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INTRODUCED BY Swanson <sup>House</sup> BILL NO. 526 Ream Walt McKee Adler

A BILL FOR AN ACT ENTITLED: "AN ACT STIMULATING ECONOMIC DEVELOPMENT IN MONTANA THROUGH TECHNOLOGICAL GROWTH; ALLOCATING A PORTION OF THE COAL SEVERANCE TAX TO NONPROFIT RESEARCH AND DEVELOPMENT CENTERS TO BE USED AS MATCHING FUNDS FOR RESEARCH AND DEVELOPMENT PROJECTS; AMENDING SECTIONS 15-35-108 AND 17-7-502, MCA; AND PROVIDING AN EFFECTIVE DATE."

WHEREAS, investment in projects at nonprofit research and development centers will benefit future generations by expanding and diversifying Montana's economy; and

WHEREAS, providing matching funds to allow nonprofit research and development centers to qualify for federal and private grants will provide an immediate, positive, economic benefit to the state; and

WHEREAS, enhanced research and development opportunities will allow Montana to retain and employ its best and brightest students; and

WHEREAS, the commercialization of research and development projects implements the private-public cooperation that will allow Montana to lead the way into the next century.

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. (Temporary) Disposal of severance taxes.** Severance taxes collected under this chapter must, in accordance with the provisions of 15-1-501(6), be allocated as follows:

(1) ~~To Fifty percent of total coal severance tax collections is allocated to~~ the trust fund created by Article IX, section 5, of the Montana constitution, ~~50% of total coal severance tax collections.~~ The trust fund money must be deposited in the fund established under 17-6-203(6) and invested by the board of investments as provided by law.

(2) Starting July 1, 1987, and ending June 30, 2003, 12% of coal severance tax collections are allocated to the highway reconstruction trust fund account in the state special revenue fund.

(3) Coal severance tax collections remaining after allocation to the trust fund under subsection (1)

1 and (2) are allocated in the following percentages of the remaining balance:

2 (a) 17 1/2% to the credit of the local impact account. Unencumbered funds remaining in the local  
3 impact account at the end of each biennium are allocated to the state special revenue fund for state  
4 equalization aid to public schools of the state.

5 (b) 30% to the state special revenue fund for state equalization aid to public schools of the state;

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

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

8 (e) 0% to a nonexpendable trust fund for the purpose of parks acquisition or management. Income  
9 from this trust fund must be appropriated for the acquisition, development, operation, and maintenance of  
10 any sites and areas described in 23-1-102.

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

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

15 (h) 1 1/4% to the debt service fund type to the credit of the renewable resource loan debt service  
16 fund;

17 (i) 2% to the state special revenue fund for the Montana Growth Through Agriculture Act;

18 (j) 1 2/3% to a nonexpendable trust fund for the purpose of protection of works of art in the state  
19 capitol and for other cultural and aesthetic projects. Income from this trust fund ~~shall~~ must be appropriated  
20 for protection of works of art in the state capitol and other cultural and aesthetic projects.

21 (k) beginning July 1, 1993, and ending June 30, 1995, 3 1/3% to a special revenue account to  
22 be used by the department of fish, wildlife, and parks for the stabilization and preservation of historic and  
23 cultural sites within the state park system;

24 (l) all other ~~revenues~~ revenue from severance taxes collected under the provisions of this chapter  
25 to the credit of the general fund of the state. (Terminates June 30, 1995--sec. 4, Ch. 536, L. 1993.)

26 **15-35-108. (Effective July 1, 1995) Disposal of severance taxes.** Severance taxes collected under  
27 this chapter must, in accordance with the provisions of 15-1-501(6), be allocated as follows:

28 (1) ~~To Fifty percent of total coal severance tax collections is allocated to the trust fund created by~~  
29 ~~Article IX, section 5, of the Montana constitution, 50% of total coal severance tax collections.~~ The trust  
30 fund money must be deposited in the fund established under 17-6-203(6) and invested by the board of

1 investments as provided by law.

2 (2) Starting July 1, 1987, and ending June 30, 2003, 12% of coal severance tax collections are  
3 allocated to the highway reconstruction trust fund account in the state special revenue fund.

4 (3) Coal severance tax collections remaining after allocation ~~to the trust fund~~ under ~~subsection~~  
5 subsections (1) and (2) are allocated in the following percentages of the remaining balance:

6 (a) 17 1/2% to the credit of the local impact account. Unencumbered funds remaining in the local  
7 impact account at the end of each biennium are allocated to the state special revenue fund for state  
8 equalization aid to public schools of the state.

9 (b) 30% to the state special revenue fund for state equalization aid to public schools of the state;

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

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

12 (e) 3 1/3% to a nonexpendable trust fund for the purpose of parks acquisition or management.

13 Income from this trust fund must be appropriated for the acquisition, development, operation, and  
14 maintenance of any sites and areas described in 23-1-102.

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

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

19 (h) 1 1/4% to the debt service fund type to the credit of the renewable resource loan debt service  
20 fund;

21 (i) 2% to the state special revenue fund for the Montana Growth Through Agriculture Act;

22 (j) 1 2/3% to a nonexpendable trust fund for the purpose of protection of works of art in the state  
23 capitol and for other cultural and aesthetic projects. Income from this trust fund ~~shall~~ must be appropriated  
24 for protection of works of art in the state capitol and other cultural and aesthetic projects.

25 (k) 25% beginning July 1, 1995, and ending June 30, 2015, to a research and development fund  
26 to be used as provided in [section 3]; and

27 ~~(k)(l)~~ all other ~~revenues~~ revenue from severance taxes collected under the provisions of this chapter  
28 to the credit of the general fund of the state. (Terminates July 1, 2003--sec. 4, Ch. 191, L. 1991.)

29 **15-35-108. (Effective July 1, 2003) Disposal of severance taxes.** Severance taxes collected under  
30 this chapter must, in accordance with the provisions of 15-1-501(6), be allocated as follows:

1           (1) ~~To Fifty percent of total coal severance tax collections is allocated to the trust fund created by~~  
 2 Article IX, section 5, of the Montana constitution, ~~50% of total coal severance tax collections.~~ The trust  
 3 fund money must be deposited in the fund established under 17-6-203(6) and invested by the board of  
 4 investments as provided by law.

5           (2) Coal severance tax collections remaining after allocation to the trust fund under subsection (1)  
 6 are allocated in the following percentages of the remaining balance:

7           (a) 17 1/2% to the credit of the local impact account. Unencumbered funds remaining in the local  
 8 impact account at the end of each biennium are allocated to the state special revenue fund for state  
 9 equalization aid to public schools of the state.

10           (b) 30% to the state special revenue fund for state equalization aid to public schools of the state;

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

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

13           (e) 3 1/3% to a nonexpendable trust fund for the purpose of parks acquisition or management.  
 14 Income from this trust fund must be appropriated for the acquisition, development, operation, and  
 15 maintenance of any sites and areas described in 23-1-102.

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

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

20           (h) 1 1/4% to the debt service fund type to the credit of the renewable resource loan debt service  
 21 fund;

22           (i) 2% to the state special revenue fund for the Montana Growth Through Agriculture Act;

23           (j) 1 2/3% to a nonexpendable trust fund for the purpose of protection of works of art in the state  
 24 capitol and for other cultural and aesthetic projects. Income from this trust fund ~~shall~~ must be appropriated  
 25 for protection of works of art in the state capitol and other cultural and aesthetic projects.

26           (k) 25% beginning July 1, 1995, and ending June 30, 2015, to a research and development fund  
 27 to be used as provided in [section 3]; and

28           ~~(k)(l)~~ all other revenues revenue from severance taxes collected under the provisions of this chapter  
 29 to the credit of the general fund of the state."  
 30

1           **NEW SECTION. Section 2. Purpose of account -- definition.** (1) The purpose of the account  
2 established in [section 3] is to provide a predictable, long-term source of funding for research and  
3 development projects to be conducted by research and development centers located in Montana. The state  
4 is encouraging a diversified, technology-based economic sector. The investment in research and  
5 development projects will assist in diversifying Montana's economy, provide employment opportunities for  
6 future generations, and enhance educational opportunities for Montanans.

7           (2) As used in [section 3] and this section "research and development center" means:

8           (a) a Montana public university research project or research center; or

9           (b) a private, nonprofit laboratory, research project, or research center.

10  
11           **NEW SECTION. Section 3. Research and development account -- use.** (1) There is a research and  
12 development account in the state special revenue fund. The money allocated under 15-35-108 is deposited  
13 in the account. The account is statutorily appropriated, as provided in 17-7-502, to the board created in  
14 subsection (3) for the purposes provided in this section.

15           (2) The account may be used only for matching funds for grants and contracts for research and  
16 development projects to be conducted at research and development centers located in Montana. An  
17 amount allocated for matching funds from the account must be matched by at least a 1-to-1 ratio.

18           (3) The governor shall appoint up to 10 people to a board to review and approve grant proposals.  
19 The board must consist of at least three representatives of private, technology-based business, two  
20 representatives of the university system, and two legislators of opposite political parties. The remaining  
21 members must be representative of sectors of the economy focusing on scientific areas. Board members  
22 shall serve staggered 3-year terms. The board shall direct the state treasurer to distribute funds for  
23 approved proposals to the individual unit of the university system or nonprofit research and development  
24 center for administration of the grant project. In allocating funds, the board shall give priority to projects  
25 with the highest potential to benefit Montana.

26           (4) (a) Each research and development center shall establish an endowment fund. The purpose  
27 of the endowment fund is to accept contributions as described in subsection (4)(b). Interest earned on the  
28 endowment principal must be capitalized to the endowment until June 30, 2015, or an earlier time that may  
29 occur pursuant to subsection (4)(c). Beginning July 1, 2015, interest earned on the endowment funds must  
30 be available to support research and development efforts at research and development centers.

1 (b) Of the money allocated to the account, \$1 million must be transferred to the endowment funds  
2 each year. Each research and development center shall receive a proportionate share of endowment funds  
3 based on the allocation made to match research and development grant amounts. Contributions by the  
4 research and development centers to the endowment funds must begin in fiscal year 1996. The  
5 contribution in fiscal year 1996 must be no less than 5% of the total contributed to the research and  
6 development account based on a pro rata share of each research and development center's grant and  
7 contract award. In each succeeding fiscal year, the minimum contribution rate is increased by 1% until  
8 fiscal year 2015.

9 (c) At the end of each fiscal year a research and development center may decide to discontinue  
10 its participation in the program and shall notify the board that no future grant proposals will be submitted.  
11 If the research and development center does not make the required annual contribution to the endowment  
12 fund, the board may recommend to the governor that the state's participation in that endowment fund  
13 terminate.

14 (d) If the program ends pursuant to subsection (4)(c), the state's annual contribution and interest  
15 on the contributions must be returned to the state for appropriation by the legislature. The research and  
16 development centers' contributions and interest on the contributions must remain with the research and  
17 development centers.

18 (5) Unallocated funds must remain in the account. The unallocated portion of the account may  
19 be invested by the board of investments. Earnings on the account must be deposited in the general fund.  
20

21 **Section 4.** Section 17-7-502, MCA, is amended to read:

22 "17-7-502. **Statutory appropriations -- definition -- requisites for validity.** (1) A statutory  
23 appropriation is an appropriation made by permanent law that authorizes spending by a state agency  
24 without the need for a biennial legislative appropriation or budget amendment.

25 (2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply  
26 with both of the following provisions:

27 (a) The law containing the statutory authority must be listed in subsection (3).

28 (b) The law or portion of the law making a statutory appropriation must specifically state that a  
29 statutory appropriation is made as provided in this section.

30 (3) The following laws are the only laws containing statutory appropriations: 2-9-202; 2-17-105;

1 2-18-812; 3-5-901; 5-13-403; 10-3-203; 10-3-312; 10-3-314; 10-4-301; 15-1-111; 15-23-706;  
 2 15-25-123; 15-31-702; 15-36-112; 15-37-117; 15-38-202; 15-65-121; 15-70-101; 16-1-404; 16-1-410;  
 3 16-1-411; 17-3-106; 17-3-212; 17-5-404; 17-5-424; 17-5-704; 17-5-804; 17-6-101; 17-6-201; 17-6-409;  
 4 17-7-304; 18-11-112; 19-2-502; 19-6-709; 19-9-1007; 19-15-101; 19-17-301; 19-18-512; 19-18-513;  
 5 19-18-606; 19-19-205; 19-19-305; 19-19-506; 20-4-109; 20-8-111; 20-9-361; [section 3]; 20-26-1403;  
 6 20-26-1503; 23-2-823; 23-5-136; 23-5-306; 23-5-409; 23-5-610; 23-5-612; 23-5-631; 23-7-301;  
 7 23-7-402; 27-12-206; 32-1-537; 37-43-204; 37-51-501; 39-71-503; 39-71-907; 39-71-2321;  
 8 39-71-2504; 44-12-206; 44-13-102; 50-5-232; 50-40-206; 53-6-150; 53-24-206; 60-2-220; 61-2-107;  
 9 67-3-205; 75-1-1101; 75-5-507; 75-5-1108; 75-11-313; 76-12-123; 77-1-808; 80-2-103; 80-2-222;  
 10 80-4-416; 80-11-310; 81-5-111; 82-11-136; 82-11-161; 85-1-220; 85-20-402; 90-3-301; 90-4-215;  
 11 90-6-331; 90-7-220; 90-9-306; and 90-14-107.

12 (4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing,  
 13 paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued  
 14 pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of  
 15 Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as  
 16 determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the  
 17 bonds or notes have statutory appropriation authority for the payments. (In subsection (3): pursuant to sec.  
 18 7, Ch. 567, L. 1991, the inclusion of 19-6-709 terminates upon death of last recipient eligible for  
 19 supplemental benefit; and pursuant to sec. 15, Ch. 534, L. 1993, the inclusion of 90-14-107 terminates  
 20 July 1, 1995.)"

21  
 22 **NEW SECTION. Section 5. Codification instruction.** [Sections 2 and 3] are intended to be codified  
 23 as an integral part of Title 20, chapter 25, part 4, and the provisions of Title 20, chapter 25, part 4, apply  
 24 to [sections 2 and 3].

25  
 26 **NEW SECTION. Section 6. Effective date.** [This act] is effective July 1, 1995.

27 -END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0526, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act stimulating economic development in Montana through technological growth and allocating a portion of the coal severance tax to nonprofit research and development centers.

ASSUMPTIONS:

1. Beginning July 1995, 25% of that portion of the coal severance tax not dedicated to the permanent coal tax trust and highway reconstruction will be deposited in a special account to provide a long-term source of funding for research and development.
2. Under current law, 62% of the coal severance tax is dedicated to the permanent coal tax trust and highway reconstruction.
3. The remaining 38 percent of the coal severance tax is allocated among a variety of accounts, including the state general fund.
4. The state general fund receives all coal severance tax not specifically dedicated to other accounts. Therefore, the coal severance tax allocated by this bill is currently being deposited in the state general fund.
5. Deposits of coal severance tax monies in the account established by this bill will reduce general fund revenue by a like amount.
6. Coal severance taxes will be diverted from the state general fund to the account established in this bill for a period of twenty years.
7. Any funds remaining in the account established by this bill will be invested by the Board of Investments.
8. Total coal severance tax collections will be approximately \$44,854,000 in FY96 and \$42,359,000 in FY97 (Revenue Oversight Committee).
9. The bill will provide research and development grant matching funds which will enable the Montana University System to continue its competition for EPSCoR and other federally supported development grants worth nearly \$7 million.

FISCAL IMPACT:

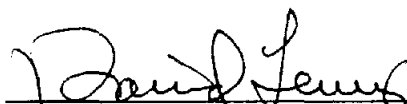
	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
<u>Revenues:</u>		
General Fund (01)	(4,261,000)	(4,024,000)
Research & Development Fund (02)	<u>4,261,000</u>	<u>4,024,000</u>
Total	0	0


LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

Assuming coal severance tax collections remain relatively stable, the proposed legislation would divert approximately \$4.0 million per fiscal year from the general fund to the research and development fund through FY2015. To the extent that the funds would have been invested had the funds remained in the general fund, general fund investment income may also be reduced.

TECHNICAL NOTES:

The proposed legislation, in new section 3, item 3 creates a 10 member "Board of Review" to review and approve grant proposals. However, the proposed legislation does not attach the "Board of Review" to an executive branch agency. The "Board of Review" should be attached to an executive branch agency and that agency could then determine estimated Board of Review costs, opportunity costs, and grant award schedules for the next biennium.

 2-22-95  
 DAVID LEWIS, BUDGET DIRECTOR DATE  
 Office of Budget and Program Planning

 2/28/95  
 EMILY SWANSON, PRIMARY SPONSOR DATE

Fiscal Note for HB0526, as introduced

HB 526