

1 HOUSE BILL NO. 649

2 INTRODUCED BY B. NEWMAN

3

4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FUNDING FOR K-12 EDUCATION AND HIGHER
 5 EDUCATION; CREATING A COAL SEVERANCE TAX EDUCATION FUND WITHIN THE COAL SEVERANCE
 6 TAX TRUST FUND; TRANSFERRING FUNDS FROM THE COAL SEVERANCE TAX PERMANENT FUND TO
 7 THE COAL SEVERANCE TAX EDUCATION FUND; AUTHORIZING THE BOARD OF EXAMINERS TO ISSUE
 8 \$40 MILLION OF STATE GENERAL OBLIGATION BONDS TO BE USED FOR FUNDING EDUCATION;
 9 APPROPRIATING THE BOND PROCEEDS TO FUND HIGHER EDUCATION AND K-12 EDUCATION;
 10 CREATING A STATE DEBT; PROVIDING THAT PRINCIPAL AND INTEREST ON THE BONDS ARE PAYABLE
 11 FROM THE INTEREST AND INCOME ON THE COAL SEVERANCE TAX EDUCATION FUND; AMENDING
 12 SECTION 17-5-703, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

13

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

15

16 **Section 1.** Section 17-5-703, MCA, is amended to read:

17 **"17-5-703. (Temporary) Coal severance tax trust funds.** (1) The trust established under Article
 18 IX, section 5, of the Montana constitution is composed of the following funds:

19 (a) a coal severance tax bond fund into which the constitutionally dedicated receipts from the coal
 20 severance tax must be deposited;

21 (b) a treasure state endowment fund;

22 (c) a treasure state endowment regional water system fund;

23 (d) a coal severance tax permanent fund;

24 (e) a coal severance tax income fund; ~~and~~25 (f) a coal severance tax education fund; and26 ~~(f)(g)~~ a coal severance tax school bond contingency loan fund.

27 (2) (a) The state treasurer shall determine, on July 1 of each year, the amount necessary to meet
 28 all principal and interest payments on bonds payable from the coal severance tax bond fund during the next
 29 12 months and retain that amount in the coal severance tax bond fund.

30 (b) The amount in the coal severance tax bond fund in excess of the amount required in subsection

1 (2)(a) must be transferred from that fund as provided in subsections (3) through (5).

2 (3) (a) ~~On January 21, 1992, and continuing as~~ As long as any school district bonds secured by
3 state loans under 20-9-466 are outstanding, the state treasurer shall from time to time and as provided
4 in subsection (3)(b) transfer from the coal severance tax bond fund to the coal severance tax school bond
5 contingency loan fund any amount in the coal severance tax bond fund in excess of the amount that is
6 specified in subsection (2) to be retained in the fund.

7 (b) The state treasurer shall transfer the amount referred to in subsection (3)(a) until and unless
8 the balance in the coal severance tax school bond contingency loan fund is equal to the amount due as
9 principal of and interest on the school district bonds secured by state loans under 20-9-466 during the
10 next following 12 months.

11 (4) (a) ~~Beginning July 1, 1993, and ending~~ Until June 30, 2013, the state treasurer shall quarterly
12 transfer to the treasure state endowment fund 75% of the amount in the coal severance tax bond fund
13 in excess of the amount that is specified in subsection (2) to be retained in the fund and in excess of
14 amounts that are transferred pursuant to subsection (3).

15 (b) ~~Beginning July 1, 1999, and ending~~ Until June 30, 2013, the state treasurer shall quarterly
16 transfer to the treasure state endowment regional water system fund 25% of the amount in the coal
17 severance tax bond fund in excess of the amount that is specified in subsection (2) to be retained in the
18 fund and in excess of amounts that are transferred pursuant to subsection (3).

19 (c) The state treasurer shall monthly transfer from the treasure state endowment fund to the
20 treasure state endowment special revenue account the amount of earnings required to meet the obligations
21 of the state that are payable from the account in accordance with 90-6-710. Earnings not transferred to
22 the treasure state endowment special revenue account must be retained in the treasure state endowment
23 fund.

24 (d) The state treasurer shall monthly transfer from the treasure state endowment regional water
25 system fund to the treasure state endowment regional water system special revenue account the amount
26 of earnings required to meet the obligations of the state that are payable from the account for regional
27 water systems authorized under 90-6-715. Earnings not transferred to the treasure state endowment
28 regional water system special revenue account must be retained in the treasure state endowment regional
29 water system fund.

30 (5) Any amount in the coal severance tax bond fund in excess of the amount that is specified in

1 subsection (2)(a) to be retained in the fund and that is not otherwise allocated under this section must be
 2 deposited in the coal severance tax permanent fund. (Terminates June 30, 2013--sec. 6, Ch. 495, L.
 3 1999.)

4 **17-5-703. (Effective July 1, 2013) Coal severance tax trust funds.** (1) The trust established under
 5 Article IX, section 5, of the Montana constitution is composed of the following funds:

6 (a) a coal severance tax bond fund into which the constitutionally dedicated receipts from the coal
 7 severance tax must be deposited;

8 (b) a treasure state endowment fund;

9 (c) a coal severance tax permanent fund;

10 (d) a coal severance tax income fund; ~~and~~

11 (e) a coal severance tax education fund; and

12 ~~(e)~~(f) a coal severance tax school bond contingency loan fund.

13 (2) (a) The state treasurer shall determine, on July 1 of each year, the amount necessary to meet
 14 all principal and interest payments on bonds payable from the coal severance tax bond fund during the next
 15 12 months and retain that amount in the coal severance tax bond fund.

16 (b) The amount in the coal severance tax bond fund in excess of the amount required in subsection
 17 (2)(a) must be transferred from that fund as provided in subsections (3) through (5).

18 (3) (a) ~~On January 21, 1992, and continuing as~~ As long as any school district bonds secured by
 19 state loans under 20-9-466 are outstanding, the state treasurer shall from time to time and as provided
 20 in subsection (3)(b) transfer from the coal severance tax bond fund to the coal severance tax school bond
 21 contingency loan fund any amount in the coal severance tax bond fund in excess of the amount that is
 22 specified in subsection (2) to be retained in the fund.

23 (b) The state treasurer shall transfer the amount referred to in subsection (3)(a) until and unless
 24 the balance in the coal severance tax school bond contingency loan fund is equal to the amount due as
 25 principal of and interest on the school district bonds secured by state loans under 20-9-466 during the
 26 next following 12 months.

27 (4) (a) ~~Beginning July 1, 1993, and ending~~ Until June 30, 2013, the state treasurer shall quarterly
 28 transfer to the treasure state endowment fund 50% of the amount in the coal severance tax bond fund
 29 in excess of the amount that is specified in subsection (2) to be retained in the fund and in excess of
 30 amounts that are transferred pursuant to subsection (3).

1 (b) The state treasurer shall monthly transfer from the treasure state endowment fund to the
2 treasure state endowment special revenue account the amount of earnings required to meet the obligations
3 of the state that are payable from the account in accordance with 90-6-710. Earnings not transferred to
4 the treasure state endowment special revenue account must be retained in the treasure state endowment
5 fund.

6 (5) Any amount in the coal severance tax bond fund in excess of the amount that is specified in
7 subsection (2)(a) to be retained in the fund and that is not otherwise allocated under this section must be
8 deposited in the coal severance tax permanent fund."

9

10 **NEW SECTION. Section 2. Education trust fund -- interest and earnings.** (1) The interest and
11 earnings on the coal severance tax education fund, created in 17-5-703, must be used to pay debt service
12 on any bonds issued for funding K-12 education or higher education.

13 (2) Any interest and earnings in excess of the amount necessary for the purposes of subsection
14 (1) must be used only for funding education.

15

16 **NEW SECTION. Section 3. Fund transfer.** The amount of \$100 million is transferred from the
17 coal severance tax permanent fund to the coal severance tax education fund.

18

19 **NEW SECTION. Section 4. General obligation bonds -- appropriation of proceeds.** (1) The board
20 of examiners may issue and sell bonds of the state in an aggregate principal amount not to exceed \$40
21 million for fiscal years 2002 and 2003 for funding public education. The bonds are general obligations for
22 which the full faith and credit and taxing powers of the state are pledged for payment of the principal and
23 interest on the bonds. The bonds must be issued as provided by Title 17, chapter 5, part 8. The principal
24 and interest payments on the bonds are payable from the interest and income earned on the coal
25 severance tax education fund, as provided in [section 2], and from any revenue received by the state in
26 excess of the projected ending fund balance for a biennium that is not appropriated or dedicated to some
27 other purpose.

28 (2) The amount of \$10 million of bond proceeds is appropriated to the office of the commissioner
29 of higher education to be allocated by the board of regents to university units.

30 (3) The amount of \$30 million of bond proceeds is appropriated to the office of public instruction

1 to be used for providing state support for public schools for BASE aid, the basic entitlement, direct state
2 aid, and total per-ANB entitlement, as those terms are defined in 20-9-306.

3

4 NEW SECTION. **Section 5. Codification instruction.** [Section 2] is intended to be codified as an
5 integral part of Title 17, chapter 2, part 1, and the provisions of Title 17, chapter 2, part 1, apply to
6 [section 2].

7

8 NEW SECTION. **Section 6. State debt.** Because [section 4] authorizes the creation of state debt,
9 Article VIII, section 8, of the Montana constitution requires a vote of two-thirds of the members of each
10 house of the legislature for enactment of [section 4].

11

12 NEW SECTION. **Section 7. Three-fourths vote required.** Because [section 1] creates a subfund
13 in the coal severance tax trust fund, Article IX, section 5, of the Montana constitution, as interpreted by
14 the Montana supreme court in *Montanans for the Coal Trust v. State*, requires a vote of three-fourths of
15 the members of each house of the legislature for passage.

16

17 NEW SECTION. **Section 8. Effective date.** [This act] is effective on passage and approval.

18

- END -