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Coal Severance Tax: Coal Severance Tax Trust Funds: Current & Historical Perspectives

A Presentation to the
Montana Legislature
By

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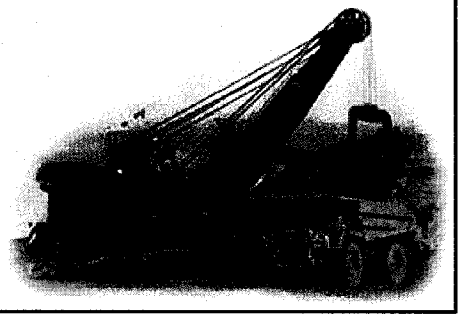
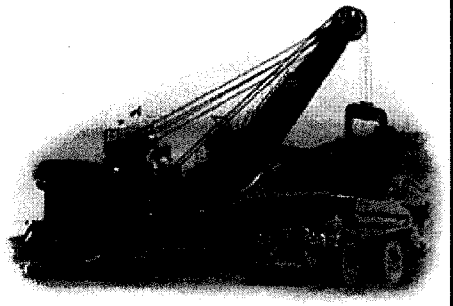


Introduction

- Coal Severance Tax Facts
- Historical Information
- Coal Severance Tax Distributions
- Tax Revenue & Investment Earnings
- Distribution of Trust Earnings
- Permanent Trust Fund Balance
- Permanent Trust Fund Investments

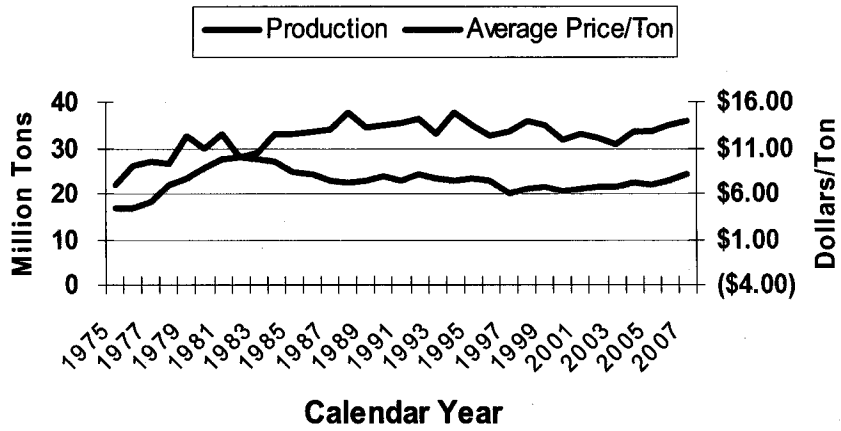
Coal Severance Tax Facts

- Tax Enacted - 1975
- Tax Rates - 10% on CSP if BTU < 7,000
  (3% if underground)
  - 15% on CSP if BTU >= 7,000
  (4% if underground)
- Deductions - 20,000 tons/CY/producer
  - if < 50,000 tons no tax
- Major Producers - 5
- Cumulative Statistics – FY 1975-2008
  - Taxable Tons - 1.099 billion
  - Tax Revenue - $1.685 billion
  - Interest Earnings - $1.206 billion



Production & Price

Coal Production & Price

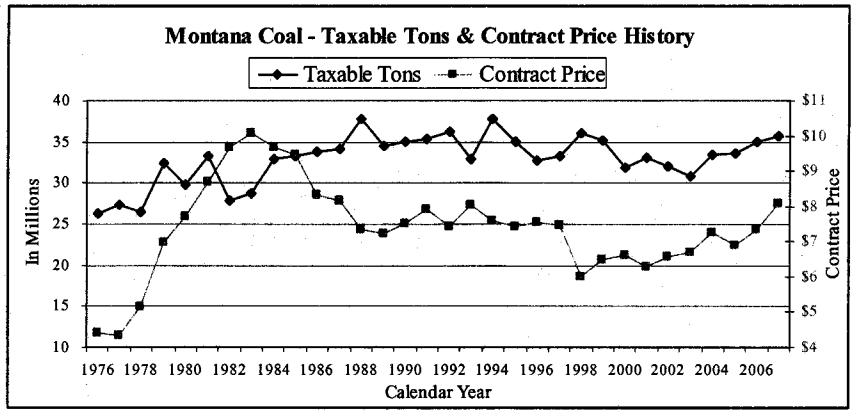


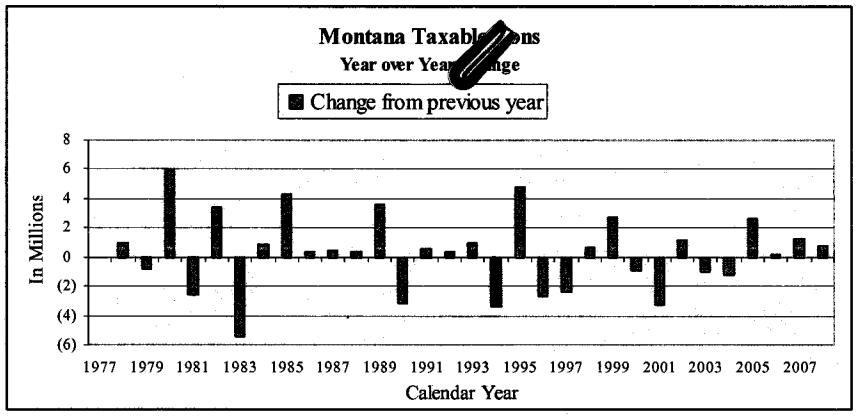
Coal Production and Price

Calendar Year	Taxable Coal Production Million Tons	Percent Change	Coal Price CSP	Percent Change
1975	22.076		$4.415	
1976	26.226	18.80%	$4.344	-1.60%
1977	27.205	3.73%	$5.154	18.63%
1978	26.418	-2.89%	$6.951	34.87%
1979	32.350	22.45%	$7.724	11.12%
1980	29.752	-8.03%	$8.686	12.46%
1981	33.188	11.55%	$9.673	11.37%
1982	27.768	-16.33%	$10.065	4.04%
1983	28.609	3.03%	$9.650	-4.12%
1984	32.848	14.82%	$9.464	-1.92%
1985	33.187	1.03%	$8.326	-12.03%
1986	33.648	1.39%	$8.147	-2.15%
1987	34.053	1.20%	$7.347	-9.82%
1988	37.678	10.64%	$7.209	-1.88%
1989	34.469	-8.52%	$7.484	3.82%
1990	34.984	1.49%	$7.913	5.73%
1991	35.325	0.98%	$7.415	-6.29%
1992	36.248	2.61%	$8.014	8.08%
1993	32.911	-9.21%	$7.597	-5.20%
1994	37.670	14.46%	$7.430	-2.20%
1995	35.009	-7.06%	$7.539	1.46%
1996	32.617	-6.83%	$7.444	-1.26%
1997	33.266	1.99%	$6.001	-19.38%
1998	35.945	8.06%	$6.467	7.77%
1999	35.039	-2.52%	$6.588	1.87%
2000	31.784	-9.29%	$6.267	-4.88%
2001	32.961	3.70%	$6.461	3.09%
2002	31.981	-2.97%	$6.583	1.90%
2003	30.802	-3.69%	$6.681	1.48%
2004	33.421	8.50%	$7.241	8.38%
2005	33.632	0.63%	$6.889	-4.86%
2006	34.904	3.78%	$7.339	6.54%
2007	35.638	2.10%	$8.086	10.17%
Average	32.534		$7.351	

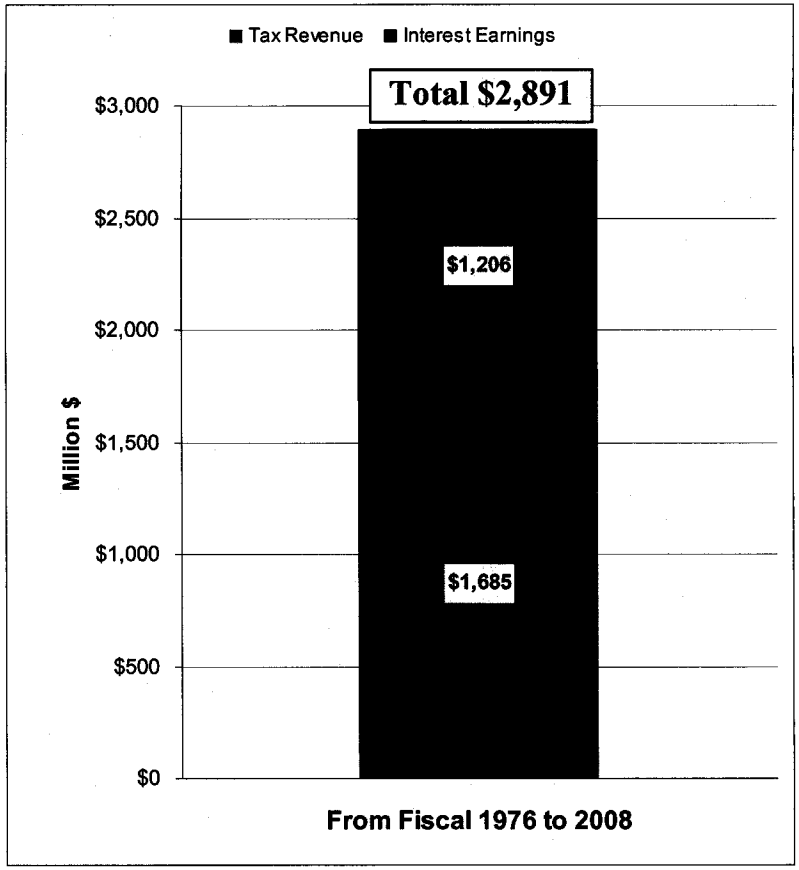
CSP = Contract sales price

	Fiscal		Calendar		Tons
	Taxable	Contract	Taxable	Contract	Change
Year	Tons	Price	Tons	Price	Calendar
1976	24.416	$4.32	26.226	$4.41	
1977	27.375	4.37	27.205	4.34	0.979
1978	26.379	4.53	26.418	5.15	(0.787)
1979	27.809	6.06	32.350	6.95	5.932
1980	31.949	7.50	29.752	7.72	(2.598)
1981	32.675	8.11	33.188	8.69	3.436
1982	30.045	9.23	27.768	9.67	(5.420)
1983	27.211	10.07	28.609	10.06	0.841
1984	30.122	9.81	32.848	9.65	4.239
1985	34.925	9.60	33.187	9.46	0.340
1986	31.670	9.05	33.648	8.33	0.461
1987	32.667	7.95	34.053	8.15	0.405
1988	38.866	7.99	37.678	7.35	3.624
1989	35.112	7.01	34.469	7.21	(3.209)
1990	35.141	7.42	34.984	7.48	0.515
1991	34.608	7.65	35.325	7.91	0.341
1992	35.671	7.64	36.248	7.42	0.923
1993	34.770	7.66	32.911	8.01	(3.337)
1994	35.443	7.92	37.670	7.60	4.759
1995	37.140	7.43	35.009	7.43	(2.661)
1996	32.677	7.51	32.617	7.54	(2.392)
1997	33.158	7.49	33.266	7.44	0.649
1998	35.501	6.78	35.945	6.00	2.680
1999	34.686	6.07	35.039	6.47	(0.907)
2000	33.593	6.75	31.784	6.59	(3.255)
2001	32.318	6.23	32.961	6.27	1.177
2002	33.149	6.38	31.981	6.58	(0.980)
2003	30.246	6.49	30.802	6.68	(1.179)
2004	31.834	7.22	33.421	7.24	2.619
2005	34.191	6.99	33.632	6.89	0.211
2006	34.107	7.01	34.904	7.34	1.272
2007	34.611	7.81	35.638	8.09	0.734
2008	37.404	8.13	NA	NA	NA

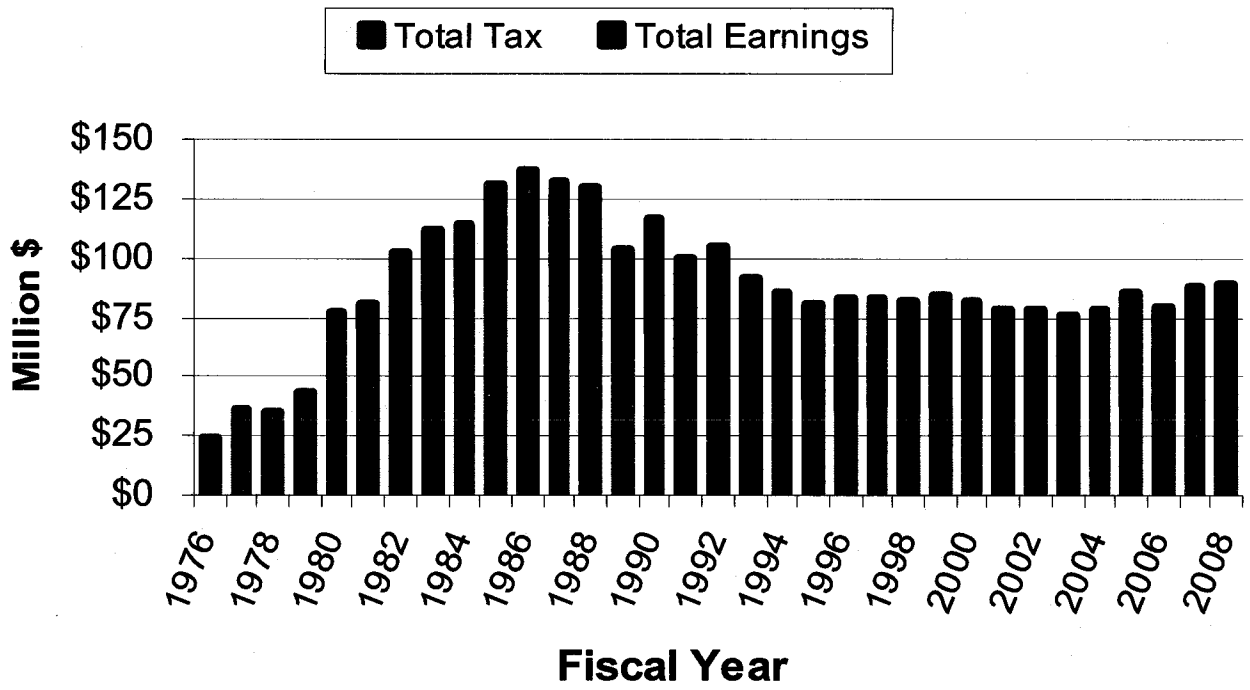




Cumulative Coal Severance Tax Impacts
Tax Collections & Interest Earnings



Coal Trusts* Earnings and Severance Tax Revenue Collections



* Education, FWP, Arts, Permanent, Treasure State Endowment, Treasure State Endowment Regional Water, Big Sky Econ. Development

Coal Severance Tax and Interest (Millions)

Fiscal Year	Severance Revenue	Interest Revenue	Total
1976	$23.965		$23.965
1977	35.906	$0.067	35.973
1978	34.372	0.517	34.889
1979	42.689	0.767	43.456
1980	75.125	1.117	76.242
1981	70.415	9.650	80.065
1982	86.187	15.892	102.078
1983	80.045	31.611	111.656
1984	82.823	30.786	113.610
1985	91.749	38.859	130.608
1986	84.217	52.187	136.404
1987	76.547	55.714	132.261
1988	84.638	44.520	129.159
1989	58.566	44.887	103.453
1990	67.871	48.570	116.441
1991	50.458	49.043	99.501
1992	54.114	49.777	103.891
1993	38.181	53.175	91.356
1994	41.201	44.199	85.400
1995	40.416	40.121	80.538
1996	36.261	46.070	82.331
1997	37.740	44.513	82.253
1998	35.045	46.241	81.287
1999	36.767	46.953	83.721
2000	35.470	45.566	81.036
2001	32.337	45.200	77.538
2002	31.614	46.465	78.079
2003	29.424	45.796	75.220
2004	31.545	45.924	77.469
2005	37.635	48.048	85.683
2006	35.822	43.285	79.106
2007	40.759	46.669	87.428
2008	45.332	43.634	88.966
Total	$1,685.235	$1,205.823	$2,891.057

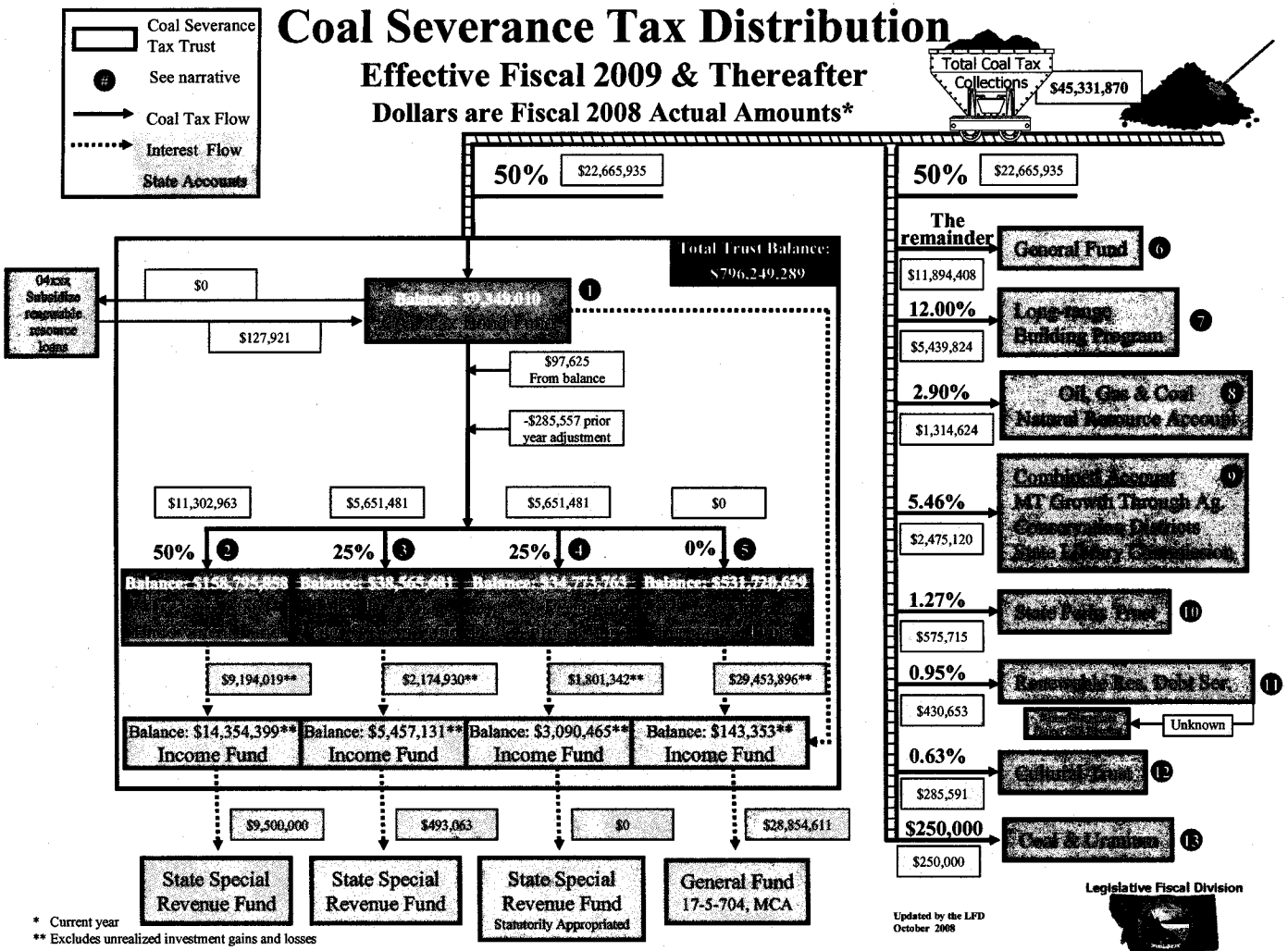
Coal Severance Tax Percentage Allocations

Fiscal 2007		Fiscal 2008 & After
50.00%	Coal Severance Tax Trust	50.00%
26.79%	General Fund	The Remainder
12.00%	Long-range Building Program	12.00%
5.46%	Montana Growth Through Agriculture Conservation Districts State Library Commission	5.46%
2.90%	Oil, Gas & Coal Natural Resources	2.90%
1.27%	State Parks Trust	1.27%
0.95%	Renewable Resource Debt Service Fund	0.95%
0.63%	Cultural Trust	0.63%
	Coal & Uranium	$250,000

Coal Severance Tax Distribution

Effective Fiscal 2009 & Thereafter

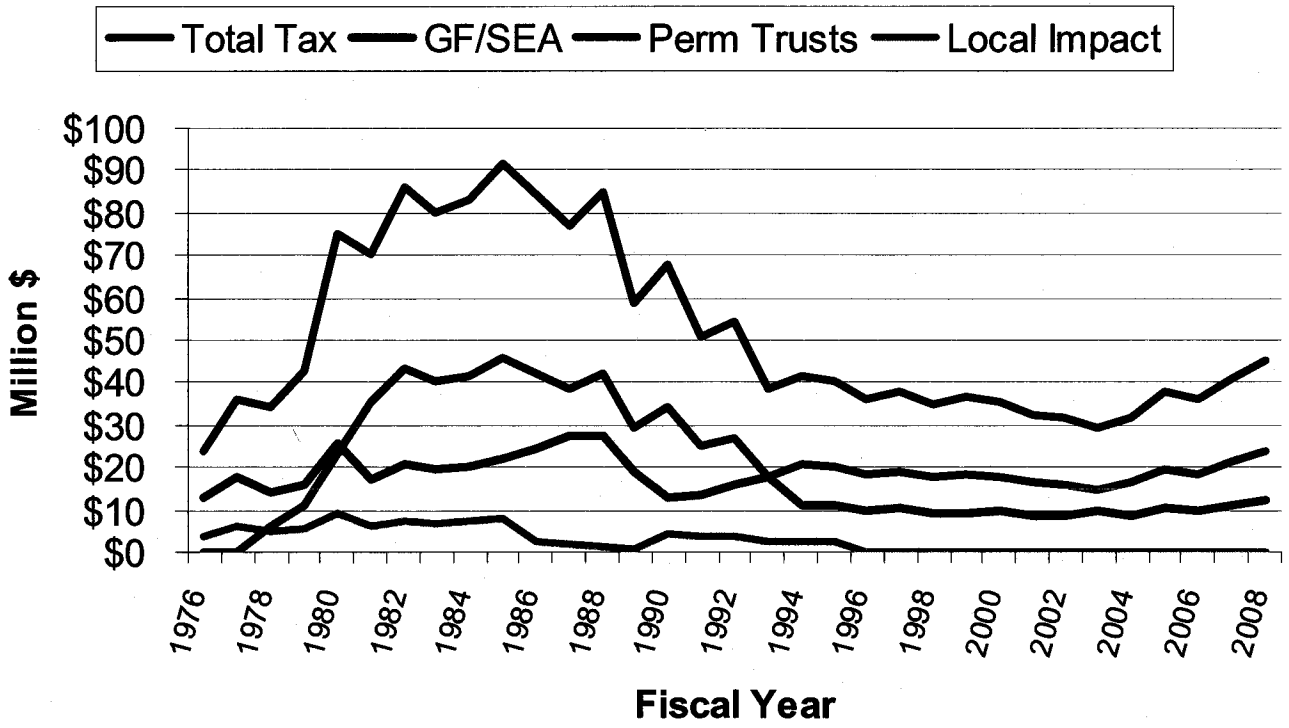
Dollars are Fiscal 2008 Actual Amounts*



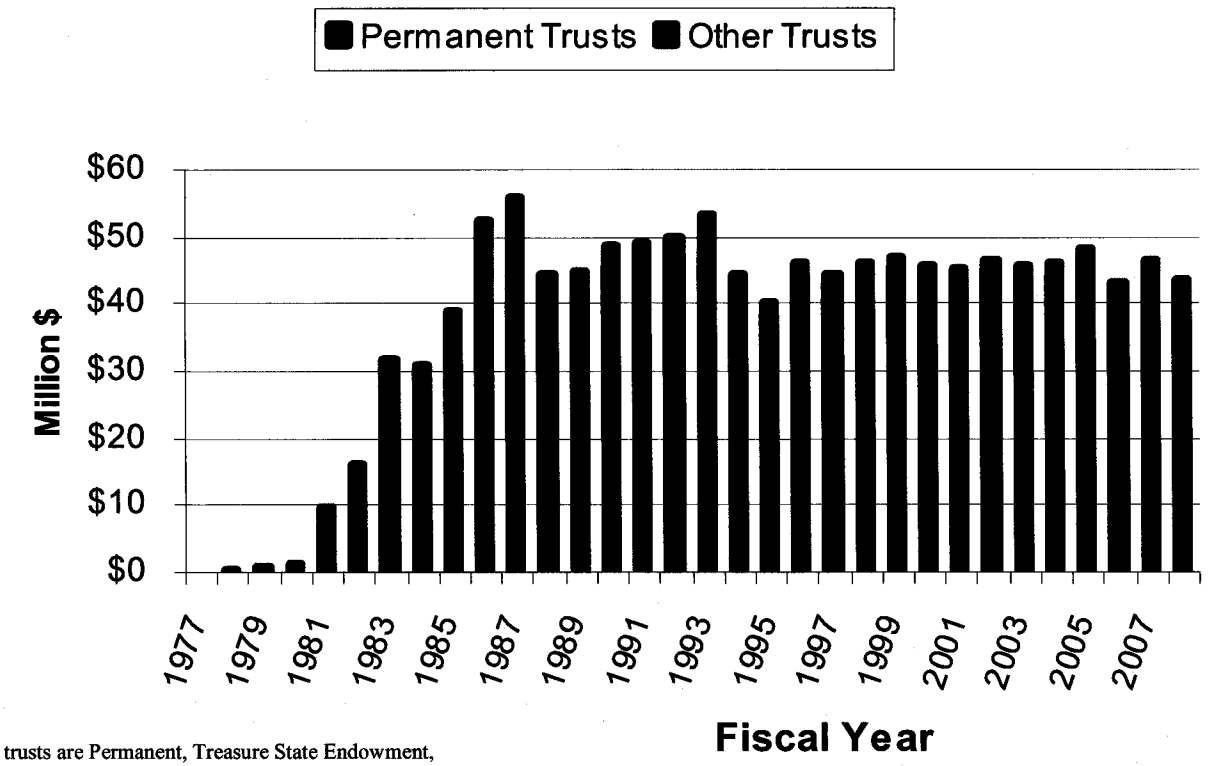
* Current year

** Excludes unrealized investment gains and losses

Coal Severance Tax Revenue

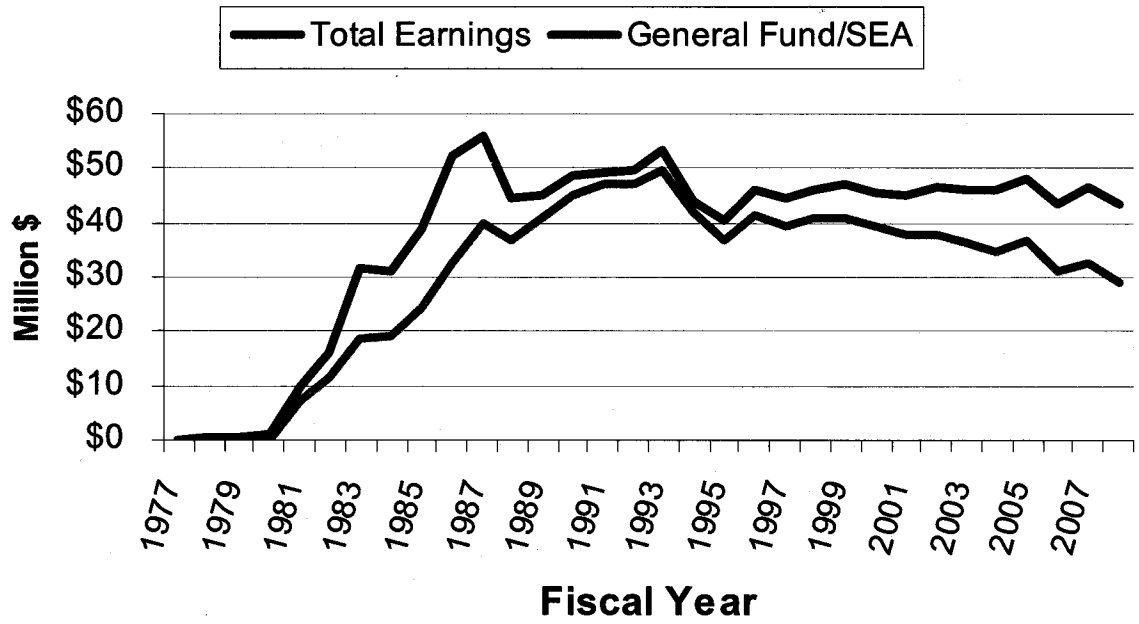


Source of Coal Trusts Earnings



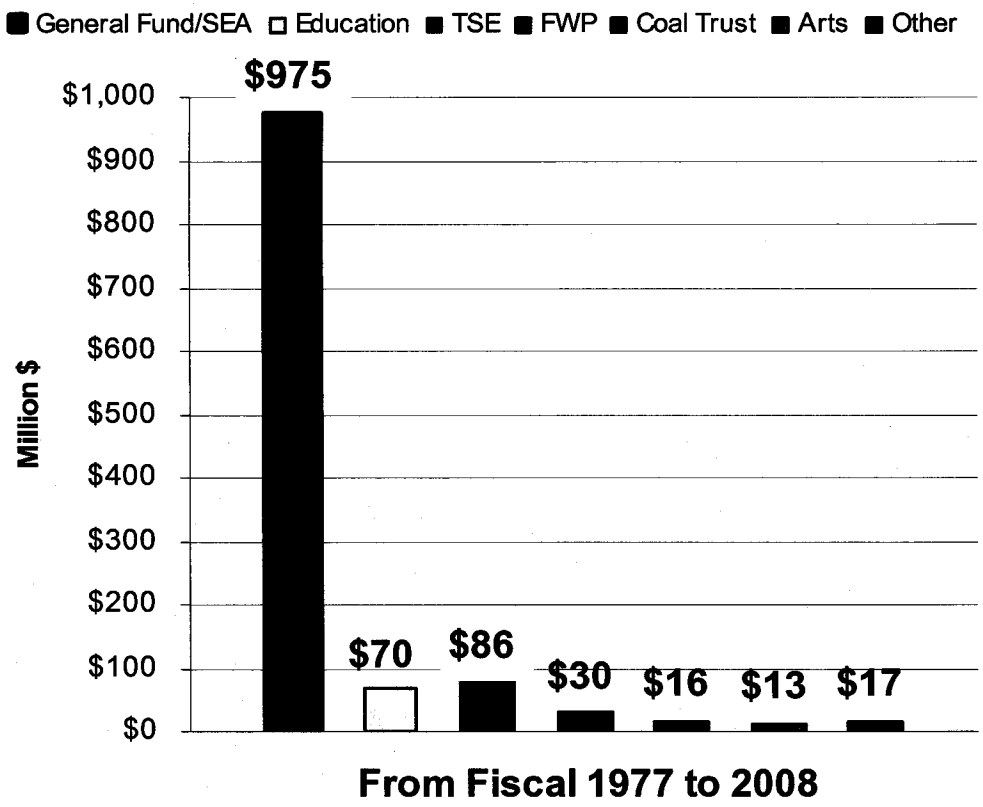
* Note: Permanent trusts are Permanent, Treasure State Endowment, Treasure State Endowment Regional Water, Big Sky Econ. Development. Other trust are Education, FWP, Arts

Distribution of Coal Trusts* Earnings

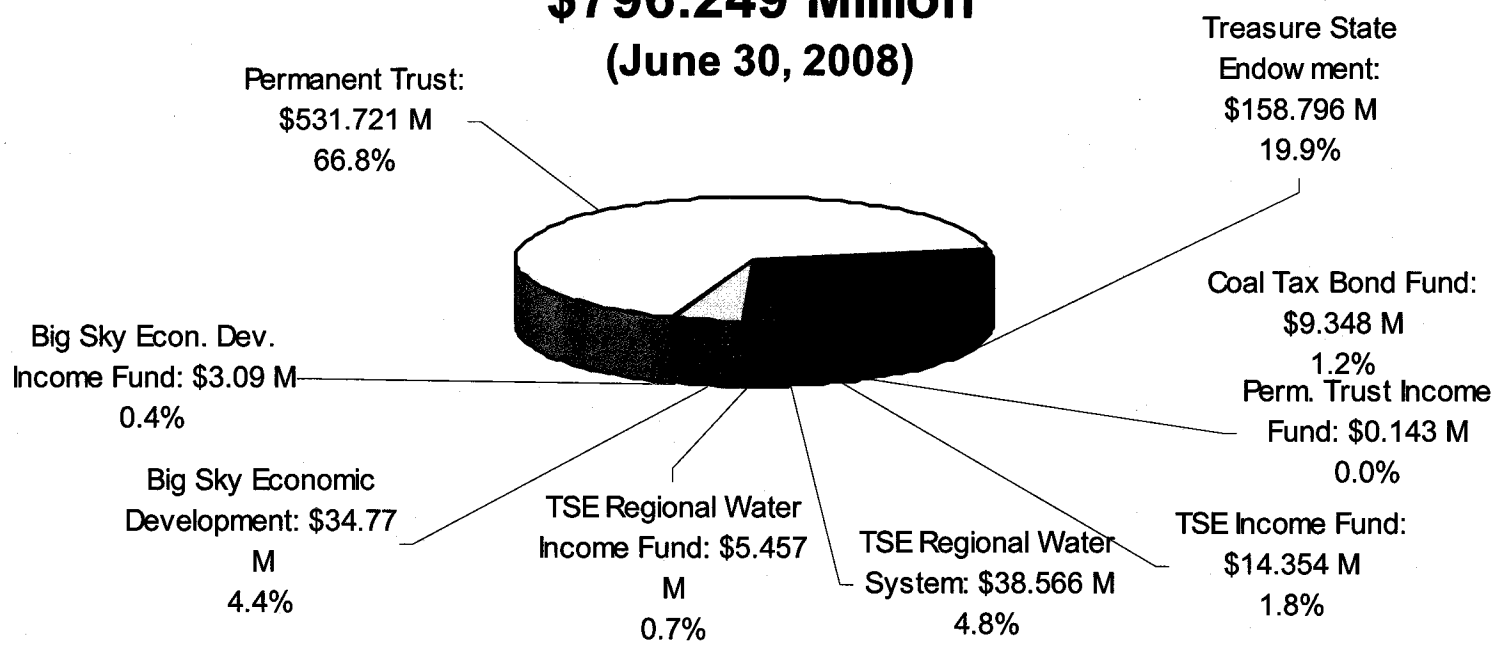


* Education, FWP, Arts, Permanent, Treasure State Endowment, Treasure State Endowment Regional Water, Big Sky Econ. Dev.

Distribution of Coal Trusts Earnings

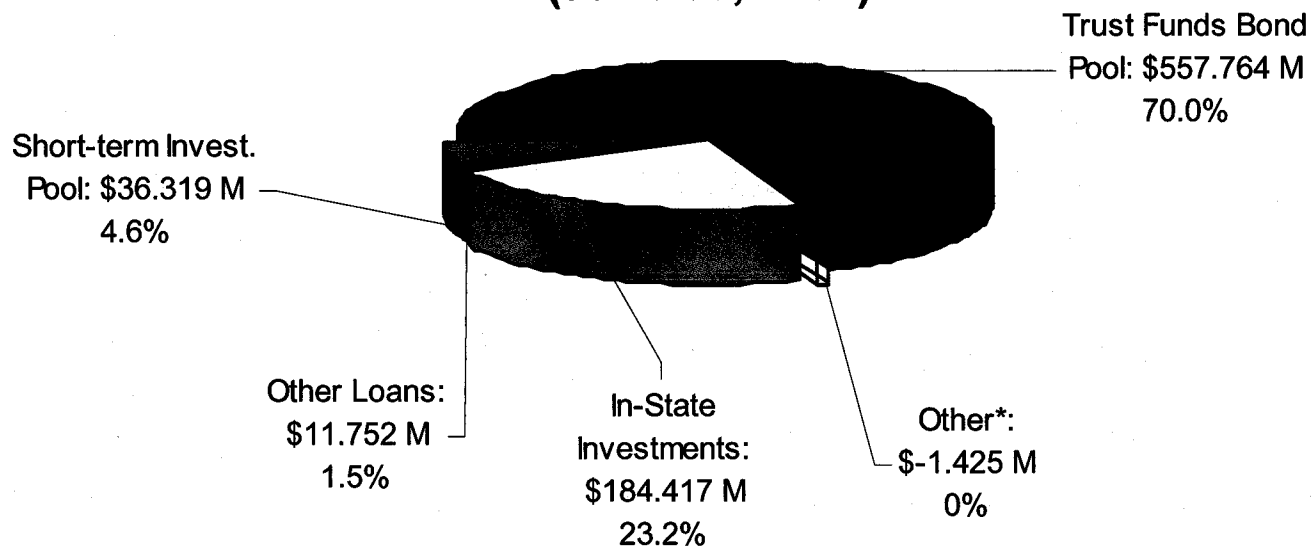


Coal Severance Tax Trust Fund Balance
$796.249 Million
(June 30, 2008)



Coal Severance Tax Trust Fund Investments - $796.249 Million

(June 30, 2008)



* Receivables, payables