

HOUSE BILL NO. 16

INTRODUCED BY D. FERN

BY REQUEST OF THE LOCAL GOVERNMENT INTERIM COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FUNDING FOR LOW-INCOME AND MODERATE-INCOME HOUSING LOANS WITH MONEY FROM THE PERMANENT COAL SEVERANCE TAX TRUST FUND; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTIONS 17-6-308, 90-6-132, AND 90-6-136, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

NEW SECTION. Section 1. Alternate funding source for housing loans -- use of coal tax trust fund

money. (1) The board of investments shall allow the board of housing to administer \$15 million of the coal tax trust fund for the purpose of providing loans for the development and preservation of homes and apartments to assist eligible low-income and moderate-income applicants. Until the board uses money in the coal tax trust fund to loan to a qualified applicant pursuant to this part, the money under the administration of the board must remain invested by the board of investments.

(2) While a loan made from the coal tax trust fund pursuant to this section is repaid, the principal payments on the loan must be deposited in the coal tax trust fund until all of the principal of the loan is repaid. Interest received on a loan may be used by the board, in amounts determined by the board in accordance with 90-6-136, to pay for the servicing of a loan and for reasonable costs of the board for administering the program. After payment of associated expenses, interest received on the loan must be deposited into the coal tax trust fund.

(3) (A) Money from the coal tax trust fund must be used for the purposes identified in 90-6-134(3) and (4).

(B) LOANS MADE PURSUANT TO THIS SECTION MUST MEET THE FOLLOWING REQUIREMENTS:

(I) PROJECTS FUNDED WITH THE LOANS MUST BE MULTIFAMILY RENTAL HOUSING PROJECTS THAT PROVIDE LOW-INCOME AND MODERATE-INCOME HOUSING.

(II) THE LOAN MUST BE IN THE FIRST LIEN POSITION AND MAY NOT EXCEED 95% OF TOTAL DEVELOPMENT COSTS.

(III) THE MINIMUM INTEREST RATE CHARGED ON A LOAN PURSUANT TO THIS SECTION IS 0.5% LESS THAN THE



1 INTEREST RATE CHARGED FOR A LOAN FUNDED BY THE HOUSING MONTANA FUND PROVIDED FOR IN 90-6-133.

2 (IV) THE BOARD AND THE LOAN RECIPIENT SHALL EACH PAY HALF OF LOAN SERVICING FEES.

3 (V) PROJECTS FUNDED WITH THE LOANS MUST BE SUBJECT TO PROPERTY TAXES.

4 (VI) THE MAXIMUM AMOUNT OF A LOAN FOR ANY HOUSING PROJECT IS \$1.5 MILLION.

5 (4) Money from the coal tax trust fund may not be used to replace existing or available sources of funding
6 for eligible activities.

7 (5) Funds administered by the board from the coal tax trust fund may not be used to pay the expenses
8 of any other program or service administered by the board.

9

10 **Section 2.** Section 17-6-308, MCA, is amended to read:

11 **"17-6-308. Authorized investments.** (1) Except as provided in subsections (2) through ~~(7)~~(8) of this
12 section and subject to the provisions of 17-6-201, the Montana permanent coal tax trust fund must be invested
13 as authorized by rules adopted by the board.

14 (2) The board may make loans from the permanent coal tax trust fund to the capital reserve account
15 created pursuant to 17-5-1515 to establish balances or restore deficiencies in the account. The board may agree
16 in connection with the issuance of bonds or notes secured by the account or fund to make the loans. Loans must
17 be on terms and conditions determined by the board and must be repaid from revenue realized from the exercise
18 of the board's powers under 17-5-1501 through 17-5-1518 and 17-5-1521 through 17-5-1529, subject to the prior
19 pledge of the revenue to the bonds and notes.

20 (3) The board shall manage the seed capital and research and development loan portfolios created by
21 the former Montana board of science and technology development. The board shall establish an appropriate
22 repayment schedule for all outstanding research and development loans made to the university system. The
23 board is the successor in interest to all agreements, contracts, loans, notes, or other instruments entered into by
24 the Montana board of science and technology development as part of the seed capital and research and
25 development loan portfolios, except agreements, contracts, loans, notes, or other instruments funded with coal
26 tax permanent trust funds. The board shall administer the agreements, contracts, loans, notes, or other
27 instruments funded with coal tax permanent trust funds. As loans made by the former Montana board of science
28 and technology development are repaid, the board shall deposit the proceeds or loans made from the coal
29 severance tax trust fund in the coal severance tax permanent fund until all investments are paid back with 7%
30 interest.

1 (4) The board shall allow the Montana facility finance authority to administer \$15 million of the permanent
 2 coal tax trust fund for capital projects. Until the authority makes a loan pursuant to the provisions of Title 90,
 3 chapter 7, the funds under its administration must be invested by the board pursuant to the provisions of
 4 17-6-201. As loans for capital projects made pursuant to this subsection are repaid, the principal and interest
 5 payments on the loans must be deposited in the coal severance tax permanent fund until all principal and interest
 6 have been repaid. The board and the authority shall calculate the amount of the interest charge. Individual loan
 7 amounts may not exceed 10% of the amount administered under this subsection.

8 (5) The board shall allow the board of housing to administer \$40 million of the permanent coal tax trust
 9 fund for the purposes of the Montana veterans' home loan mortgage program provided for in Title 90, chapter 6,
 10 part 6.

11 (6) The board shall allow the board of housing to administer \$15 million of the permanent coal tax trust
 12 fund for the purpose of providing loans for the development and preservation of homes and apartments to assist
 13 low-income and moderate-income persons with meeting their basic housing needs pursuant to [section 1].

14 ~~(6)(7)~~ (a) Subject to subsections ~~(6)(b)~~ (7)(b) through ~~(6)(d)~~ (7)(d), the board may make working capital
 15 loans from the permanent coal tax trust fund to an owner of a coal-fired generating unit.

16 (b) Loans may be provided in accordance with subsection ~~(6)(a)~~ (7)(a) only to finance the everyday
 17 operations and required maintenance of a coal-fired generating unit of which an owner has a shared interest.

18 (c) Loans may not be provided to operate or maintain a coal-fired generating unit beyond July 1, 2022.

19 (d) The board may charge a working capital loan application fee of up to \$500.

20 ~~(7)(8)~~ The board may make loans from the permanent coal tax trust fund to a city, town, county, or
 21 consolidated city-county government impacted by the closure of a coal-fired generating unit to secure and
 22 maintain existing infrastructure.

23 ~~(8)(9)~~ The board shall adopt rules to allow a nonprofit corporation to apply for economic assistance. The
 24 rules must recognize that different criteria may be needed for nonprofit corporations than for for-profit
 25 corporations.

26 ~~(9)(10)~~ All repayments of proceeds pursuant to subsection (3) of investments made from the coal
 27 severance tax trust fund must be deposited in the coal severance tax permanent fund."

28

29 **Section 3.** Section 90-6-132, MCA, is amended to read:

30 **"90-6-132. Definitions.** As used in 90-6-131 through 90-6-136 and [section 1], the following definitions

1 apply:

2 (1) "Board" means the board of housing created in 2-15-1814.

3 (2) "Coal tax trust fund" means the trust fund created pursuant to Article IX, section 5, of the Montana
4 constitution.

5 ~~(2)~~(3) "Fund" means the housing Montana fund created in 90-6-133.

6 ~~(3)~~(4) "Housing development" ~~means the same as~~ has the meaning provided in 90-6-103.

7 ~~(4)~~(5) "Low-income" means households whose incomes do not exceed 80% of the median income in
8 the area, as determined by the United States department of housing and urban development, with adjustments
9 for smaller or larger families.

10 ~~(5)~~(6) "Moderate-income" means households whose incomes are between 81% and 95% of the median
11 income for the area, as determined by the United States department of housing and urban development, with
12 adjustments for smaller and larger families."

13

14 **Section 4.** Section 90-6-136, MCA, is amended to read:

15 **"90-6-136. Administrative rules.** The board shall adopt rules to implement 90-6-131 through 90-6-136
16 and [section 1]. The rules must address:

17 (1) the development of eligibility criteria for applicants;

18 (2) the development of an application process for requesting financial assistance;

19 (3) the establishment of a procedure for disbursing financial assistance;

20 (4) the establishment of the terms and conditions of a loan, including the method and schedule of
21 repayment and the applicable rate of interest;

22 (5) the development of a process for awarding technical assistance contracts; and

23 (6) other matters necessary for the administration of 90-6-131 through 90-6-136 and [section 1]."

24

25 NEW SECTION. **Section 5. Codification instruction.** [Section 1] is intended to be codified as an
26 integral part of Title 90, chapter 6, part 1, and the provisions of Title 90, chapter 6, part 1, apply to [section 1].

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28 NEW SECTION. **Section 6. Effective date.** [This act] is effective July 1, 2019.

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