

HB 270 INTRODUCED BY RAMIREZ, ET AL.
CREATING INFRASTRUCTURE TRUST FUND

1/17 INTRODUCED
1/17 REFERRED TO TAXATION
1/17 FISCAL NOTE REQUESTED
1/20 FISCAL NOTE RECEIVED
2/03 HEARING
2/13 TABLED IN COMMITTEE

1 House BILL NO. 270
 2 INTRODUCED BY Rammes, Margulies, Scholovich
 3 Sonderson, Healey, Hoff

4 A BILL FOR AN ACT ENTITLED: "AN ACT CREATING THE MONTANA
 5 INFRASTRUCTURE TRUST TO FINANCE THE CONSTRUCTION,
 6 PRESERVATION, AND MAINTENANCE OF PUBLIC BUILDINGS AND
 7 FACILITIES AND LOCAL GOVERNMENT INFRASTRUCTURE NEEDS;
 8 PROVIDING THAT ONE-HALF OF THE TRUST BE HELD INVIOLEATE AND
 9 THAT ONE-HALF MAY BE APPROPRIATED; AMENDING SECTIONS
 10 15-35-108 AND 22-2-304, MCA; AND PROVIDING A CONTINGENT
 11 EFFECTIVE DATE."

12
 13 WHEREAS, diversification of investments is a wise
 14 investment policy; and

15 WHEREAS, investing trust funds in securities, deposits,
 16 and bonds without reinvesting an appropriate portion of the
 17 income from the investments may erode the real value of the
 18 corpus of the trust fund; and

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

23 WHEREAS, since tangible investments previously made
 24 deteriorate and become obsolete over time, it is a trust
 25 responsibility to maintain tangible investments to preserve

1 them for the use of future generations; and

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

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

10
 11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

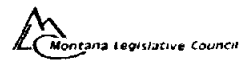
12 NEW SECTION. Section 1. Definitions. In [sections 1
 13 through 5], the following definitions apply:

14 (1) "Department" means the department of commerce.

15 (2) "Infrastructure" means streets, roads, and
 16 bridges; water storage, delivery, and treatment systems;
 17 sewage collection and treatment systems; jails; libraries;
 18 administrative buildings; public health and safety
 19 facilities; and other public works constructed, improved, or
 20 maintained by a local government.

21 (3) "Local government" means a county, an incorporated
 22 municipality, or a consolidated city-county government.

23 (4) "Project" means the construction, repair,
 24 rehabilitation, reconstruction, replacement, or improvement
 25 of infrastructure.



1 NEW SECTION. Section 2. Montana infrastructure trust.

2 (1) There is a Montana infrastructure trust consisting of
3 25% of the coal severance tax collected under Title 15,
4 chapter 35, after July 1, 1989.

5 (2) (a) One-half of the proceeds deposited in the
6 trust may be allocated or appropriated by the legislature
7 for the following, or pledged to pay or secure indebtedness
8 incurred therefor, by a two-thirds vote of the members of
9 each house of the legislature:

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

12 (ii) the construction of state buildings; and

13 (iii) not more than 50% to the local government
14 infrastructure grant program established in [section 3].

15 (b) One-half of the proceeds deposited in the trust
16 must be continually accumulated and held inviolate unless
17 appropriated by a vote of three-fourths of the members of
18 each house of the legislature.

19 (c) The interest and income from the trust may be
20 appropriated or pledged by the legislature to the retirement
21 of bonds for the purposes enumerated in subsection (2)(a).

22 (3) Any interest, income, or portion of the expendable
23 half of the trust not appropriated or pledged by the
24 legislature reverts to the expendable half of the trust.

25 NEW SECTION. Section 3. Local government

1 infrastructure grant program. (1) A local government may
2 apply to the department for a grant to finance a specific
3 infrastructure project.

4 (2) The department shall review all grant applications
5 and may recommend to the legislature that certain projects
6 be funded from the funds available pursuant to [section 2].

7 (3) The legislature may approve full or partial
8 funding for recommended projects.

9 NEW SECTION. Section 4. Eligibility and priority
10 factors for local government infrastructure grants. (1) In
11 recommending a project for a local government infrastructure
12 grant, the department shall determine that a local
13 government meets the following conditions:

14 (a) it has developed a long-term plan for financing
15 infrastructure projects; and

16 (b) it is using all local revenue sources that are
17 reasonably available for funding infrastructure projects,
18 taking into account local economic conditions.

19 (2) The department shall develop a priority process
20 for recommending local government infrastructure projects,
21 taking into consideration at least the following factors:

22 (a) whether the local government is experiencing
23 severe fiscal distress due to a natural disaster or other
24 emergency infrastructure need;

25 (b) whether the project is critical in nature and

1 would affect the health and safety of a substantial number
2 of residents;

3 (c) the number of communities served by the project;
4 and

5 (d) whether the project is located in an area of high
6 unemployment, compared with the average state unemployment.

7 NEW SECTION. Section 5. Rulemaking authority. The
8 department shall adopt rules:

9 (1) prescribing the form and content of applications
10 for local government infrastructure grants; and

11 (2) establishing criteria for recommending a project
12 for a local government infrastructure grant based on the
13 factors in [section 4].

14 Section 6. Section 15-35-108, MCA, is amended to read:

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

18 (1) To the trust fund created by Article IX, section
19 5, of the Montana constitution, ~~50%~~ 25% of total coal
20 severance tax collections. The trust fund moneys shall be
21 deposited in the fund established under 17-6-203(5) and
22 invested by the board of investments as provided by law.

23 (2) To the infrastructure trust created by Article IX,
24 section 5, of the Montana constitution, 25% of total coal
25 severance tax collections. The infrastructure trust moneys

1 shall be deposited as provided in [section 2] and invested
2 by the board of investments as provided by law.

3 ~~(2)~~(3) Starting July 1, 1986, and ending June 30,
4 1987, 6% of coal severance tax collections are allocated to
5 the highway reconstruction trust fund account in the state
6 special revenue fund. Starting July 1, 1987, and ending June
7 30, 1993, 12% of coal severance tax collections are
8 allocated to the highway reconstruction trust fund account
9 in the state special revenue fund.

10 ~~(3)~~(4) Coal severance tax collections remaining after
11 the allocations provided by subsections (1) ~~and (2)~~ through
12 (3) are allocated in the following percentages of the
13 remaining balance:

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

18 (b) 6% until July 1, 1987, and thereafter 37 1/2% to
19 the state special revenue fund to the credit of the local
20 impact and education trust fund account;

21 (c) 30% until July 1, 1987, and thereafter 10% to the
22 state special revenue fund for state equalization aid to
23 public schools of the state;

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

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

3 (f) starting July 1, 1986, and ending June 30, 1989,
4 5% to the general fund, and after June 30, 1989, 5% to a
5 nonexpendable trust fund for the purpose of parks
6 acquisition or management, protection of works of art in the
7 state capitol, and other cultural and aesthetic projects.
8 Income from this trust fund shall be appropriated as
9 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, development, operation,
13 and maintenance of any sites and areas described in
14 23-1-102;

15 (g) 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 (h) 1/2 of 1% to the state special revenue fund for
21 conservation districts;

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

24 (j) 4% until July 1, 1987, to the highway
25 reconstruction trust fund account in the state special

1 revenue fund;

2 (k) all other revenues from severance taxes collected
3 under the provisions of this chapter to the credit of the
4 general fund of the state."

5 Section 7. Section 22-2-304, MCA, is amended to read:

6 "22-2-304. Cultural and aesthetic project
7 appropriations -- administration. (1) The legislature must
8 appropriate funds from the income of the trust fund created
9 in 15-35-108~~(3)(f)~~(4)(f) before any grant for a cultural or
10 aesthetic project is awarded.

11 (2) Costs incurred by the Montana arts council for
12 accounting, correspondence, project visits, and solicitation
13 of proposals related to cultural and aesthetic project
14 grants and the costs of the advisory committee established
15 in 2-15-1521 shall be paid from appropriations from the
16 income of the trust fund.

17 (3) Grant proposals are heard by a legislative
18 appropriations subcommittee.

19 (4) Grant proposals approved by the legislature are
20 administered by the Montana arts council."

21 NEW SECTION. Section 8. Effective date. Sections 1
22 through 7 of this act are effective only if the
23 constitutional referendum contained in [LC 328] is approved
24 by the electorate at the general election to be held
25 November 8, 1988. If the constitutional referendum contained

LC 0327/01

1 in [LC 328] is approved by the electorate, sections 1
2 through 7 of this act are effective July 1, 1989.

-End-

STATE OF MONTANA - FISCAL NOTE
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB270, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act creating the Montana Infrastructure Trust to finance the construction, preservation, and maintenance of public buildings and facilities and local government infrastructure needs; providing that one-half of the trust be held inviolate and that one-half may be appropriated; and providing a contingent effective date.

ASSUMPTIONS:

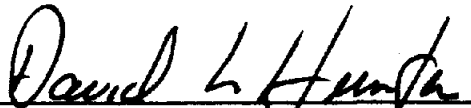
1. Revenue and expenditure effects are based on FY89 estimates of approximately \$80 million total coal severance tax.
2. Implementation of this bill is dependent upon passage of the supporting constitutional referendum provided for in HB271.
3. There is no revenue effect in the 1989 biennium.


LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

Passage of this bill and the supporting referendum would alter the allocation of the coal severance tax to provide for a 25 % allocation to the new Montana Infrastructure Trust, and reduce the allocation to the permanent trust fund from 50% to 25%. This results in approximately \$20 million dollars a year being allocated away from the permanent trust fund to the infrastructure fund. Of the amount going to the infrastructure fund, one-half, or approximately \$10 million a year would be available for appropriation by a two-thirds vote of the legislature to service the principal and interest on infrastructure bonds, with the other half going to a permanent fund to be held inviolate, unless appropriated by a three-fourths vote of the legislature. Montana Economic Development Board revenue would be decreased by about \$5 million a year. Also, by diverting receipts that normally are deposited to the Permanent and In-state Investment Trusts, less interest earnings will be available to the general fund. The cost to administer the program would be about \$225,000 a year.

TECHNICAL OR MECHANICAL DEFECTS IN PROPOSED LEGISLATION OR CONFLICTS WITH EXISTING LEGISLATION:

The state has pledged that 50% of the coal severance tax will go into the coal severance tax trust bond account. The proposed legislation may affect the bonding program for local water projects.


DATE 1/20/87
DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning


DATE 1/22/87
JACK RAMIREZ, PRIMARY SPONSOR

Fiscal Note for HB270, as introduced.

HB-270