

SENATE BILL 433

IN THE SENATE

February 10, 1979	Introduced and referred to Committee on Taxation.
February 13, 1979	Fiscal note requested.
February 20, 1979	Fiscal note returned.
April 20, 1979	Died in Committee.

1 *Senate* BILL NO. 433
 2 INTRODUCED BY *Norman*
 3

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO CREATE A LOAN
 5 PROGRAM TO ENABLE FARMERS AND RANCHERS TO PURCHASE ORGANIC
 6 MATTER FOR USE IN REVITALIZING THEIR SOIL; ESTABLISHING THE
 7 CRITERIA FOR MAKING LOANS AND PROCEDURES FOR THE DEPARTMENT
 8 OF NATURAL RESOURCES AND CONSERVATION TO FOLLOW IN
 9 ADMINISTERING THE PROGRAM; ALLOCATING A PORTION OF THE COAL
 10 SEVERANCE TAX TO FUND THE PROGRAM; AND AMENDING SECTION
 11 15-35-108, MCA."

12
 13 WHEREAS, Montana's predominantly agricultural economy
 14 is dependent on fertile soil; and

15 WHEREAS, saline seep has damaged 500,000 acres of our
 16 state and is continuing to claim more than 20,000 acres a
 17 year; and

18 WHEREAS, strip-mining for coal is decreasing, at least
 19 temporarily, the acres of grazing land in the state; and

20 WHEREAS, erosion, overgrazing, and intensive cropping
 21 are depleting our soils faster than inorganic fertilizers
 22 can renew them; and

23 WHEREAS, organic matter properly aged and applied to
 24 the soil can dramatically increase the fertility of soil;
 25 and

1 WHEREAS, the coal severance tax is levied, in part, for
 2 use in establishing a stable, diversified economy in
 3 Montana; and

4 WHEREAS, the use of a small portion of the coal
 5 severance tax money to revitalize Montana's soils through
 6 the application of organic matter will achieve this purpose
 7 and pay substantial dividends to all Montanans in the
 8 future.
 9

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

11 NEW SECTION. Section 1. Definitions. As used in
 12 [sections 1 through 6], the following definitions apply:

13 (1) "Agricultural land" means land assessed and used
 14 as agricultural land under the provisions of 15-7-202.

15 (2) "Board" means the board of natural resources and
 16 conservation.

17 (3) "Department" means the department of natural
 18 resources and conservation.

19 (4) "Organic matter" means any mixture of plant or
 20 animal matter produced and aged for use in increasing soil
 21 fertility.

22 (5) "Lending institution" means any bank, savings and
 23 loan association, credit union, production credit
 24 association, or other farm-loan association that maintains
 25 an office in this state and is approved by the board to

1 administer loans under [section 2].

2 NEW SECTION. Section 2. Loans to farmers and ranchers
3 for purchase of organic matter -- criteria. (1) The board
4 may make soil revitalization loans from the soil
5 revitalization account provided in 15-35-108 to farmers and
6 ranchers for the purchase of organic matters to apply to
7 their soil to:

8 (a) aid in the reclamation of strip-mined land or land
9 damaged by saline seep; or

10 (b) increase the fertility of soil damaged by
11 overgrazing, wind or water erosion, overcultivation, or
12 other causes.

13 (2) In granting soil revitalization loans, the board
14 shall consider:

15 (a) the severity of damage done to the applicant's
16 soil by saline seep, strip-mining, overgrazing,
17 overcultivation, or other causes;

18 (b) the degree to which the application of organic
19 matter could improve the soil;

20 (c) the applicant's financial condition and need for a
21 loan to purchase organic matter;

22 (d) the applicant's ability to repay the loan; and

23 (e) such other factors as it may consider necessary.

24 (3) The board shall publish rules providing a method
25 for equitably distributing loan funds available each year

1 among:

2 (a) farmers and ranchers in each county in proportion
3 to the number of acres of agricultural land in each county;
4 and

5 (b) farmers and ranchers owning:

6 (i) less than 100 acres;

7 (ii) 100 to 200 acres;

8 (iii) 201 to 640 acres;

9 (iv) 641 to 1,280 acres; and

10 (v) over 1,280 acres.

11 (4) The board may seek the recommendations of the
12 department in evaluating applications and awarding loans.

13 NEW SECTION. Section 3. Terms of loan. (1) The
14 maximum amount the board may loan to any farmer or rancher
15 is \$10,000.

16 (2) The term of a loan may not exceed 25 years and may
17 be for a shorter period as the board provides.

18 (3) Interest at the rate of 3% a year on the unpaid
19 balance of the loan will be collected. No penalty is imposed
20 for early repayment of a loan.

21 NEW SECTION. Section 4. Eligibility for loan and
22 application procedure. (1) To be eligible for a soil
23 revitalization loan, an applicant must own agricultural land
24 in Montana and actively participate in farming or ranching
25 upon the land.

1 (2) An applicant must complete and sign a form
2 provided by the department containing information on:

- 3 (a) his income and net worth;
- 4 (b) the degree to which his soil needs organic matter;
- 5 (c) his plans for application of the organic matter
6 and subsequent cultivation or use; and
- 7 (d) such other information as the board may consider
8 necessary.

9 (3) Before the applicant may submit the application to
10 the department, he must secure the signature of the county
11 extension agent of the county in which the applicant's land
12 is located, attesting that the applicant's land is in need
13 of organic matter.

14 NEW SECTION. Section 5. Administration of soil
15 revitalization loans. (1) No more than 10% of the total
16 funds contained in the soil revitalization account in any
17 fiscal year may be used for administrative costs of the loan
18 program.

19 (2) The board shall contract with lending institutions
20 in the area in which a loan has been made to service and
21 collect the loan payments. The lending institution may
22 charge a fee of 1% of each loan payment for these services.

23 (3) The lending institution shall promptly remit all
24 loan payments, minus service fees, to the board. These
25 payments shall be deposited in the state general fund.

1 (4) The board may adopt rules as necessary to govern
2 the terms and conditions for making loans, contracts, and
3 security agreements.

4 NEW SECTION. Section 6. Effect of loan -- lien. The
5 state has a lien upon any agricultural land that has
6 received organic matter under a soil revitalization loan for
7 the total amount of loan due. The department must file with
8 the county clerk and recorder of the county in which the
9 land is located a statement containing a description of the
10 land and the total amount of the loan outstanding. The lien
11 is valid until the loan is paid in full.

12 Section 7. Section 15-35-108, MCA, is amended to read:
13 *15-35-108. Disposal of severance taxes. Severance
14 taxes collected under the provisions of this chapter are
15 allocated as follows:

16 (1) To the trust fund created by Article IX, section
17 5, of the Montana constitution, 25% of total collections a
18 year. After December 31, 1979, 50% of coal severance tax
19 collections are allocated to this trust fund. The trust fund
20 moneys shall be deposited in the fund established under
21 17-6-203(5) and invested by the board of investments as
22 provided by law.

23 (2) Coal severance tax collections remaining after
24 allocation to the trust fund under subsection (1) are
25 allocated in the following percentages of the remaining

1 balance:

2 (a) to the county in which coal is mined, 2% of the
3 severance tax paid on the coal mined in that county until
4 January 1, 1980, for such purposes as the governing body of
5 the county may determine;

6 (b) 2 1/2% until December 31, 1979, and thereafter 5%
7 to the earmarked revenue fund to the credit of the
8 alternative energy research development and demonstration
9 account;

10 (c) 26 1/2% until July 1, 1979, and thereafter 37 1/2%
11 to the earmarked revenue fund to the credit of the local
12 impact and education trust fund account;

13 (d) for each of the 2 fiscal years following June 30,
14 1977, 13% to the earmarked revenue fund to the credit of the
15 coal area highway improvement account;

16 (e) 10% to the earmarked revenue fund for state
17 equalization aid to public schools of the state;

18 (f) 1% to the earmarked revenue fund to the credit of
19 the county land planning account;

20 (g) 2 1/2% to the sinking fund to the credit of the
21 renewable resource development bond account;

22 (h) 2 1/2% through June 30, 1979, one-half to the
23 earmarked revenue fund for the purpose of acquisition,
24 operation, or maintenance of sites and areas described in
25 23-1-102 and protection of works of art in the state capitol

1 and other cultural and aesthetic projects, subject to
2 legislative appropriations, and one-half to the earmarked
3 revenue fund to be invested in a trust fund for the purpose
4 of parks acquisition or management. After June 30, 1979, 5%
5 to the trust fund for the purpose of parks acquisition or
6 management. Income from the fund established in this
7 subsection (h) may be appropriated for the acquisition of
8 sites and areas described in 23-1-102 and the operation and
9 maintenance of sites so acquired and protection of works of
10 art in the state capitol and other cultural and aesthetic
11 projects;

12 ~~(i) 10% to the earmarked revenue fund to the credit of~~
13 ~~the soil revitalization account;~~

14 ~~††(j) all other revenues from severance taxes~~
15 ~~collected under the provisions of this chapter to the credit~~
16 ~~of the general fund of the state."~~

-End-

FISCAL NOTE

Form BD-15

In compliance with a written request received February 13, 1979, there is hereby submitted a Fiscal Note for Senate Bill 433 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:

An act to create a loan program to enable farmers and ranchers to purchase organic matter for use in revitalizing their soil; establishing the criteria for making loans and procedures for the Department of Natural Resources and Conservation to follow in administering the program; allocating a portion of the coal severance tax to fund the program.

ASSUMPTIONS:

1. The Department of Revenue projections for coal severance tax collections of \$49.093 million in FY 80 and \$54.272 million in FY 81 are correct.
2. Coal tax collections are homogeneous (one-quarter of the estimated fiscal year collections is collected each quarter).

FISCAL IMPACT:

The proposed legislation provides \$2.455 million in FY 80 and \$2.714 million in FY 81 to create a loan program for farmers and ranchers. The revenues are from the coal severance tax and reduce the amount of coal severance tax collections that are to be deposited into the State General Fund (see attached schedule). Administrative costs in the Department of Natural Resources are estimated to be \$60,000 per year.

LONG-RANGE IMPACT:

Loan payments, less applicable service fees, will be deposited into the State General Fund; thus, much of the amount allocated in loans will be recovered over a period of years.

Richard L. Frantz Jr.

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2/20/79

FISCAL IMPACT - (F.N. Req. 325-79 for Senate Bill 433)

MILLIONS OF DOLLARS

	FY 80			FY 81		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Change</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Change</u>
Coal Tax Trust	\$15.342	\$15.342	\$ 0	\$27.136	\$27.136	\$ 0
County of Origin	.552	.552	0	0	0	0
Alternative Energy	.997	.997	0	1.357	1.357	0
Local Impact	11.644	11.644	0	10.176	10.176	0
School Equalization	3.375	3.375	0	2.714	2.714	0
County Planning	.338	.338	0	.271	.271	0
Renewable Resources	.344	.344	0	.678	.678	0
Sites & Areas	1.457	1.457	0	1.357	1.357	0
Coal Area Highways	1.197	1.197	0	0	0	0
Soil Revitalization Account	0	2.455	2.455	0	2.714	2.714
General Fund	13.347	10.892	(2.455)	10.583	7.869	(2.714)
	<u>\$49.093</u>	<u>\$49.093</u>	<u>\$ 0</u>	<u>\$54.272</u>	<u>\$54.272</u>	<u>\$ 0</u>