

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.

⑧ **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.

⑨ **Big Sky Economic Development Fund** - The 2005 legislature established the big sky economic development program (House Bill 249) to fund qualified economic development 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. Grants and loans are available to local governments for economic development projects and to certified regional development corporations for the purposes of:

- a. creating good-paying jobs for Montana residents;
- b. promoting long-term, stable economic growth;
- c. encouraging local economic development organizations; and
- d. retaining or expanding existing businesses.

Grants and loans are approved by and interest earnings from the fund are statutorily appropriated to the Department of Commerce. Money not spent for administration must be used: 1) 75 percent to local governments for job creation efforts; and 2) 25 percent to certified regional development corporations and economic development organizations.

⑩ **Permanent Fund** - Prior to the establishment of the previous five 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. From fiscal 2004 through fiscal 2005, the fund received 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. Beginning fiscal 2006, no coal severance tax revenue is deposited to the 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 state-wide levy or a 7 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 seven funds outside of the coal severance tax trust fund (15-35-108, MCA).

① **General Fund (26.79%)** - As the name suggests, the money in this account is used for any purpose the legislature wants to appropriate funding. The largest four expenditure categories (fiscal 2004 expenditures) of general fund are: a) public schools - 34 percent; b) human services - 20 percent; c) higher education - 10 percent; and d) Department of Revenue - 8 percent. The largest four types of general fund expenditures are: a) local assistance - 40 percent; b) personal services - 15 percent; c) benefits - 13 percent; and d) transfers - 20 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).

② **Long-range Building Program Account (12.00%)** - 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 JOM pharmacy/psychology and chemistry buildings, MSU central heating plant and underground utilities, Montana state prison expansion, and regional correctional facilities.

③ **Combined Account (5.46%)** - The distribution of coal severance taxes to this account is appropriated to certain state agencies by the legislature in House Bill 2 and, beginning fiscal 2006, can be spent for the following three purposes:

- a. Montana growth through agriculture - Money is granted or loaned by the Agriculture Development

Council to businesses for agricultural development projects that stimulate agriculture.

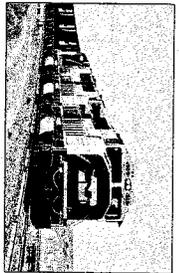
- b. Conservation districts - The money is distributed to the conservation districts on the basis of need.
- c. State Library Commission - The money is distributed by the commission to public library federations.

④ **Oil, Gas, and Coal Natural Resource Account (2.90%)** - Created by the 2005 legislature, the account receives a portion of the coal severance tax revenue in addition to a portion of the oil and natural gas production tax revenue. Money in the account is statutorily appropriated for distribution to counties and incorporated cities and towns based on county oil and natural gas production.

⑤ **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.

⑥ **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.

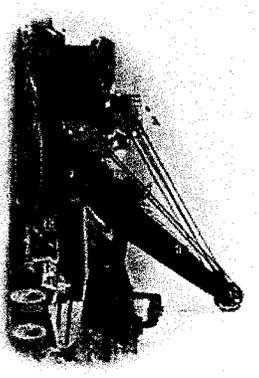
⑦ **Cultural Trust (0.63%)** - The distribution to this trust is for the purpose of protecting works of art in the capitol and for other cultural and aesthetic projects. Interest earnings from the trust are appropriated to the Historical Society by the legislature in House Bill 9 for these purposes.



LEGISLATIVE FISCAL DIVISION

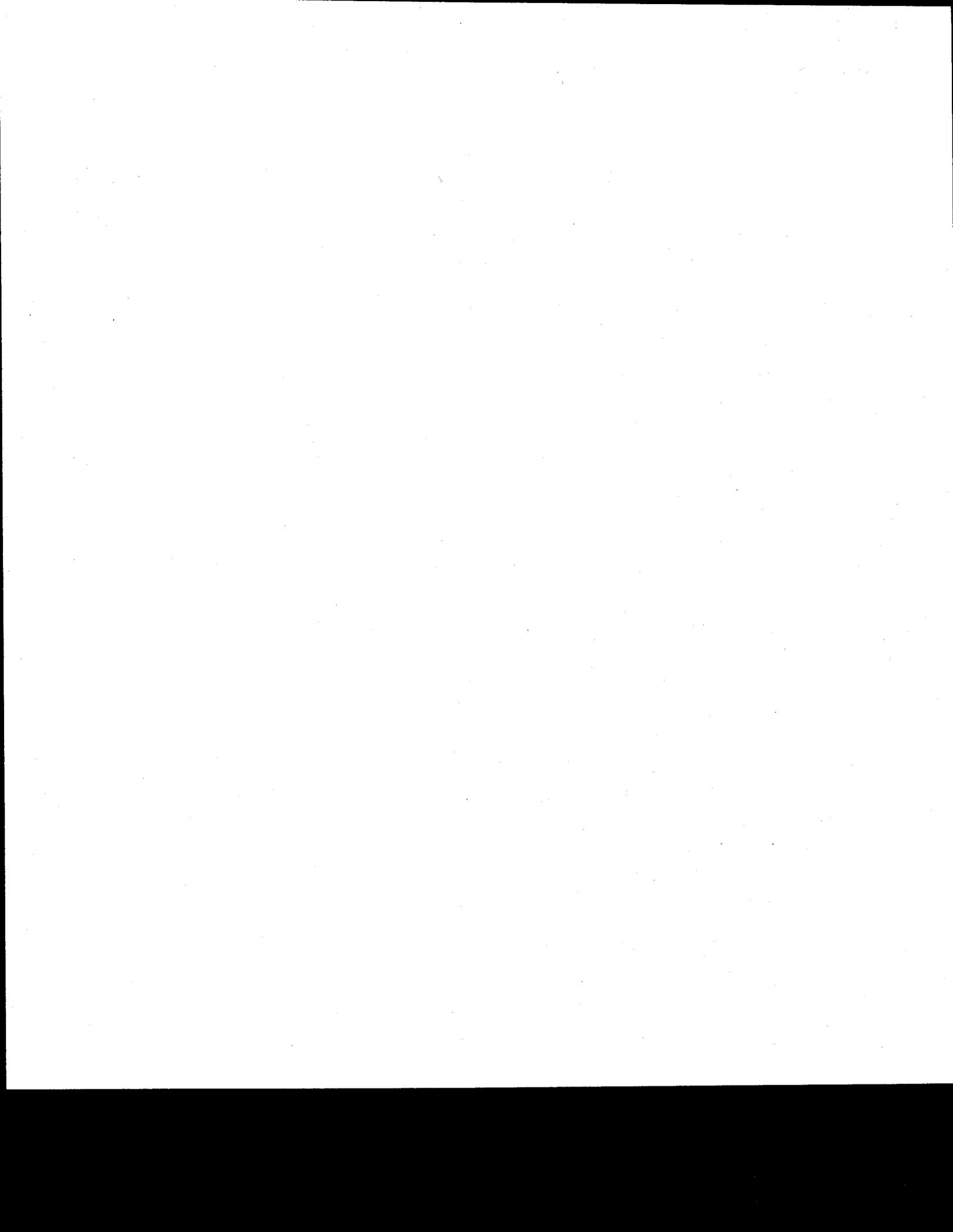
Montana's Coal Severance Tax... Distribution Detail

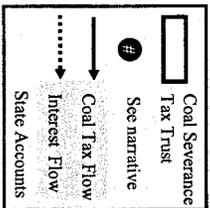
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Updated November 2006

From 1975 through June 2006

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Revenue & Taxation Policy
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Helena, MT 59620-1711
(406) 444-2986

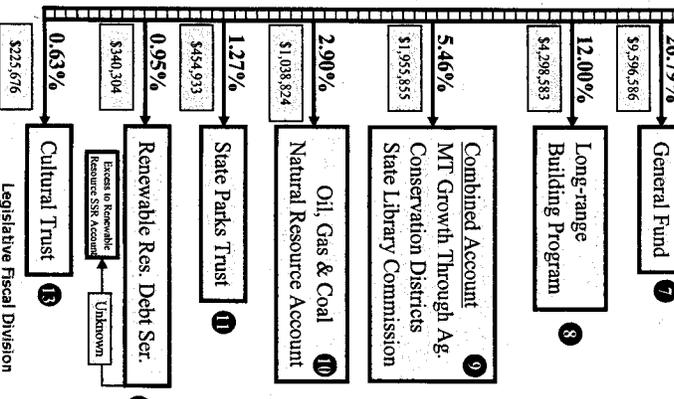
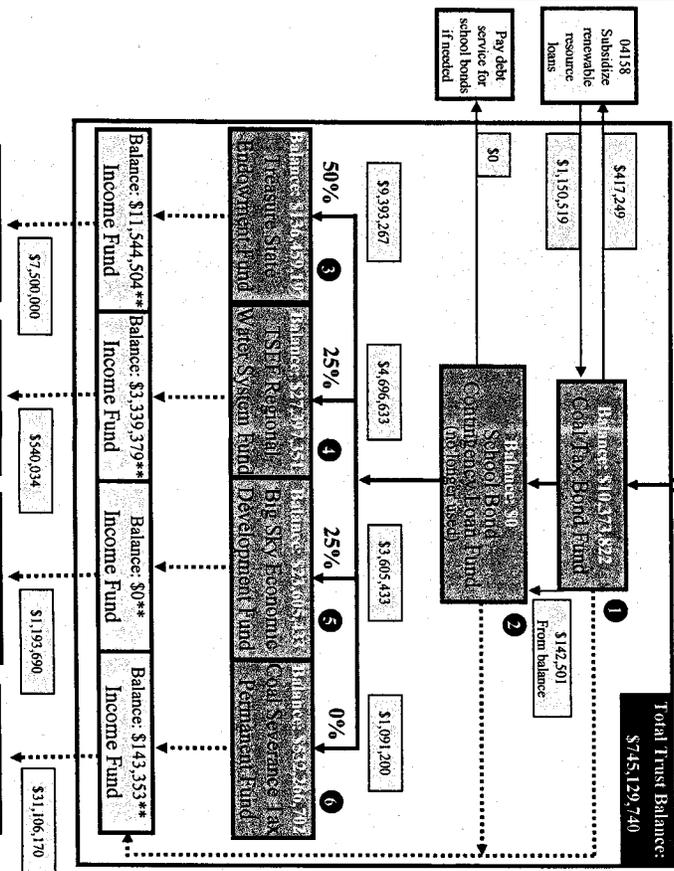




Coal Severance Tax Distribution

Effective Fiscal 2006 & Thereafter

Dollars are Fiscal 2006 Actual Amounts*



Coal Severance Tax Trust Fund

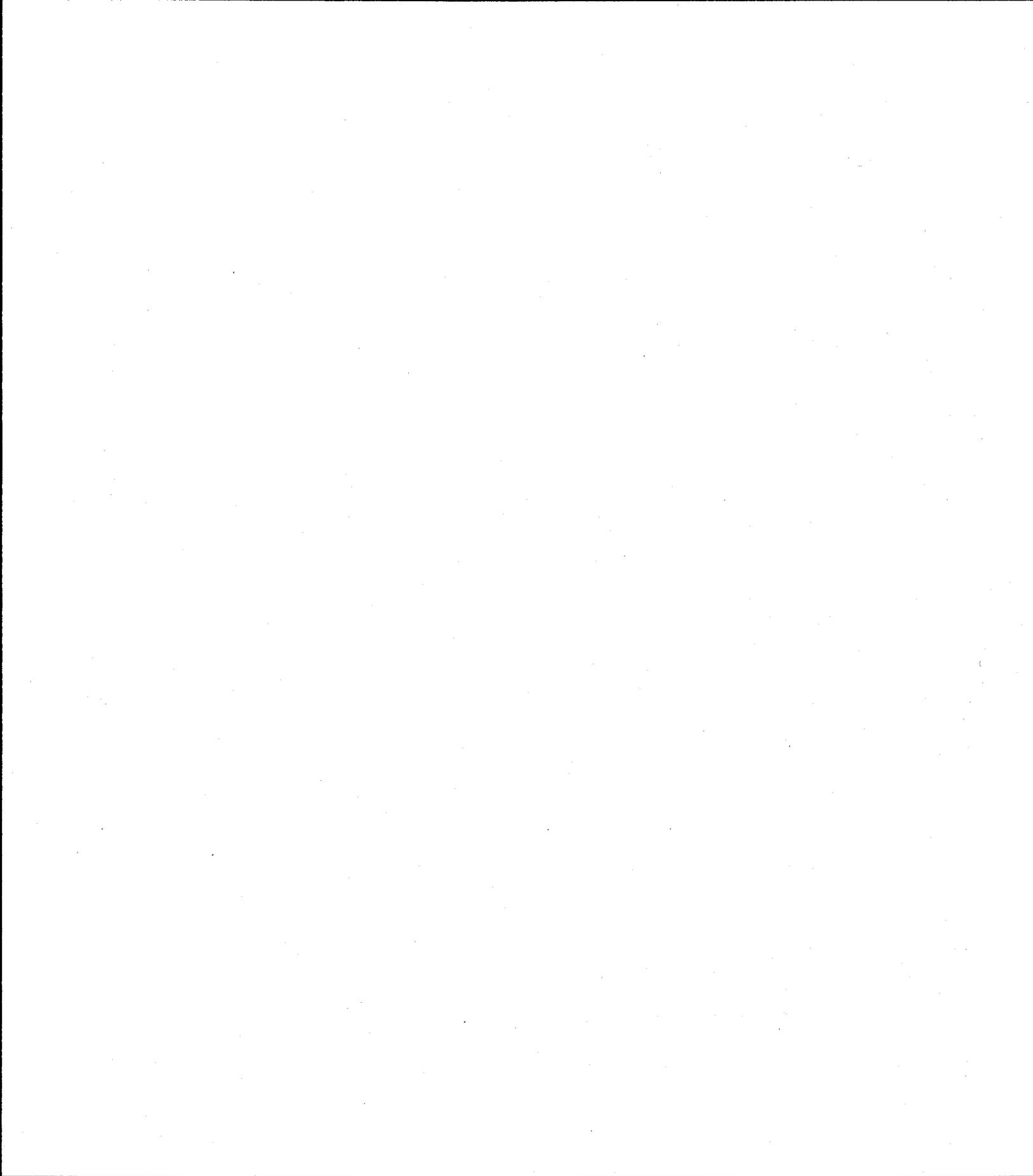
As directed by article IX, Section 5 of the Montana Constitution, the coal severance tax trust fund receives 50 percent of total coal severance tax collections. The money flows through six sub-trust funds within the trust. In order, these are:

1. **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.

2. **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 liquidated in April 2003. The amount of \$2.2 million was distributed under current law at that time: 75 percent to the Treasure State Endowment Fund and 25 percent to the Treasure State Endowment Regional Water System Fund.

3. **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 biennial. From then forward, the fund receives 50 percent (25 percent of the total). Projects are approved and interest



Coal Severance Tax Revenue (millions)

| Fiscal Year | Gen. Fund/SEA | Permanent Trusts | Local Impact | Education Trust | Other |
|-------------|---------------|------------------|--------------|-----------------|-----------|
| 1976 | \$12,790 | \$0,000 | \$3,856 | \$2,203 | \$5,116 |
| 1977 | 17,953 | 0,000 | 6,284 | 3,591 | 8,079 |
| 1978 | 14,052 | 6,288 | 4,799 | 2,742 | 6,511 |
| 1979 | 16,008 | 10,672 | 5,399 | 3,085 | 7,524 |
| 1980 | 25,433 | 23,024 | 9,030 | 8,996 | 8,642 |
| 1981 | 16,900 | 36,208 | 6,161 | 7,042 | 5,105 |
| 1982 | 20,685 | 40,093 | 7,541 | 8,619 | 6,249 |
| 1983 | 19,211 | 40,022 | 7,004 | 8,004 | 5,803 |
| 1984 | 19,878 | 41,412 | 7,247 | 8,125 | 6,005 |
| 1985 | 22,020 | 45,874 | 8,028 | 9,175 | 6,652 |
| 1986 | 24,212 | 42,109 | 2,527 | 8,422 | 6,948 |
| 1987 | 27,395 | 38,273 | 2,021 | 0,000 | 8,858 |
| 1988 | 27,177 | 42,319 | 1,287 | 0,000 | 13,855 |
| 1989 | 18,805 | 28,283 | 0,890 | 0,000 | 9,587 |
| 1990 | 13,024 | 33,935 | 4,513 | 5,158 | 11,239 |
| 1991 | 13,518 | 25,229 | 3,355 | 0,000 | 8,356 |
| 1992 | 15,778 | 27,057 | 3,599 | 0,000 | 7,680 |
| 1993 | 17,744 | 17,741 | 2,360 | 0,000 | 0,337 |
| 1994 | 11,046 | 20,594 | 2,739 | 0,000 | 6,821 |
| 1995 | 10,828 | 20,208 | 2,688 | 0,000 | 6,693 |
| 1996 | 9,714 | 18,130 | 0,000 | 0,000 | 8,416 |
| 1997 | 10,111 | 18,870 | 0,000 | 0,000 | 8,760 |
| 1998 | 8,849 | 17,523 | 0,000 | 0,000 | 8,674 |
| 1999 | 9,284 | 18,384 | 0,000 | 0,000 | 9,100 |
| 2000 | 9,502 | 17,735 | 0,000 | 0,000 | 8,233 |
| 2001 | 8,663 | 16,169 | 0,000 | 0,000 | 7,505 |
| 2002 | 8,469 | 15,807 | 0,000 | 0,000 | 7,338 |
| 2003 | 9,722 | 14,712 | 0,000 | 0,000 | 4,990 |
| 2004 | 8,643 | 16,372 | 0,000 | 0,000 | 6,530 |
| 2005 | 10,312 | 19,532 | 0,000 | 0,000 | 7,790 |
| 2006 | 9,597 | 18,591 | 0,000 | 0,000 | 7,634 |
| Total | \$467,323 | \$734,147 | \$91,326 | \$75,319 | \$231,029 |

Maximum amounts are highlighted.

Coal Severance Tax Trust Fund Balances Fiscal 2006 (millions)

| | |
|--------------------------------|-----------|
| Permanent Trust | \$532,268 |
| School Bond Contingency | \$0,000 |
| Treasure State Endowment | \$136,459 |
| Perm. Trust Income Fund | \$0,143 |
| Coal Tax Bond Fund | \$10,374 |
| TSE Income Fund | \$11,545 |
| TSE Regional Water System | \$27,397 |
| TSE Regional Water Income Fund | \$3,339 |
| Big Sky Economic Devel. | \$23,605 |
| Big Sky Econ. Dev. Income Fund | \$0,000 |
| Total | \$745,130 |

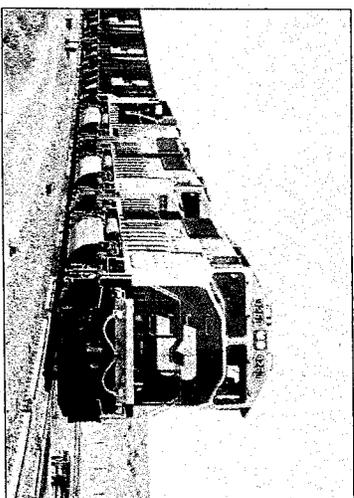
Coal Severance Tax Trust Fund Investments Fiscal 2006 (millions)

| | |
|-------------------------------|-----------|
| In-State Investments | \$166,889 |
| SB 495 & Other Loans | \$42,280 |
| Short-term Investment Pool | \$70,421 |
| Trust Funds Bond Pool | \$467,228 |
| Other (receivables, payables) | (\$1,688) |
| Total | \$745,130 |

Coal Severance Tax Investment Earnings (millions)

| Fiscal Year | Gen. Fund/SEA | Education Projects | TSE Big Sky | FWP | Other |
|-------------|---------------|--------------------|-------------|---------|----------|
| 1977 | \$0,000 | \$0,067 | \$0,000 | \$0,000 | \$0,000 |
| 1978 | 0,000 | 0,517 | 0,000 | 0,000 | 0,000 |
| 1979 | 0,000 | 0,863 | 0,000 | 0,104 | 0,000 |
| 1980 | 0,000 | 0,000 | 0,000 | 0,254 | 0,000 |
| 1981 | 7,422 | 1,737 | 0,000 | 0,480 | 0,000 |
| 1982 | 11,542 | 3,521 | 0,000 | 0,552 | 0,276 |
| 1983 | 18,467 | 12,194 | 0,000 | 0,634 | 0,317 |
| 1984 | 18,948 | 7,567 | 0,000 | 0,619 | 3,653 |
| 1985 | 24,300 | 8,707 | 0,000 | 0,987 | 4,866 |
| 1986 | 32,443 | 11,496 | 0,000 | 1,682 | 6,565 |
| 1987 | 39,925 | 13,929 | 0,000 | 1,240 | 0,620 |
| 1988 | 36,755 | 5,082 | 0,000 | 1,164 | 1,520 |
| 1989 | 40,806 | 1,645 | 0,000 | 1,190 | 1,246 |
| 1990 | 44,830 | 1,056 | 0,000 | 1,228 | 1,455 |
| 1991 | 46,999 | 0,177 | 0,000 | 1,245 | 0,622 |
| 1992 | 47,070 | 0,108 | 0,000 | 1,380 | 1,218 |
| 1993 | 49,788 | 0,093 | 0,000 | 1,251 | 2,043 |
| 1994 | 41,725 | 0,066 | 0,929 | 0,988 | 0,491 |
| 1995 | 36,675 | 0,214 | 1,810 | 0,922 | 0,501 |
| 1996 | 41,532 | 0,000 | 2,916 | 1,033 | 0,588 |
| 1997 | 39,553 | 0,000 | 3,454 | 1,007 | 0,499 |
| 1998 | 40,713 | 0,000 | 4,250 | 0,981 | 0,288 |
| 1999 | 40,800 | 0,000 | 4,773 | 1,086 | 0,295 |
| 2000 | 39,196 | 0,000 | 5,155 | 0,961 | 0,254 |
| 2001 | 37,660 | 0,000 | 6,172 | 1,083 | 0,286 |
| 2002 | 37,605 | 0,000 | 7,448 | 1,106 | 0,305 |
| 2003 | 36,298 | 0,000 | 8,069 | 1,115 | 0,314 |
| 2004 | 34,907 | 0,000 | 9,551 | 1,140 | 0,326 |
| 2005 | 36,752 | 0,000 | 9,878 | 1,100 | 0,318 |
| 2006 | 31,106 | 0,000 | 9,566 | 1,194 | 0,447 |
| Total | \$913,817 | \$69,770 | \$73,971 | \$1,194 | \$27,516 |

Maximum amounts are highlighted.



Legislative Fiscal Division



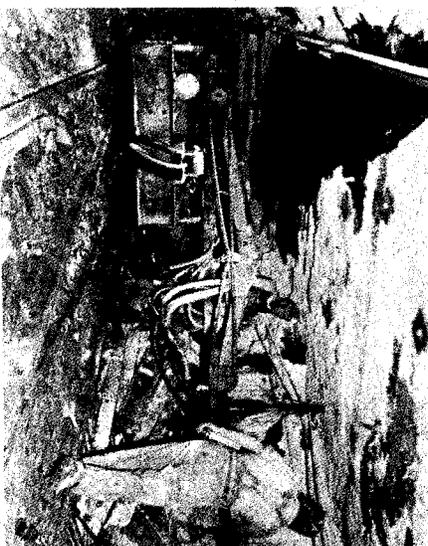
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LEGISLATIVE FISCAL DIVISION

Montana's Coal Severance Tax... A Data View

Fiscal Pocket Guide

Updated November 2006



From 1975 through June 2006



Legislative Fiscal Division
Revenue & Taxation Policy
Room 110, State Capitol
Helena, MT 59620-1711
(406) 444-2986

Coal Severance Tax Revenue (millions)

| Fiscal Year | Total Tax | Percent Change |
|-------------|-------------|----------------|
| 1976 | \$23,965 | 49.8% |
| 1977 | 35,906 | -4.3% |
| 1978 | 34,372 | 24.2% |
| 1979 | 42,689 | 76.0% |
| 1980 | 75,125 | -6.3% |
| 1981 | 70,415 | 22.4% |
| 1982 | 86,187 | -7.1% |
| 1983 | 80,045 | 3.5% |
| 1984 | 82,823 | 10.8% |
| 1985 | 91,749 | -8.2% |
| 1986 | 84,217 | -9.1% |
| 1987 | 76,547 | 10.6% |
| 1988 | 84,638 | -30.8% |
| 1989 | 58,566 | 15.9% |
| 1990 | 67,871 | -25.7% |
| 1991 | 50,458 | 7.2% |
| 1992 | 54,114 | -29.4% |
| 1993 | 38,181 | 7.9% |
| 1994 | 41,201 | -1.9% |
| 1995 | 40,416 | -10.3% |
| 1996 | 36,261 | 4.1% |
| 1997 | 37,740 | -7.1% |
| 1998 | 35,045 | 4.9% |
| 1999 | 36,767 | -3.5% |
| 2000 | 35,470 | -8.8% |
| 2001 | 32,337 | -2.2% |
| 2002 | 31,614 | 6.9% |
| 2003 | 29,424 | 7.2% |
| 2004 | 31,545 | 19.3% |
| 2005 | 37,635 | -4.8% |
| 2006 | 35,822 | |
| Total | \$1,599,144 | |

Maximum amounts are highlighted.

Coal Severance Tax Investment Earnings (millions)

| Fiscal Year | Permanent Trusts | Other Trusts | Total Earnings | Percent Change |
|-------------|------------------|--------------|----------------|----------------|
| 1977 | \$0,000 | \$0,067 | \$0,067 | 673.5% |
| 1978 | 0,000 | 0,517 | 0,517 | 48.4% |
| 1979 | 0,000 | 0,767 | 0,767 | 45.7% |
| 1980 | 0,000 | 1,117 | 1,117 | 763.7% |
| 1981 | 7,422 | 2,228 | 9,650 | 64.7% |
| 1982 | 11,542 | 4,349 | 15,892 | 98.9% |
| 1983 | 18,467 | 13,144 | 31,611 | 26.2% |
| 1984 | 22,291 | 8,495 | 30,786 | 34.3% |
| 1985 | 28,672 | 10,187 | 38,859 | 6.8% |
| 1986 | 38,168 | 14,019 | 52,187 | -20.1% |
| 1987 | 39,925 | 15,789 | 55,714 | 0.8% |
| 1988 | 37,693 | 6,827 | 44,520 | 8.2% |
| 1989 | 41,457 | 3,430 | 44,887 | 1.0% |
| 1990 | 45,671 | 2,899 | 48,570 | 1.5% |
| 1991 | 46,999 | 2,044 | 49,043 | 6.8% |
| 1992 | 47,596 | 2,181 | 49,777 | -16.9% |
| 1993 | 51,248 | 1,927 | 53,175 | -9.2% |
| 1994 | 42,654 | 1,546 | 44,199 | 14.8% |
| 1995 | 38,485 | 1,636 | 40,121 | 3.4% |
| 1996 | 44,449 | 1,621 | 46,070 | 1.5% |
| 1997 | 43,007 | 1,505 | 44,513 | 3.9% |
| 1998 | 44,963 | 1,278 | 46,241 | 2.8% |
| 1999 | 45,572 | 1,381 | 46,953 | -3.0% |
| 2000 | 44,351 | 1,215 | 45,566 | 0.3% |
| 2001 | 43,831 | 1,369 | 45,200 | 4.6% |
| 2002 | 45,053 | 1,411 | 46,465 | -9.9% |
| 2003 | 44,367 | 1,429 | 45,796 | |
| 2004 | 44,458 | 1,466 | 45,924 | |
| 2005 | 46,630 | 1,418 | 48,048 | |
| 2006 | 41,866 | 1,419 | 43,285 | |
| Total | \$1,006,838 | \$108,682 | \$1,115,520 | |

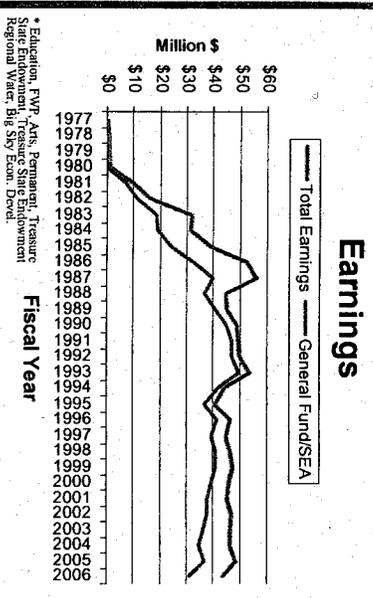
Maximum amounts are highlighted.

| Calendar Year | Taxable Coal Production Million Tons | Percent Change | Coal Price CSP | Percent Change |
|---------------|--------------------------------------|----------------|----------------|----------------|
| 1975 | 22,076 | 18.80% | \$4,415 | -1.60% |
| 1976 | 26,226 | 3.73% | \$4,344 | 18.63% |
| 1977 | 27,205 | -2.89% | \$5,154 | 34.87% |
| 1978 | 26,418 | 22.45% | \$6,951 | 11.12% |
| 1979 | 32,350 | -8.03% | \$7,724 | 12.46% |
| 1980 | 29,752 | 11.55% | \$8,696 | 11.37% |
| 1981 | 33,188 | -16.33% | \$9,673 | 4.04% |
| 1982 | 27,768 | 3.03% | \$10,065 | -4.12% |
| 1983 | 28,609 | 14.82% | \$9,650 | -1.92% |
| 1984 | 32,848 | 1.03% | \$8,326 | -2.15% |
| 1985 | 33,187 | 1.39% | \$8,147 | -9.82% |
| 1986 | 33,648 | 1.20% | \$7,347 | -1.88% |
| 1987 | 34,053 | 10.64% | \$7,209 | 3.82% |
| 1988 | 37,678 | 8.52% | \$7,484 | 5.73% |
| 1989 | 34,469 | 1.49% | \$7,913 | 6.29% |
| 1990 | 35,325 | 0.98% | \$7,415 | 8.08% |
| 1991 | 36,248 | 2.61% | \$8,014 | -5.20% |
| 1992 | 32,911 | 14.46% | \$7,597 | -2.20% |
| 1993 | 32,617 | -7.06% | \$7,430 | 1.46% |
| 1994 | 35,009 | -6.83% | \$7,539 | -1.26% |
| 1995 | 32,617 | 1.99% | \$6,001 | -19.38% |
| 1996 | 35,945 | 8.06% | \$6,467 | 7.77% |
| 1997 | 35,039 | -2.52% | \$6,588 | 1.87% |
| 1998 | 31,784 | -9.29% | \$6,267 | -4.88% |
| 1999 | 32,961 | 3.70% | \$6,461 | 3.09% |
| 2000 | 31,981 | -2.97% | \$6,583 | 1.90% |
| 2001 | 30,802 | -3.69% | \$7,241 | 8.38% |
| 2002 | 33,421 | 8.50% | \$6,889 | -4.86% |
| 2003 | 33,632 | | | |
| 2004 | | | | |
| 2005 | | | | |
| Average | 32,700 | | \$7,328 | |

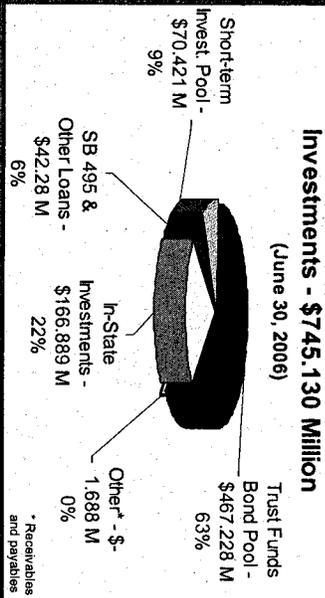
CSP = Contract sales price

Maximum amounts are highlighted.

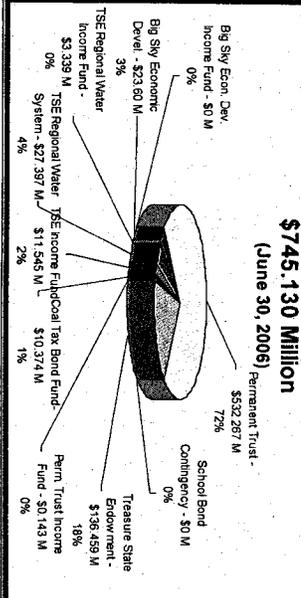
Distribution of Coal Trusts* Earnings



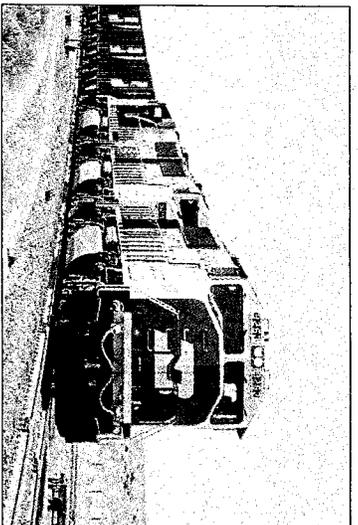
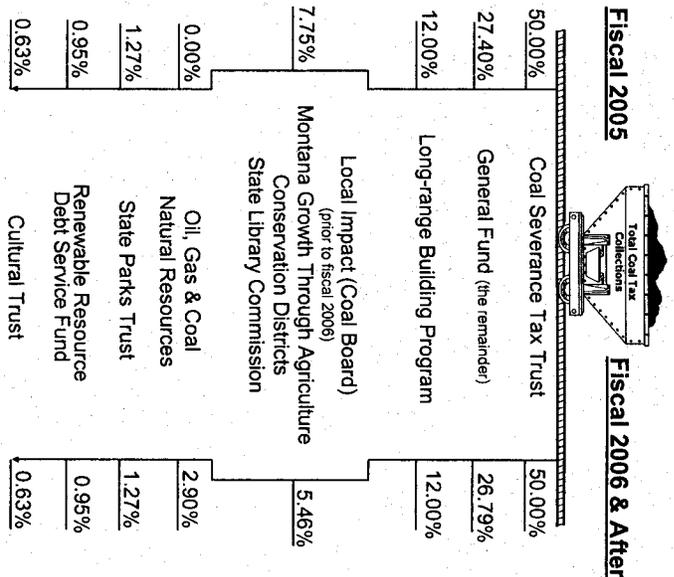
Coal Severance Tax Trust Fund Investments - \$745.130 Million (June 30, 2006)



Coal Severance Tax Trust Fund Balance \$745.130 Million (June 30, 2006)



Coal Severance Tax Percentage Allocations

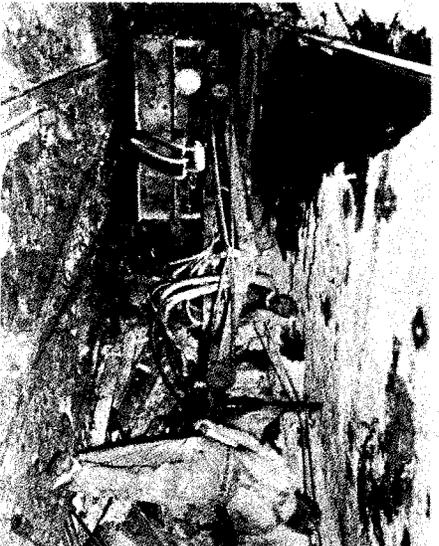


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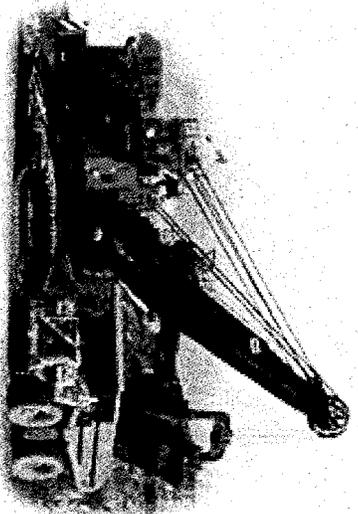
LEGISLATIVE FISCAL DIVISION

Montana's Coal Severance Tax... A Pictorial View

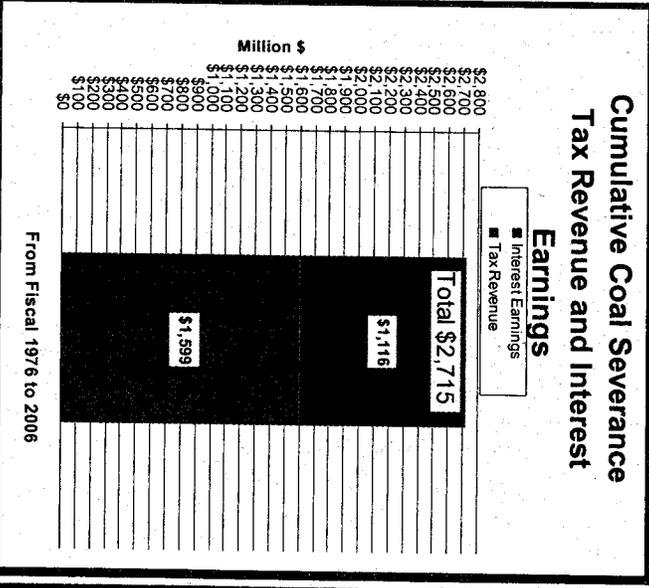
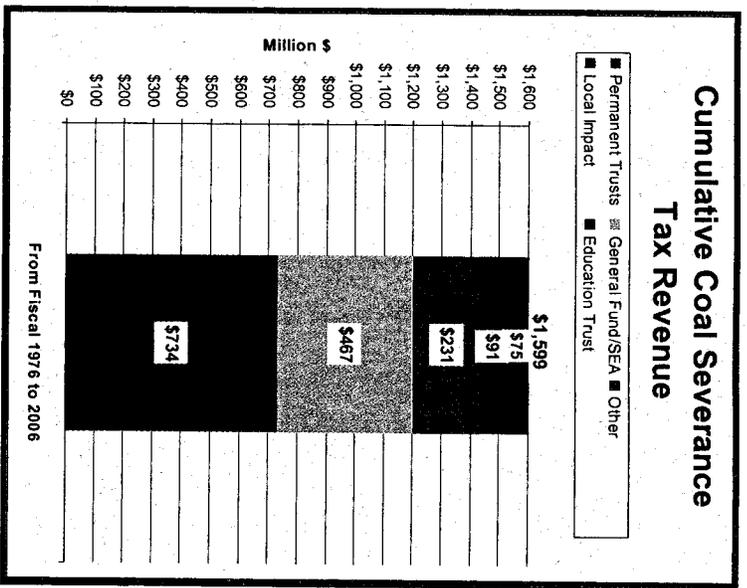
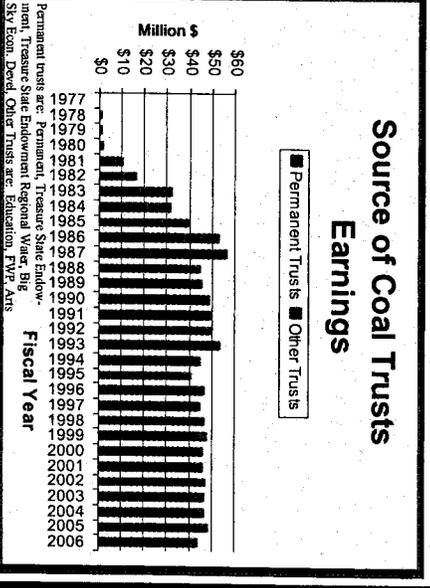
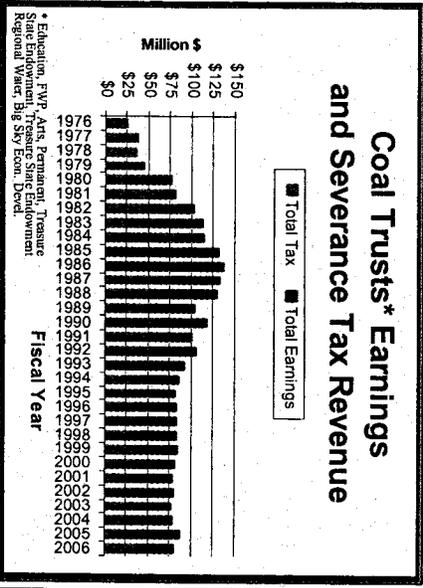
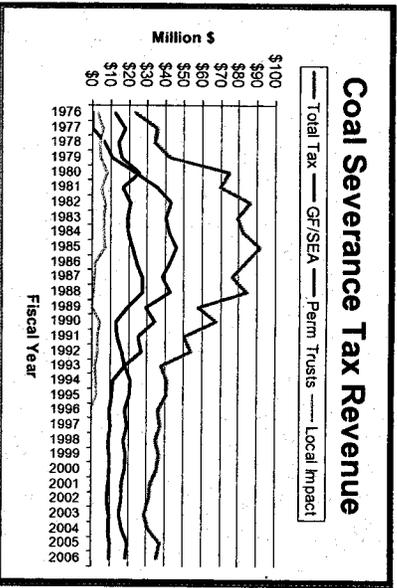
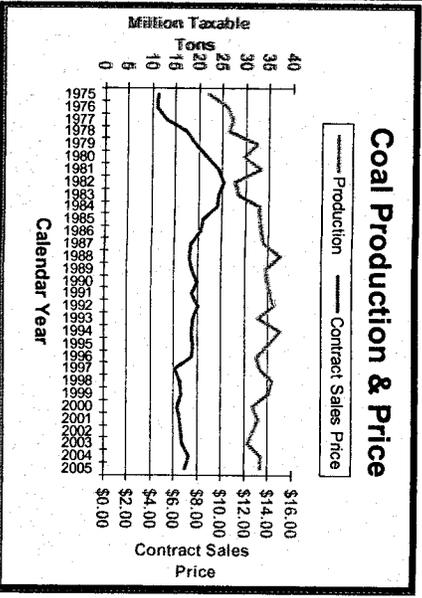
Fiscal Pocket Guide
 Updated November 2006



From 1975 through June 2006



Legislative Fiscal Division
 Revenue & Taxation Policy
 Room 110, State Capitol
 Helena, MT 59620-1711
 (406) 444-2986



Maximum amounts are highlighted.

| Calendar Year | Taxable Coal Production (Million Tons) | Percent Change | Coal Price CSP | Percent Change |
|---------------|--|----------------|----------------|----------------|
| 1975 | 22,076 | 18.80% | \$4.415 | -1.60% |
| 1976 | 26,226 | 3.73% | \$5.154 | 18.63% |
| 1977 | 27,205 | -2.89% | \$6.951 | 34.87% |
| 1978 | 32,350 | 22.45% | \$7.724 | 11.12% |
| 1979 | 29,752 | -8.03% | \$8.686 | 12.46% |
| 1980 | 33,188 | 11.55% | \$9.673 | 11.37% |
| 1981 | 27,768 | -16.33% | \$10.065 | 4.04% |
| 1982 | 28,609 | 3.03% | \$9.650 | -4.12% |
| 1983 | 32,848 | 14.82% | \$9.464 | -1.92% |
| 1984 | 33,187 | 1.03% | \$8.326 | -12.03% |
| 1985 | 33,648 | 1.39% | \$8.147 | -2.15% |
| 1986 | 34,053 | 1.20% | \$7.347 | -9.82% |
| 1987 | 37,678 | 10.64% | \$7.209 | -1.88% |
| 1988 | 34,469 | -8.52% | \$7.484 | 3.82% |
| 1989 | 34,984 | 1.49% | \$7.913 | 5.73% |
| 1990 | 35,325 | 0.98% | \$7.415 | -6.29% |
| 1991 | 36,248 | 2.61% | \$8.014 | 8.08% |
| 1992 | 32,911 | -9.21% | \$7.597 | -5.20% |
| 1993 | 37,670 | 14.46% | \$7.430 | -2.20% |
| 1994 | 36,009 | -7.06% | \$7.539 | 1.46% |
| 1995 | 32,617 | -6.83% | \$7.444 | -1.26% |
| 1996 | 33,266 | 1.99% | \$6.001 | -19.38% |
| 1997 | 35,945 | 8.06% | \$6.467 | 7.77% |
| 1998 | 35,039 | -2.52% | \$6.588 | 1.87% |
| 1999 | 31,784 | -9.29% | \$6.267 | -4.88% |
| 2000 | 32,961 | 3.70% | \$6.461 | 3.09% |
| 2001 | 31,981 | -2.97% | \$6.583 | 1.90% |
| 2002 | 30,802 | -3.69% | \$7.241 | 1.48% |
| 2003 | 33,421 | 8.50% | \$6.889 | -4.86% |
| 2004 | 33,632 | 0.63% | \$6.889 | -4.86% |
| Average | 32,700 | | \$7.328 | |

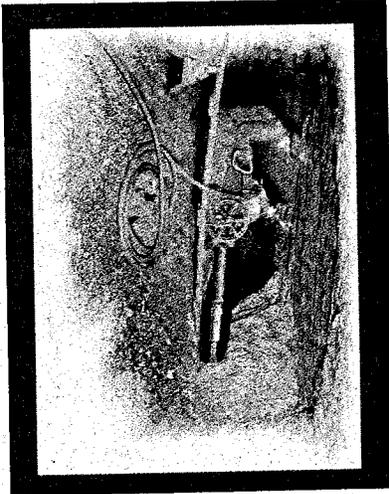
* Education FWP, Arts, Permanent, Treasurer Regional Water, Big Sky, Education FWP, Arts, Regional Water, Big Sky, Education FWP, Arts

Permanent trusts are: Permanent, Treasurer State Endowment, Treasurer State Endowment Regional Water, Big Sky, Education FWP, Arts, Regional Water, Big Sky, Education FWP, Arts

Taxes in Brief...



November 2006 Fiscal Pocket Guide



Revenue Description:

For large producers, the coal severance tax is imposed on all coal production in excess of 20,000 tons per company per calendar year. However, producers of 50,000 tons or less in any calendar year are exempt from the tax.



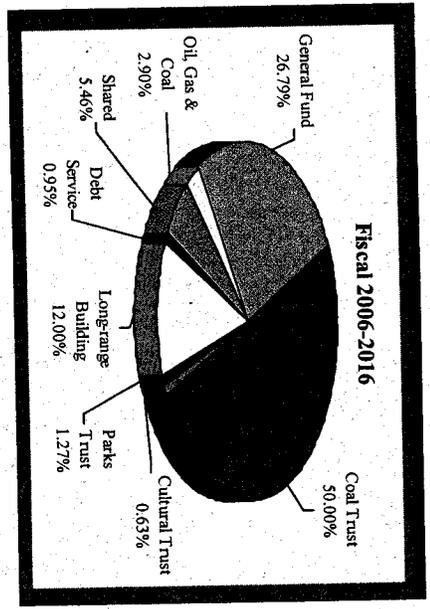
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Statutory Reference:

Tax Rate (MCA) - 15-35-103
Tax Distribution (MCA) - Montana Constitution, Article IX, Section 5; 15-35-108
Date Due - the report to the Department of Revenue and tax is due 30 days following the close of the quarter (15-35-104)

Applicable Tax Rate(s):

10.0% - on the value of coal with a heating quality < 7,000 BTU
15.0% - on the value of coal with a heating quality > 7,000 BTU



Distribution: (percentage)

| Account Name | Fiscal 1998 - 1999 | Fiscal 2000 - 2002 | Fiscal 2003 | Fiscal 2004 - 2005 | Fiscal 2006 - 2016 |
|-------------------------------|--------------------|--------------------|-------------|--------------------|--------------------|
| Permanent Trust | 25.00 | 0.00 | 0.00 | 12.50 | 0.00 |
| Treasure State Endowment | 25.00 | 37.50 | 37.50 | 25.00 | 25.00 |
| TSEP Regional Water | 0.00 | 12.50 | 12.50 | 12.50 | 12.50 |
| Big Sky Economic Development | 0.00 | 0.00 | 0.00 | 27.40 | 26.79 |
| General Fund | 25.25 | 26.79 | 33.04 | 12.00 | 12.00 |
| LRBP - Cash Account | 12.00 | 12.00 | 10.00 | 0.00 | 0.00 |
| LRBP - Debt Service | 1.30 | 0.00 | 0.00 | 1.27 | 1.27 |
| Park Acquisition Trust | 1.27 | 1.27 | 0.00 | 0.63 | 0.63 |
| Cultural Trust | 0.00 | 0.63 | 0.00 | 0.00 | 0.00 |
| Cultural & Aesthetic Projects | 0.87 | 0.00 | 0.00 | 0.95 | 0.95 |
| Water Development | 0.95 | 0.95 | 0.95 | 0.00 | 2.90 |
| Oil, Gas & Coal Natural Res. | 0.00 | 0.00 | 0.00 | 7.75 | 5.46 |
| Shared Account * | 8.36 | 8.36 | 6.01 | | |

* Used for Growth Through Agriculture, State Library, Conservation Districts, Coal Board (before FY 2006), and County Land Planning (before FY 2004).

Collection Frequency:

Quarterly: The coal severance tax is due 30 days after the end of the quarter.

% of Total General Fund Revenue:

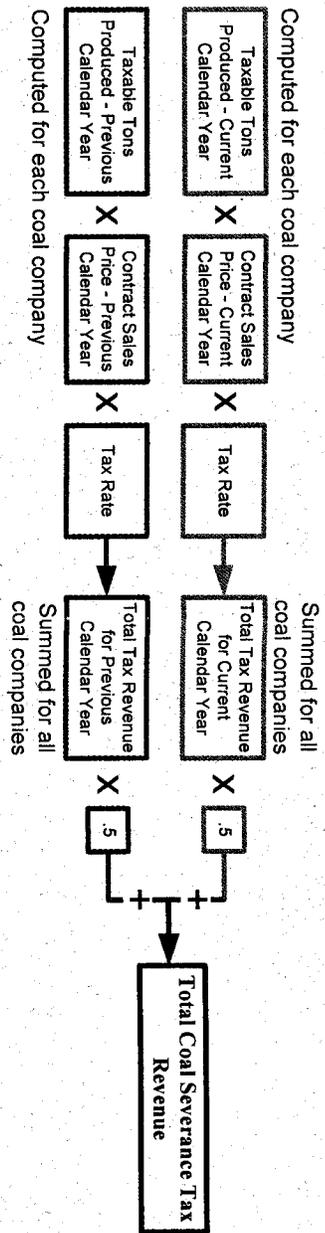
- FY 2004 - 0.63%
- FY 2005 - 0.67%
- FY 2006 - 0.56%

Revenue Estimate Methodology:

The coal severance tax is applied to the value of coal produced. The coal severance tax estimate is developed by estimating the annual contract sales price and production for each producing coal company and any company anticipated to be producing within the 3-year period in question. From these estimates, taxable value can be determined to which is applied the tax rate. Since all production and price information is reported on a calendar year basis, the resulting calendar year estimates are converted into fiscal year estimates.



Forecast Methodology:



Data

Major coal companies are surveyed for anticipated production levels and general indications of coal prices. In addition, a review is performed of historical trends and current literature on coal prices. Data from quarterly reports produced by DOR provide a history of production and prices for individual coal companies. These companies are:

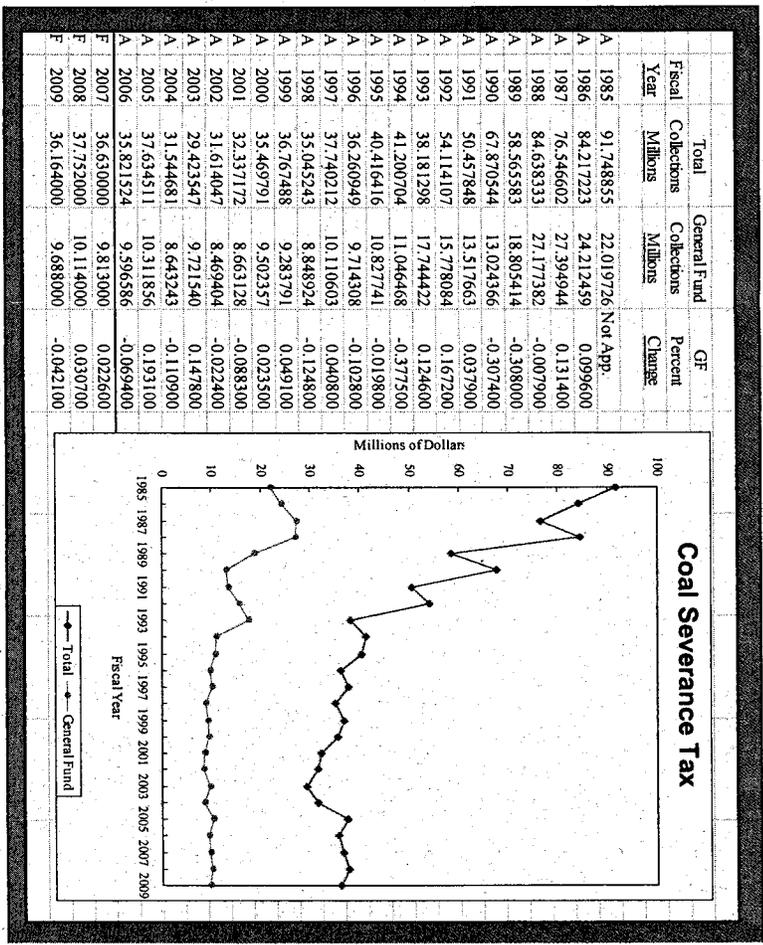
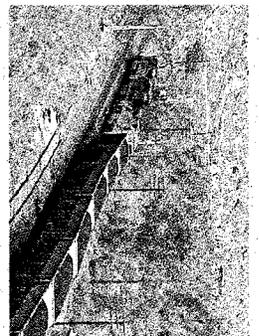
- Decker Coal Company
- Spring Creek Coal Company
- Western Energy Company
- Westmoreland Savage Corporation

Analysis

The taxable value of coal is determined in a three-step process:

- The future coal production for each company, as reported on the survey, is reduced by the exempt amount of 20,000 tons to get taxable tons.
- To determine the future price for each company's coal, the company's average contract sales price for the last year was used since prices have remained stable for several years. The average contract sales price for all companies is shown in the figure below.

- The estimated production and price for each company are multiplied together and the product for all companies summed to obtain the total taxable value.



- The taxable value is multiplied by the applicable tax rate (10 or 15 percent) to determine total coal severance tax revenue. At this point the total represents estimates for calendar years. To convert the estimates to a fiscal year basis, half the previous calendar year's estimate is added to the half of the current calendar year's estimate.



LFD Mission Statement

We are committed to enhancing the legislative process through understandable and objective fiscal policy analysis and information.