

HOUSE BILL NO. 493

1/26 Introduced  
1/28 Fiscal Note Requested  
1/28 Referred to Natural Resources  
2/02 Fiscal Note Received  
2/13 Hearing  
2/25 Committee Report-Bill Pass As Amended  
2/26 2nd Reading Pass As Amended  
2/27 3rd Reading Pass

Transmitted to Senate

3/06 Referred to Taxation  
3/22 Hearing  
4/05 Tabled in Committee

1 HOUSE BILL NO. 493  
 2 INTRODUCED BY *Ramirez, Paulson, Holliday, Hoyt*  
 3 *Abraham, Boylan, Ellen, Yaff*

4 A BILL FOR AN ACT ENTITLED: "AN ACT CREATING THE MONTANA  
 5 INFRASTRUCTURE TRUST FUND TO BE USED FOR THE CONSTRUCTION,  
 6 PRESERVATION, AND MAINTENANCE OF BUILDINGS AND FACILITIES,  
 7 THE CONSTRUCTION AND RECONSTRUCTION OF HIGHWAYS, AND LOCAL  
 8 GOVERNMENT INFRASTRUCTURE NEEDS; PROVIDING THAT ONE-HALF OF  
 9 THE FUND MUST BE HELD INVIOLEATE AND THAT ONE-HALF MAY BE  
 10 APPROPRIATED; AMENDING SECTION 15-35-108, MCA; PROVIDING  
 11 THAT THE PROPOSED ACT BE SUBMITTED TO THE ELECTORS OF THE  
 12 STATE OF MONTANA; AND PROVIDING A CONTINGENT EFFECTIVE  
 13 DATE."

15 WHEREAS, the diversification of investments is a wise  
 16 investment policy; and

17 WHEREAS, investing trust funds in securities, deposits,  
 18 and bonds without reinvesting the income from the  
 19 investments may erode the real value of the corpus of the  
 20 trust fund; and

21 WHEREAS, investment of assets held in trust for future  
 22 generations in tangible investments is a reasonable use of  
 23 such assets for the benefit of both present and future  
 24 generations; and

25 WHEREAS, since the tangible investments previously made

1 deteriorate and become obsolete over time, it is a trust  
 2 responsibility to maintain our tangible investments to  
 3 preserve them for the use of future generations; and

4 WHEREAS, the preservation of tangible investments  
 5 already made is an investment benefiting both present and  
 6 future generations; and

7 WHEREAS, preserving and improving the infrastructure of  
 8 the state may provide a greater return for future  
 9 generations than investment in securities, while at the same  
 10 time meeting the public's current needs.

11  
 12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13 NEW SECTION. Section 1. Montana infrastructure trust  
 14 fund. (1) There is a Montana infrastructure trust fund. The  
 15 fund consists of 25% of the severance tax on coal collected  
 16 under Title 15, chapter 35, after July 1, 1987.

17 (2) (a) One-half of the proceeds deposited in the  
 18 trust fund may be allocated or appropriated by the  
 19 legislature for the following:

20 (i) the preservation and maintenance of public  
 21 buildings and facilities;

22 (ii) the construction of state or university system  
 23 buildings;

24 (iii) up to 25% may be allocated to the local  
 25 government infrastructure grant program as provided in

INTRODUCED BILL  
 HB 493

1 [section 2]; and

2 (iv) up to 25% may be allocated to the highway  
3 reconstruction trust account provided for in 60-3-216.

4 (b) One-half of the proceeds deposited in the trust  
5 fund must be continually accumulated and held inviolate  
6 unless appropriated by vote of three-fourths of the members  
7 of each house of the legislature.

8 (c) The interest and income from the trust fund may be  
9 appropriated by the legislature for the purposes enumerated  
10 in subsection (2)(a) or pledged for the retirement of bonds.

11 (3) Any interest, income, or portion of the expendable  
12 one-half of the trust not appropriated or pledged by the  
13 legislature reverts to the expendable one-half of the trust  
14 fund.

15 NEW SECTION. Section 2. Local government  
16 infrastructure grant program. (1) Cities, towns, and  
17 counties may submit applications for grants for the  
18 construction or improvement of water delivery or treatment  
19 systems, sewer systems, buildings, facilities, streets,  
20 roads, and bridges to the coal board.

21 (2) The coal board shall review all grant applications  
22 and make recommendations for infrastructure projects to be  
23 funded to the legislature out of the funds available  
24 pursuant to [section 1]. The legislature may approve total  
25 or partial funding for recommended projects. The department

1 of commerce shall administer the infrastructure grants.

2 Section 3. Section 15-35-108, MCA, is amended to read:  
3 "15-35-108. Disposal of severance taxes. Severance  
4 taxes collected under the provisions of this chapter are  
5 allocated as follows:

6 (1) To the trust fund created by Article IX, section  
7 5(1), of the Montana constitution, 25% of total collections  
8 a year. ~~After December 31, 1999, 50% of coal severance tax~~  
9 ~~collections are allocated to this trust fund.~~ The trust fund  
10 moneys shall be deposited in the fund established under  
11 17-6-203(5) and invested by the board of investments as  
12 provided by law.

13 (2) To the infrastructure trust fund created by  
14 Article IX, section 5(2), of the Montana constitution, 25%  
15 of total collections a year. The infrastructure trust fund  
16 money must be deposited in the fund established by [section  
17 1] and invested by the board of investments as provided by  
18 law.

19 ~~(2)(3)~~ Starting July 1, 1986, and ending June 30,  
20 1987, 6% of coal severance tax collections are allocated to  
21 the highway reconstruction trust fund account in the state  
22 special revenue fund. Starting July 1, 1987, and ending June  
23 30, 1993, 12% of coal severance tax collections are  
24 allocated to the highway reconstruction trust fund account  
25 in the state special revenue fund.

1        ~~3~~(4) Coal severance tax collections remaining after  
2 the allocations provided by subsections (1) and (2) are  
3 allocated in the following percentages of the remaining  
4 balance:

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  
10 4 1/2% to the state special revenue fund to the credit of  
11 the alternative energy research development and  
12 demonstration account;

13        (c) 26 1/2% until July 1, 1979, and thereafter 37 1/2%  
14 to the state special revenue fund to the credit of the local  
15 impact and education trust fund account;

16        (d) for each of the 2 fiscal years following June 30,  
17 1977, 13% to the state special revenue fund to the credit of  
18 the coal area highway improvement account;

19        (e) 10% to the state special revenue fund for state  
20 equalization aid to public schools of the state;

21        (f) 1% to the state special revenue fund to the credit  
22 of the county land planning account;

23        (g) 1 1/4% to the credit of the renewable resource  
24 development bond fund;

25        (h) 5% to a nonexpendable trust fund for the purpose

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

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

7        (ii) 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        (i) 1% to the state special revenue fund to the credit  
11 of the state library commission for the purposes of  
12 providing basic library services for the residents of all  
13 counties through library federations and for payment of the  
14 costs of participating in regional and national networking;

15        (j) 1/2 of 1% to the state special revenue fund for  
16 conservation districts;

17        (k) 1 1/4% to the debt service fund type to the credit  
18 of the water development debt service fund;

19        (l) all other revenues from severance taxes collected  
20 under the provisions of this chapter to the credit of the  
21 general fund of the state."

22        NEW SECTION. Section 4. Effective date. Sections 1  
23 through 3 of this act are effective only if this act and the  
24 constitutional referendum contained in \_\_\_ Bill No. \_\_\_ [LC  
25 836] are both approved by the electorate at the general

1 election to be held in November 1986. If this act and the  
2 constitutional referendum contained in \_\_\_Bill No.\_\_\_\_ [LC  
3 836] are approved by the electorate, sections 1 through 3 of  
4 this act are effective July 1, 1987.

5 NEW SECTION. Section 5. Submission to electorate. The  
6 question of whether sections 1 through 3 of this act will  
7 become effective shall be submitted to the electors of the  
8 state of Montana at the general election to be held in  
9 November 1986 by printing on the ballot the full title of  
10 this act and the following:

11  FOR creating the Montana Infrastructure Trust Fund  
12 to be used for the construction, preservation, and  
13 maintenance of buildings, highways, and other state  
14 and local government infrastructure needs.

15  AGAINST creating the Montana Infrastructure Trust  
16 Fund to be used for the construction, preservation,  
17 and maintenance of buildings, highways, and other  
18 state and local government infrastructure needs.

-End-

STATE OF MONTANA  
FISCAL NOTE

REQUEST NO. FNN 259-85

Form BD-15

In compliance with a written request received January 28, 19 85, there is hereby submitted a Fiscal Note for House Bill 493 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.

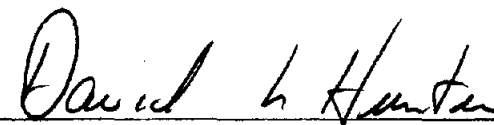
DESCRIPTION OF PROPOSED LEGISLATION:

An act creating the Montana Infrastructure Trust Fund to be used for the construction, preservation, and maintenance of buildings and facilities, the construction and reconstruction of highways, and local government infrastructure needs; providing that one-half of the fund must be held inviolate and that one-half may be appropriated; amending Section 15-35-108, MCA; providing that the proposed act be submitted to the electors of the State of Montana; and providing a contingent effective date.

ASSUMPTIONS:

Assuming coal severance tax revenues of \$112,033,493 (FY 1987 OBPP estimate) for FY 1988, \$28,008,373 would be allocated to the infrastructure trust fund and the coal tax trust fund allocation would be decreased from \$56,016,747 to \$28,008,373.

1. Coal Severance Tax revenues for FY 1987 of \$112,033,493 are assumed to remain constant for FY 1988 and beyond.
2. Assumes Legislature would enact new allocations effective July 1, 1987.
3. Constant coal production and constant coal price.



BUDGET DIRECTOR  
Office of Budget and Program Planning

Date: Feb 2, 1985

HB 493

LONG-RANGE EFFECT OF PROPOSED LEGISLATION:

1. 25% of the coal severance tax trust fund allocation would be \$28,008,373 annually that would be reallocated to the infrastructure trust fund.
2. The In-State Investment Fund administered by the Montana Economic Development Board currently receives 25% of total deposits to the permanent trust fund. The proposed legislation would decrease the In-State Investment Fund allocation by \$7,002,093 annually (25% of \$28,008,373). This decrease would reduce the number of loans that the Economic Development Board could make.
3. Interest earnings from the permanent trust fund would decrease due to decreased allocations of \$28,008,375 annually to the permanent trust fund. The loss of interest earnings that go to the general fund and the loss of interest earnings that would be reinvested under current law in the permanent trust is estimated to be:

	<u>1986-87</u> (millions)	<u>1988-89</u> (millions)	<u>1990-91</u> (millions)	<u>1992-93</u> (millions)
General Fund	\$ -0-	\$ 4.312	\$12.618	\$20.927
Reinvested	-0-	.761	2.227	3.693
Total Loss *	\$ -0-	\$ 5.073	\$14.845	\$24.620

\*The estimated loss in revenue is conservative since the estimates are based on the assumption that tax collections will remain constant instead of increasing in future bienniums.

TECHNICAL DEFECTS:

Page 5, line 2 of House Bill 493 should cite subsections (1), (2), and (3).

APPROVED BY COMM. ON  
NATURAL RESOURCES

HOUSE BILL NO. 493

INTRODUCED BY RAMIREZ, PAVLOVICH, HOLLIDAY,  
THOPT, DONALDSON, ABRAMS, BOYLAN, ELLERD, GAGE,

A BILL FOR AN ACT ENTITLED: "AN ACT CREATING THE MONTANA  
INFRASTRUCTURE TRUST FUND TO BE USED FOR THE CONSTRUCTION,  
PRESERVATION, AND MAINTENANCE OF PUBLIC AND UNIVERSITY  
SYSTEM BUILDINGS AND FACILITIES, THE CONSTRUCTION AND  
RECONSTRUCTION OF HIGHWAYS, AND LOCAL GOVERNMENT  
INFRASTRUCTURE NEEDS; PROVIDING THAT ONE-HALF OF THE FUND  
MUST BE HELD INVIOLEATE AND THAT ONE-HALF MAY BE  
APPROPRIATED; AMENDING SECTION 15-35-108, MCA; PROVIDING  
THAT THE PROPOSED ACT BE SUBMITTED TO THE ELECTORS OF THE  
STATE OF MONTANA; AND PROVIDING A CONTINGENT EFFECTIVE  
DATE."

WHEREAS, the diversification of investments is a wise  
investment policy; and

WHEREAS, investing trust funds in securities, deposits,  
and bonds without reinvesting the income from the  
investments may erode the real value of the corpus of the  
trust fund; and

WHEREAS, investment of assets held in trust for future  
generations in tangible investments is a reasonable use of  
such assets for the benefit of both present and future

generations; and

WHEREAS, since the tangible investments previously made  
deteriorate and become obsolete over time, it is a trust  
responsibility to maintain our tangible investments to  
preserve them for the use of future generations; and

WHEREAS, the preservation of tangible investments  
already made is an investment benefiting both present and  
future generations; and

WHEREAS, preserving and improving the infrastructure of  
the state may provide a greater return for future  
generations than investment in securities, while at the same  
time meeting the public's current needs.

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

NEW SECTION. Section 1. Montana infrastructure trust  
fund. (1) There is a Montana infrastructure trust fund. The  
fund consists of 25% of the severance tax on coal collected  
under Title 15, chapter 35, after July 1, 1987.

(2) (a) One-half of the proceeds deposited in the  
trust fund may be allocated or appropriated by the  
legislature for the following, OR PLEDGED TO PAY OR SECURE  
INDEBTEDNESS INCURRED THEREFOR BY A TWO-THIRDS VOTE OF THE  
MEMBERS OF EACH HOUSE OF THE LEGISLATURE:

(i) the preservation and maintenance of public  
buildings and facilities;



1 (ii) the construction of state or university system  
2 buildings;

3 (iii) up to 25% may be allocated to the local  
4 government infrastructure grant program as provided in  
5 [section 2]; and

6 (iv) up to 25% may be allocated to the highway  
7 reconstruction trust account provided for in 60-3-216.

8 (b) One-half of the proceeds deposited in the trust  
9 fund must be continually accumulated and held inviolate  
10 unless appropriated by vote of three-fourths of the members  
11 of each house of the legislature.

12 (c) The interest and income from the trust fund may be  
13 appropriated OR PLEDGED TO THE RETIREMENT OF BONDS by the  
14 legislature for the purposes enumerated in subsection (2)(a)  
15 ~~or pledged for the retirement of bonds.~~

16 (3) Any interest, income, or portion of the expendable  
17 one-half of the trust not appropriated or pledged by the  
18 legislature reverts to the expendable one-half of the trust  
19 fund.

20 NEW SECTION. Section 2. Local government  
21 infrastructure grant program. (1) Cities, towns, and  
22 counties may submit applications for grants for the  
23 construction or improvement of water delivery or treatment  
24 systems, sewer systems, buildings, facilities, streets,  
25 roads, and bridges to the coal board.

1 (2) The coal board shall review all grant applications  
2 and make recommendations for infrastructure projects to be  
3 funded to the legislature out of the funds available  
4 pursuant to [section 1]. The legislature may approve total  
5 or partial funding for recommended projects. The department  
6 of commerce shall administer the infrastructure grants.

7 Section 3. Section 15-35-108, MCA, is amended to read:  
8 "15-35-108. Disposal of severance taxes. Severance  
9 taxes collected under the provisions of this chapter are  
10 allocated as follows:

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

18 (2) To the infrastructure trust fund created by  
19 Article IX, section 5(2), of the Montana constitution, 25%  
20 of total collections a year. The infrastructure trust fund  
21 money must be deposited in the fund established by [section  
22 1] and invested by the board of investments as provided by  
23 law.

24 ~~(2)(3)~~ Starting July 1, 1986, and ending June 30,  
25 1987, 6% of coal severance tax collections are allocated to

1 the highway reconstruction trust fund account in the state  
 2 special revenue fund. Starting July 1, 1987, and ending June  
 3 30, 1993, 12% of coal severance tax collections are  
 4 allocated to the highway reconstruction trust fund account  
 5 in the state special revenue fund.

6 ~~(3)~~(4) Coal severance tax collections remaining after  
 7 the allocations provided by subsections (1) and (2) are  
 8 allocated in the following percentages of the remaining  
 9 balance:

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

14 (b) 2 1/2% until December 31, 1979, and thereafter  
 15 4 1/2% to the state special revenue fund to the credit of  
 16 the alternative energy research development and  
 17 demonstration account;

18 (c) 26 1/2% until July 1, 1979, and thereafter 37 1/2%  
 19 to the state special revenue fund to the credit of the local  
 20 impact and education trust fund account;

21 (d) for each of the 2 fiscal years following June 30,  
 22 1977, 13% to the state special revenue fund to the credit of  
 23 the coal area highway improvement account;

24 (e) 10% to the state special revenue fund for state  
 25 equalization aid to public schools of the state;

1 (f) 1% to the state special revenue fund to the credit  
 2 of the county land planning account;

3 (g) 1 1/4% to the credit of the renewable resource  
 4 development bond fund;

5 (h) 5% to a nonexpendable trust fund for the purpose  
 6 of parks acquisition or management, protection of works of  
 7 art in the state capitol, and other cultural and aesthetic  
 8 projects. Income from this trust fund shall be appropriated  
 9 as follows:

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

12 (ii) 2/3 for the acquisition of sites and areas  
 13 described in 23-1-102 and the operation and maintenance of  
 14 sites so acquired;

15 (i) 1% to the state special revenue fund to the credit  
 16 of the state library commission for the purposes of  
 17 providing basic library services for the residents of all  
 18 counties through library federations and for payment of the  
 19 costs of participating in regional and national networking;

20 (j) 1/2 of 1% to the state special revenue fund for  
 21 conservation districts;

22 (k) 1 1/4% to the debt service fund type to the credit  
 23 of the water development debt service fund;

24 (l) all other revenues from severance taxes collected  
 25 under the provisions of this chapter to the credit of the

1 general fund of the state."

2 NEW SECTION. Section 4. Effective date. Sections 1  
3 through 3 of this act are effective only if this act and the  
4 constitutional referendum contained in House Bill No. 494  
5 are both approved by the electorate at the general election  
6 to be held in November 1986. If this act and the  
7 constitutional referendum contained in House Bill No. 494  
8 are approved by the electorate, sections 1 through 3 of this  
9 act are effective July 1, 1987.

10 NEW SECTION. Section 5. Submission to electorate. The  
11 question of whether sections 1 through 3 of this act will  
12 become effective shall be submitted to the electors of the  
13 state of Montana at the general election to be held in  
14 November 1986 by printing on the ballot the full title of  
15 this act and the following:

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17 to be used for the construction, preservation, and  
18 maintenance of buildings, highways, and other state  
19 and local government infrastructure needs.

20  AGAINST creating the Montana Infrastructure Trust  
21 Fund to be used for the construction, preservation,  
22 and maintenance of buildings, highways, and other  
23 state and local government infrastructure needs.

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23 of the water development debt service fund;

24 (l) all other revenues from severance taxes collected  
25 under the provisions of this chapter to the credit of the

1 general fund of the state."

2 NEW SECTION. Section 4. Effective date. Sections 1  
3 through 3 of this act are effective only if this act and the  
4 constitutional referendum contained in House Bill No. 494  
5 are both approved by the electorate at the general election  
6 to be held in November 1986. If this act and the  
7 constitutional referendum contained in House Bill No. 494  
8 are approved by the electorate, sections 1 through 3 of this  
9 act are effective July 1, 1987.

10 NEW SECTION. Section 5. Submission to electorate. The  
11 question of whether sections 1 through 3 of this act will  
12 become effective shall be submitted to the electors of the  
13 state of Montana at the general election to be held in  
14 November 1986 by printing on the ballot the full title of  
15 this act and the following:

16  FOR creating the Montana Infrastructure Trust Fund  
17 to be used for the construction, preservation, and  
18 maintenance of buildings, highways, and other state  
19 and local government infrastructure needs.

20  AGAINST creating the Montana Infrastructure Trust  
21 Fund to be used for the construction, preservation,  
22 and maintenance of buildings, highways, and other  
23 state and local government infrastructure needs.

-End-