Treasure State Endowment Regional Water System Fund.

❺ Treasure State Endowment Fund – In June 1992, the voters approved a legislative referendum establishing the treasure state endowment program. Initially funded with $10 million from the permanent fund, the fund received 75 percent (37.5 percent of the total) of the remaining coal severance tax revenue after deposits (if any) to the coal tax bond fund and the school bond contingency loan fund through the 2003 biennium. From then forward, the fund receives 50 percent (25 percent of the total). Projects are approved and interest earnings from the fund are appropriated to the Department of Commerce by the legislature in House Bill 11 as grants for local government infrastructure projects. The deposit of coal severance tax revenue to this fund terminates the end of fiscal 2016.

❹ Treasure State Endowment Regional Water System Fund – The 1999 legislature established the treasure state endowment program to fund regional water system projects. The fund receives 25 percent (12.5 percent of the total) of the remaining coal severance tax revenue after deposits (if any) in the coal tax bond fund and the school bond contingency loan fund. Projects are restricted to drinking water systems that provide water for domestic, industrial, and stockwater use for communities and rural residences that lie in specific northcentral and northeastern geographic areas. Projects are approved and interest earnings from the fund are appropriated to the Department of Commerce by the legislature in House Bill 11 as grants for local government infrastructure projects. Originally scheduled to sunset at the end of fiscal 2013, the 2001 legislature approved House Bill 40 that extends the program through fiscal 2016.

❸ Permanent Fund – Prior to the establishment of the previous four funds, all the coal severance tax revenue distributed to the trust fund was deposited to the permanent fund. From fiscal 2000 through fiscal 2003, the permanent fund did not receive any deposits of coal severance tax revenue. Beginning fiscal 2004, the fund receives 25 percent of the remaining coal severance tax revenue after deposits (if any) in the coal tax bond fund and the school bond contingency loan fund. Interest earnings from the fund are deposited to the general fund (17-5-704, MCA). These earnings are equivalent to approximately a 23 mill statewide levy or a 7.0 percent individual income tax surtax. General fund is appropriated in the general appropriation act (House Bill 2), in statute (statutory appropriations), or in other pieces of legislation (cat and dog bills).

Coal Severance Tax Related Funds

The other fifty percent of the coal severance tax revenue is distributed to the following six funds outside of the coal severance tax trust fund (15-35-108, MCA).

❽ General Fund (27.4%) – As the name suggests, the money in this account is used for any purpose the legislature wants to appropriate funding. The largest four expenditures categories (fiscal 2004 expenditures) of general fund are: a) public schools 40 percent; b) human services – 20 percent; c) higher education – 11 percent; and d) Department of Revenue – 9 percent. The largest four types of general fund expenditures are: a) local assistance – 49 percent; b) personal services – 16 percent; c) benefits – 13 percent; and d) transfers – 12 percent. General fund is appropriated in the general appropriation act (House Bill 2), in statute (statutory appropriations), or in other pieces of legislation (cat and dog bills).

❼ Long-range Building Program Account (12.0%) – Coal severance tax revenue in this account can be used for long-range building projects or for general obligation bond debt service. The legislature appropriates the money in House Bill 5 to finance building projects at universities, vocational education institutions, state buildings and state institutions. Debt service payments are statutorily appropriated and are currently servicing debt for capitol restoration, the UofM pharmacy/psychology and chemistry buildings, MSU central heating plant and underground utilities, Montana state prison expansion, and regional correctional facilities.

❻ Combined Account (7.75%) – The distribution of coal severance taxes to this account is appropriated to various state agencies by the legislature in House Bill 2 and, beginning fiscal 2004, can be spent for four purposes:

a. Local impact – Money is granted by the Coal Board for various projects to assist local governmental units in providing services that are needed as a result of an increase or decline in coal development or consumption.
b. Montana growth through agriculture – Money is granted or loaned by the Agriculture Development Council to businesses for agricultural development projects that stimulate agriculture.
c. Conservation districts – The money is distributed to the conservation districts on the basis of need.
d. State Library Commission – The money is distributed by the commission to public library federations.

❾ State Parks Trust (1.27%) – The distribution to this trust is for the purpose of parks acquisition or management. Interest earnings from the trust is appropriated to the Department of Fish, Wildlife, and Parks by the legislature in House Bill 2 and House Bill 5 for the acquisition, development, operation, and maintenance of state parks, recreational areas, public camping grounds, historic sites, and monuments.

❿ Renewable Resource Debt Service Fund (0.95%) – Money in this fund is used to service debt on coal severance tax bonds used to finance renewable resource projects. This is in addition to any coal tax paid from the Coal Tax Bond Fund (number 1 above). Bonds are authorized, projects approved, loan rates established, and bond proceeds are appropriated by the legislature to the Department of Natural Resources in House Bill 8.

⓫ Cultural Trust (0.63%) - The distribution to this trust is for the purpose of protecting works of art in the capitol and for other cultural and aesthetic projects. Interest earnings from the trust are appropriated to the Historical Society by the legislature in House Bill 9 for these purposes.

LEGISLATIVE FISCAL DIVISION

Montana's Coal Severance Tax...
Distribution Detail

Fiscal Pocket Guide
Updated December 2004

EXHIBIT 3
DATE 2·16·05

Effective Fiscal 2004 (July 2003) & Thereafter

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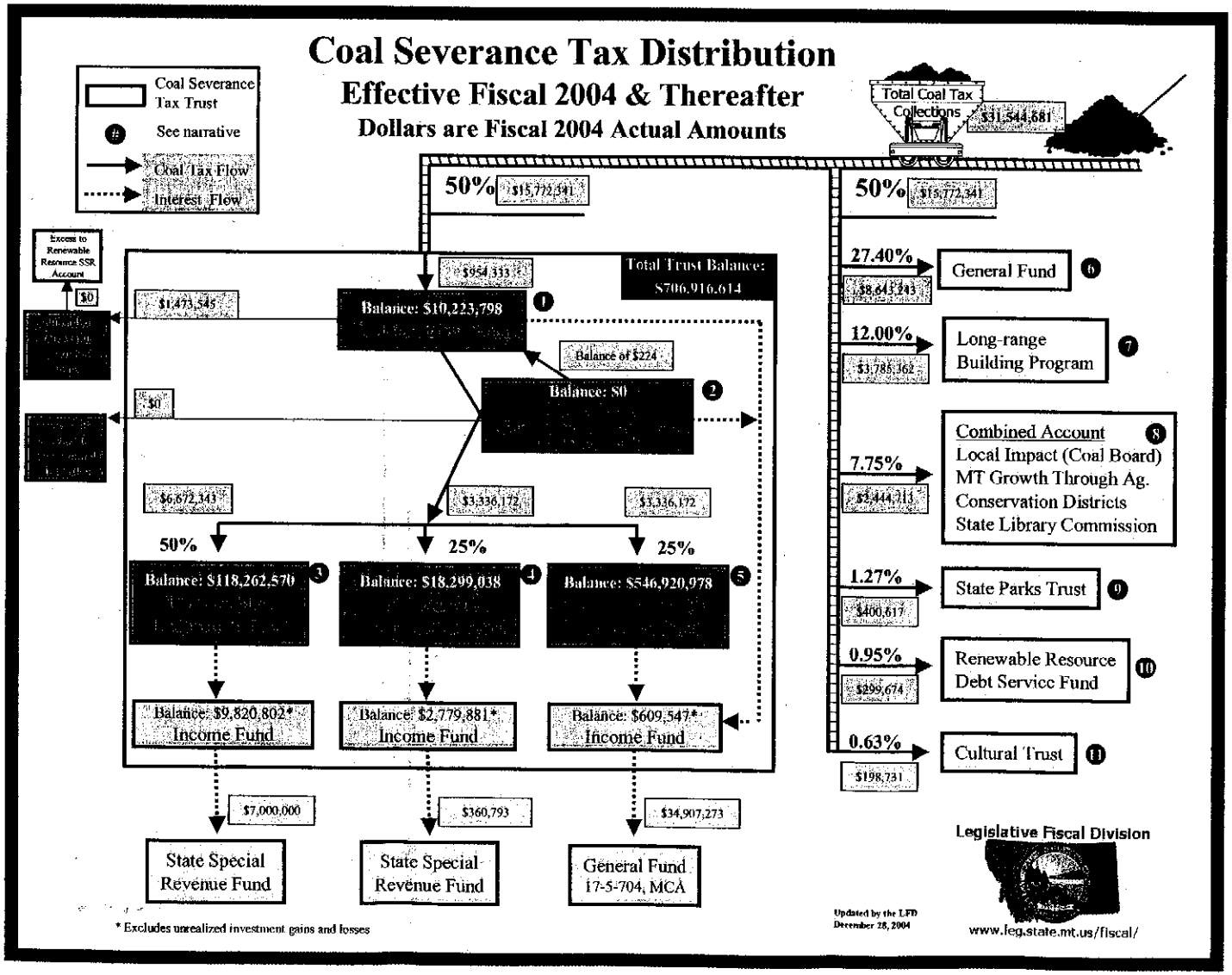

Coal Severance Tax Trust Fund

As directed by article IX, Section 5 of the Montana Constitution, the coal severance tax trust fund receives 50 percent of total coal severance tax collections. The money flows through five sub-trust funds within the trust. In order, these are:

❶ Coal Tax Bond Fund (Title 17, Chapter 5, Part 7) – The legislature authorizes the sale of coal severance tax bonds to finance renewable resource projects (Title 85, Chapter 1, Part 6) and local government infrastructure projects (Title 90, Chapter 6, Part 7). A maximum of $250 million in bonds is authorized as loans for renewable resource projects (17-5-719, MCA) to provide:

a. a healthy economy;
b. alleviation of social and economic impacts created by coal development; and
c. a clean and healthful environment.

The total amount of outstanding principal of renewable resource bonds at any time cannot exceed $30 million (85-1-624, MCA). An amount equal to the following year's principal and interest payments is maintained in the fund. Money in the fund is pledged to pay the debt service on the bonds if interest and principal payments by the loan recipients are insufficient to fully pay the debt service. Bonds are authorized, projects approved, loan rates established, and bond proceeds are appropriated by the legislature to the Department of Natural Resources in House Bill 8.

❷ School Bond Contingency Loan Fund - In the January 1992 Special Session, the legislature created this fund and provided for $25 million of school district bonds to be secured by loans from the fund (20-9-466 & 467, MCA). An amount is maintained in the fund equal to the following year's principal and interest payments of loans secured by the fund. Since all school districts have refinanced their bonds, the state is no longer liable for debt service and this fund was liquidate in April 2003. The $2.2 million was distributed under current law at that time - 75 percent to the Treasure State Endowment Fund and 25 percent to the