

HOUSE BILL NO. 223

INTRODUCED BY SCHULTZ, BURNETT, UNDERDAL, CONROY,  
MOORE, NEUMAN, IVERSON, KROPP, ERNST

IN THE HOUSE

January 14, 1981	Introduced and referred to Committee on Taxation.
January 16, 1981	Fiscal note requested.
January 21, 1981	Fiscal note returned.
January 29, 1981	Committee recommend bill do pass as amended. Report adopted.
	Statement of intent attached.
January 30, 1981	Bill printed and placed on members' desks.
January 31, 1981	Second reading, pass con- sideration until February 5, 1981.
February 5, 1981	Second reading, do pass.
February 6, 1981	Considered correctly engrossed.
February 7, 1981	Third reading, passed. Transmitted to Senate.

IN THE SENATE

February 9, 1981	Introduced and referred to Committee on Taxation.
March 31, 1981	Committee recommend bill be concurrred in as amended. Report adopted.
April 2, 1981	Second reading, concurrred in.
April 4, 1981	Third reading, concurrred in as amended. Ayes, 43; Noes, 3.

IN THE HOUSE

April 6, 1981

Returned from Senate with amendments.

April 9, 1981

Second reading, amendments concurred in.

On motion rules suspended and bill placed on third reading this day.

Third reading, amendments concurred in. Ayes, 90; Noes, 2. Sent to enrolling.

Reported correctly enrolled.

1 HOUSE BILL NO. 223 *House*  
 2 INTRODUCED BY *Schultz Burnett Underdal Conroy*  
 3 *Musman Lewis Kopp Ernst*  
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO REALLOCATE THE COAL  
 5 SEVERANCE TAX BY REDUCING THE AMOUNT ALLOCATED TO  
 6 ALTERNATIVE ENERGY RESEARCH FROM 5 PERCENT TO 3 PERCENT AND  
 7 ALLOCATING 2 PERCENT OF THE TAX TO CONSERVATION DISTRICT  
 8 OPERATIONS; AMENDING SECTION 15-35-108, MCA."  
 9

10 WHEREAS, Montana's Conservation Districts are legal  
 11 subdivisions of state government responsible under law to  
 12 develop and carry out long-range programs that will result  
 13 in the conservation and improvement of the soil and water  
 14 resources, to provide assistance in the planning and  
 15 application of conservation measures, and to encourage  
 16 maximum participation of the general public and all local  
 17 public and private agencies to fulfill this purpose; and

18 WHEREAS, Montana's Conservation Districts represent  
 19 about 14,500 cooperators totaling 43,550,000 acres of  
 20 farmland and ranchland within their boundaries; and

21 WHEREAS, districts in urban and developing areas  
 22 provide soil surveys, water inventories, assistance with  
 23 waste disposal, and other services to builders, contractors,  
 24 planning commissions, municipal officials, schools,  
 25 hospitals, industries, and smaller landowners; and

1 WHEREAS, two concepts gaining support and understanding  
 2 are the desirability of decentralized government and the  
 3 limits of natural resources. In combination, these ideas and  
 4 the demands on their services have resulted in tremendously  
 5 magnified responsibilities for conservation districts.  
 6

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

8 Section 1. Section 15-35-108, MCA, is amended to read:  
 9 "15-35-108. Disposal of severance taxes. Severance  
 10 taxes collected under the provisions of this chapter are  
 11 allocated as follows:

12 (1) To the trust fund created by Article IX, section  
 13 5, of the Montana constitution, 25% of total collections a  
 14 year. After December 31, 1979, 50% of coal severance tax  
 15 collections are allocated to this trust fund. The trust fund  
 16 moneys shall be deposited in the fund established under  
 17 17-6-203(5) and invested by the board of investments as  
 18 provided by law.

19 (2) Coal severance tax collections remaining after  
 20 allocation to the trust fund under subsection (1) are  
 21 allocated in the following percentages of the remaining  
 22 balance:

23 (a) to the county in which coal is mined, 2% of the  
 24 severance tax paid on the coal mined in that county until  
 25 January 1, 1980, for such purposes as the governing body of

1 the county may determine;

2 (b) 2 1/2% until December 31, 1979, and thereafter 5%  
3 2% to the earmarked revenue fund to the credit of the  
4 alternative energy research development and demonstration  
5 account;

6 (c) 2 1/2% until July 1, 1979, and thereafter 3 1/2%  
7 to the earmarked revenue fund to the credit of the local  
8 impact and education trust fund account;

9 (d) for each of the 2 fiscal years following June 30,  
10 1977, 13% to the earmarked revenue fund to the credit of the  
11 coal area highway improvement account;

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

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

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

18 (h) 5% to the earmarked revenue fund to the credit of  
19 a trust fund for the purpose of parks acquisition or  
20 management, protection of works of art in the state capitol,  
21 and other cultural and aesthetic projects. Income from this  
22 trust fund shall be appropriated as follows:

23 (i) 1/3 for protection of works of art in the state  
24 capitol and other cultural and aesthetic projects; and

25 (ii) 2/3 for the acquisition of sites and areas

1 described in 23-1-102 and the operation and maintenance of  
2 sites so acquired;

3 (i) 1% to the earmarked revenue fund to the credit of  
4 the state library commission for the purposes of providing  
5 basic library services for the residents of all counties  
6 through library federations and for payment of the costs of  
7 participating in regional and national networking;

8 (j) all other revenues from severance taxes collected  
9 under the provisions of this chapter to the credit of the  
10 general fund of the state;

11 (k) 2% to the earmarked revenue fund for conservation  
12 districts."

-End-

## STATE OF MONTANA

REQUEST NO. \_\_\_\_\_

## FISCAL NOTE

Form BD-15

In compliance with a written request received January 19, 19 81, there is hereby submitted a Fiscal Note for HOUSE BILL 223 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).

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

An act to reallocate the coal severance tax by reducing the amount allocated to alternative energy research from 5 percent to 3 percent and allocating 2 percent of the tax to conservation district operations.

ASSUMPTIONS

1. The proposed legislation reallocates revenues from the coal severance tax.
2. Anticipated revenues from the coal severance tax: FY 82 - \$106.565 M  
FY 83 - \$129.377 M (OBPP figures).
3. Allocations -  
Current law - 2.5% - alternative energy research  
Proposed law - 1.5% - alternative energy research  
1.0% - earmarked revenue fund for conservation districts
4. Proposed legislation becomes effective June 30, 1981 - new allocations will be effective on all revenues received in FY 82 and FY 83.

FISCAL IMPACT

	FY 82	FY 83
Alternative Energy Research		
Under current law	\$2.664 M	\$3.235 M
Under proposed law	<u>1.598 M</u>	<u>1.941 M</u>
Estimated Decrease	(\$1.066 M)	(\$1.294 M)
Earmarked Revenue Fund For Conservation Districts		
Under current law	\$ 0	\$ 0
Under proposed law	<u>1.066 M</u>	<u>1.294 M</u>
Estimated Increase	\$1.066 M	\$1.294 M

COMMENT

The reader will note that even though the proposed legislation speaks of a deduction from 5% to 3% for alternative energy, the assumption uses the figures of 2.5% and 1.5%. This assumption is correct because Section 15-35-108, MCA allocates 50% of the coal severance tax to a constitutional trust fund and the other 50% to various funds such as alternative energy research. As a result, the figures of 5% and 3% used in the bill actually apply to only one half of the money collected under the coal severance tax, which means that the 2.5% and 1.5% assumptions are correct.

*David M. Jones*  
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-21-81

## 1 STATEMENT OF INTENT

## 2 HOUSE BILL 223

## 3 House Committee on Taxation

4  
5 Because HB 223 directs the Department of Natural  
6 Resources and Conservation to adopt rules establishing the  
7 form and content of applications and the criteria, terms,  
8 and conditions for making grants to conservation districts  
9 from the funds appropriated to the conservation districts  
10 earmarked revenue account from the allocation of 1% of the  
11 coal severance tax, the House Committee on Taxation issues  
12 this statement of intent for the purpose of clarifying that  
13 authority.

14 Section 2 of HB 223 provides rulemaking authority in  
15 the Department of Natural Resources and Conservation. It is  
16 contemplated the rules should address the following:

17 (a) the form of an application for a grant to a  
18 conservation district;

19 (b) the content that must be included in an  
20 application, including but not limited to:

21 (1) the name of the district;

22 (2) a statement that the maximum statutory mill levage  
23 has been levied;

24 (3) the sources of funding the conservation district  
25 is receiving that the grant is intended to supplement;

1 (4) the special project or purpose, including  
2 administrative purposes, which must be a recognized purpose  
3 for which conservation districts are authorized by law;

4 (5) a statement of the need for the grant; and

5 (6) an authorized signature

6 (c) the criteria under which the department may grant  
7 funds, including but not limited to:

8 (1) the basis of the need for a grant;

9 (2) the availability of other funding sources;

10 (3) the type of project or purpose; and

11 (4) the maximum amount of funding

12 (d) such terms and conditions that would insure that  
13 the grant funds are used for the purposes specified by  
14 statute;

15 (e) such rules as may be necessary to monitor and  
16 account for the disbursement and expending of any grant  
17 funds.

Approved by Committee  
on Taxation

HOUSE BILL NO. 223

INTRODUCED BY SCHULTZ, BURNETT, UNDERDAL, CONROY,  
MOORE, NEUMAN, IVERSON, KROPP, ERNST

A BILL FOR AN ACT ENTITLED: "AN ACT TO REALLOCATE THE COAL  
SEVERANCE TAX BY REDUCING THE AMOUNT ALLOCATED TO  
ALTERNATIVE ENERGY RESEARCH FROM ~~5 PERCENT~~ TO ~~3 PERCENT~~ AND  
ALLOCATING ~~2 PERCENT~~ A PORTION OF THE TAX TO CONSERVATION  
DISTRICT OPERATIONS; AMENDING SECTION 15-35-108, MCA."

WHEREAS, Montana's Conservation Districts are legal  
subdivisions of state government responsible under law to  
develop and carry out long-range programs that will result  
in the conservation and improvement of the soil and water  
resources, to provide assistance in the planning and  
application of conservation measures, and to encourage  
maximum participation of the general public and all local  
public and private agencies to fulfill this purpose; and

WHEREAS, Montana's Conservation Districts represent  
about 14,500 cooperators totaling 43,550,000 acres of  
farmland and ranchland within their boundaries; and

WHEREAS, districts in urban and developing areas  
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waste disposal, and other services to builders, contractors,  
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collections are allocated to this trust fund. The trust fund  
moneys shall be deposited in the fund established under  
17-6-203(5) and invested by the board of investments as  
provided by law.

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

(a) to the county in which coal is mined, 2% of the  
severance tax paid on the coal mined in that county until

1 January 1, 1980, for such purposes as the governing body of  
2 the county may determine;

3 (b) 2 1/2% until December 31, 1979, and thereafter 5%  
4 ~~3% 4%~~ to the earmarked revenue fund to the credit of the  
5 alternative energy research development and demonstration  
6 account;

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

10 (d) for each of the 2 fiscal years following June 30,  
11 1977, 13% to the earmarked revenue fund to the credit of the  
12 coal area highway improvement account;

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

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

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

19 (h) 5% to the earmarked revenue fund to the credit of  
20 a trust fund for the purpose of parks acquisition or  
21 management, protection of works of art in the state capitol,  
22 and other cultural and aesthetic projects. Income from this  
23 trust fund shall be appropriated as follows:

24 (i) 1/3 for protection of works of art in the state  
25 capitol and other cultural and aesthetic projects; and

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3 sites so acquired;

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5 the state library commission for the purposes of providing  
6 basic library services for the residents of all counties  
7 through library federations and for payment of the costs of  
8 participating in regional and national networking;

9 (J) 1% TO THE EARMARKED REVENUE FUND FOR CONSERVATION  
10 DISTRICTS;

11 ~~(j)~~(K) all other revenues from severance taxes  
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13 of the general fund of the state;

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16 NEW SECTION. SECTION 2. CONSERVATION DISTRICT ACCOUNT  
17 -- ADMINISTRATION. (1) THERE IS A CONSERVATION DISTRICT  
18 ACCOUNT IN THE EARMARKED REVENUE FUND OF THE STATE TREASURY.  
19 MONEY IS PAID INTO THIS ACCOUNT UNDER 15-35-106. THE STATE  
20 TREASURER SHALL DRAW WARRANTS PAYABLE FROM THIS ACCOUNT ON  
21 ORDER FROM THE DEPARTMENT OF NATURAL RESOURCES AND  
22 CONSERVATION.

23 (2) THE DEPARTMENT OF NATURAL RESOURCES AND  
24 CONSERVATION SHALL ADMINISTER THE CONSERVATION DISTRICT  
25 ACCOUNT. THE MONEY SHALL BE DISTRIBUTED FROM THE ACCOUNT TO



1 THE CONSERVATION DISTRICTS ON THE BASIS OF NEED. A  
2 CONSERVATION DISTRICT MAY SUBMIT AN APPLICATION TO THE  
3 DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION FOR A GRANT  
4 OF FUNDS FOR PURPOSES THAT CONSERVATION DISTRICTS ARE  
5 AUTHORIZED TO PERFORM.

6 (3) A CONSERVATION DISTRICT IS NOT ELIGIBLE TO RECEIVE  
7 A GRANT UNLESS IT HAS EXHAUSTED ITS AUTHORIZED MILL LEVELS.

8 (4) THE DEPARTMENT OF NATURAL RESOURCES AND  
9 CONSERVATION MAY ADOPT RULES IMPLEMENTING THIS SECTION THAT  
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11 CRITERIA, TERMS, AND CONDITIONS FOR MAKING GRANTS.

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WHEREAS, Montana's Conservation Districts are legal subdivisions of state government responsible under law to develop and carry out long-range programs that will result in the conservation and improvement of the soil and water resources, to provide assistance in the planning and application of conservation measures, and to encourage maximum participation of the general public and all local public and private agencies to fulfill this purpose; and

WHEREAS, Montana's Conservation Districts represent about 14,500 cooperators totaling 43,550,000 acres of farmland and rangeland within their boundaries; and

WHEREAS, districts in urban and developing areas provide soil surveys, water inventories, assistance with waste disposal, and other services to builders, contractors, planning commissions, municipal officials, schools,

hospitals, industries, and smaller landowners; and  
WHEREAS, two concepts gaining support and understanding are the desirability of decentralized government and the limits of natural resources. In combination, these ideas and the demands on their services have resulted in tremendously magnified responsibilities for conservation districts.

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

Section 1. Section 15-35-108, MCA, is amended to read:

"15-35-108. Disposal of severance taxes. Severance taxes collected under the provisions of this chapter are allocated as follows:

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

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

(a) to the county in which coal is mined, 2% of the severance tax paid on the coal mined in that county until

1 January 1, 1980, for such purposes as the governing body of  
2 the county may determine;

3 (b) 2 1/2% until December 31, 1979, and thereafter 5%  
4 ~~3 1/2%~~ to the earmarked revenue fund to the credit of the  
5 alternative energy research development and demonstration  
6 account;

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

10 (d) for each of the 2 fiscal years following June 30,  
11 1977, 13% to the earmarked revenue fund to the credit of the  
12 coal area highway improvement account;

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

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

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22 and other cultural and aesthetic projects. Income from this  
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3 sites so acquired;

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8 participating in regional and national networking;

9 (j) 1% TO THE EARMARKED REVENUE FUND FOR CONSERVATION  
10 DISTRICTS;

11 (j)(k) all other revenues from severance taxes  
12 collected under the provisions of this chapter to the credit  
13 of the general fund of the state;

14 (k) -- 2% to the earmarked revenue fund for conservation  
15 districts;

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19 MONEY IS PAID INTO THIS ACCOUNT UNDER 15-35-108. THE STATE  
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8 (4) THE DEPARTMENT OF NATURAL RESOURCES AND  
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8 5 PERCENT TO 4 1/2 PERCENT AND ALLOCATING ~~2 PERCENT~~ A  
9 PORTION 1/2 OF 1 PERCENT OF THE TAX TO CONSERVATION DISTRICT  
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12 WHEREAS, Montana's Conservation Districts are legal  
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10 (J) 1% 1/2 OF 1% TO THE EARMARKED REVENUE FUND FOR  
 11 CONSERVATION DISTRICTS;

12 ~~(K) all other revenues from severance taxes~~  
 13 ~~collected under the provisions of this chapter to the credit~~  
 14 ~~of the general fund of the state;~~

15 ~~(K) --2%-- to the earmarked revenue fund for conservation~~  
 16 ~~districts"~~

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 22 ORDER FROM THE DEPARTMENT OF NATURAL RESOURCES AND  
 23 CONSERVATION.

24 (2) THE DEPARTMENT OF NATURAL RESOURCES AND  
 25 CONSERVATION SHALL ADMINISTER THE CONSERVATION DISTRICT

1 ACCOUNT. THE MONEY SHALL BE DISTRIBUTED FROM THE ACCOUNT TO  
2 THE CONSERVATION DISTRICTS ON THE BASIS OF NEED. A  
3 CONSERVATION DISTRICT MAY SUBMIT AN APPLICATION TO THE  
4 DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION FOR A GRANT  
5 OF FUNDS FOR PURPOSES THAT CONSERVATION DISTRICTS ARE  
6 AUTHORIZED TO PERFORM.

7 (3) A CONSERVATION DISTRICT IS NOT ELIGIBLE TO RECEIVE  
8 A GRANT UNLESS IT HAS EXHAUSTED ITS AUTHORIZED MILL LEVELS  
9 LEVIES.

10 (4) THE DEPARTMENT OF NATURAL RESOURCES AND  
11 CONSERVATION MAY ADOPT RULES IMPLEMENTING THIS SECTION THAT  
12 PROVIDE FOR THE FORM AND CONTENT OF APPLICATIONS AND THE  
13 CRITERIA, TERMS, AND CONDITIONS FOR MAKING GRANTS.

-End-



March 31, 1981

SENATE STANDING COMMITTEE REPORT  
(Taxation)

That House Bill No. 223 be amended as follows:

1. TITLE, line 7.

Following: "RESEARCH"

Insert: "FROM 5 PERCENT TO 4 1/2 PERCENT"

2. TITLE, line 8.

Following: "~~PERCENT~~"

Strike: "A PORTION"

Insert: "1/2 OF 1 PERCENT"

3. Page 3, line 4

Following: "3%"

Strike: "4%"

Insert: "4 1/2%"

4. Page 4, line 9.

Following: "(J)"

Strike: "1%"

Insert: "1/2 OF 1%"

5. Page 5, line 7.

Following: "MILL"

Strike: "LEVELS"

Insert: "LEVIES"