



AN ACT AUTHORIZING FORGIVENESS OF LOAN PRINCIPAL AND EXPENDITURE OF FUNDS TO MEET OTHER FEDERAL INCENTIVES, CONDITIONS, AND REQUIREMENTS IN THE WATER POLLUTION CONTROL AND DRINKING WATER STATE REVOLVING FUNDS; AMENDING SECTIONS 75-5-1107 AND 75-6-212, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.

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

**Section 1.** Section 75-5-1107, MCA, is amended to read:

**"75-5-1107. (Temporary) Uses of revolving fund.** (1) Money in the revolving fund ~~must~~ may be used to:

(a) make loans to municipalities to finance all or a portion of the cost of a project and to make loans to private persons to finance all or a portion of the cost of nonpoint source pollution control projects;

(b) buy or refinance debt obligations of municipalities that were issued to finance projects within the state at or below market rates, provided that the obligations were incurred after March 7, 1985;

(c) guarantee or purchase insurance for obligations of municipalities that were issued to finance projects in order to enhance credit or reduce interest rates;

(d) provide a source of revenue or security for general obligation bonds the proceeds of which are deposited in the revolving fund;

(e) provide loan guarantees for similar revolving funds established by municipalities;

(f) earn interest on fund accounts; ~~and~~

(g) pay reasonable administrative costs of the program not to exceed 4% of all federal grant awards to the fund or the maximum amount allowed under the federal act; and

(h) provide additional subsidization to eligible recipients in the form of forgiveness of principal of loans to the extent authorized or required by federal law and subject to satisfaction of conditions on loans described in 75-5-1113 or to satisfy any other incentives, conditions, or requirements of federal law related to the program.

(2) Money received by the state under the American Recovery and Reinvestment Act of 2009, Public

Law 111-5, as capitalization grants for a state revolving fund may be used by the department or the department of natural resources and conservation to provide additional subsidization to eligible recipients in the form of forgiveness of the principal of a loan to the extent permitted or required by federal law and subject to satisfaction of conditions on loans described in 75-5-1113. (Terminates June 30, 2011--sec. 82, Ch. 489, L. 2009.)

**75-5-1107. (Effective July 1, 2011) Uses of revolving fund.** Money in the revolving fund ~~must~~ may be used to:

- (1) make loans to municipalities to finance all or a portion of the cost of a project and to make loans to private persons to finance all or a portion of the cost of nonpoint source pollution control projects;
- (2) buy or refinance debt obligations of municipalities that were issued to finance projects within the state at or below market rates, provided that the obligations were incurred after March 7, 1985;
- (3) guarantee or purchase insurance for obligations of municipalities that were issued to finance projects in order to enhance credit or reduce interest rates;
- (4) provide a source of revenue or security for general obligation bonds the proceeds of which are deposited in the revolving fund;
- (5) provide loan guarantees for similar revolving funds established by municipalities;
- (6) earn interest on fund accounts; ~~and~~
- (7) pay reasonable administrative costs of the program not to exceed 4% of all federal grant awards to the fund or the maximum amount allowed under the federal act; and
- (8) provide additional subsidization to eligible recipients in the form of forgiveness of principal of loans to the extent authorized or required by federal law and subject to satisfaction of conditions on loans described in 75-5-1113 or to satisfy any other incentives, conditions, or requirements of federal law related to the program."

**Section 2.** Section 75-6-212, MCA, is amended to read:

**"75-6-212. Use of revolving fund.** (1) Money in the revolving fund may be used to:

- (a) make loans to community water systems and nonprofit noncommunity water systems as provided in this part;
- (b) buy or refinance the debt obligation of a municipality at an interest rate that does not exceed market rates, provided that the obligations were incurred and construction of the project began after July 1, 1993;
- (c) guarantee or purchase insurance in order to enhance credit or reduce interest rates for obligations

of municipalities that are issued to finance eligible projects;

(d) leverage the total amount of revolving funds available by providing a source of revenue or security for the payment of principal and interest on revenue or general obligation bonds issued by the state, the net proceeds of which are deposited in the revolving fund;

(e) pay reasonable administrative costs of the program, not to exceed 4% of the annual capitalization grant or the maximum amount allowed under the federal act;

(f) if matched by an equal amount of state funds, pay the department's costs in an amount not to exceed 10% of the annual capitalization grant for the following:

(i) public water system supervision programs;

(ii) administering or providing technical assistance through source water protection programs;

(iii) developing and implementing a capacity development strategy under section 300g-9 of the federal act (42 U.S.C. 300g-9); and

(iv) administering an operator certification program in order to meet the requirements of section 300g-8 of the federal act (42 U.S.C. 300g-8);

(g) pay the costs in an amount not to exceed 2% of the annual capitalization grant for the purpose of providing technical assistance to public water systems serving 10,000 or fewer persons. No less than 1.5% of the annual capitalization grant must be contracted by the department to private organizations or individuals for the purposes of this subsection.

(h) reimburse the expenses, as provided for in 2-18-501 through 2-18-503 and 5-2-302, of the advisory committee established pursuant to 75-6-231 while on official committee business; and

(i) provide additional subsidization, separate and apart from loan subsidies for disadvantaged communities provided in 75-6-226, to eligible recipients in the form of forgiveness of principal of loans to the extent authorized or required by federal law and subject to satisfaction of conditions on loans provided for in 75-6-224 or to satisfy any other incentives, conditions, or requirements of federal law related to the program.

(2) Except as provided in subsection (3), money in the fund may not be used for:

(a) expenditures related to monitoring, operation, and maintenance;

(b) the acquisition of real property or any interest in real property, unless the acquisition is integral to a project authorized under this part and the purchase is from a willing seller;

(c) providing assistance to a public water system that:

(i) does not have the financial, managerial, and technical capability to ensure compliance with the requirements of the federal act; or

(ii) is in significant noncompliance with any requirement of a national primary drinking water regulation or variance; or

(d) any other activity prohibited from funding under the federal act.

(3) (a) A public water system described in subsection (2)(c) may receive assistance under this part if:

(i) the use of the assistance will ensure compliance; and

(ii) for a system that the department has determined does not have the financial, managerial, or technical capability to ensure compliance with the federal act, the owner or operator of the system agrees to undertake feasible and appropriate changes in operations, including ownership, management, accounting, rates, maintenance, consolidation, alternative water supply, or other procedures, as determined necessary by the department to ensure compliance.

(b) Prior to providing assistance to a public water system that is in significant noncompliance with any requirement of a national primary drinking water regulation or variance pursuant to the federal act, the department shall determine whether the provisions of subsection (2)(c)(i) apply to the system."

**Section 3. Effective date.** [This act] is effective on passage and approval.

- END -

I hereby certify that the within bill,  
SB 0087, originated in the Senate.

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Secretary of the Senate

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President of the Senate

Signed this \_\_\_\_\_ day  
of \_\_\_\_\_, 2011.

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Speaker of the House

Signed this \_\_\_\_\_ day  
of \_\_\_\_\_, 2011.

SENATE BILL NO. 87

INTRODUCED BY D. STEINBEISSER

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