

HOUSE BILL 478

Introduced by Bradley, et al.

1/30	Introduced
1/30	Referred to Business & Economic Development
1/31	First Reading
1/31	Fiscal Note Requested
1/31	Rereferred to Taxation
2/05	Fiscal Note Received
2/07	Fiscal Note Printed
	Died in Committee

1 *HOUSE* BILL NO. *478*  
 2 INTRODUCED BY *Bradley Wyatt Leach Ryan Laylock*  
 3 *VanValkenburg E. J. Leach Thayer*  
 4 A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING THE  
 5 MONTANA RESEARCH AND DEVELOPMENT FINANCING ACT; INCREASING  
 6 THE CIGARETTE SALES TAX; ALLOCATING THE INCREASED REVENUE TO  
 7 RESEARCH AND DEVELOPMENT; PROVIDING FOR GRANTS FOR  
 8 INSTITUTIONAL RESEARCH CAPABILITY DEVELOPMENT PROJECTS;  
 9 PROVIDING FOR GRANTS FOR INDIVIDUAL AND INSTITUTIONAL  
 10 BIOMEDICAL RESEARCH CAPABILITY DEVELOPMENT PROJECTS; AND  
 11 AMENDING SECTIONS 16-11-111, 16-11-119, 17-5-408, AND  
 12 90-3-102, MCA."

13  
 14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
 15 NEW SECTION. **Section 1.** Short title. [Sections 6  
 16 through 9 and this section] may be cited as the "Montana  
 17 Research and Development Financing Act".

18 **Section 2.** Section 16-11-111, MCA, is amended to read:  
 19 "16-11-111. Cigarette sales tax. There is hereby  
 20 levied, imposed, and assessed and there shall must be  
 21 collected and paid to the state of Montana upon cigarettes  
 22 sold or possessed in this state the following excise tax  
 23 which shall must be paid prior to the time of sale and  
 24 delivery of cigarettes: ~~18~~ 23 cents on each package  
 25 containing 20 cigarettes and, when packages contain more or

1 less than 20 cigarettes, then a tax on each cigarette equal  
 2 to 1/20th the tax on a package containing 20 cigarettes."

3 **Section 3.** Section 16-11-119, MCA, is amended to read:  
 4 "16-11-119. Disposition of taxes -- retirement of  
 5 bonds. All moneys money collected under the provisions of  
 6 16-11-111, less the expense of collecting all the taxes  
 7 levied, imposed, and assessed by ~~said-section 16-11-111,~~  
 8 shall must be paid to the state treasurer and deposited as  
 9 follows: ~~70.89%~~ 55.48% in the long-range building program  
 10 fund in the debt service fund type ~~and-29.11%;~~ 22.78% in the  
 11 long-range building program fund in the capital projects  
 12 fund type; and 21.74% in the research and development grant  
 13 account in the state special revenue fund."

14 **Section 4.** Section 17-5-408, MCA, is amended to read:  
 15 "17-5-408. Percentage of income, corporation license,  
 16 and cigarette tax pledged. (1) (a) The state pledges and  
 17 appropriates and directs to be credited as received to the  
 18 debt service account 9.8% for fiscal year 1990 and 8.7% for  
 19 fiscal year 1991 of all money received from the collection  
 20 of the individual income tax and 11% for fiscal year 1990  
 21 and 10.5% for fiscal year 1991 of all money, except as  
 22 provided in 15-31-702, received from the collection of the  
 23 corporation license and income tax as provided in 15-1-501,  
 24 and ~~such any~~ additional amount of ~~said those~~ taxes, ~~if any,~~  
 25 as that may at ~~any~~ time be needed to comply with the

1 principal and interest and reserve requirements stated in  
2 17-5-405(4).

3 (b) No more than the percentages described in  
4 subsection (1)(a) of ~~such~~ those tax collections may be  
5 pledged for the purpose of 17-5-403(2). The pledge and  
6 appropriation herein made ~~shall in this section is~~ be and  
7 remain remains at all times a first and prior charge upon  
8 all money received from the collection of ~~said~~ those taxes.

9 (2) The state pledges and appropriates and directs to  
10 be credited to the debt service account ~~70-89%~~ 55.48% of all  
11 money received from the collection of the excise tax on  
12 cigarettes ~~which that~~ is levied, imposed, and assessed by  
13 16-11-111. The state also pledges and appropriates and  
14 directs to be credited as received to the debt service  
15 account all money received from the collection of the taxes  
16 on other tobacco products ~~which that~~ are or may hereafter be  
17 levied, imposed, and assessed by law for that purpose,  
18 including the tax levied, imposed, and assessed by  
19 16-11-202. Nothing ~~herein--shall--impair~~ in this section  
20 impairs or otherwise ~~affect~~ affects the provisions and  
21 covenants contained in the resolutions authorizing the  
22 presently outstanding long-range building program bonds.  
23 Subject to the provisions of the preceding sentence, the  
24 pledge and appropriation herein made ~~shall--be~~ in this  
25 section is and remain remains at all times a first and prior

1 charge upon all money received from the collection of all  
2 taxes referred to in this subsection {2}."

3 **Section 5.** Section 90-3-102, MCA, is amended to read:

4 "90-3-102. Definitions. As used in this chapter the  
5 following definitions apply:

6 (1) "Act" means the Montana science and technology  
7 financing act.

8 (2) "Board" means the Montana board of science and  
9 technology development provided for in 2-15-1818.

10 (3) "Company" means a firm, partnership, corporation,  
11 association, or any other entity authorized to conduct  
12 business in Montana.

13 (4) "Convertible debenture" means a debenture  
14 convertible into stock under certain conditions by any  
15 individual or company. The debenture may not be converted by  
16 the board.

17 (5) "Debenture" or "note" means a writing or  
18 certificate issued as evidence of debt.

19 (6) "Department" means the department of commerce  
20 created in 2-15-1801.

21 (7) "Expansion capital project" means a science and  
22 technology development project undertaken to enable a  
23 company to expand its manufacturing and marketing activities  
24 in order to move its products or services into new markets  
25 or to expand existing markets.

1 (8) "Grant" means an award of funds that must be used  
 2 as required by the provisions of [sections 8 and 9] but that  
 3 does not require payback by the recipient.

4 (9) "Individual biomedical research capability  
 5 development project" means a project that uses or develops  
 6 advanced or innovative technologies to attempt to discover  
 7 products or processes for the benefit of commercial  
 8 enterprises or for the discovery of methods or technologies  
 9 related to the treatment of disease or illness in the field  
 10 of biotechnology as it applies to medicine.

11 {8}{10} "Innovative technology" means the involvement of  
 12 a product or process that embodies the use of implements,  
 13 machinery, equipment, chemical formulations, resources,  
 14 materials, methods, or other items in a manner that departs  
 15 from previous commercial developments, practices, or  
 16 applications.

17 (11) "Institutional biomedical research capability  
 18 development project" means a project that complies with the  
 19 relevant provisions of [sections 8 and 9] and that  
 20 substantially increases the basic clinical or applied  
 21 biomedical research capabilities of public and private  
 22 institutions through the development or acquisition of  
 23 facilities, equipment, or personnel or through the financial  
 24 support of startup operations or development expenses.

25 (12) "Institutional research capability development

1 project" means a project that complies with the relevant  
 2 provisions of [sections 8 and 9] and that substantially  
 3 increases the basic clinical or applied research  
 4 capabilities of public and private institutions through the  
 5 development or acquisition of facilities, equipment, or  
 6 personnel or through the financial support of startup  
 7 operations or development expenses.

8 {9}{13} "Matching funds" means the funds received in  
 9 cash by the science and technology development project loan  
 10 recipient from nonstate-appropriated sources and committed  
 11 by the loan recipient to the project in an amount that is at  
 12 least equal to the funds loaned to the recipient by the  
 13 board for use in the science and technology development  
 14 project.

15 {10}{14} "Portfolio company" means a startup or  
 16 expansion stage company that has received a seed capital  
 17 project loan from the board.

18 {11}{15} "Private sector" means any an entity or  
 19 individual, not principally a part of or associated with a  
 20 governmental unit, that is associated with or involved in  
 21 commercial activity.

22 {12}{16} "Research and development project" means a  
 23 science and technology development project that falls into  
 24 the category of research capability development, applied  
 25 technology research, or technology transfer and assistance.

1        {13}{17} "Research and development project loan" means a  
2 science and technology development project loan entered into  
3 between the board and a loan recipient for a research and  
4 development project.

5        {14}{18} "Science and technology development project"  
6 means either a seed capital project or research and  
7 development project designed to discover, develop, transfer,  
8 utilize, or commercialize existing or new, innovative  
9 technology in order to strengthen and enhance economic  
10 development in Montana.

11        {15}{19} "Science and technology development project  
12 loan agreement" or "loan" means an agreement entered into  
13 between the board and the loan recipient of a seed capital  
14 project loan or a research and development project loan  
15 that:

- 16        (a) creates a debt relationship between the parties;
- 17        (b) provides for a financial return to the board;
- 18        (c) provides economic development potential to the  
19 state; and
- 20        (d) contains the applicable provisions and terms  
21 required by this chapter.

22        {16}{20} "Seed capital project" means a startup capital  
23 project or expansion capital project.

24        {17}{21} "Seed capital project loan" means a science and  
25 technology development project loan entered into between the

1 board and a loan recipient for a seed capital project.

2        {18}{22} "Startup capital project" means a science and  
3 technology development project that assists a company in  
4 initiating commercial operations.

5        {19}{23} "State" means the state of Montana.

6        {20}{24} "Warrant" means an instrument issued by a  
7 corporation that gives a holder other than the board the  
8 right to purchase stock of a corporation either for a  
9 limited time or perpetually."

10        NEW SECTION. **Section 6. Rulemaking.** The board may  
11 adopt rules to implement [sections 8 and 9] to the extent  
12 the authority in 90-3-204 is consistent with the provisions  
13 of [sections 8 and 9] and to the extent that the rules are  
14 necessary to implement the provisions of [sections 8 and 9].

15        NEW SECTION. **Section 7. Research and development grant**  
16 **account.** There is in the state special revenue fund a  
17 research and development grant account. Money paid into the  
18 account as provided in 16-11-119 is subject to appropriation  
19 by the legislature to the board as provided in [section 8].

20        NEW SECTION. **Section 8. Allocation of funds -- grant**  
21 **categories.** The legislature may appropriate to the board for  
22 each biennium beginning after June 30, 1993, from the money  
23 in the research and development grant account up to:

- 24        (1) 40% to be used to award grants to institutional  
25 research capability development projects;

1 (2) 30% to be used to award grants to institutional  
2 biomedical research capability development projects; and

3 (3) 30% to be used to award grants to individual  
4 biomedical research capability development projects.

5 NEW SECTION. Section 9. Criteria for approval of  
6 grants. (1) In determining the merits, eligibility, and  
7 fitness of applications for grants under [section 8] and in  
8 awarding grants under [section 8], the board shall apply the  
9 following criteria:

10 (a) For an institutional research capability  
11 development project, the funds must be granted to meet the  
12 annual matching requirements of the \$7.5 million federal  
13 award to the interfacial microbial process engineering  
14 research center at Montana state university, to meet the  
15 annual matching requirements of the national science  
16 foundation experimental program to stimulate competitive  
17 research (EPSCOR) awards made to the Montana university  
18 system, and for the advanced technology centers of  
19 excellence program administered by the board.

20 (b) For an institutional biomedical research capability  
21 development project, the board may award a grant upon  
22 determination that a proposed project complies with the  
23 goals established under 90-3-901(3) and the criteria  
24 established under 90-3-506(3) through (8).

25 (c) For individual biomedical research capability

1 development projects, the board may award a grant upon  
2 determination that a proposed project complies with the  
3 criteria established under 90-3-506(4) through (8). In  
4 awarding a grant under this subsection (1), the board shall  
5 give preference to a project that relates to the negative  
6 health effects of tobacco use.

7 (2) For grants awarded under subsection (1):

8 (a) the board shall apply the matching funds  
9 requirement of 90-3-301(3); and

10 (b) a project may not be granted in a fiscal year more  
11 than 25% of the funds available in that year for that type  
12 of project as provided in subsection (1)(a).

13 NEW SECTION. Section 10. Codification instruction.  
14 [Sections 1 and 6 through 9] are intended to be codified as  
15 an integral part of Title 90, chapter 3, and the provisions  
16 of Title 90, chapter 3, apply to [sections 1 and 6 through  
17 9].

-End-

## STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0478, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act establishing the Montana Research and Development financing act; increasing the cigarette sales tax; allocating the increased revenue to research and development; providing for grants for institutional research capability development projects; providing for grants for individual and institutional biomedical research capability development projects.

ASSUMPTIONS:


1. Cigarette tax revenue, under current law, will be \$11,316,000 in FY92 and \$11,037,000 in FY93 (OBPP).
2. Since no effective or applicability dates are given, the proposed rate of \$0.23 per pack will go into effect October 1, 1991. The proposed allocation (55.48% in the debt-service fund; 22.78% in the capital projects fund type; and 21.74% in research and development grant account) will go into effect October 1, 1991.
3. Under the proposal, there would be three months of collections at the current rate (\$0.18 per pack) and allocation (70.89% in the debt service fund type; and 29.11% in the capital projects fund type); and 9 months at the proposed rate (\$0.23 per pack) and allocation.
4. The current effective rate for the cigarette tax is \$0.173214 per pack (OBPP) and is expected to be \$0.221329 per pack under the proposal.
5. No change in consumption due to the tax increase. Packs: FY92 - 65.329 million, FY93 - 63.721 million (OBPP).

FISCAL IMPACT:Revenues:

	<u>FY '92</u>			<u>FY '93</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
Cigarette Tax	11,316,000	13,673,000	2,357,000	11,037,000	14,103,000	3,066,000

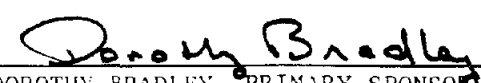
Funding Information:

Debt Service (05)	8,021,912	8,021,729	(183)	7,824,129	7,824,344	215
Capital Projects (05)	3,294,088	3,293,785	(303)	3,212,871	3,212,663	(208)
Research and Develop. (02)	0	2,357,486	2,357,486	0	3,065,992	3,065,992
Total	11,316,000	13,673,000	2,357,000	11,037,000	14,102,999	3,065,999

  
 ROD SUNDSTED, BUDGET DIRECTOR  
 Office of Budget and Program Planning

DATE

2-5-91

  
 DOROTHY BRADLEY, PRIMARY SPONSOR

DATE

2-7-91

Fiscal Note for HB0478, as introduced**HB 478**