

HOUSE BILL 41

Introduced by Pavlovich et al.

12/01	Introduced
12/01	Referred to Appropriations
12/01	Fiscal Note Requested
12/01	First Reading
12/06	Hearing
12/06	Fiscal Note Received
12/06	Fiscal Note Printed
12/08	Tabled in Committee

CONSTITUTIONAL AMENDMENT

1
2 INTRODUCED BY House BILL NO. 41
Barth Beckwith Wiley

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT SUBMITTING TO THE
5 QUALIFIED ELECTORS OF MONTANA AN AMENDMENT TO ARTICLE IX,
6 SECTION 5, OF THE MONTANA CONSTITUTION TO REDUCE THE
7 PERCENTAGE OF COAL SEVERANCE TAXES THAT IS REQUIRED TO BE
8 PAID INTO THE COAL SEVERANCE TAX TRUST FUND FROM ONE-HALF TO
9 ONE-FOURTH AND TO REQUIRE ONE-FOURTH OF COAL SEVERANCE TAXES
10 TO BE DEDICATED TO SCHOOL FINANCE AND THE MAINTENANCE OF
11 STATE-OWNED BUILDINGS; AND PROVIDING AN EFFECTIVE DATE."

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

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

16 "Section 5. Severance tax on coal -- trust fund --
17 school finance -- maintenance of state buildings. (1) The
18 legislature shall dedicate not less than one-fourth (1/4) of
19 the coal severance tax to school finance and the maintenance
20 of state-owned buildings and not less than one-fourth (1/4)
21 of the coal severance tax to a trust fund; ~~the.~~ The interest
22 and income from ~~which the trust~~ may be appropriated. The
23 principal of the trust shall forever remain inviolate unless
24 appropriated by vote of three-fourths (3/4) of the members
25 of each house of the legislature. ~~After-December--31--1997~~

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

3 (2) The one-fourth (1/4) of the coal severance tax
4 dedicated to school finance and the maintenance of
5 state-owned buildings shall be distributed as follows:

6 (a) one-third to public elementary and secondary school
7 districts;

8 (b) one-third to the Montana university system; and

9 (c) one-third to maintenance of state-owned buildings."

10 **NEW SECTION. Section 2.** Effective date. If approved by
11 the electorate, this amendment is effective January 1, 1995.

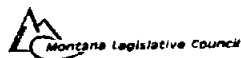
12 **NEW SECTION. Section 3.** Submission to electorate. This
13 amendment shall be submitted to the qualified electors of
14 Montana at the general election to be held in November 1994
15 by printing on the ballot the full title of this act and the
16 following:

17 ☐ FOR reducing coal severance taxes paid to the trust
18 fund by one-fourth and dedicating one-fourth to
19 school finance and the maintenance of state-owned
20 buildings.

21 ☐ AGAINST reducing coal severance taxes paid to the
22 trust fund by one-fourth and dedicating one-fourth
23 to school finance and the maintenance of state-owned
24 buildings.

-End-

-2-



HB 41
INTRODUCED BILL

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0041, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION: An act submitting to the qualified electors of Montana an amendment to Article IX, Section 5, of the Montana Constitution to reduce the percentage of coal severance taxes that is required to be paid into the coal severance tax trust fund from one-half to one-fourth, and to require one-fourth of coal severance taxes to be dedicated to school finance, the university system, and the maintenance of state-owned buildings effective January 1, 1994.

ASSUMPTIONS:

1. The constitutional amendment would be submitted to the voters at the November 1994 general election.
2. If approved by the electorate, one-fourth of coal severance taxes would be divided equally among the public school equalization account, the university system maintenance, and maintenance of other state-owned buildings.
3. Under current law, coal severance taxes flowing to the permanent trust and treasure state endowment will be \$19.534 million in FY94 and \$19.487 million in FY95 (ROC).
4. If approved by the voters, in the last half of FY95, the three entities would each receive about \$813,900.
5. The lost interest earnings to the treasure state endowment fund would be approximately \$65,000 in the last two quarters of FY95.
6. The full fiscal impact to the treasure state endowment fund and general fund would not be realized until FY96 and beyond. Moreover, the fiscal impact will compound through time.


LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

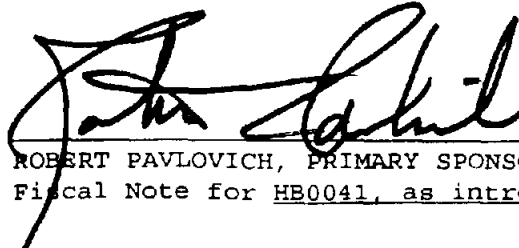
Each of the three entities [school equalization account, university system major maintenance, and long-range building] would receive about \$1.625 million per year beginning in FY96, based on coal severance taxes of \$19.5 million.

TECHNICAL NOTES:

Section 1 of the bill states that one-third is distributed to the Montana university system. The ballot measure dedicates the revenue to school finance and the maintenance of state-owned buildings. For clarity, page 2, line 8 should be amended to state "...to the Montana university system for maintenance of buildings, if that is the intent. In addition, from the way the ballot measure is written, voters could assume that 1/2 is for schools and 1/2 is for maintenance.

By diverting coal tax deposits into the coal severance tax bond fund, contracts for existing water development bonds may be impaired if severance tax collections fall slightly below current estimates. Further, any future water development bonding capacity would be eliminated by the proposal (DNRC).

 12-4
DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

 12-6-93
ROBERT PAVLOVICH, PRIMARY SPONSOR DATE
Fiscal Note for HB0041, as introduced
HB 41