

1 H BILL NO. 517
 2 INTRODUCED BY Bengton, Harrington, Rayton, Mendham
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5 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOCATING 30% OF THE
 6 INCOME OF THE COAL SEVERANCE TAX TRUST FUND TO EDUCATION."

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

8 Section 1. Coal tax trust fund income -- allocation.

9 (1) The income from the coal severance tax trust fund
 10 created by Article IX, section 5, of the Montana
 11 constitution is allocated as follows:

12 (a) 30% of the total income of the trust fund to the
 13 support of education in the state of Montana;

14 (b) 70% to other such purposes as may be provided by
 15 law.

16 (2) The allocation to education shall be distributed
 17 in the following proportions:

18 (a) 75% to the earmarked revenue fund for state
 19 equalization aid to public schools of the state;

20 (b) 25% to the board of regents of higher education
 21 for the support of the Montana university system.

-End-

HB 517

INTRODUCED BILL

STATE OF MONTANA

REQUEST NO. 259-77

FISCAL NOTE

Form BD-15

In compliance with a written request received January 27, 19 77, there is hereby submitted a Fiscal Note for House Bill 517 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION

This bill allocates 30% of the income of the coal severance tax trust fund to education.

THESE NUMBERS SERVE ONLY AS AN ILLUSTRATIVE EXAMPLE OF WHAT COULD HAPPEN UNDER THIS PROPOSED BILL. SINCE NO ENABLING LEGISLATION HAS BEEN PASSED CONCERNING THE COAL TRUST FUND IT IS ONLY HYPOTHETICAL.

ASSUMPTIONS

1. To date no enabling legislation pertaining to enactment of the coal trust fund has been passed. It is assumed that the trust fund will be set at 25% of the coal severance tax collections.
2. The Department of Revenue coal severance tax collections of \$41.187M in FY 78 and \$51.257M in FY 79 were assumed correct. This assumption implies an average principal of \$3.5M in FY 78 and \$14M in FY 79.
3. 6% interest will be earned on coal trust fund monies.
4. 70% of this trust fund income goes to general purposes, 22.5% of the money goes toward school equalization aid (75% of 30%) and 7.5% of the money goes toward higher education (25% of 30%).
5. Administrative costs will remain unchanged.

The assumptions above imply the following amounts in each of the following accounts:

	<u>FY 78</u>	<u>FY 79</u>
Unspecified Purposes	\$147,000	\$588,000
School Equalization Aid	\$ 47,250	\$189,000
Higher Education	\$ 15,750	\$ 83,000

LONG-RANGE EFFECTS

In the long run the amount of the coal trust fund going toward education and other general purposes will increase as the principal in the coal trust fund increases.

PREPARED BY DEPARTMENT OF REVENUE

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BUDGET DIRECTOR

Office of Budget and Program Planning

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