

SB 6     INTRODUCED BY REGAN, LYNCH  
TRANSFERRING FUNDS FROM HIGHWAYS TO SCHOOL  
EQUALIZATION

6/18    INTRODUCED  
6/18    REFERRED TO TAXATION  
6/19    HEARING  
6/19    TABLED IN COMMITTEE

BILL NO. 6

INTRODUCED BY

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING SEVERANCE TAX DISPOSAL; INCREASING ALLOCATIONS TO STATE EQUALIZATION AID; REDUCING ALLOCATIONS TO THE HIGHWAY RECONSTRUCTION TRUST FUND AND TO THE COAL BOARD; AMENDING SECTIONS 15-35-108, 20-9-343, 60-3-216, AND 90-6-205, MCA; REPEALING SECTION 17-3-201, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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, 50% of total coal severance tax collections. 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) Starting July 1, 1986, and ending June 30, 1987, 6% of coal severance tax collections are allocated to the highway-reconstruction-trust-fund-account-in-the state special revenue fund for state equalization aid to the

public schools. Starting July 1, 1987, and ending June 30, 1993, 12% of coal severance tax collections are allocated to the highway-reconstruction-trust-fund-account-in-the state special revenue fund for state equalization aid to the public schools.

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

(a) 2 1/2% until July 1, 1987, and thereafter 4 1/2% to the state special revenue fund to the credit of the alternative energy research development and demonstration account;

(b) 26% 21% until July 1, 1987, and thereafter 37-1/2% 27% to the state special revenue fund to the credit of the local impact and education trust fund account;

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

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

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

(f) 5% to a nonexpendable trust fund for the purpose of parks acquisition or management, protection of works of art in the state capitol, and other cultural and aesthetic

1 projects. Income from this trust fund shall be appropriated  
2 as follows:

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

5 (ii) starting July 1, 1985, and ending June 30, 1989,  
6 2/3 for the acquisition, development, operation, and  
7 maintenance of any sites and areas described in 23-1-102  
8 and, after June 30, 1989, 2/3 for the acquisition of sites  
9 and areas described in 23-1-102 and the development,  
10 operation, and maintenance of sites acquired with funds  
11 allocated under this subsection;

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

17 (h) 1/2 of 1% to the state special revenue fund for  
18 conservation districts;

19 (i) 1 1/4% to the debt service fund type to the credit  
20 of the water development debt service fund;

21 ~~{j}--4%--until--July--17--1987--to--the--highway~~  
22 ~~reconstruction-trust--fund--account--in--the--state--special~~  
23 ~~revenue-fund;~~

24 ~~{k}{j}~~ all other revenues from severance taxes  
25 collected under the provisions of this chapter to the credit

1 of the general fund of the state."

2 Section 2. Section 20-9-343, MCA, is amended to read:

3 "20-9-343. Definition of and revenue for state  
4 equalization aid. (1) As used in this title, the term "state  
5 equalization aid" means those moneys deposited in the state  
6 special revenue fund as required in this section plus any  
7 legislative appropriation of moneys from other sources for  
8 distribution to the public schools for the purpose of  
9 equalization of the foundation program.

10 (2) The legislative appropriation for state  
11 equalization aid shall be made in a single sum for the  
12 biennium. The superintendent of public instruction has  
13 authority to spend such appropriation, together with the  
14 earmarked revenues provided in subsection (3), as required  
15 for foundation program purposes throughout the biennium.

16 (3) The following shall be paid into the state special  
17 revenue fund for state equalization aid to public schools of  
18 the state:

19 (a) 25% of all moneys received from the collection of  
20 income taxes under chapter 30 of Title 15;

21 (b) 25% of all moneys, except as provided in  
22 15-31-702, received from the collection of corporation  
23 license taxes under chapter 31 of Title 15, as provided by  
24 15-1-501;

25 (c) ~~10%~~ the portion of the moneys received from the

collection of the severance tax on coal under chapter 35 of Title 15 allocated to state equalization aid to the public schools under 15-35-108;

(d) ~~62-1/2%~~ 100% of the moneys received from the treasurer of the United States as the state's shares of oil, gas, and other mineral royalties under the federal Mineral Lands Leasing Act, as amended;

(e) interest and income moneys described in 20-9-341 and 20-9-342;

(f) income from the local impact and education trust fund account; and

(g) in addition to these revenues, the surplus revenues collected by the counties for foundation program support according to 20-9-331 and 20-9-333 shall be paid into the same state special revenue fund.

(4) Any surplus revenue in the state equalization aid account in the second year of a biennium may be used to reduce the appropriation required for the next succeeding biennium [or may be transferred to the state permissive account if revenues in that fund are insufficient to meet the state's permissive amount obligation]."

Section 3. Section 60-3-216, MCA, is amended to read:

"60-3-216. Highway reconstruction trust account. (1) There is a highway reconstruction trust account created in the state special revenue fund.

(2) The highway reconstruction trust fund account consists of the following allocations:

(a) ~~from the taxes collected pursuant to 15-35-103 for each fiscal year beginning on or after July 1, 1986, and ending on or before June 30, 1993, the amounts allocated to the account pursuant to 15-35-108;~~

(b) ~~for each fiscal year beginning on or after July 1, 1983, and ending on or before June 30, 1993, all money received from the state treasurer pursuant to 17-3-201, and~~

(c) allocation of an amount from the taxes collected pursuant to 15-70-204 and 15-70-321, for each fiscal year beginning on or after July 1, 1983, and ending on or before June 30, 1993, ~~an amount that, when added to the amount received pursuant to subsections (2)(a) and (2)(b), will~~ equal appropriated expenditures. (Terminates July 1, 1993--sec. 7, Ch. 541, L. 1983.)"

Section 4. Section 90-6-205, MCA, is amended to read:

"90-6-205. (Temporary) 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;

(4) consider applications for loans from the local impact and education trust fund account for periods and

interest rates to be determined by the board; and

(5) award grants and loans, subject to 90-6-207, not to exceed in any one year seven-elevenths and after June 30, 1979, and before July 1, 1985, seven-fifteenths and after June 30, 1985, and before July 1, 1986, 23.08% and after June 30, 1986, 15% of the revenue paid into the local impact and education trust fund account, less the appropriation provided in section 1, Chapter 733, Laws of 1985:

(a) to local governmental units, state agencies, and governing bodies of federally recognized Indian tribes to assist local governmental units and federally recognized Indian tribes 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; and

(b) notwithstanding the provisions of 90-6-207, to the department of highways established in 2-15-2501 to expedite the construction, repair, and maintenance of deficient sections of highway within the area designated in 90-6-210 if the deficiency is the direct result of increased traffic accompanying the development of coal resources; and

(c) provided that as used in this subsection (5), "revenue paid" does not include interest income from the account reinvested in the account in trust for the public schools and the university system. Grants and loans may be

from current allocations only, and no part of the principal or income of the trust referred to in 90-6-211 may be used for this purpose. The money derived from loan repayments, including the interest thereon, must be deposited to the credit of the local impact fund referred to in 90-6-202.

(6) award a grant to a local government unit for the purpose of paying for part or all of the credit that the local government unit is obligated to give to a major new industrial facility that has prepaid property taxes under 15-16-201. The board must award the grant in accordance with 90-6-206.

90-6-205. (Effective July 1, 1987) 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;

(4) consider applications for loans from the local impact and education trust fund account for periods and interest rates to be determined by the board; and

(5) award grants and loans, subject to 90-6-207, not to exceed in any one year seven-elevenths and after June 30, 1979, seven-fifteenths and after June 30, 1987, 15% of the revenue paid into the local impact and education trust fund account:

(a) to local governmental units, state agencies, and governing bodies of federally recognized Indian tribes to assist local governmental units and federally recognized Indian tribes 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; and

(b) notwithstanding the provisions of 90-6-207, to the department of highways established in 2-15-2501 to expedite the construction, repair, and maintenance of deficient sections of highway within the area designated in 90-6-210 if the deficiency is the direct result of increased traffic accompanying the development of coal resources; and

(c) provided that as used in this subsection (5), "revenue paid" does not include interest income from the account reinvested in the account in trust for the public schools and the university system. Grants and loans may be from current allocations only, and no part of the principal or income of the trust referred to in 90-6-211 may be used for this purpose. The money derived from loan repayments, including the interest thereon, must be deposited to the credit of the local impact fund referred to in 90-6-202.

(6) award a grant to a local government unit for the purpose of paying for part or all of the credit that the local government unit is obligated to give to a major new

industrial facility that has prepaid property taxes under 15-16-201. The board must award the grant in accordance with 90-6-206."

NEW SECTION. Section 5. Repealer. Section 17-3-201, MCA, is repealed.

NEW SECTION. Section 6. Effective date. This act is effective on passage and approval.

-End-

## STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB006, as introduced.

Description of Proposed Legislation:

A bill to generally revise severance tax disposal; increasing allocation to state equalization aid; reducing allocations to the highway reconstruction trust fund and to the coal board.

Assumptions:

1. The Revenue Estimating Advisory Council's revenue estimate as adjusted for Western Energy's reduced production provides the basis for comparison.
2. Coal severance tax collections will be \$76,742,000 in FY87.
3. The proposal has no effect on collections.

Fiscal Impact:Revenues:

1. Coal Tax Revenues

FY87

<u>Account</u>	<u>Under Current Law</u>	<u>Under* Proposed Law</u>	<u>Difference</u>
Coal Tax Trust Fund	\$38,371,000	\$38,371,000	\$ 0
Highway Fund	5,955,179	1,488,795	( 4,466,384)
Alternative Energy Research	844,162	844,162	0
Local Impact and Education Trust	8,779,285	7,513,042	( 1,266,243)
School Equalization	3,376,648	6,830,038	3,453,390
County Land Planning	337,665	337,665	0
Renewable Resource Development	422,081	422,081	0
Parks Acquisition and Maintenance	1,688,324	1,688,324	0
State Library Commission	337,665	337,665	0
Conservation Districts	168,832	168,832	0
Water Development	422,081	422,081	0
State General Fund	16,039,078	18,318,315	2,279,237
	\$76,742,000	\$76,742,000	\$ 0

\*The Coal Tax revenue impact presented under the proposed law is calculated in accordance with the effective date in the bill of July 1, 1986. This effective date results in only three quarters of collections being affected by the proposed legislation in FY87. If the intent of the legislation is to affect all four quarters of coal severance tax collections in FY87, the addition of an applicability date to coal mined after March 31, 1986, would be necessary.


 BUDGET DIRECTOR

DATE

Office of Budget and Program Planning


 PRIMARY SPONSOR

DATE

Fiscal Note for SB6, as originally introduced.

Form BD-15

SB6, as originally introduced.

Page 2;

2. **Federal Mineral Royalty Revenue**

Federal mineral royalty revenue under current law is allocated 62 1/2% to state school equalization aid and 37 1/2% to the Highway Reconstruction Trust Fund. Under the proposed legislation, the state school equalization aid will receive 100% of the federal mineral royalty revenues. The proposal therefore shifts \$6,705,000 from highways to the state school equalization aid account.

Long-Range Effects of Proposed Legislation:

The proposal would divert additional funds to school equalization aid and the general fund in future fiscal years as shown in the revenue section. The amount diverted in future years will depend on future coal severance tax collections.