

Senate Bill 260

In The Senate

January 23, 1981

Introduced and referred  
to Committee on Taxation.

Fiscal note requested.

February 2, 1981

Fiscal note returned.

March 26, 1981

Committee recommend bill  
do not pass.

On motion Senate reconsider  
its action taken on Adverse  
Committee Report and order  
printed and placed on second  
reading. Motion failed.

1 *Senet* BILL NO. 260  
 2 INTRODUCED BY *Dudson*  
 3  
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO REALLOCATE THE COAL  
 5 SEVERANCE TAX MONEY; INCREASING THE ALLOCATION OF COAL  
 6 SEVERANCE TAX MONEY TO THE GENERAL FUND; AMENDING SECTIONS  
 7 15-35-108, 90-6-202, 90-6-205, 90-6-207, AND 90-6-211, MCA;  
 8 REPEALING SECTIONS 22-3-112, 23-1-108, 90-1-108, 90-2-101  
 9 THROUGH 90-2-128, 90-4-101 THROUGH 90-4-107, AND 90-6-210,  
 10 MCA."

11  
 12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
 13 Section 1. Section 15-35-108, MCA, is amended to read:  
 14 "15-35-108. Disposal of severance taxes. (1) Severance  
 15 taxes collected under the provisions of this chapter are  
 16 allocated as follows:  
 17 (1)(a) ~~To the trust fund created by Article IX,~~  
 18 ~~section 5 of the Montana constitution, 25% of total~~  
 19 ~~collections and taxes payable each year after through~~  
 20 ~~December 31, 1979, and thereafter 50% of coal severance tax~~  
 21 ~~collections are allocated to this trust fund of total taxes~~  
 22 ~~are payable to the trust fund created by Article IX, section~~  
 23 ~~5 of the Montana constitution.~~ The trust fund moneys shall  
 24 be deposited in the fund established under 17-6-203(5) and  
 25 invested by the board of investments as provided by law.

1 (2) ~~Coal severance tax collections remaining after~~  
 2 ~~allocation to the trust fund under subsection (1) are~~  
 3 ~~allocated in the following percentages of the remaining~~  
 4 ~~balances:~~  
 5 (a) ~~to the county in which coal is mined 2% of the~~  
 6 ~~severance tax paid on the coal mined in that county until~~  
 7 ~~January 1, 1980, for such purposes as the governing body of~~  
 8 ~~the county may determine;~~  
 9 (b) ~~2 1/2% until December 31, 1979, and thereafter 5%~~  
 10 ~~to the earmarked revenue fund to the credit of the~~  
 11 ~~alternative energy research, development, and demonstration~~  
 12 ~~account;~~  
 13 (c)(b) ~~26 1/2% until July 1, 1979, and thereafter~~  
 14 ~~37 1/2% 4%~~ to the earmarked revenue fund to the credit of  
 15 the local impact and education trust fund account; and  
 16 (d) ~~for each of the 2 fiscal years following June 30,~~  
 17 ~~1977, 13% to the earmarked revenue fund to the credit of the~~  
 18 ~~coal area highway improvement account;~~  
 19 (e) ~~10% to the earmarked revenue fund for state~~  
 20 ~~equalization aid to public schools of the state;~~  
 21 (f) ~~1% to the earmarked revenue fund to the credit of~~  
 22 ~~the county land planning account;~~  
 23 (g) ~~2 1/2% to the sinking fund to the credit of the~~  
 24 ~~renewable resource development bond account;~~  
 25 (h) ~~5% to the earmarked revenue fund to the credit of~~

~~1 a trust fund for the purpose of parks acquisition or  
2 management, protection of works of art in the state capitol  
3 and other cultural and aesthetic projects. Income from this  
4 trust fund shall be appropriated as follows:~~

~~5 (1) 1/3 for protection of works of art in the state  
6 capitol and other cultural and aesthetic projects; and~~

~~7 (1) 2/3 for the acquisition of sites and areas  
8 described in 23-1-102 and the operation and maintenance of  
9 sites so acquired;~~

~~10 (1) 1/3 to the earmarked revenue fund to the credit of  
11 the state library commission for the purposes of providing  
12 basic library services for the residents of all counties  
13 through library federations and for payment of the costs of  
14 participating in regional and national networking;~~

~~15 (1)(c) all other revenues from severance taxes  
16 collected payable under the provisions of this chapter to  
17 the credit of the general fund of the state.~~

~~18 (2) The allocations established in subsection (1) are  
19 based on coal severance taxes accruing during each quarter.~~

Section 2. Section 90-6-202, MCA, is amended to read:  
"90-6-202. Accounts established. (1) There is within  
the earmarked revenue fund a local impact and education  
trust fund account. Moneys are payable into this account  
under 15-35-108. The state treasurer shall draw warrants  
from this account upon order of the coal board.

~~1 (2) There is within the earmarked revenue fund a coal  
2 area highway improvement account."~~

Section 3. Section 90-6-205, MCA, is amended to read:  
"90-6-205. Coal board -- general powers. The board  
may:

(1) retain professional consultants and advisors;  
(2) adopt rules governing its proceedings;  
(3) consider applications for grants from the local  
impact and education trust fund account; and  
(4) award grants, subject to 90-6-207, the total of

which may not to exceed in any one year seven elevenths and  
after June 30, 1979, seven fifteenths of the revenue paid  
into \$1 million during any biennium, except as provided in  
subsection (5), from the local impact and education trust  
fund account to local governmental units and state agencies  
to assist local governmental units in meeting the local  
impact of coal development by enabling them to adequately  
provide governmental services and facilities which are  
needed as a direct consequence of coal development. As used  
in the preceding sentence, "revenue paid" does not include  
interest income from the account reinvested in the account  
in trust for the public schools and the university system.

(5) award grants from the local impact account in  
excess of \$1 million during a biennium if:

(a) the grant is awarded in accordance with 90-6-206

1 for the purpose established in subsection (4):

2 (b) significant new coal development, including but  
 3 not limited to construction of a new coal-fired electric  
 4 generating unit, construction of a coal gasification plant,  
 5 large-scale expansion of an existing mine or the opening of  
 6 a new mine, occurs and produces impact on nearby local  
 7 governmental units;

8 (c) the applications for the grants are reviewed by  
 9 the legislative finance committee and the coal tax oversight  
 10 subcommittee, if that committee is in existence, prior to  
 11 final consideration and board action; and

12 (d) a budget amendment for the expenditure is approved  
 13 by the governor or his designated representative."

14 Section 4. Section 90-6-207, MCA, is amended to read:

15 "90-6-207. Priorities for impact grants. (1) The  
 16 department of community affairs shall designate counties,  
 17 towns, school districts, and other governmental units which  
 18 have had or expect to have an increase in estimated  
 19 population of at least 10% during any 3 years since 1972 as  
 20 a result of the impact of coal development. The coal board  
 21 shall, subject to the appropriations of the legislature,  
 22 award at least 50% of all grants awarded to governmental  
 23 units and state agencies for meeting the needs caused by  
 24 coal development each year to these designated governmental  
 25 units.

1 (2) Attention should be given by the coal board to the  
 2 need for community planning before the full impact is  
 3 realized. Applicants should be able to show how their  
 4 request reasonably fits into an overall plan for the orderly  
 5 management of the existing or contemplated growth problems.

6 ~~(3) All funds placed in the local impact and~~  
 7 ~~educational trust fund account established under this party~~  
 8 ~~subject to the limitations imposed by 90-6-211, shall be~~  
 9 ~~subject to appropriations by the legislature for use related~~  
 10 ~~to local impact or for transfer to a permanent trust for~~  
 11 ~~education."~~

12 Section 5. Section 90-6-211, MCA, is amended to read:

13 "90-6-211. Disposition of interest from unexpended  
 14 balance. The unexpended balance in the local impact and  
 15 education trust fund account shall be invested as provided  
 16 by statute by the board of investments. ~~Of the income from~~  
 17 ~~such investments each year 10% shall be added to the~~  
 18 ~~principal of the account to be segregated and held in trust~~  
 19 ~~for the purposes of supporting the public schools and~~  
 20 ~~university systems of the state. Of the remaining 90% of~~  
 21 ~~the income from such investments, three-fourths shall be~~  
 22 ~~annually paid into the earmarked revenue fund for state~~  
 23 ~~equalization and to public schools of the state and~~  
 24 ~~one-fourth each year shall be paid to the board of regents~~  
 25 ~~of higher education for use by the institutions of higher~~

1 ~~learning in the state, subject to the budgeting authority of~~  
 2 ~~the legislature. Except as provided in 90-6-205(4), the~~  
 3 ~~principal of the local impact and educational trust fund~~  
 4 ~~shall be dedicated to education and forever remain inviolate~~  
 5 ~~and sacred to this purpose as provided in sections 3 and 10~~  
 6 ~~of Article X of the Montana constitution. The income from~~  
 7 ~~such investments shall be deposited in the state general~~  
 8 ~~funds.~~"

9 **NEW SECTION.** Section 6. Transfer of funds to general  
 10 fund. (1) The balance of the funds on June 30, 1981, to the  
 11 credit of the following earmarked revenue fund accounts  
 12 established under 15-35-108, as it read prior to [the  
 13 effective date of this act], shall be transferred to the  
 14 state general fund:

- 15 (a) the alternative energy research development and  
 16 demonstration account;
- 17 (b) the local impact and education trust fund account;
- 18 (c) the coal area highway improvement account;
- 19 (d) the county land planning account;
- 20 (e) the trust fund account for the purpose of parks  
 21 acquisition or management, protection of works of art in the  
 22 state capital, and other cultural and aesthetic projects;  
 23 and
- 24 (f) the state library commission account.
- 25 (2) The balance of the funds on June 30, 1981, in the

1 sinking fund account to the credit of the renewable resource  
 2 development bond account established under 15-35-108, as it  
 3 read prior to [the effective date of this act], shall be  
 4 transferred to the state general fund.

5 Section 7. Repealer. Sections 22-3-112, 23-1-108,  
 6 90-1-108, 90-2-101 through 90-2-128, 90-4-101 through  
 7 90-4-107, and 90-6-210, MCA, are repealed.

-End-

STATE OF MONTANA

REQUEST NO. 210-81

FISCAL NOTE

Form BD-15

In compliance with a written request received January 26, 19 81, there is hereby submitted a Fiscal Note for Senate Bill 260 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 of Proposed Legislation

Senate Bill 260 is an act to reallocate the coal severance tax money.

Assumptions

1. Coal tax income is estimated at \$106,565,070 for FY 1982 and \$129,376,980 for FY 1983.
2. Interest earned on the various funds would be lost to the state.
3. Taxes levied on coal mined this fiscal year will be allocated under present law.

Revenue Impact

See page 2

Local Impact

Reduction of \$4,195,000 in FY 1982 and \$6,792,292 in FY 1983 available to local governments in Coal Board Grants and Land Use Planning Grants.

Technical Note

It should be noted that Senate Bill 260 would apply to taxes assessed on coal mined after June 30, 1981.

Attorney General Opinion Number 73 (October 5, 1977) specifically states that the distribution formula in effect at the time the coal is mined is to be used to allocate the tax receipts.

Senate Bill 260 (because of this opinion) would leave one quarter of tax receipts in various accounts.

It is felt that the legislative intent of Senate Bill 260 is to transfer all funds from these accounts to the general fund. Section 6 should be modified to clarify this point.

This measure will increase the General Fund by \$59,648,617 in FY 1982 and \$34,931,785 in FY 1983.



BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2-2-81

	<u>Projected FY 1981 Ending Bal.</u>	<u>Fund Balance Impact FY 1982</u>	<u>Tax Impact FY 1982</u>	<u>Interest Impact FY 1982</u>	<u>Tax Impact FY 1983</u>	<u>Interest Impact FY 1983</u>
General Fund	N/A	\$59,648,617	\$21,579,427	N/A	\$34,931,785	N/A
Regents Coal Tax	N/A	N/A	N/A	(980,322)	N/A	(1,290,624)
Acquisition of Parks	N/A	N/A	N/A	(886,101)	N/A	(1,236,717)
Public School Equalization	N/A	N/A	(3,996,190)	(2,940,965)	(6,468,849)	(3,871,872)
County Land Planning	0	0	(399,619)	N/A	(646,885)	N/A
Local Impact	3,500,000	(3,500,000)	(3,796,382)	N/A	(6,145,407)	N/A
Coal Area Highway Improvement	11,667,191	(11,667,191)	N/A	N/A	N/A	N/A
State Library	0	0	(399,619)	N/A	(646,885)	N/A
Alternative Energy Research	2,691,300	(2,691,300)	(1,998,095)	N/A	(3,234,425)	N/A
Renewable Resource	1,501,221	(1,501,221)	(999,047)	N/A	(1,617,212)	N/A
Park Acquisition	5,571,663	(5,571,663)	(1,998,095)	N/A	(3,234,425)	N/A
Education Trust	34,717,242	(34,717,242)	(7,992,380)	(435,699)	(12,937,698)	(573,611)
Permanent Trust	N/A	N/A	0	N/A	0	
<b>Totals</b>	<b>\$59,648,617</b>	<b>0</b>	<b>0</b>	<b>(5,243,087)*</b>	<b>0</b>	<b>\$(6,972,824)*</b>

N/A = not affected by Senate Bill 260

\*This assumes these interest earnings would be lost because the funds in the General Fund would be expended before interest accrued.