

HOUSE BILL NO. 579

INTRODUCED BY J. FITZPATRICK, M. VINTON, S. ROSENZWEIG, J. KASSMIER, E. BOLDMAN, J. ESP, P.

TUSS

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE RENEWABLE RESOURCE GRANT AND LOAN PROGRAM AND THE MONTANA COAL ENDOWMENT PROGRAM; REQUIRING A LOCAL GOVERNMENT TO ESTABLISH ~~AND FUND A CAPITAL RESERVE ACCOUNT~~ A FUND DEDICATED TO CAPITAL IMPROVEMENT BEFORE FUNDING MAY BE RELEASED FROM THE RENEWABLE RESOURCE GRANT AND LOAN PROGRAM OR THE MONTANA COAL ENDOWMENT PROGRAM; PROVIDING A PRIORITY SYSTEM FOR AWARDING FINANCIAL ASSISTANCE; PROVIDING A DEFINITION; PROVIDING RULEMAKING AUTHORITY; AND AMENDING SECTIONS 85-1-605, 85-1-612, 90-6-703, AND 90-6-710, MCA."

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

**NEW SECTION. Section 1. Local government Project owner requirements before funds are released.** (1) To be eligible to receive funding under the renewable resource grant and loan program, ~~a local government the owner~~ must establish and continually fund ~~a capital reserve account~~ a fund dedicated to capital improvement meeting the requirements of subsection (3) for necessary infrastructure improvements, including but not limited to improvements to water supply systems, wastewater systems, irrigation systems, and water storage dams that are not part of a public water system and that have a water storage capacity in excess of 3,000 acre-feet.

(2) The ~~capital reserve account fund dedicated to capital improvement~~ must be established by September 30 of the odd-numbered year preceding the next regularly scheduled legislative session when the local government owner intends to receive potential project funding.

(3) The ~~local government owner of the project~~ shall deposit into the ~~capital reserve account fund dedicated to capital improvement~~:

(a) an amount equal to 10% of the revenues received by the ~~local government owner~~ from water

supply fees, wastewater system usage fees, or water delivery fees assessed by the ~~local government owner, or~~  
~~an amount calculated using an industry standard for capital improvement planning;~~ or

(b) for the owners of water storage dams described in subsection (1), an amount equal to \$5 per  
acre-foot of water storage capacity. Revenues or royalties from the production and sale of electricity, general  
fund revenues used for the maintenance of water storage dams and other structures owned by the ~~local~~  
~~government owner~~, and fees levied on all members of a conservation district as the conservation district existed  
on January 1, 2025, where the dam is located may be used to meet the requirement of this subsection (3)(b).

(c) A local government may not create any form of special district or improvement district to ~~fund~~  
~~the capital reserve account provided for in~~ meet the requirements of this section.

(3) ~~A local government~~ An owner may expend funds from the ~~capital reserve account fund~~  
~~dedicated to capital improvement~~ only to fund projects with a total estimated cost of at least \$50,000.

(4) As used in this section, "~~local government owner~~" means a county, city, town, consolidated city-  
county, irrigation district, drainage district, or conservation district or a water users' association or ditch  
company organized and incorporated pursuant to Title 35, chapter 14, or Title 85, chapter 6, part 1.

**Section 2.** Section 85-1-605, MCA, is amended to read:

**"85-1-605. Grants, loans, and bonds for state, local, or tribal government assistance --**  
**prioritization.** (1) ~~(a)~~ Pursuant to [section 1] and to subsection (1)(b) of this section, ~~The~~ the department may  
recommend to the legislature that grants and loans be made from revenue deposited in the natural resources  
projects state special revenue account established in 15-38-302, that loans be made from renewable resource  
bond proceeds deposited in the renewable resource loan proceeds account established in 85-1-617(5), and  
that coal severance tax bonds be authorized pursuant to Title 17, chapter 5, part 7, to provide financial  
assistance to a department, agency, board, commission, or other division of state government, to a city, county,  
or other political subdivision or local government body of the state, including an authority as defined in 75-6-  
304, or to a tribal government. The legislature may approve by appropriation or other appropriate means those  
grants and loans that it finds consistent with the policies and purposes of the program.

~~(b) The department shall rank projects using a ratio calculated by dividing the amount of the locally~~  
~~provided match by the estimated total cost of the project. Projects with a higher ratio of local match to total~~

~~project cost may be given priority over other projects with a lower ratio, and consideration must be given to the size and cost of the proposed project, the number of users the project serves, and the ability of the applicant to fund the capital reserve account pursuant to [section 1].~~

(2) Pursuant to [section 1] and ~~in~~ in addition to legislative approval pursuant to subsection (1) of ~~this section~~, the department may request that the board of examiners issue renewable resource bonds of the state so the department may make loans for projects from renewable resource bond proceeds deposited in the renewable resource loan proceeds account established in 85-1-617(5) to a department, agency, board, commission, or other division of state government, to a municipality, county, or other political subdivision or local government body of the state, including an authority as defined in 75-6-304, an irrigation district, a water and sewer district, or other special districts, or to a tribal government.

(3) Nothing in this part creates or expands the state's or a local government's authority to incur debt, and the legislature may authorize and the department may make loans only to state and local government entities otherwise structured to incur debt.

(4) Loans may not be authorized except to a state, local, or tribal government entity that agrees to secure the authorized loan with its bond.

(5) In addition to implementing those projects approved by the legislature or requested by the department pursuant to subsection (2), the department may request up to 10% of the grant funds available and up to \$10 million for loans from the natural resources projects state special revenue account established in 15-38-302 and the renewable resource loan proceeds account in any biennium to be used for emergencies. These emergency grant projects or loan projects, or both, may not be made because of the gross negligence of the state, local, or tribal government applicant, must be approved by the department, and must be defined as those projects otherwise eligible for either grant funding or loan funding or both that, if delayed, will cause substantial damages or legal liability to the project sponsor. In allocating the funds, the department shall inform the legislative fiscal analyst. The department shall provide a copy of the information to the legislature in accordance with 5-11-210.

(6) The grants and loans provided for by this section may be made for projects that enhance renewable resources in the state through conservation, development, management, or preservation, for assessing feasibility or planning, for implementing renewable resource projects, and for similar purposes

1 approved by the legislature or requested by the department pursuant to subsection (2).

2 (7) To be eligible for grants or loans under this section, applications must ~~be submitted by identify~~  
3 the owner or owners of the project. The owner of the project may be a third-party entity ~~who is identified as the~~  
4 ~~entity to which the funding will be awarded and distributed.~~

5 (7)(8) Grant and loan agreements with tribal governments in Montana entered into under this part  
6 must contain, in addition to other appropriate terms and conditions, the following conditions:

7 (a) a requirement that in the event a dispute or claim arises under the agreement, state law will  
8 govern as to the interpretation and performance of the agreement and that any judicial proceeding concerning  
9 the terms of the agreement will be brought in the district court of the first judicial district of the state of Montana;

10 (b) an express waiver of the tribal government's immunity from suit on any issue specifically arising  
11 from the transaction of a loan or grant; and

12 (c) an express waiver of any right to exhaust tribal remedies signed by the tribal government."  
13

14 **NEW SECTION. Section 3. Local government requirements before funds are released.** (1) To be  
15 eligible to receive funding under this part, a local government other than a tribal government must establish and  
16 continually fund a ~~capital reserve account fund dedicated to capital improvement~~ meeting the requirements of  
17 subsection (3) for necessary infrastructure improvements, including but not limited to improvements to water  
18 supply systems, wastewater systems, and irrigation systems.

19 (2) The ~~capital reserve account fund dedicated to capital improvement~~ must be established by  
20 September 30 of the odd-numbered year preceding the next regularly scheduled legislative session when the  
21 local government intends to receive potential funding.

22 (3) (a) The local government shall deposit into the ~~capital reserve account fund dedicated to~~  
23 ~~capital improvement~~ an amount equal to 10% of the revenues received by the local government from water  
24 supply fees, wastewater system usage fees, or water delivery fees assessed by the local government ~~or an~~  
25 ~~amount calculated using an industry standard for capital improvement planning.~~

26 (b) A local government may not create any form of special district or improvement district to ~~fund~~  
27 ~~the capital reserve account provided for in meet the requirements of~~ this section.

28 (4) A local government may expend funds from the ~~capital reserve account fund dedicated to~~

1 capital improvement only to fund projects with a total estimated cost of at least \$50,000.

3 **Section 4.** Section 85-1-612, MCA, is amended to read:

4 **"85-1-612. Rulemaking authority.** The department shall adopt rules:

- 5 (1) prescribing a reasonable application fee and the form and content of applications for grants  
6 and loans;
- 7 (2) governing the application of the criteria for awarding loans and grants to private persons;
- 8 (3) providing for the servicing of loans including arrangements for obtaining security interests and  
9 the establishment of reasonable fees or charges to be made;
- 10 (4) describing the terms and conditions for making grants and loans, the security instruments, and  
11 the agreements necessary;
- 12 (5) describing the ranking criteria used to evaluate and prioritize grants to governmental entities,  
13 which must include a ratio calculated by dividing the amount of the locally provided match by the estimated total  
14 cost of the project. Projects with a higher ratio of local match to total project cost may be given priority over  
15 other projects with a lower ratio, and consideration must be given to the size and cost of the proposed project,  
16 the number of users the project serves, and the ability of the applicant to fund the fund dedicated to capital  
17 improvements pursuant to [section 1]; and
- 18 (6) specifying any other procedures necessary to accomplish the objectives of the renewable  
19 resource grant and loan program."

21 **Section 5.** Section 90-6-703, MCA, is amended to read:

22 **"90-6-703. Types of financial assistance available.** (1) Pursuant to [section 3], The the legislature  
23 shall provide for and make available to local governments the following types of financial assistance under this  
24 part:

- 25 (a) matching grants for local infrastructure projects;
- 26 (b) matching grants for infrastructure planning; and
- 27 (c) emergency grants for local infrastructure projects.
- 28 (2) The department of commerce may provide local governments with emergency grants for

1 infrastructure projects only if necessary to remedy conditions that, if allowed to continue until legislative  
2 approval could be obtained, will endanger the public health or safety and expose the applicant to substantial  
3 financial risk. The department shall report to the governor, the legislative fiscal analyst, and the local  
4 government interim committee in accordance with 5-11-210 regarding emergency grants that are awarded  
5 during each biennium. The report must be provided in an electronic format.

6 (3) The department of commerce may provide local governments with matching grants for  
7 infrastructure planning. The department shall report to the governor and the legislature in accordance with 5-11-  
8 210 regarding infrastructure planning grants that are awarded during each biennium.

9 (4) To be eligible for financial assistance under this section, applications must ~~be submitted by~~  
10 ~~identify the owner or owners of the project. The owner of the project may be a third-party entity who is identified~~  
11 ~~as the entity to which the funding will be awarded and distributed.~~"

12  
13 **Section 6.** Section 90-6-710, MCA, is amended to read:

14 **"90-6-710. Priorities for projects -- procedure -- rulemaking.** (1) The department of commerce  
15 must receive proposals for infrastructure projects from local governments on a continual basis. The department  
16 shall work with a local government in preparing cost estimates for a project. In reviewing project proposals, the  
17 department may consult with other state agencies with expertise pertinent to the proposal. For the projects  
18 under 90-6-703(1)(a), the department shall prepare and submit two lists containing the recommended projects  
19 and the recommended form and amount of financial assistance for each project to the governor, prioritized  
20 pursuant to subsection (2) and this subsection. One list must contain the ranked and recommended bridge  
21 projects, and the other list must contain the remaining ranked and recommended infrastructure projects referred  
22 to in 90-6-701(3)(a). Each list must be prioritized pursuant to subsection (2) of this section, but the department  
23 may recommend up to 20% of the interest earnings anticipated to be deposited into the Montana coal  
24 endowment fund established in 17-5-703 during the following biennium for bridge projects. Before making  
25 recommendations to the governor, the department may adjust the ranking of projects by giving priority to urgent  
26 and serious public health or safety problems. The governor shall review the projects recommended by the  
27 department and shall submit the lists of recommended projects and the recommended financial assistance to  
28 the legislature.

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

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

(ii) projects that reflect greater need for financial assistance than other projects;

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

(iv) projects that reflect substantial past efforts to ensure sound, effective, long-term planning and management of public facilities and that attempt to resolve the infrastructure problem with local resources;

(v) projects that enable local governments to obtain funds from sources other than the funds provided under this part;

~~(vi) projects with a higher ratio calculated by dividing the total amount of the locally provided match by the estimated cost of the entire project, with consideration given to the size and cost of the proposed project, the number of users the project serves, and the ability of the applicant to fund the capital reserve account pursuant to [section 3] funded using a locally provided match from the established fund for capital improvements provided in [section 3] will be given preference over projects for which no local match funding is provided;~~

~~(vi)(vii)~~ projects that provide long-term, full-time job opportunities for Montanans, that provide public facilities necessary for the expansion of a business that has a high potential for financial success, or that maintain the tax base or that encourage expansion of the tax base; and

~~(vii)(viii)~~ projects that are high local priorities and have strong community support.

(b) (i) The department may not recommend or prioritize projects submitted by a local government that is in violation of 2-1-602 pursuant to the provisions of 2-1-605.

(ii) For the purposes of this subsection (2)(b), "local government" has the meaning provided in 2-1-601.

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

(4) The department shall adopt rules necessary to implement the Montana coal endowment program.



(5) The department shall, in accordance with 5-11-210, report to the legislature the status of all projects that have not been completed in order for the legislature to review each project's status and determine whether the authorized grant should be withdrawn.

(6) A local government may begin construction of the proposed infrastructure project after submitting an application to the department and prior to legislative approval of a grant award, if the local government:

- (a) has secured the firm commitment of all funding necessary to finance the proposed project;
- (b) assumes all risk, liability, and financing for the proposed project; and
- (c) acknowledges that any project expenses incurred prior to legislative approval of a grant award may be rendered ineligible by the department if the local government fails to meet any program requirements set forth in this part or the rules adopted by the department pursuant to subsection (4)."

**NEW SECTION. Section 7. Codification instruction.** (1) [Section 1] is intended to be codified as an integral part of Title 85, chapter 1, part 6, and the provisions of Title 85, chapter 1, part 6, apply to [section 1].

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

- END -