

HOUSE BILL NO. 494

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

CONSTITUTIONAL AMENDMENT

1 HOUSE BILL NO. 494
2 INTRODUCED BY Ramirez, Paul
3 Adams, John
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A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING ARTICLE IX, SECTION 5, OF THE MONTANA CONSTITUTION TO REQUIRE NOT LESS THAN 25 PERCENT OF THE COAL SEVERANCE TAX REVENUE, AND THE INTEREST THEREFROM, TO BE USED FOR CAPITAL IMPROVEMENTS, PUBLIC BUILDINGS, HIGHWAYS, AND LOCAL GOVERNMENT INFRASTRUCTURE OR OTHER INFRASTRUCTURE NEEDS; TO CHANGE THE AMOUNT OF COAL SEVERANCE TAX REVENUE TO BE ALLOCATED TO THE COAL SEVERANCE TAX TRUST FUND FROM 50 PERCENT TO 25 PERCENT; AND PROVIDING THAT THE ACT BE SUBMITTED TO THE ELECTORS OF THE STATE OF MONTANA."

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

Section 1. Article IX, section 5, of the Constitution of the State of Montana is amended to read:

"Section 5. Severance tax on coal -- trust fund funds.

(1) The legislature shall dedicate not less than one-fourth (1/4) of the coal severance tax to a trust fund, the interest and income from which may be appropriated. The principal of the trust shall forever remain inviolate unless appropriated by vote of three-fourths (3/4) of the members of each house of the legislature. After-December-31-1979 at-least-fifty-percent-(50%)-of-the-severance-tax--shall--be

1 dedicated-to-the-trust-fund:

2 (2) (a) Not less than one-fourth (1/4) of the coal
3 severance tax shall be deposited to an infrastructure trust
4 fund to be used to construct, improve, and maintain needed
5 capital improvements for the university system, public
6 buildings, the highway system, and local government
7 infrastructure or other infrastructure needs.

8 (b) One-half (1/2) of the principal of the
9 infrastructure trust fund shall remain inviolate unless
10 appropriated by three-fourths (3/4) vote of each house of
11 the legislature. One-half (1/2) of the principal of the
12 infrastructure trust fund and the interest and income from
13 the infrastructure trust fund may be appropriated or
14 pledged, and if not appropriated or pledged shall be
15 redeposited in the trust fund.

16 (c) The legislature may provide for the allocation of
17 the infrastructure trust fund, including allocation of a
18 portion of the fund to local governments."

19 NEW SECTION. Section 2. Submission to electorate.
20 This amendment shall be submitted to the electors of the
21 state of Montana at the general election to be held on
22 November 4, 1986, by printing on the ballot the full title
23 of this act and the following:

24 FOR changing the amount of coal severance tax
25 revenue going to the coal severance tax trust fund



-2-
INTRODUCED BILL
HB 494

1 and allocating not less than 25% of the coal
2 severance tax revenue to an infrastructure trust
3 fund to be used to construct, improve, and maintain
4 needed capital improvements for highways, the
5 university system, public buildings, and local
6 government or other infrastructure needs.

7 AGAINST changing the amount of coal severance tax
8 revenue going to the coal severance tax trust fund
9 and allocating not less than 25% of the coal
10 severance tax revenue to an infrastructure trust
11 fund to be used to construct, improve, and maintain
12 needed capital improvements for highways, the
13 university system, public buildings, and local
14 government or other infrastructure needs.

-End-

STATE OF MONTANA

FISCAL NOTE

REQUEST NO. FNN 260-85

Form BD-15

In compliance with a written request received January 28, 19 85, there is hereby submitted a Fiscal Note for House Bill 494 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.

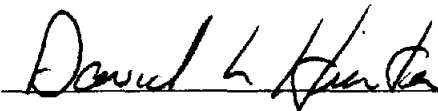
DESCRIPTION OF PROPOSED LEGISLATION:

An act amending Article IX, Section 5, of the Montana Constitution to require not less than 25% of the coal severance tax revenue, and the interest therefrom, to be used for capital improvements, public buildings, highways, and local government infrastructure or other infrastructure needs; to change the amount of coal severance tax revenue to be allocated to the coal severance tax trust fund from 50% to 25%; and providing that the act be submitted to the electors of the State of Montana.

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 allocation effective July 1, 1987.
3. Constant coal production and constant price.



BUDGET DIRECTOR
Office of Budget and Program Planning

Date: Feb 2, 1985

HB 494

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 in 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 \$28,008,373 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.

APPROVED BY COMM. ON
NATURAL RESOURCES

HOUSE BILL NO. 494

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

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~~at least fifty percent (50%) of the severance tax shall be dedicated to the trust fund.~~

(2) (a) Not less than one-fourth (1/4) of the coal severance tax shall be deposited to an infrastructure trust fund to be used to construct, improve, and maintain needed capital improvements for the--university--system, public buildings, the highway system, and local government infrastructure or other infrastructure needs.

(b) One-half (1/2) of the principal of the infrastructure trust fund shall remain inviolate unless appropriated by three-fourths (3/4) vote of each house of the legislature. One-half (1/2) of the principal of the infrastructure trust fund and the interest and income from the infrastructure trust fund may be appropriated or pledged, and if not appropriated or pledged OR DEBT AUTHORIZED TO BE PAYABLE OR SECURED THEREBY BY A TWO-THIRDS (2/3) VOTE OF THE MEMBERS OF EACH HOUSE OF THE LEGISLATURE, shall be redeposited in the trust fund.

~~(c) The legislature may provide for the allocation of the infrastructure trust fund, including allocation of a portion of the fund to local governments."~~

NEW SECTION. Section 2. Submission to electorate. This amendment shall be submitted to the electors of the state of Montana at the general election to be held on November 4, 1986, by printing on the ballot the full title

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2 FOR changing the amount of coal severance tax
3 revenue going to the coal severance tax trust fund
4 and allocating not less than 25% of the coal
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-End-

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