCHING FUNDS FOR RESEARCH AND DEVELOPMENT PROJECTS; PROVIDING FOR MATCHING GRANTS TO LOCAL GOVERNMENTS FOR INFRASTRUCTURE PROJECTS; EXPANDING THE TYPES OF PROJECTS AND LOCAL GOVERNMENTS ELIGIBLE TO PARTICIPATE IN THE TREASURE STATE ENDOWMENT PROGRAM; AUTHORIZING A COAL SEVERANCE TAX LOAN FOR SPECIFIED HISTORIC PRESERVATION INFRASTRUCTURE PROJECTS; TRANSFERRING COAL SEVERANCE TAX FUNDS FROM THE PERMANENT FUND TO THE TREASURE STATE ENDOWMENT FUND; APPROPRIATING COAL SEVERANCE TAX FUNDS TO THE GENERAL FUND TO REPLACE LOST INTEREST INCOME; AMENDING SECTIONS 17-5-703, 17-7-502, 90-6-701, 90-6-703, AND 90-6-710, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.

ASSUMPTIONS:

DOC Board of Investments:

1. The Montana constitution requires that 50.0 percent of coal severance tax revenues be deposited in the Permanent Coal Tax Trust.
2. Under current law, one-half of the 50.0 percent earmarked for the Trust is deposited in the Permanent Fund, interest from which is earmarked for the state general fund. The remainder of the 50.0 percent earmarked for the Trust is deposited in the Treasure State Endowment Fund, interest from which is legislatively appropriated for local government grants to fund infrastructure projects. Given this current allocation, which is not amended in the proposal, approximately \$2,000,000 per year would be allocated to the Research and Development Account and \$6,000,000 to the Treasure State Endowment Earnings Account (deposited at the end of the biennium). (See technical note).
3. Monies diverted from the Permanent Fund would otherwise earn 8.0 percent interest, which would be deposited in the state general fund.
4. It is assumed that all allocations to the Research and Development Account will be committed as those funds become available and, hence, no interest earnings flow to the general fund.

DOC Community Development:

1. HB599 would add an additional \$6 million per biennium (\$3 million per year) to the existing Treasure State Endowment Program (TSEP) state special revenue account for funding infrastructure projects.
2. The additional revenues would make it feasible to fund at least an additional 9 projects (assuming a maximum grant of \$500,000 each) up to 22 projects (assuming \$218,000 each). The average grant award during the first two TSEP funding competitions was \$218,000 per project.
3. Six regional public hearings would be conducted to solicit public input on the design of the enhanced TSEP program.
4. Draft guidelines and administrative rules would be developed, printed and distributed for formal public comment. One formal public hearing would be held on the guidelines and administrative rules prior to adopting rules, under the Montana administrative Procedures Act. Final guidelines and application forms would be written, printed, and distributed to potential applicants. The Department would develop methods to review and rank applications for the new infrastructure facilities authorized in HB599 (roads, public safety facilities, infrastructure for affordable housing, and handicapped accessibility improvements).
5. Six application workshops would be held in the fall of 1996.
6. Costs to administer HB599 would be phased-in incrementally during FY97 to meet new work demands created by the bill. The workload created would require DOC to hire an additional Grade 15 Program Specialist FTE, and to hire a new Grade 16 Engineer FTE. In addition, there would be increased costs for operating expenses to start up the new activities required by HB599. In particular, contracted services funds would be needed to help the Department design financial analysis procedures to evaluate the additional types of infrastructure projects authorized for funding by HB599.

(Continued)

David Lewis 3-23-95
DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

John Mercer
JOHN MERCER, PRIMARY SPONSOR DATE

(continued)

7. As provided in HB599, all TSEP funding awards would be grants. (If loans were included, there would be an additional cost of at least \$25,000 per year (\$50,000 for the biennium) for a contract for bond counsel and underwriting services.

Historical Society

- The Society will administer a \$1,000,000/year grant or bonding program beginning in the 1999 biennium. (See technical note). This amount may be available for debt services. Applications for grants must be submitted to the Montana Historical Society. These grants or bonds will be used for acquisition, preservation, restoration, and adaptive reuse of historic sites and their contents. The Society shall adopt procedures for the review and award of grants. The Society will recommend grants to the governor.
- The Society will receive a \$4 million dollar loan from the coal severance tax permanent fund for historic infrastructure projects. The loan must be repaid over a 10-year period from amounts allocated for historic infrastructure projects. This amount will be available from the one million dollars a year of the money deposited to the treasure state endowment fund and earmarked for historic projects. The restriction on the interest rate on the loan will reduce interest payments to the general fund by \$102,000 for each year of the biennium.
- The society will take title of Nevada City and shall oversee the administration of the property, including all of the buildings, facilities, and artifacts. The Society may lease or sell the property to a local nonprofit corporation but will not be responsible for its day-to-day operation.

FISCAL IMPACT:Expenditures:

	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
DOC Community Development:		
FTE	0	1.00
Personal Services	0	66,971
Operating Expenses	0	110,830
Equipment	0	6,600
Transfer to Historical Soc.	0	2,000,000
Grants	<u>0</u>	<u>3,815,599</u>
Total	0	6,000,000
 Treasure State SSR (02)	 0	 6,000,000

Revenues:*

	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
DOC Board of Investments:		
General Fund Interest Income	(262,000)	(420,000)
Coal Trust to General Fund	0	850,000
Research & Development SSR	2,000,000	2,000,000
Treasure State SSR	0	6,000,000
Permanent Coal Tax Deposits	<u>(2,000,000)</u>	<u>(8,850,000)</u>
Total	(262,000)	(420,000)

* Ignores contributions, matching funds and endowment account.

Net Impact on General Fund:

	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
General Fund (01)	(262,000)	430,000

TECHNICAL NOTES:

As drafted, funds available for the Treasure State and Research and Development Accounts would be one-half of the maxima contained in the proposal because 50% of the deposits in the trust are earmarked to the Treasure State Endowment Fund.

The bill provides for a statutory appropriation from the permanent trust to the general fund of "up to \$850,000" but fails to mention how the amount is to be determined.

Section 8 (4) conflicts with Section 5 (9) making it unclear when the allocation to the Historical Society is to be made. This note assumes the allocation would be made at the end of the 1997 biennium.

APPROVED BY COMMITTEE
ON BUSINESS AND LABOR

HOUSE BILL NO. 599

INTRODUCED BY MERCER, VAN VALKENBURG, FORBES, FRANKLIN, SIMPKINS, OHS, QUILICI,

PAVLOVICH, WISEMAN, GRINDE, BROWN

BY REQUEST OF THE GOVERNOR

A BILL FOR AN ACT ENTITLED: "AN ACT STIMULATING ECONOMIC PROSPERITY IN MONTANA THROUGH RESEARCH AND DEVELOPMENT, INFRASTRUCTURE DEVELOPMENT, AND HISTORIC PRESERVATION; APPROPRIATING COAL SEVERANCE TAX PERMANENT FUNDS TO SUPPORT RESEARCH AND DEVELOPMENT CENTERS AND TO BE USED AS MATCHING FUNDS FOR RESEARCH AND DEVELOPMENT PROJECTS; PROVIDING FOR MATCHING GRANTS TO LOCAL GOVERNMENTS FOR INFRASTRUCTURE PROJECTS; EXPANDING THE TYPES OF PROJECTS AND LOCAL GOVERNMENTS ELIGIBLE TO PARTICIPATE IN THE TREASURE STATE ENDOWMENT PROGRAM; AUTHORIZING A COAL SEVERANCE TAX LOAN FOR SPECIFIED HISTORIC PRESERVATION INFRASTRUCTURE PROJECTS; TRANSFERRING COAL SEVERANCE TAX FUNDS FROM THE PERMANENT FUND TO THE TREASURE STATE ENDOWMENT FUND; APPROPRIATING COAL SEVERANCE TAX FUNDS TO THE GENERAL FUND TO REPLACE LOST INTEREST INCOME; AMENDING SECTIONS 17-5-703, 17-7-502, 90-6-701, 90-6-703, AND 90-6-710, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

NEW SECTION. Section 1. Purpose -- definitions. (1) The purpose of the research and development special revenue account established in [section 2] and the endowment fund established in 17-5-703 is to provide a predictable, long-term source of funding for research and development projects to be conducted by research and development centers located in Montana. The state is encouraging a diversified, technology-based economic sector. The investment in research and development projects will assist in diversifying Montana's economy, provide employment opportunities for future generations, and enhance educational opportunities for Montanans.

(2) As used in [sections 2 and 3] and this section, the following definitions apply:

(a) "Board" means the research and development board provided for in [section 4].

(b) "Program" means the research and development and endowment program provided for in

1 [sections 2 and 3].

2 (c) "Research and development center" means the university of Montana or Montana state
3 university. A private, nonprofit laboratory, research project, or research center may contract with a
4 Montana public university to conduct a research project.

5

6 **NEW SECTION. Section 2. Research and development account -- use.** (1) There is a research and
7 development special revenue account. On July 1, 2015, the balance in the account reverts to the coal
8 severance tax permanent fund. If the program is ended pursuant to [section 3(1)(c)], the balance in the
9 account reverts to the coal severance tax permanent fund. The interest income and earnings on the account
10 are statutorily appropriated, as provided in 17-7-502, to the board for the purposes provided in this section.

11 (2) The establishment of the research and development special revenue account in this section and
12 the endowment fund in 17-5-703 and the pledge and appropriation of funds from the coal severance tax
13 permanent trust fund constitute a valid and binding obligation of the state to provide the money for a period
14 of 20 years, provided that both research and development centers enter into contracts with the state,
15 agreeing to undertake research and redevelopment projects and to make contributions to the endowment
16 fund as required in [sections 1 through 3].

17 (3) The research and development special revenue account may be used only for matching funds
18 for grants from nonstate sources for research and development projects to be conducted at research and
19 development centers located in Montana. An amount allocated for matching funds must be matched by
20 at least a 1-to-1 ratio.

21 (4) The board shall establish policies, procedures, and criteria for the awarding of grants. The
22 criteria must include:

23 (a) the project's potential to diversify or add value to a basic industry of the state's economy;

24 (b) whether the project ~~demonstrates a~~ HAS THE clear ~~path to~~ POTENTIAL FOR commercial
25 development of the research results within the state;

26 (c) whether the project employs or otherwise takes advantage of existing research and
27 development strengths within the state's public university and private research establishments;

28 (d) whether the project involves a realistic and achievable research project design;

29 (e) whether the project develops or employs an innovative technology;

30 (f) verification that the project activity is located within the state; and

1 (g) whether the project's research team possesses sufficient expertise in the appropriate technology
2 area to complete the research objectives of the project.

3 (5) The board shall direct the state treasurer to distribute funds for approved proposals to the
4 research and development center for administration of the grant project. UNALLOCATED INTEREST AND
5 EARNINGS FROM THE RESEARCH AND DEVELOPMENT SPECIAL REVENUE ACCOUNT MUST BE
6 DEPOSITED IN THE GENERAL FUND.

7
8 NEW SECTION. Section 3. Endowment fund -- accounts -- uses. (1) (a) There is within the coal
9 severance tax trust fund ~~an~~ A RESEARCH AND DEVELOPMENT endowment fund. The purpose of the
10 endowment fund is to establish a permanent source of funding for research and development projects. The
11 endowment fund must accept contributions as described in subsection (1)(b) and contributions from other
12 sources. Interest earned on the endowment principal must be capitalized to the endowment until June 30,
13 2015, or to an earlier time that may occur pursuant to subsection (1)(c). Beginning July 1, 2015, interest
14 earned on the endowment fund must be available to support research and development efforts at research
15 and development centers.

16 (b) Contributions by the research and development centers to the endowment fund must begin in
17 fiscal year 1996. The contribution in fiscal year 1996 must be no less than 5% of the total pro rata share
18 of each research and development center's grant award plus the research and development center's pro
19 rata share of the \$1 million transferred to the endowment fund each year. In each succeeding fiscal year,
20 the minimum contribution rate is increased by 1% until fiscal year 2015. The endowment fund may receive
21 contributions from other sources. The endowment fund must contain accounts for each research and
22 development center.

23 (c) At the end of each fiscal year, the research and development centers may jointly decide to
24 discontinue participation in the program and shall notify the board that no future grant proposals will be
25 submitted. THE GOVERNOR SHALL REFLECT THE TERMINATION OF PARTICIPATION IN THE PROGRAM
26 IN THE BUDGET SUBMITTED TO THE NEXT REGULAR SESSION OF THE LEGISLATURE. If a research and
27 development center does not make the required annual contribution to the endowment fund, the board may
28 recommend to the governor that the state's participation in the endowment fund for that research and
29 development center terminate. The governor shall make the final determination to terminate a research and
30 development center's participation.

1 (d) If the program ends pursuant to subsection (1)(c), the STATE annual contribution and interest
 2 ~~on the contributions~~ THEREON must be returned to the coal severance tax permanent fund. The research
 3 and development center's contributions and interest on the contributions must revert to the research and
 4 development center.

5 (2) ~~Unallocated interest and earnings from the research and development fund must be deposited~~
 6 ~~in the endowment fund.~~ The endowment fund must be invested by the board of investments. After June
 7 30, 2015, earnings on the endowment fund must be deposited in the research and development special
 8 revenue account for distribution pursuant to [section 2(3)].

9

10 **NEW SECTION. Section 4. Research and development board.** (1) The governor shall appoint 11
 11 people to a research and development board to review and approve grant proposals. The board is attached
 12 to the ~~office of the governor~~ DEPARTMENT OF COMMERCE for administrative purposes only. The board
 13 consists of one member of the house of representatives, appointed by the speaker, and one member of the
 14 senate, appointed by the committee on committees. The legislative members must be from different
 15 political parties. The remaining members must be representative of the following:

- 16 (a) mineral extraction and processing;
- 17 (b) forestry and wood processing;
- 18 (c) agriculture;
- 19 (d) energy resources;
- 20 (e) biotechnology;
- 21 (f) communications and manufacturing processes;
- 22 (g) investment and financial services;
- 23 (h) environmental engineering; and
- 24 (i) the governor's staff.

25 (2) Board members serve for no salary. Board members are entitled to travel, meals, and lodging
 26 expenses as provided for in 2-18-501 through 2-18-503.

27

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

29 "17-5-703. **Coal severance tax trust funds.** (1) The trust established under Article IX, section 5,
 30 of the Montana constitution is composed of the following funds:

1 (a) a coal severance tax bond fund into which the constitutionally dedicated receipts from the coal
2 severance tax must be deposited;

3 (b) a treasure state endowment fund;

4 (c) a coal severance tax permanent fund;

5 (d) a coal severance tax income fund; ~~and~~

6 (e) a coal severance tax school bond contingency loan fund; and

7 (f) an A RESEARCH AND DEVELOPMENT endowment fund.

8 (2) (a) The state treasurer shall determine, on July 1 of each year, the amount necessary to meet
9 all principal and interest payments on bonds payable from the coal severance tax bond fund during the next
10 12 months and retain that amount in the coal severance tax bond fund.

11 (b) The amount in the coal severance tax bond fund in excess of the amount required in subsection
12 (2)(a) must be transferred from that fund as provided in subsections (3) through ~~(5)~~ (6).

13 (3) (a) On January 21, 1992, and continuing as long as any school district bonds secured by state
14 loans under 20-9-466 are outstanding, the state treasurer shall from time to time and as provided in
15 subsection (3)(b) transfer from the coal severance tax bond fund to the coal severance tax school bond
16 contingency loan fund any amount in the coal severance tax bond fund in excess of the amount that is
17 specified in subsection (2) to be retained in the fund.

18 (b) The state treasurer shall transfer the amount referred to in subsection (3)(a) until and unless
19 the balance in the coal severance tax school bond contingency loan fund is equal to the amount due as
20 principal of and interest on the school district bonds secured by state loans under 20-9-466 during the next
21 following 12 months.

22 (4) (a) Beginning July 1, 1993, and ending June 30, 2013, the state treasurer shall quarterly
23 transfer to the treasure state endowment fund 50% of the amount in the coal severance tax bond fund in
24 excess of the amount that is specified in subsection (2) to be retained in the fund and in excess of amounts
25 that are transferred pursuant to subsection (3).

26 (b) The state treasurer shall monthly transfer from the treasure state endowment fund to the
27 treasure state endowment special revenue account the amount of earnings required to meet the obligations
28 ~~of the state that are payable from the account in accordance with 90-6-710 on the fund.~~ Earnings not
29 transferred to the treasure state endowment special revenue account must be retained in the treasure state
30 endowment fund.

1 (5) Any amount in the coal severance tax bond fund in excess of the amount that is specified in
 2 subsection (2)(a) to be retained in the fund and that is not otherwise allocated under this section must be
 3 deposited in the coal severance tax permanent fund.

4 (6) There is statutorily appropriated, as provided in 17-7-502, on an annual A BIENNIAL basis to
 5 the state general fund, up to ~~\$2.4 million~~ \$850,000 of the deposits to the coal severance tax permanent
 6 fund. The statutory appropriation commences July 1, 1995, and terminates June 30, 2015.

7 (7) There is statutorily appropriated, as provided in 17-7-502, on an annual basis to the research
 8 and development special revenue account, the lesser of 20% or \$4 million from the deposits to the coal
 9 severance tax permanent fund, to be used as provided in [section 2]. The statutory appropriation
 10 commences July 1, 1995, and terminates June 30, 2015.

11 (8) There is statutorily appropriated, as provided in 17-7-502, on an annual basis to the RESEARCH
 12 AND DEVELOPMENT endowment fund, \$1 million from the research and development special revenue
 13 account, to be used as provided in [section 3]. The statutory appropriation commences July 1, 1995, and
 14 terminates June 30, 2015.

15 (9) There is statutorily appropriated, as provided in 17-7-502, on an annual A BIENNIAL basis, the
 16 lesser of \$6 million PER YEAR or 30% of the ANNUAL deposits to the coal severance tax permanent fund
 17 to the treasure state endowment special revenue account provided for in subsection (4)(b). The statutory
 18 appropriation commences July 1, 1995, and terminates June 30, 2015. THE TRANSFER OF THE FUNDS
 19 TO THE SPECIAL REVENUE ACCOUNT MUST BE MADE ON A SEMIANNUAL BASIS IN THE AMOUNT
 20 NECESSARY TO SERVICE BONDS PROVIDED FOR IN [SECTION 10]. ALL OTHER TRANSFERS UNDER
 21 THIS SUBSECTION MUST BE MADE AT THE END OF THE BIENNIUM."

22
 23 **Section 6.** Section 17-7-502, MCA, is amended to read:

24 **"17-7-502. Statutory appropriations -- definition -- requisites for validity.** (1) A statutory
 25 appropriation is an appropriation made by permanent law that authorizes spending by a state agency
 26 without the need for a biennial legislative appropriation or budget amendment.

27 (2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply
 28 with both of the following provisions:

29 (a) The law containing the statutory authority must be listed in subsection (3).

30 (b) The law or portion of the law making a statutory appropriation must specifically state that a

1 statutory appropriation is made as provided in this section.

2 (3) The following laws are the only laws containing statutory appropriations: 2-9-202; 2-17-105;
 3 2-18-812; 3-5-901; 5-13-403; 10-3-203; 10-3-312; 10-3-314; 10-4-301; 15-1-111; 15-23-706;
 4 15-25-123; 15-31-702; 15-36-112; 15-37-117; 15-38-202; 15-65-121; 15-70-101; 16-1-404; 16-1-410;
 5 16-1-411; 17-3-106; 17-3-212; 17-5-404; 17-5-424; 17-5-703; 17-5-704; 17-5-804; 17-6-101; 17-6-201;
 6 17-6-409; 17-7-304; 18-11-112; 19-2-502; 19-6-709; 19-9-1007; 19-15-101; 19-17-301; 19-18-512;
 7 19-18-513; 19-18-606; 19-19-205; 19-19-305; 19-19-506; 20-4-109; 20-8-111; 20-9-361; [section 2];
 8 20-26-1403; 20-26-1503; 23-2-823; 23-5-136; 23-5-306; 23-5-409; 23-5-610; 23-5-612; 23-5-631;
 9 23-7-301; 23-7-402; 27-12-206; 32-1-537; 37-43-204; 37-51-501; 39-71-503; 39-71-907; 39-71-2321;
 10 39-71-2504; 44-12-206; 44-13-102; 50-5-232; 50-40-206; 53-6-150; 53-24-206; 60-2-220; 61-2-107;
 11 67-3-205; 75-1-1101; 75-5-507; 75-5-1108; 75-11-313; 76-12-123; 77-1-808; 80-2-103; 80-2-222;
 12 80-4-416; 80-11-310; 81-5-111; 82-11-136; 82-11-161; 85-1-220; 85-20-402; 90-3-301; 90-4-215;
 13 90-6-331; 90-7-220; 90-9-306; and 90-14-107.

14 (4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing,
 15 paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued
 16 pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of
 17 Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as
 18 determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the
 19 bonds or notes have statutory appropriation authority for the payments. (In subsection (3): pursuant to sec.
 20 7, Ch. 567, L. 1991, the inclusion of 19-6-709 terminates upon death of last recipient eligible for
 21 supplemental benefit; and pursuant to sec. 15, Ch. 534, L. 1993, the inclusion of 90-14-107 terminates
 22 July 1, 1995.)"

23

24 **Section 7.** Section 90-6-701, MCA, is amended to read:

25 **"90-6-701. Treasure state endowment program created -- definitions.** (1) ~~There is a treasure~~
 26 state endowment program that consists of:

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

28 ~~((b))~~ (b) the infrastructure portion of the coal severance tax bond program provided for in
 29 17-5-701(2).

30 ~~(b) The treasure state endowment program may borrow from the board of investments to provide~~

1 ~~additional financial assistance for local government infrastructure projects under this part, provided that no~~
 2 ~~part of the loan may be made from retirement funds.~~

3 (2) Interest from the treasure state endowment fund and from proceeds of the sale of bonds under
 4 17-5-701(2) may be used to fund historic preservation projects and to provide financial assistance for local
 5 government infrastructure projects under this part and to repay loans from the board of investments.

6 (3) As used in this part, the following definitions apply:

7 (a) "Infrastructure ~~projects~~" means:

8 (i) drinking water systems;

9 (ii) wastewater treatment;

10 (iii) sanitary sewer or storm sewer systems;

11 (iv) solid waste disposal and separation systems, including site acquisition, preparation, or
 12 monitoring; ~~or~~

13 (v) bridges;

14 (vi) construction or renovation of public safety facilities, including but not limited to jails, detention
 15 facilities, law enforcement centers, and fire protection facilities;

16 (vii) access to public facilities for people with disabilities; AND

17 ~~(viii) infrastructure for housing development by public or nonprofit entities;~~

18 ~~(ix)(VIII) street and road construction and reconstruction; and~~

19 ~~(x) acquisition, preservation, restoration, and adaptive reuse of historic sites and their contents.~~

20 (b) "Local government" means an incorporated city or town, a county, a consolidated local
 21 government, a rural fire district or fire service area, or a county or multicounty water, sewer, or solid waste
 22 district.

23 (C) "PROJECT" MEANS:

24 (I) CONSTRUCTION, INSTALLATION, AND EXPANSION OF INFRASTRUCTURE;

25 (II) CONSTRUCTION OR RENOVATION OF PUBLIC HEALTH AND SAFETY AND CORRECTIONAL
 26 FACILITIES;

27 (III) CONSTRUCTION OR MODIFICATION OF EXISTING PUBLIC FACILITIES TO PROVIDE ACCESS
 28 FOR INDIVIDUALS WITH DISABILITIES;

29 (IV) CONSTRUCTION OR INSTALLATION OF INFRASTRUCTURE FOR PUBLIC HOUSING;

30 (V) ACQUISITION, REHABILITATION, AND PRESERVATION OF HISTORIC PLACES AND

1 ARTIFACTS.

2 ~~(D)~~ "Treasure state endowment fund" means the coal severance tax infrastructure endowment
3 fund established in 17-5-703(1)(b).

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

6

7 **Section 8.** Section 90-6-703, MCA, is amended to read:

8 **"90-6-703. Types of financial assistance available.** (1) The legislature shall provide for and make
9 available to local governments the following types of financial assistance under this part:

10 (a) matching grants for local infrastructure projects;

11 (b) annual debt service subsidies on local infrastructure projects; and

12 (c) loans from the proceeds of coal severance tax bonds at a subsidized interest rate.

13 (2) The department of natural resources and conservation and the department of commerce:

14 (a) may adopt rules to commit to interest rate subsidies for local infrastructure projects and may
15 allow the subsidies to be paid over the life of the loan or bonding period; and

16 (b) may make deferred loans to local governments for preliminary engineering study costs. The
17 applicant shall repay the loans whether or not the applicant succeeds in obtaining financing for the full
18 project. Repayment may be postponed until the overall construction financing is arranged.

19 (3) The amount of a grant for an infrastructure project may not exceed \$500,000. A local
20 government shall provide funds for an infrastructure project on at least a one-to-one matching basis.

21 (4) One million dollars a year of the money deposited to the treasure state endowment fund must
22 be transferred to a separate account to be used for projects provided for in 90-6-701(3)(a)(x) (3)(C)(V).

23 The amount available under this subsection may be used for debt service or grants."

24

25 **Section 9.** Section 90-6-710, MCA, is amended to read:

26 **"90-6-710. Priorities for projects -- procedure -- rulemaking.** (1) ~~The~~ Except as provided in [section
27 10], the department of commerce must receive proposals for projects from local governments as defined
28 in 90-6-701(3)(b). The department shall work with a local government in preparing cost estimates for a
29 project. In reviewing project proposals, the department may consult with other state agencies with expertise
30 pertinent to the proposal. The department shall prepare and submit a list containing the recommended

1 projects and the recommended form and amount of financial assistance for each project to the governor,
 2 prioritized pursuant to subsection (2). The governor shall review the projects recommended by the
 3 department and shall submit a list of recommended projects and the recommended financial assistance to
 4 the legislature.

5 (2) In preparing recommendations under subsection (1), preference must be given to projects based
 6 on the following order of priority:

7 (a) projects that solve urgent and serious public health or safety problems or that enable local
 8 governments to meet state or federal health or safety standards;

9 (b) projects that ~~enable local governments to meet state or federal health or safety standards~~ reflect
 10 a greater need for financial assistance than other projects;

11 (c) projects that incorporate appropriate, cost-effective technical design and that provide thorough,
 12 long-term solutions to ~~community~~ public facility needs;

13 (d) projects that ~~result in a benefit to the public commensurate with the amount of financial~~
 14 ~~assistance. However, the benefit to the public may not be measured by population alone.~~ reflect substantial
 15 past efforts to ensure effective long-term management of the facility or system and to resolve the
 16 infrastructure problem with local resources;

17 (e) ~~projects that reflect greater need for financial assistance than other projects;~~

18 (f) projects that enable local governments to ~~obtain~~ leverage funds from sources other than the
 19 funds provided under this part;

20 (g) ~~(f)~~ projects that provide long-term, full-time job opportunities for Montanans;

21 (h) ~~projects~~ or that provide public facilities necessary for the expansion of a business that has a
 22 high potential for financial success;

23 (i) ~~(g)~~ projects that maintain ~~the tax base or that do not discourage~~ encourage expansion of the tax
 24 base; and

25 (j) ~~(h)~~ projects that are high local priorities and ~~have~~ that demonstrate strong community support.

26 (3) After the review required by subsection (1), the projects must be approved by the legislature.

27 (4) The department shall adopt rules necessary to implement the treasure state endowment
 28 program."

29
 30 **NEW SECTION. Section 10. Grant procedures -- bonds.** (1) Applications for grants provided for

1 projects funded pursuant to 90-6-701(3)(a)(*)~~(3)(C)(V)~~ and 90-6-703(4) must be submitted to the Montana
 2 historical society. The Montana historical society shall adopt procedures for the review and award of
 3 grants. The grants must be recommended by the Montana historical society to the governor, who shall
 4 review the recommendations and submit a prioritized list of recommendations to the legislature for approval.

5 (2) The Montana historical society may recommend that a project be funded by the issuance of
 6 bonds.

7
 8 NEW SECTION. Section 11. Preservation and maintenance of historic sites loan. (1) ~~There is~~
 9 ~~loaned~~ THE BOARD OF INVESTMENTS SHALL LOAN from the coal severance tax permanent fund to the
 10 Montana historical society \$4 million for historic infrastructure projects. The loan must be used:

11 (a) subject to [section 10], for acquisition of Nevada City for an amount not to exceed the
 12 appraised value or \$3 million, whichever is lower; and

13 (b) for a grant not to exceed \$1 million to the Great Falls convention and visitors bureau for the
 14 Lewis and Clark national historic trail interpretive center.

15 (2) The loan must be repaid over a 10-year period from amounts allocated for historic infrastructure
 16 projects pursuant to 90-6-703(4) AND MUST BEAR INTEREST AT A RATE NOT TO EXCEED THE RATE
 17 EARNED ON THE SHORT-TERM INVESTMENT POOL.

18
 19 NEW SECTION. Section 12. Administration of Nevada City -- lease or sell -- conditions for
 20 acquisition. (1) The Montana historical society is authorized to take title of Nevada City pursuant to [section
 21 11] and shall, subject to subsection (2) of this section, oversee the administration of the property, including
 22 all of the buildings, facilities, and artifacts. The Montana historical society may lease or sell the property
 23 to a local nonprofit corporation.

24 (2) The Montana historical society may not take title under subsection (1) until it receives a
 25 contract from a local, nonprofit corporation agreeing to assume full responsibility for the management,
 26 maintenance, and operational costs of Nevada City and associated personal property and agreeing that
 27 major changes or modifications to the property will be done only upon approval by the Montana historical
 28 society.

29
 30 NEW SECTION. Section 13. Codification instructions. (1) [Sections 1 through 3] are intended to

1 be codified as an integral part of Title 20, chapter 25, part 4, and the provisions of Title 20, chapter 25,
2 part 4, apply to [sections 1 through 3].

3 (2) [Section 4] is intended to be codified as an integral part of Title 2, chapter 15, part ~~2~~ 18, and
4 the provisions of Title 2, chapter 15, part ~~2~~ 18, apply to [section 4].

5 (3) [Section 10] is intended to be codified as an integral part of Title 90, chapter 6, part 7, and the
6 provisions of Title 90, chapter 6, part 7, apply to [section 10].

7

8 **NEW SECTION. Section 14. Three-fourths vote required.** Because this bill statutorily appropriates
9 money from the coal severance tax trust fund, Article IX, section 5, of the Montana constitution requires
10 a vote of three-fourths of the members of each house of the legislature for passage.

11

12

13 **NEW SECTION. Section 15. Effective date.** [This act] is effective on passage and approval.

14

-END-

1 HOUSE BILL NO. 599

2 INTRODUCED BY MERCER, VAN VALKENBURG, FORBES, FRANKLIN, SIMPKINS, OHS, QUILICI,

3 PAVLOVICH, WISEMAN, GRINDE, BROWN

4 BY REQUEST OF THE GOVERNOR

5
 6 A BILL FOR AN ACT ENTITLED: "AN ACT STIMULATING ECONOMIC PROSPERITY IN MONTANA
 7 THROUGH RESEARCH AND DEVELOPMENT, INFRASTRUCTURE DEVELOPMENT, AND HISTORIC
 8 PRESERVATION; APPROPRIATING COAL SEVERANCE TAX PERMANENT FUNDS TO SUPPORT RESEARCH
 9 AND DEVELOPMENT CENTERS AND TO BE USED AS MATCHING FUNDS FOR RESEARCH AND
 10 DEVELOPMENT PROJECTS; PROVIDING FOR MATCHING GRANTS TO LOCAL GOVERNMENTS FOR
 11 INFRASTRUCTURE PROJECTS; EXPANDING THE TYPES OF PROJECTS AND LOCAL GOVERNMENTS
 12 ELIGIBLE TO PARTICIPATE IN THE TREASURE STATE ENDOWMENT PROGRAM; AUTHORIZING A COAL
 13 SEVERANCE TAX LOAN FOR SPECIFIED HISTORIC PRESERVATION INFRASTRUCTURE PROJECTS;
 14 TRANSFERRING COAL SEVERANCE TAX FUNDS FROM THE PERMANENT FUND TO THE TREASURE
 15 STATE ENDOWMENT FUND; APPROPRIATING COAL SEVERANCE TAX FUNDS TO THE GENERAL FUND
 16 TO REPLACE LOST INTEREST INCOME; AMENDING SECTIONS 17-5-703, 17-7-502, 90-6-701, 90-6-703,
 17 AND 90-6-710, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

18
 19 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

20
 21 NEW SECTION. **Section 1. Purpose -- definitions.** (1) The purpose of the research and
 22 development special revenue account established in [section 2] and the endowment fund established in
 23 17-5-703 is to provide a predictable, long-term source of funding for research and development projects
 24 to be conducted by research and development centers located in Montana. The state is encouraging a
 25 diversified, technology-based economic sector. The investment in research and development projects will
 26 assist in diversifying Montana's economy, provide employment opportunities for future generations, and
 27 enhance educational opportunities for Montanans.

28 (2) As used in [sections 2 and 3] and this section, the following definitions apply:

29 (a) "Board" means the research and development board provided for in [section 4].

30 (b) "Program" means the research and development and endowment program provided for in

1 [sections 2 and 3].

2 (c) "Research and development center" means the university of Montana or Montana state
3 university. A private, nonprofit laboratory, research project, or research center may contract with a
4 Montana public university to conduct a research project.

5

6 **NEW SECTION. Section 2. Research and development account -- use.** (1) There is a research and
7 development special revenue account. On July 1, 2015, the balance in the account reverts to the coal
8 severance tax permanent fund. If the program is ended pursuant to [section 3(1)(c)], the balance in the
9 account reverts to the coal severance tax permanent fund. The interest income and earnings on the account
10 are statutorily appropriated, as provided in 17-7-502, to the board for the purposes provided in this section.

11 (2) The establishment of the research and development special revenue account in this section and
12 the endowment fund in 17-5-703 and the pledge and appropriation of funds from the coal severance tax
13 permanent trust fund constitute a valid and binding obligation of the state to provide the money for a period
14 of 20 years, provided that both research and development centers enter into contracts with the state,
15 agreeing to undertake research and redevelopment projects and to make contributions to the endowment
16 fund as required in [sections 1 through 3].

17 (3) The research and development special revenue account may be used only for matching funds
18 for grants from nonstate sources for research and development projects to be conducted at research and
19 development centers located in Montana. An amount allocated for matching funds must be matched by
20 at least a 1-to-1 ratio.

21 (4) The board shall establish policies, procedures, and criteria for the awarding of grants. The
22 criteria must include:

23 (a) the project's potential to diversify or add value to a basic industry of the state's economy;

24 (b) whether the project ~~demonstrates a~~ HAS THE clear path to POTENTIAL FOR SHOWS PROMISE
25 FOR ENHANCING TECHNOLOGY-BASED SECTORS OF MONTANA'S ECONOMY OR PROMISE FOR
26 commercial development of ~~the research results within the state~~ DISCOVERIES;

27 (c) whether the project employs or otherwise takes advantage of existing research and
28 development strengths within the state's public university and private research establishments;

29 (d) whether the project involves a realistic and achievable research project design;

30 (e) whether the project develops or employs an innovative technology;

1 (f) verification that the project activity is located within the state; ~~and~~

2 (g) whether the project's research team possesses sufficient expertise in the appropriate technology
3 area to complete the research objectives of the project; AND

4 (H) VERIFICATION THAT THE PROJECT WAS AWARDED BASED ON ITS SCIENTIFIC MERIT,
5 FOLLOWING REVIEW BY A RECOGNIZED FEDERAL AGENCY OR PHILANTHROPIC FOUNDATION.

6 (5) The board shall direct the state treasurer to distribute funds for approved proposals to the
7 research and development center for administration of the grant project. UNALLOCATED INTEREST AND
8 EARNINGS FROM THE RESEARCH AND DEVELOPMENT SPECIAL REVENUE ACCOUNT MUST BE
9 DEPOSITED IN THE GENERAL FUND.

10

11 NEW SECTION. Section 3. Endowment fund -- accounts -- uses. (1) (a) There is within the coal
12 severance tax trust fund ~~an~~ A RESEARCH AND DEVELOPMENT endowment fund. The purpose of the
13 endowment fund is to establish a permanent source of funding for research and development projects. The
14 endowment fund must accept contributions as described in subsection (1)(b) and contributions from other
15 sources. Interest earned on the endowment principal must be capitalized to the endowment until June 30,
16 2015, or to an earlier time that may occur pursuant to subsection (1)(c). Beginning July 1, 2015, interest
17 earned on the endowment fund must be available to support research and development efforts at research
18 and development centers.

19 (b) Contributions by the research and development centers to the endowment fund must begin in
20 fiscal year 1996. The contribution in fiscal year 1996 must be no less than 5% of the total pro rata share
21 of each research and development center's grant award plus the research and development center's pro
22 rata share of the \$1 million transferred to the endowment fund each year. In each succeeding fiscal year,
23 the minimum contribution rate is increased by 1% until fiscal year 2015. The endowment fund may receive
24 contributions from other sources. The endowment fund must contain accounts for each research and
25 development center.

26 (c) At the end of each fiscal year, the research and development centers may jointly decide to
27 discontinue participation in the program and shall notify the board that no future grant proposals will be
28 submitted. THE GOVERNOR SHALL REFLECT THE TERMINATION OF PARTICIPATION IN THE PROGRAM
29 IN THE BUDGET SUBMITTED TO THE NEXT REGULAR SESSION OF THE LEGISLATURE. If a research and
30 development center does not make the required annual contribution to the endowment fund, the board may

1 recommend to the governor that the state's participation in the endowment fund for that research and
 2 development center terminate. The governor shall make the final determination to terminate a research and
 3 development center's participation.

4 (d) If the program ends pursuant to subsection (1)(c), the STATE annual contribution and interest
 5 ~~on the contributions~~ THEREON must be returned to the coal severance tax permanent fund. The research
 6 and development center's contributions and interest on the contributions must revert to the research and
 7 development center.

8 (2) ~~Unallocated interest and earnings from the research and development fund must be deposited~~
 9 ~~in the endowment fund.~~ The endowment fund must be invested by the board of investments. After June
 10 30, 2015, earnings on the endowment fund must be deposited in the research and development special
 11 revenue account for distribution pursuant to [section 2(3)].

12

13 NEW SECTION. Section 4. Research and development board. (1) The governor shall appoint 11
 14 people to a research and development board to review and approve grant proposals. The board is attached
 15 to the ~~office of the governor~~ DEPARTMENT OF COMMERCE for administrative purposes only. The board
 16 consists of one member of the house of representatives, appointed by the speaker, and one member of the
 17 senate, appointed by the committee on committees. The legislative members must be from different
 18 political parties. TWO OF THE MEMBERS LISTED IN SUBSECTIONS (1) (A) THROUGH (1) (I) MUST BE
 19 SCIENTISTS WITH ACTIVE RESEARCH PROGRAMS UNDER THEIR MANAGEMENT. The remaining
 20 members must be representative of the following:

- 21 (a) mineral extraction and processing;
 22 (b) forestry and wood processing;
 23 (c) agriculture;
 24 (d) energy resources;
 25 (e) biotechnology;
 26 (f) communications and manufacturing processes;
 27 (g) investment and financial services;
 28 (h) environmental engineering; and
 29 (i) the governor's staff.

30 (2) Board members serve for no salary. Board members are entitled to travel, meals, and lodging

1 expenses as provided for in 2-18-501 through 2-18-503.

2

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

4 **"17-5-703. Coal severance tax trust funds.** (1) The trust established under Article IX, section 5,
5 of the Montana constitution is composed of the following funds:

6 (a) a coal severance tax bond fund into which the constitutionally dedicated receipts from the coal
7 severance tax must be deposited;

8 (b) a treasure state endowment fund;

9 (c) a coal severance tax permanent fund;

10 (d) a coal severance tax income fund; ~~and~~

11 (e) a coal severance tax school bond contingency loan fund; and

12 (f) ~~an~~ A RESEARCH AND DEVELOPMENT endowment fund.

13 (2) (a) The state treasurer shall determine, on July 1 of each year, the amount necessary to meet
14 all principal and interest payments on bonds payable from the coal severance tax bond fund during the next
15 12 months and retain that amount in the coal severance tax bond fund.

16 (b) The amount in the coal severance tax bond fund in excess of the amount required in subsection
17 (2)(a) must be transferred from that fund as provided in subsections (3) through ~~(5)~~ (6).

18 (3) (a) On January 21, 1992, and continuing as long as any school district bonds secured by state
19 loans under 20-9-466 are outstanding, the state treasurer shall from time to time and as provided in
20 subsection (3)(b) transfer from the coal severance tax bond fund to the coal severance tax school bond
21 contingency loan fund any amount in the coal severance tax bond fund in excess of the amount that is
22 specified in subsection (2) to be retained in the fund.

23 (b) The state treasurer shall transfer the amount referred to in subsection (3)(a) until and unless
24 the balance in the coal severance tax school bond contingency loan fund is equal to the amount due as
25 principal of and interest on the school district bonds secured by state loans under 20-9-466 during the next
26 following 12 months.

27 (4) (a) Beginning July 1, 1993, and ending June 30, 2013, the state treasurer shall quarterly
28 transfer to the treasure state endowment fund 50% of the amount in the coal severance tax bond fund in
29 excess of the amount that is specified in subsection (2) to be retained in the fund and in excess of amounts
30 that are transferred pursuant to subsection (3).

1 (b) The state treasurer shall monthly transfer from the treasure state endowment fund to the
 2 treasure state endowment special revenue account the ~~amount of earnings required to meet the obligations~~
 3 ~~of the state that are payable from the account in accordance with 90-6-710 on the fund.~~ Earnings not
 4 transferred to the treasure state endowment special revenue account must be retained in the treasure state
 5 endowment fund.

6 (5) Any amount in the coal severance tax bond fund in excess of the amount that is specified in
 7 subsection (2)(a) to be retained in the fund and that is not otherwise allocated under this section must be
 8 deposited in the coal severance tax permanent fund.

9 (6) There is statutorily appropriated, as provided in 17-7-502, on an annual A BIENNIAL basis to
 10 the state general fund, up to ~~\$2.4 million~~ \$850,000 of the deposits to the coal severance tax permanent
 11 fund. The statutory appropriation commences July 1, 1995, and terminates June 30, 2015.

12 (7) There is statutorily appropriated, as provided in 17-7-502, on an annual basis to the research
 13 and development special revenue account, the lesser of 20% or \$4 million from the ~~deposits to the coal~~
 14 ~~severance tax permanent fund~~ AMOUNT IN THE COAL SEVERANCE TAX BOND FUND IN EXCESS OF THE
 15 AMOUNT THAT IS SPECIFIED IN SUBSECTION (2), to be used as provided in [section 2]. The statutory
 16 appropriation commences July 1, 1995, and terminates June 30, 2015.

17 (8) There is statutorily appropriated, as provided in 17-7-502, on an annual basis to the RESEARCH
 18 AND DEVELOPMENT endowment fund, \$1 million from the research and development special revenue
 19 account, to be used as provided in [section 3]. The statutory appropriation commences July 1, 1995, and
 20 terminates June 30, 2015.

21 (9) There is statutorily appropriated, as provided in 17-7-502, on an annual A BIENNIAL basis, the
 22 lesser of \$6 million PER YEAR or 30% of the ~~ANNUAL deposits to the coal severance tax permanent fund~~
 23 AMOUNT IN THE COAL SEVERANCE TAX BOND FUND IN EXCESS OF THE AMOUNT THAT IS SPECIFIED
 24 IN SUBSECTION (2) to the treasure state endowment special revenue account provided for in subsection
 25 (4)(b). The statutory appropriation commences July 1, 1995, and terminates June 30, 2015. THE
 26 TRANSFER OF THE FUNDS TO THE SPECIAL REVENUE ACCOUNT MUST BE MADE ON A SEMIANNUAL
 27 BASIS IN THE AMOUNT NECESSARY TO SERVICE BONDS PROVIDED FOR IN [SECTION 10]. ALL OTHER
 28 TRANSFERS UNDER THIS SUBSECTION MUST BE MADE AT THE END OF THE BIENNIUM."

29
 30 Section 6. Section 17-7-502, MCA, is amended to read:

1 **"17-7-502. Statutory appropriations -- definition -- requisites for validity.** (1) A statutory
2 appropriation is an appropriation made by permanent law that authorizes spending by a state agency
3 without the need for a biennial legislative appropriation or budget amendment.

4 (2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply
5 with both of the following provisions:

6 (a) The law containing the statutory authority must be listed in subsection (3).

7 (b) The law or portion of the law making a statutory appropriation must specifically state that a
8 statutory appropriation is made as provided in this section.

9 (3) The following laws are the only laws containing statutory appropriations: 2-9-202; 2-17-105;
10 2-18-812; 3-5-901; 5-13-403; 10-3-203; 10-3-312; 10-3-314; 10-4-301; 15-1-111; 15-23-706;
11 15-25-123; 15-31-702; 15-36-112; 15-37-117; 15-38-202; 15-65-121; 15-70-101; 16-1-404; 16-1-410;
12 16-1-411; 17-3-106; 17-3-212; 17-5-404; 17-5-424; 17-5-703; 17-5-704; 17-5-804; 17-6-101; 17-6-201;
13 17-6-409; 17-7-304; 18-11-112; 19-2-502; 19-6-709; 19-9-1007; 19-15-101; 19-17-301; 19-18-512;
14 19-18-513; 19-18-606; 19-19-205; 19-19-305; 19-19-506; 20-4-109; 20-8-111; 20-9-361; [section 2];
15 20-26-1403; 20-26-1503; 23-2-823; 23-5-136; 23-5-306; 23-5-409; 23-5-610; 23-5-612; 23-5-631;
16 23-7-301; 23-7-402; 27-12-206; 32-1-537; 37-43-204; 37-51-501; 39-71-503; 39-71-907; 39-71-2321;
17 39-71-2504; 44-12-206; 44-13-102; 50-5-232; 50-40-206; 53-6-150; 53-24-206; 60-2-220; 61-2-107;
18 67-3-205; 75-1-1101; 75-5-507; 75-5-1108; 75-11-313; 76-12-123; 77-1-808; 80-2-103; 80-2-222;
19 80-4-416; 80-11-310; 81-5-111; 82-11-136; 82-11-161; 85-1-220; 85-20-402; 90-3-301; 90-4-215;
20 90-6-331; 90-7-220; 90-9-306; and 90-14-107.

21 (4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing,
22 paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued
23 pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of
24 Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as
25 determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the
26 bonds or notes have statutory appropriation authority for the payments. (In subsection (3): pursuant to sec.
27 7, Ch. 567, L. 1991, the inclusion of 19-6-709 terminates upon death of last recipient eligible for
28 supplemental benefit; and pursuant to sec. 15, Ch. 534, L. 1993, the inclusion of 90-14-107 terminates
29 July 1, 1995.)"

30

1 **Section 7.** Section 90-6-701, MCA, is amended to read:

2 **"90-6-701. Treasure state endowment program created -- definitions.** (1) ~~(a)~~ There is a treasure
3 state endowment program that consists of:

4 ~~+(a)~~ the treasure state endowment fund established in 17-5-703;

5 ~~+(b)~~ the infrastructure portion of the coal severance tax bond program provided for in
6 17-5-701(2).

7 ~~(b) The treasure state endowment program may borrow from the board of investments to provide~~
8 ~~additional financial assistance for local government infrastructure projects under this part, provided that no~~
9 ~~part of the loan may be made from retirement funds.~~

10 (2) Interest from the treasure state endowment fund and from proceeds of the sale of bonds under
11 17-5-701(2) may be used to fund historic preservation projects and provide financial assistance for local
12 government infrastructure projects under this part and to repay loans from the board of investments.

13 (3) As used in this part, the following definitions apply:

14 (a) "Infrastructure ~~projects~~" means:

15 (i) drinking water systems;

16 (ii) wastewater treatment;

17 (iii) sanitary sewer or storm sewer systems;

18 (iv) solid waste disposal and separation systems, including site acquisition, preparation, or
19 monitoring; ~~or~~

20 (v) bridges;

21 ~~(vi) construction or renovation of public safety facilities, including but not limited to jails, detention~~
22 ~~facilities, law enforcement centers, and fire protection facilities;~~

23 ~~(vii) access to public facilities for people with disabilities; AND~~

24 ~~(viii) infrastructure for housing development by public or nonprofit entities;~~

25 ~~(ix)(VIII) street and road construction and reconstruction; and~~

26 ~~(x) acquisition, preservation, restoration, and adaptive reuse of historic sites and their contents.~~

27 (b) "Local government" means an incorporated city or town, a county, a consolidated local
28 government, a rural fire district or fire service area, or a county or multicounty water, sewer, or solid waste
29 district.

30 (C) "PROJECT" MEANS:

1 (I) CONSTRUCTION, INSTALLATION, AND EXPANSION OF INFRASTRUCTURE;

2 (II) CONSTRUCTION OR RENOVATION OF PUBLIC HEALTH AND SAFETY AND CORRECTIONAL
3 FACILITIES;

4 (III) CONSTRUCTION OR MODIFICATION OF EXISTING PUBLIC FACILITIES TO PROVIDE ACCESS
5 FOR INDIVIDUALS WITH DISABILITIES;

6 (IV) CONSTRUCTION OR INSTALLATION OF INFRASTRUCTURE FOR PUBLIC HOUSING;

7 (V) ACQUISITION, REHABILITATION, AND PRESERVATION OF HISTORIC PLACES AND
8 ARTIFACTS.

9 ~~(d)~~(D) "Treasure state endowment fund" means the coal severance tax infrastructure endowment
10 fund established in 17-5-703(1)(b).

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

13
14 **Section 8.** Section 90-6-703, MCA, is amended to read:

15 **"90-6-703. Types of financial assistance available.** (1) The legislature shall provide for and make
16 available to local governments the following types of financial assistance under this part:

17 (a) matching grants for local infrastructure projects;

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

19 (c) loans from the proceeds of coal severance tax bonds at a subsidized interest rate.

20 (2) The department of natural resources and conservation and the department of commerce:

21 (a) may adopt rules to commit to interest rate subsidies for local infrastructure projects and may
22 allow the subsidies to be paid over the life of the loan or bonding period; and

23 (b) may make deferred loans to local governments for preliminary engineering study costs. The
24 applicant shall repay the loans whether or not the applicant succeeds in obtaining financing for the full
25 project. Repayment may be postponed until the overall construction financing is arranged.

26 (3) The amount of a grant for an infrastructure project may not exceed \$500,000. A local
27 government shall provide funds for an infrastructure project on at least a one-to-one matching basis.

28 (4) One million dollars a year of the money deposited to the treasure state endowment fund
29 SPECIAL REVENUE ACCOUNT must be transferred to a separate account to be used for projects provided
30 for in 90-6-701(3)(a)(i) (3)(C)(V). The amount available under this subsection may be used for debt service

1 or grants."

2

3 **Section 9.** Section 90-6-710, MCA, is amended to read:

4 **"90-6-710. Priorities for projects -- procedure -- rulemaking.** (1) ~~The~~ Except as provided in [section
5 10], the department of commerce must receive proposals for projects from local governments as defined
6 in 90-6-701(3)(b). The department shall work with a local government in preparing cost estimates for a
7 project. In reviewing project proposals, the department may consult with other state agencies with expertise
8 pertinent to the proposal. The department shall prepare and submit a list containing the recommended
9 projects and the recommended form and amount of financial assistance for each project to the governor,
10 prioritized pursuant to subsection (2). The governor shall review the projects recommended by the
11 department and shall submit a list of recommended projects and the recommended financial assistance to
12 the legislature.

13 (2) In preparing recommendations under subsection (1), preference must be given to projects based
14 on the following order of priority:

15 (a) projects that solve urgent and serious public health or safety problems or that enable local
16 governments to meet state or federal health or safety standards;

17 (b) projects that ~~enable local governments to meet state or federal health or safety standards~~ reflect
18 a greater need for financial assistance than other projects;

19 (c) projects that incorporate appropriate, cost-effective technical design and that provide thorough,
20 long-term solutions to ~~community~~ public facility needs;

21 (d) projects that ~~result in a benefit to the public commensurate with the amount of financial~~
22 ~~assistance. However, the benefit to the public may not be measured by population alone.~~ reflect substantial
23 past efforts to ensure effective long-term management of the facility or system and to resolve the
24 infrastructure problem with local resources;

25 (e) ~~projects that reflect greater need for financial assistance than other projects;~~

26 (f) projects that enable local governments to ~~obtain~~ leverage funds from sources other than the
27 funds provided under this part;

28 (g)(f) projects that provide long-term, full-time job opportunities for Montanans;

29 (h) ~~projects~~ or that provide public facilities necessary for the expansion of a business that has a
30 high potential for financial success;

1 ~~(i)(g)~~ projects that maintain ~~the tax base or that do not discourage~~ encourage expansion of the tax
2 base; and

3 ~~(j)(h)~~ projects that are high local priorities and ~~have~~ that demonstrate strong community support.

4 (3) After the review required by subsection (1), the projects must be approved by the legislature.

5 (4) The department shall adopt rules necessary to implement the treasure state endowment
6 program."

7

8 **NEW SECTION. Section 10. Grant procedures -- bonds.** (1) Applications for grants provided for
9 projects funded pursuant to 90-6-701~~(3)(a)(x)~~~~(3)(C)(V)~~ and 90-6-703(4) must be submitted to the Montana
10 historical society. The Montana historical society shall adopt procedures for the review and award of
11 grants. The grants must be recommended by the Montana historical society to the governor, who shall
12 review the recommendations and submit a prioritized list of recommendations to the legislature for approval.

13 (2) The Montana historical society may recommend that a project be funded by the issuance of
14 bonds.

15

16 **NEW SECTION. Section 11. Preservation and maintenance of historic sites loan.** (1) ~~There is~~
17 ~~loaned~~ **THE BOARD OF INVESTMENTS SHALL LOAN** from the coal severance tax permanent fund to the
18 Montana historical society \$4 million for historic infrastructure projects. The loan must be used:

19 (a) subject to [section 10], for acquisition of Nevada City for an amount not to exceed the
20 appraised value or \$3 million, whichever is lower; and

21 (b) for a grant not to exceed \$1 million to the Great Falls convention and visitors bureau for the
22 Lewis and Clark national historic trail interpretive center.

23 (2) The loan must be repaid over a 10-year period from amounts allocated for historic infrastructure
24 projects pursuant to 90-6-703(4) **AND MUST BEAR INTEREST AT A RATE NOT TO EXCEED THE RATE**
25 **EARNED ON THE SHORT-TERM INVESTMENT POOL.**

26

27 **NEW SECTION. Section 12. Administration of Nevada City -- lease or sell -- conditions for**
28 **acquisition.** (1) The Montana historical society is authorized to take title of Nevada City pursuant to [section
29 11] and shall, subject to subsection (2) of this section, oversee the administration of the property, including
30 all of the buildings, facilities, and artifacts. The Montana historical society may lease or sell the property

1 to a local nonprofit corporation.

2 (2) The Montana historical society may not take title under subsection (1) until it receives a
3 contract from a local, nonprofit corporation agreeing to assume full responsibility for the management,
4 maintenance, and operational costs of Nevada City and associated personal property and agreeing that
5 major changes or modifications to the property will be done only upon approval by the Montana historical
6 society.

7

8 **NEW SECTION. Section 13. Codification instructions.** (1) [Sections 1 through 3] are intended to
9 be codified as an integral part of Title 20, chapter 25, part 4, and the provisions of Title 20, chapter 25,
10 part 4, apply to [sections 1 through 3].

11 (2) [Section 4] is intended to be codified as an integral part of Title 2, chapter 15, part ~~2~~ 18, and
12 the provisions of Title 2, chapter 15, part ~~2~~ 18, apply to [section 4].

13 (3) [Section 10] is intended to be codified as an integral part of Title 90, chapter 6, part 7, and the
14 provisions of Title 90, chapter 6, part 7, apply to [section 10].

15

16 **NEW SECTION. Section 14. Three-fourths vote required.** Because this bill statutorily appropriates
17 money from the coal severance tax trust fund, Article IX, section 5, of the Montana constitution requires
18 a vote of three-fourths of the members of each house of the legislature for passage.

19

20 **NEW SECTION. Section 15. Effective date.** [This act] is effective on passage and approval.

21

-END-