



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill # HB0533

Title: Increase coal board funding

Primary Sponsor: Ankney, Duane

Status: As Amended in Conference Committee

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$2,680,392	\$2,567,644	\$2,651,282	\$2,687,989
Revenue:				
General Fund	(\$2,680,392)	(\$2,567,644)	(\$2,651,282)	(\$2,687,989)
State Special Revenue	\$2,680,392	\$2,567,644	\$2,651,282	\$2,687,989
Net Impact-General Fund Balance:	<u>(\$2,680,392)</u>	<u>(\$2,567,644)</u>	<u>(\$2,651,282)</u>	<u>(\$2,687,989)</u>

Description of fiscal impact: This bill, as amended in Conference Committee, increases the coal severance tax allocation to the oil, gas, and coal natural resource account from 2.9% to 10%, and decreases the percentage credited to the state general fund from 26.79% to 19.69%.

FISCAL ANALYSIS

Assumptions:

- Section one of this bill would amend 15-35-108, MCA. Subsection (7) would be amended to increase the percent of coal severance tax revenue that is credited to the oil, gas, and coal natural resource account from 2.9% to 10%, a percentage increase of 7.1%. The of coal severance tax revenue that is credited to the state general fund will be reduced by -7.1%, going from 26.79% to 19.69% of total coal severance tax revenue. The following table compares the allocation of coal severance tax revenue under current law and the allocation with HB 533.

Coal Severance Tax Revenue Allocation by Fund			
Account	Current Law	HB 533	Difference
Coal Tax Trust Fund	50.00%	50.00%	0.00%
Long Range Building Program Account	12.00%	12.00%	0.00%
Local Impacts (Shared Account)	5.46%	5.46%	0.00%
Oil, Gas, and Coal Natural Resource Account	2.90%	10.00%	7.10%
Parks Trust Fund	1.27%	1.27%	0.00%
Renewable Resource Loan Debt Service Fund	0.95%	0.95%	0.00%
Capitol Art Protection Trust Fund	0.63%	0.63%	0.00%
General Fund	26.79%	19.69%	-7.10%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>0.00%</u>

2. Section two of this bill makes this bill effective on July 1, 2007. For purposes of this fiscal note it is assumed that the change would apply to taxes associated with coal produced after July 1, 2007.
3. Estimates of coal severance tax revenue are from the HJR 2 for FY 2008 and FY 2009 and the OBPP forecast for FY 2010 and FY 2011. Total coal severance tax revenue is projected to be \$37.752 million in FY 2008, \$36.164 million in FY 2009, \$37.342 million for FY 2010, and \$37.859 million for FY 2011.
4. The increase in revenue to the oil, gas, and coal natural resource account and the decrease in the state general fund were estimated by multiplying the forecast of total coal severance tax revenue by the 13.1% change. The revenue change is estimated to be \$2,680,392 (\$37.752 million x 7.10%) in FY 2008, \$2,567,644 (\$36.164 million x 7.10%) in FY 2009, \$2,651,282 (\$37.342 million x 7.10%) in FY 2010, and \$2,687,989 (\$37.859 million x 7.10%) in FY 2011.
5. The proposed funding increase will likely generate a corresponding increase in the number of grant applications that would be submitted, as well as the number of projects that would be funded and administered by the Department.
6. The increased allocations proposed in the bill would require the Department to enlarge the administrative staff that serves the Coal Board. It is assumed that an increase of 0.50 FTE would be sufficient to meet the increased workload. For the 0.50 new FTE, the estimated personal services costs are \$27,318 in FY 2008, \$27,348 in FY 2009, \$28,032 in FY 2010, and \$28,732 in FY 2011.
7. An increase in the Department’s operating expenses is assumed with the addition of 0.50 FTE. Staff would be expected to attend Board meetings and, in monitoring the grant awards and contracts, staff would periodically visit project sites. The estimated operating expenses associated with 0.50 new FTE is \$9,825 in FY 2008, \$9,760 in FY 2009, \$10,004 in FY 2010, and \$10,254 in FY 2011.

FTE	0.50	0.50	0.50	0.50
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Expenditures:

Personal Services	\$27,318	\$27,348	\$28,032	\$28,732
Operating Expenses	\$9,825	\$9,760	\$10,004	\$10,254
Grants	\$2,643,249	\$2,530,536	\$2,613,246	\$2,649,003
TOTAL Expenditures	<u>\$2,680,392</u>	<u>\$2,567,644</u>	<u>\$2,651,282</u>	<u>\$2,687,989</u>

Funding of Expenditures:

General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$2,680,392	\$2,567,644	\$2,651,282	\$2,687,989
TOTAL Funding of Exp.	<u>\$2,680,392</u>	<u>\$2,567,644</u>	<u>\$2,651,282</u>	<u>\$2,687,989</u>

Revenues:

General Fund (01)	(\$2,680,392)	(\$2,567,644)	(\$2,651,282)	(\$2,687,989)
State Special Revenue (02)	\$2,680,392	\$2,567,644	\$2,651,282	\$2,687,989
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$2,680,392)	(\$2,567,644)	(\$2,651,282)	(\$2,687,989)
State Special Revenue (02)	\$0	\$0	\$0	\$0

Effect on County or Other Local Revenues or Expenditures:

1. HB 533 will provide an additional estimate of \$2.6 million annually in grants for impacts in areas impacted by coal mining.

Sponsor's Initials

Date

Budget Director's Initials

Date