

HB 271 INTRODUCED BY RAMIREZ, ET AL.
AMENDING CONSTITUTION TO ALLOCATE 25 PERCENT OF COAL
TAX TO INFRASTRUCTURE

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. *271*
 2 INTRODUCED BY *Ramsey, McQuinn, Carlsson*
 3 *Ronaldson, Diering, [unclear]*

4 A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING ARTICLE IX,
 5 SECTION 5, OF THE MONTANA CONSTITUTION TO REQUIRE THAT 25
 6 PERCENT OF THE COAL SEVERANCE TAX REVENUE, AND THE INTEREST
 7 THEREFROM, BE USED FOR PUBLIC BUILDINGS AND FACILITIES AND
 8 LOCAL GOVERNMENT INFRASTRUCTURE; CHANGING THE AMOUNT OF COAL
 9 SEVERANCE TAX REVENUE TO BE ALLOCATED TO THE COAL SEVERANCE
 10 TAX TRUST FROM 50 PERCENT TO 25 PERCENT; AND PROVIDING THAT
 11 THE PROPOSED AMENDMENT BE SUBMITTED TO THE ELECTORS OF THE
 12 STATE OF MONTANA."

13
 14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 15 Section 1. Article IX, section 5, of The Constitution
 16 of the State of Montana is amended to read:

17 "Section 5. Severance tax on coal -- trust fund funds.
 18 (1) The legislature shall dedicate not less than one-fourth
 19 (1/4) of the coal severance tax to a trust fund, the
 20 interest and income from which may be appropriated. The
 21 principal of the trust shall forever remain inviolate unless
 22 appropriated by vote of three-fourths (3/4) of the members
 23 of each house of the legislature. ~~After December 31, 1979~~
 24 ~~at least fifty percent (50%) of the severance tax shall be~~
 25 ~~dedicated to the trust fund.~~

1 (2) (a) Not less than one-fourth (1/4) of the coal
 2 severance tax shall be deposited in an infrastructure trust
 3 to be used to construct, improve, and maintain public
 4 buildings and facilities and local government
 5 infrastructure.

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

14 NEW SECTION. Section 2. Submission to electorate.
 15 This amendment shall be submitted to the electors of Montana
 16 at the general election to be held November 8, 1988, by
 17 printing on the ballot the full title of this act and the
 18 following:

19 FOR changing the amount of coal severance tax
 20 revenue going to the coal severance tax trust fund
 21 and allocating not less than 25% of the coal
 22 severance tax revenue to an infrastructure trust to
 23 be used to construct, improve, and maintain public
 24 buildings and facilities and local government
 25 infrastructure.

1 AGAINST changing the amount of coal severance tax
2 revenue going to the coal severance tax trust fund
3 and allocating not less than 25% of the coal
4 severance tax revenue to an infrastructure trust to
5 be used to construct, improve, and maintain public
6 buildings and facilities and local government
7 infrastructure.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB271, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act amending Article IX, Section 5, of the Montana Constitution to require that 25 percent of the coal severance tax revenue, and the interest therefrom, be used for public buildings and facilities and local government infrastructure; changing the amount of coal severance tax revenue to be allocated to the coal severance tax trust from 50 percent to 25 percent; and providing that the proposed amendment be submitted to the electors of the State of Montana.

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, the supporting referendum, and HB270 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.

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.

David L. Hunter DATE 1/20/87

DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning

Jack Ramirez DATE 1/22/87

JACK RAMIREZ, PRIMARY SPONSOR

Fiscal Note for HB271, as introduced.

HB-271