

HB 289 INTRODUCED BY PISTORIA, ET AL.  
ALLOCATING 5 PERCENT OF COAL SEVERANCE TAX TO LOCAL  
GOVERNMENTS

1/19 INTRODUCED  
1/19 REFERRED TO TAXATION  
1/19 FISCAL NOTE REQUESTED  
1/20 FISCAL NOTE RECEIVED  
2/03 HEARING  
2/06 TABLED IN COMMITTEE

1  
 2 INTRODUCED BY *House* BILL NO. *289*  
 3 *Aristoria Melanich* *Arnold*  
*Penning*

4 A BILL FOR AN ACT ENTITLED: "AN ACT IMPLEMENTING THE  
 5 CONSTITUTIONAL AMENDMENTS IN \_\_\_ BILL NO. \_\_\_ [LC 510],  
 6 WHICH AMENDMENTS REDUCE TO 45 PERCENT THE PORTION OF THE  
 7 COAL SEVERANCE TAX ALLOCATED TO THE PERMANENT TRUST FUND AND  
 8 DEDICATE 5 PERCENT TO LOCAL GOVERNMENTS; AMENDING SECTION  
 9 15-35-108, MCA; AND PROVIDING A DELAYED CONTINGENT EFFECTIVE  
 10 DATE."  
 11

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

13 Section 1. Section 15-35-108, MCA, is amended to read:  
 14 "15-35-108. Disposal of severance taxes. Severance  
 15 taxes collected under the provisions of this chapter are  
 16 allocated as follows:

17 (1) To the trust fund created by Article IX, section  
 18 5, of the Montana constitution, 58% after June 30, 1989, and  
 19 through June 30, 1999, 45% of total coal severance tax  
 20 collections. The trust fund moneys shall be deposited in  
 21 the fund established under 17-6-203(5) and invested by the  
 22 board of investments as provided by law.

23 (2) Starting July 1, 1986, and ending June 30, 1987,  
 24 6% of coal severance tax collections are allocated to the  
 25 highway reconstruction trust fund account in the state

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

5 (3) Starting July 1, 1989, and ending June 30, 1999,  
 6 5% of coal severance tax collections are allocated to the  
 7 local government block grant account within the state  
 8 special revenue fund.

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

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

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

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

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

25 (e) 1 1/4% to the credit of the renewable resource



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1 development bond fund;

2 (E) starting July 1, 1986, and ending June 30, 1989,  
3 5% to the general fund, and after June 30, 1989, 5% to a  
4 nonexpendable trust fund for the purpose of parks  
5 acquisition or management, protection of works of art in the  
6 state capitol, and other cultural and aesthetic projects.  
7 Income from this trust fund shall be appropriated as  
8 follows:

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

11 (ii) 2/3 for the acquisition, development, operation,  
12 and maintenance of any sites and areas described in  
13 23-1-102;

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

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

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

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

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

4 NEW SECTION. Section 2. Instructions to code  
5 commissioner. In 20-9-343, 85-1-603, 90-2-124, and any  
6 section implementing or referring to the allocations of  
7 percentages of the remaining balance of the coal severance  
8 tax collections, the code commissioner shall revise the  
9 references to the subsections of 15-35-108, as provided in  
10 House Bill No. 12 if that bill is enacted by the 50th  
11 legislature, to conform with 15-35-108 as amended by this  
12 act and any other applicable act.

13 NEW SECTION. Section 3. Coordination instruction. If  
14 \_\_\_ Bill No. \_\_\_ [LC 510], including the section of that  
15 bill amending Article IX, section 5, of The Constitution of  
16 the State of Montana and the section of that bill adding a  
17 new section 6 to Article IX of The Constitution of the State  
18 of Montana, is not submitted or fails upon submission to the  
19 electorate on November 8, 1988, this act is void in its  
20 entirety.

21 NEW SECTION. Section 4. Effective date. Subject to  
22 section 3, this act is 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 HB289, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act implementing the Constitutional Amendments in HB288, which amendments reduce to 45 percent the portion of the coal severance tax allocated to the permanent trust fund and dedicate 5 percent to local governments; amending Section 15-35-108, MCA; and providing a delayed effective contingent 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 on passage of the supporting referendum provided for in HB288.
3. There is no revenue effect in the 1989 biennium.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

Passage of the referendum and this bill would allow 5 percent, or approximately \$4 million, of coal severance tax revenues to be diverted away from the Coal Severance Tax Trust Fund to a Local Government account, for a period of ten years. Funding for economic development loans would be reduced by about \$1 million each year. Growth in the permanent trust and interest earnings from trust investments would be reduced. The proposal could reduce money available for local water development projects financed through the Coal Severance Bond Program.

*David L. Hunter* DATE 1/20/87

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

*Paul G. Pistoria* DATE Jan. 21, 1987  
PAUL PISTORIA, PRIMARY SPONSOR

Fiscal Note for HB289, as introduced.

**HB 289**